

UNITED BANKSHARES INC/WV
Form 10-Q
May 12, 2014
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FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from to

Commission File Number: 0-13322

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

West Virginia
(State or other jurisdiction of
incorporation or organization)

55-0641179
(I.R.S. Employer
Identification No.)

300 United Center
500 Virginia Street, East
Charleston, West Virginia
(Address of principal executive offices)

25301
Zip Code

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Registrant's telephone number, including area code: (304) 424-8704

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). **Yes** **No**

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

Class - Common Stock, \$2.50 Par Value; **69,075,626** shares outstanding as of **April 30, 2014**.

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The March 31, 2014 and December 31, 2013, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries (United or the Company), consolidated statements of income, comprehensive income, consolidated statement of changes in shareholders equity and the condensed consolidated statements of cash flows for the three months ended March 31, 2014 and 2013, and the notes to consolidated financial statements appear on the following pages.

Table of Contents**CONSOLIDATED BALANCE SHEETS****UNITED BANKSHARES, INC. AND SUBSIDIARIES****(Dollars in thousands, except par value)**

	March 31 2014 (Unaudited)	December 31 2013 (Note 1)
Assets		
Cash and due from banks	\$ 196,360	\$ 134,808
Interest-bearing deposits with other banks	382,287	281,090
Federal funds sold	720	719
Total cash and cash equivalents	579,367	416,617
Securities available for sale at estimated fair value (amortized cost-\$1,266,026 at March 31, 2014 and \$813,049 at December 31, 2013)	1,241,176	775,284
Securities held to maturity (estimated fair value-\$38,223 at March 31, 2014 and \$38,293 at December 31, 2013)	40,756	40,965
Other investment securities	84,649	73,093
Loans held for sale	3,565	4,236
Loans	8,781,347	6,713,599
Less: Unearned income	(13,021)	(9,016)
Loans net of unearned income	8,768,326	6,704,583
Less: Allowance for loan losses	(74,338)	(74,198)
Net loans	8,693,988	6,630,385
Bank premises and equipment	78,016	69,897
Goodwill	709,290	375,547
Accrued interest receivable	35,996	26,666
Other assets	419,517	322,634
TOTAL ASSETS	\$ 11,886,320	\$ 8,735,324
Liabilities		
Deposits:		
Noninterest-bearing	\$ 2,357,188	\$ 1,874,520
Interest-bearing	6,224,720	4,747,051
Total deposits	8,581,908	6,621,571
Borrowings:		
Federal funds purchased	26,000	27,685
Securities sold under agreements to repurchase	581,357	188,069
Federal Home Loan Bank borrowings	756,404	592,069
Other long-term borrowings	249,420	198,628
Reserve for lending-related commitments	2,126	2,143
Accrued expenses and other liabilities	72,982	63,427
TOTAL LIABILITIES	10,270,197	7,693,592
Shareholders Equity		
Preferred stock, \$1.00 par value; Authorized-50,000,000 shares, none issued	172,995	127,169

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Common stock, \$2.50 par value; Authorized-100,000,000 shares; issued-69,197,977 and 50,867,630 at March 31, 2014 and December 31, 2013, respectively, including 142,820 and 437,363 shares in treasury at March 31, 2014 and December 31, 2013, respectively		
Surplus	739,398	237,674
Retained earnings	742,984	734,945
Accumulated other comprehensive loss	(34,342)	(43,047)
Treasury stock, at cost	(4,912)	(15,009)
TOTAL SHAREHOLDERS EQUITY	1,616,123	1,041,732
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 11,886,320	\$ 8,735,324

See notes to consolidated unaudited financial statements.

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

(Dollars in thousands, except per share data)

	Three Months Ended March 31	
	2014	2013
Interest income		
Interest and fees on loans	\$ 87,614	\$ 71,823
Interest on federal funds sold and other short-term investments	167	129
Interest and dividends on securities:		
Taxable	6,529	3,612
Tax-exempt	854	761
Total interest income	95,164	76,325
Interest expense		
Interest on deposits	6,401	6,977
Interest on short-term borrowings	353	200
Interest on long-term borrowings	3,108	2,326
Total interest expense	9,862	9,503
Net interest income	85,302	66,822
Provision for loan losses	4,679	5,187
Net interest income after provision for loan losses	80,623	61,635
Other income		
Fees from trust and brokerage services	4,593	3,830
Fees from deposit services	9,559	9,624
Bankcard fees and merchant discounts	746	797
Other service charges, commissions, and fees	427	561
Income from bank-owned life insurance	1,251	2,389
Income from mortgage banking	259	965
Net gain on the sale of bank premises	8,976	0
Other income	524	876
Total other-than-temporary impairments	1,046	422
Portion of loss recognized in other comprehensive income	(1,685)	(1,256)
Net other-than-temporary impairment losses	(639)	(834)
Net gains on sales/calls of investment securities	824	140
Net investment securities gains (losses)	185	(694)
Total other income	26,520	18,348
Other expense		
Employee compensation	25,007	16,604
Employee benefits	5,624	5,993
Net occupancy expense	6,435	5,191
Other real estate owned (OREO) expense	2,113	1,270

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Equipment expense	1,901	1,699
Data processing expense	3,237	2,731
Bankcard processing expense	324	326
FDIC insurance expense	1,507	1,559
Other expense	15,011	12,876
Total other expense	61,159	48,249
Income before income taxes	45,984	31,734
Income taxes	15,860	10,155
Net income	\$ 30,124	\$ 21,579

Table of Contents**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)****UNITED BANKSHARES, INC. AND SUBSIDIARIES****(Dollars in thousands, except per share data)**

	Three Months Ended March 31	
	2014	2013
Earnings per common share:		
Basic	\$ 0.48	\$ 0.43
Diluted	\$ 0.48	\$ 0.43
Dividends per common share	\$ 0.32	\$ 0.31
Average outstanding shares:		
Basic	62,434,749	50,301,875
Diluted	62,707,328	50,331,503

See notes to consolidated unaudited financial statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Three Months Ended March 31	
	2014	2013
Net income	\$ 30,124	\$ 21,579
Change in net unrealized gain on of available-for-sale (AFS) securities, net of tax	8,395	753
Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (HTM) securities, net of tax	1	1
Change in defined benefit pension plan, net of tax	309	741
Comprehensive income, net of tax	\$ 38,829	\$ 23,074

See notes to consolidated unaudited financial statements

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

(Dollars in thousands, except per share data)

	Three Months Ended March 31, 2014						Total Shareholders Equity
	Common Stock		Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	
	Shares	Par Value					
Balance at January 1, 2014	50,867,630	\$ 127,169	\$ 237,674	\$ 734,945	(\$ 43,047)	(\$ 15,009)	\$ 1,041,732
Comprehensive income:							
Net income	0	0	0	30,124	0	0	30,124
Other comprehensive income, net of tax:	0	0	0	0	8,705	0	8,705
Total comprehensive income, net of tax							38,829
Stock based compensation expense	0	0	490	0	0	0	490
Acquisition of Virginia Commerce Bancorp, Inc. (18,330,347 shares)	18,330,347	45,826	506,436	0	0	0	552,262
Distribution of treasury stock for deferred compensation plan (3,580 shares)	0	0	0	0	0	79	79
Purchase of treasury stock (553 shares)	0	0	0	0	0	(19)	(19)
Cash dividends (\$0.32 per share)	0	0	0	(22,085)	0	0	(22,085)
Grant of restricted stock (66,949 shares)	0	0	(2,305)	0	0	2,305	0
Forfeiture of restricted stock (1,050 shares)	0	0	36	0	0	(36)	0
Common stock options exercised (225,617 shares)	0	0	(2,933)	0	0	7,768	4,835
Balance at March 31, 2014	69,197,977	\$ 172,995	\$ 739,398	\$ 742,984	(\$ 34,342)	(\$ 4,912)	\$ 1,616,123

See notes to consolidated unaudited financial statements

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

(Dollars in thousands)

	Three Months Ended March 31	
	2014	2013
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 35,286	\$ 44,014
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	174	168
Proceeds from sales of securities available for sale	79,153	4,014
Proceeds from maturities and calls of securities available for sale	181,279	171,937
Purchases of securities available for sale	(252,104)	(201,040)
Purchases of bank premises and equipment	(1,739)	(610)
Proceeds from sales of bank premises and equipment	11,414	80
Proceeds from sales and redemptions of other investment securities	28,159	4,414
Purchases of other investment securities	(24,935)	(413)
Acquisition of Virginia Commerce Bancorp, Inc., net of cash paid	97,298	0
Net change in loans	(54,417)	39,724
NET CASH PROVIDED BY INVESTING ACTIVITIES	64,282	18,274
FINANCING ACTIVITIES		
Cash dividends paid	(16,139)	(15,591)
Excess tax benefits from stock-based compensation arrangements	311	15
Acquisition of treasury stock	(1)	(88)
Proceeds from exercise of stock options	3,916	228
Distribution of treasury stock for deferred compensation plan	79	4
Repayment of long-term Federal Home Loan Bank borrowings	(420,665)	(104)
Proceeds from issuance of long-term Federal Home Loan Bank borrowings	525,000	0
Changes in:		
Deposits	(63,653)	(70,104)
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	34,334	(46,078)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	63,182	(131,718)
Increase (Decrease) in cash and cash equivalents	162,750	(69,430)
Cash and cash equivalents at beginning of year	416,617	432,077
Cash and cash equivalents at end of period	\$ 579,367	\$ 362,647

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 (GAAP) and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not contain all of the information and footnotes required by accounting principles generally accepted in the United States. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements presented as of March 31, 2014 and 2013 and for the three-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2013 has been extracted from the audited financial statements included in United s 2013 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 2013 Annual Report of United on Form 10-K. To conform to the 2014 presentation, certain reclassifications have been made to prior period amounts, which had no impact on net income, comprehensive income, or stockholders equity. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim periods have been made. Such adjustments are of a normal and recurring nature.

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

New Accounting Standards

In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. ASU 2014-04 clarifies when banks and similar institutions should reclassify mortgage loans collateralized by residential real estate properties from the loan portfolio to other real estate owned (OREO). An entity can elect either a retrospective or a prospective transition method, and early adoption is permitted. ASU 2014-04 is effective for United on January 1, 2015, and is not expected to have a significant impact on the Company s financial condition or results of operation.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income. ASU 2013-02 is intended to improve the reporting of reclassifications out of accumulated other comprehensive income of various components. ASU 2013-02 requires entities to disclose in a single location, either on the face of financial statement that reports net income or in the notes, the effects of reclassification out of accumulated other comprehensive income (AOCI). For items reclassified out of AOCI and into net income in their entirety, such as realized gains or losses on available-for-sale securities reclassified into net income on sale, entities must disclose the effect on the reclassification on each affected net income item. For AOCI reclassification items that are not reclassified in their entirety into net income, such as actuarial gains or losses amortized into pension cost that may be capitalized into inventory or other assets, entities must provide a cross reference to other required U.S. GAAP disclosures. ASU 2013-02 was effective for United on January 1, 2013 and did not have a significant impact on the Company s financial condition or results of operation.

In February 2013, the FASB issued ASU 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation is Fixed at the Reporting Date. ASU 2013-04 addresses the recognition, measurement and disclosure of certain obligations including debt arrangements, other contractual

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obligations, and settled litigation and judicial ruling. In particular, ASU 2013-04 requires entities to record an obligation resulting from joint and several liability arrangements that are fixed at the reporting date at the greater of the amount that the entity has agreed to pay or the amount the entity expects to pay. The guidance applies retrospectively for obligations that exist at the beginning of an entity's fiscal year of adoption. ASU 2013-04 was effective for United beginning January 1, 2014 and did not have a significant impact on the Company's financial condition or results of operation.

2. MERGERS AND ACQUISITIONS

At the close of business on January 31, 2014 (Acquisition Date), United acquired 100% of the outstanding common stock of Virginia Commerce Bancorp, Inc. (Virginia Commerce), a Virginia corporation headquartered in Arlington, Virginia. The acquisition of Virginia Commerce significantly enhances United's existing footprint in the Washington, D.C. Metropolitan Statistical Area. The results of operations of Virginia Commerce are included in the consolidated results of operations from the date of acquisition.

At consummation, Virginia Commerce had assets of approximately \$2.77 billion, loans of \$2.10 billion and deposits of \$2.02 billion. The transaction was accounted for under the purchase acquisition 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 \$585.53 million, including common stock issued valued at \$547.89 million, stock options exchanged valued at \$4.37 million, \$33.263 million paid in cash to redeem the warrant held by the U.S. Department of the Treasury (the Treasury) issued by Virginia Commerce in connection with the TARP Capital Purchase Program and \$8 thousand paid in cash to holders of Virginia Commerce common stock and restricted stock in lieu of fractional shares of United common stock. The cash was funded by cash on hand. The repurchase price of the warrant was based on its fair market as agreed upon by United and the Treasury. As a result of the repurchase by United, the warrant has been canceled. The number of shares issued in the transaction was 18,330,347, which were valued based on the closing market price of \$29.89 for United's common shares on January 31, 2014. 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 \$335.11 million and \$17.14 million, respectively. The core deposit intangibles are expected to be amortized over ten years. 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 Virginia Commerce acquisition is expected to be deductible for tax purposes. As a result of the merger, United recorded a downward fair value adjustment of \$90.39 million on the loans acquired from Virginia Commerce, a downward fair value adjustment of \$1.71 million on certain other real estate owned properties, a premium on interest-bearing deposits of \$6.01 million, a premium on term securities sold under agreements to repurchase of \$3.70 million and a discount of \$16.38 million on junior subordinated debt securities. The discount and premium amounts are being amortized or accreted on an accelerated basis over each liability's estimated remaining life at the time of acquisition. At March 31, 2014, the premium on the interest-bearing deposits and the securities sold under agreements to repurchase has an estimated remaining life of 1.75 years and 2.33 years, respectively, while the discount on the junior subordinated debt securities has an estimated remaining life of 21.89 years. United assumed approximately \$109 thousand of liabilities to provide severance benefits to terminated employees of Virginia Commerce which has no remaining balance as of March 31, 2014. The estimated fair values of the acquired assets and assumed liabilities, including identifiable intangible assets, are subject to refinement as additional information relative to closing date fair values 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

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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 Virginia Commerce's previously established allowance for loan losses. As a result, standard industry coverage ratios with regard to the allowance for credit losses are less meaningful after the acquisition of Virginia Commerce.

The acquired loans were divided into loans with evidence of credit quality deterioration, which are accounted for under ASC topic 310-30 (acquired impaired) and loans that do not meet this criteria, which are accounted for under ASC topic 310-20 (acquired performing). Acquired impaired loans have experienced a deterioration of credit quality from origination to acquisition for which it is probable that United will be unable to collect all contractually required payments receivable, including both principal and interest. Subsequent decreases in the expected cash flows require United to evaluate the need for additions to the Company's allowance for credit losses. Subsequent improvements in expected cash flows generally result in the recognition of additional interest income over the then remaining lives of the loans.

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

	January 31, 2014
Contractually required principal and interest at acquisition	\$ 2,683,966
Contractual cash flows not expected to be collected	(396,983)
Expected cash flows at acquisition	2,286,983
Interest component of expected cash flows	(274,462)
Basis in acquired loans at acquisition estimated fair value	\$ 2,012,521

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 \$405,109, \$166,874, and \$157,759, respectively.

The consideration paid for Virginia Commerce'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 (18,330,347 shares)	\$ 547,894
Fair value of stock options assumed	4,368
Cash to redeem the Treasury warrant	33,263
Cash for fractional shares	8
Total purchase price	585,533
Identifiable assets:	
Cash and cash equivalents	130,569
Investment securities	476,541
Loans	2,012,521
Premises and equipment	10,786
Core deposit intangibles	17,143
Other assets	106,244
Total identifiable assets	\$ 2,753,804

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Identifiable liabilities:	
Deposits	\$ 2,024,969
Short-term borrowings	263,816
Long-term borrowings	204,335
Other liabilities	10,258
Total identifiable liabilities	2,503,378
Net assets acquired including identifiable intangible assets	250,426
Resulting goodwill	\$ 335,107

The following table provides a reconciliation of goodwill:

Goodwill at December 31, 2013	\$ 375,547
Addition to goodwill from Virginia Commerce acquisition	335,107
Reduction to goodwill for options exercised from previous acquisitions	(22)
Reclassification from goodwill	(1,342)
Goodwill at March 31, 2014	\$ 709,290

The operating results of United for the three months ended March 31, 2014 include operating results of acquired assets and assumed liabilities subsequent to the Acquisition Date. The operations of United's metropolitan Washington D.C. geographic area, which primarily includes the acquired operations of Virginia Commerce, provided approximately \$23.28 million in total revenues, which represents net interest income plus other income, and approximately \$10.09 million in net income from the period from the Acquisition Date to March 31, 2014. These amounts are included in United's consolidated financial statements as of and for the three months ended March 31, 2014. Virginia Commerce's results of operations prior to the Acquisition Date are not included in United's consolidated financial statements.

The following table presents certain unaudited pro forma information for the results of operations for the three months ended March 31, 2014 and 2013, as if the Virginia Commerce merger had occurred on January 1, 2014 and 2013, respectively. These results combine the historical results of Virginia Commerce 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 Virginia Commerce's provision for credit losses for 2014 and 2013 that may not have been necessary had the acquired loans been recorded at fair value as of the beginning of 2014 and 2013. 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.

	Proforma	
	Three Months Ended	
	March 31	
	2014	2013
Total Revenues ⁽¹⁾	\$ 121,290	\$ 116,186
Net Income	22,981	28,889

⁽¹⁾ Represents net interest income plus other income

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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:

	March 31, 2014				
	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	\$ 221,337	\$ 118	\$ 330	\$ 221,125	\$ 0
State and political subdivisions	144,100	1,984	110	145,974	0
Residential mortgage-backed securities					
Agency	522,728	3,498	1,989	524,237	0
Non-agency	15,614	552	0	16,166	458
Commercial mortgage-backed securities					
Agency	262,443	564	6,152	256,855	0
Asset-backed securities	8,677	0	28	8,649	0
Trust preferred collateralized debt obligations	68,320	777	22,916	46,181	32,614
Single issue trust preferred securities	14,359	288	1,917	12,730	0
Other corporate securities	4,997	200	0	5,197	0
Marketable equity securities	3,451	611	0	4,062	0
Total	\$ 1,266,026	\$ 8,592	\$ 33,442	\$ 1,241,176	\$ 33,072

	December 31, 2013				
	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	\$ 172,324	\$ 178	\$ 748	\$ 171,754	\$ 0
State and political subdivisions	60,861	1,874	26	62,709	0
Residential mortgage-backed securities					
Agency	215,788	2,491	1,815	216,464	0
Non-agency	16,369	163	0	16,532	458
Commercial mortgage-backed securities					
Agency	241,947	225	8,740	233,432	0
Asset-backed securities	9,257	1	31	9,227	0
Trust preferred collateralized debt obligations	73,862	210	30,623	43,449	34,299
Single issue trust preferred securities	14,346	305	2,019	12,632	0
Other corporate securities	4,996	219	0	5,215	0
Marketable equity securities	3,299	572	1	3,870	0
Total	\$ 813,049	\$ 6,238	\$ 44,003	\$ 775,284	\$ 34,757

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

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The following is a summary of securities available-for-sale which were in an unrealized loss position at March 31, 2014 and December 31, 2013.

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2014				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 93,903	\$ 330	\$ 0	\$ 0
State and political subdivisions	36,485	110	0	0
Residential mortgage-backed securities				
Agency	333,553	1,989	0	0
Commercial mortgage-backed securities				
Agency	181,531	5,757	8,907	395
Asset-backed securities	8,649	28	0	0
Trust preferred collateralized debt obligations	0	0	32,357	22,916
Single issue trust preferred securities	0	0	8,320	1,917
Marketable equity securities	0	0	0	0
Total	\$ 654,121	\$ 8,214	\$ 49,584	\$ 25,228
December 31, 2013				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 61,517	\$ 748	\$ 0	\$ 0
State and political subdivisions	2,353	26	0	0
Residential mortgage-backed securities				
Agency	160,835	1,815	0	0
Commercial mortgage-backed securities				
Agency	208,979	8,740	0	0
Asset-backed securities	7,976	31	0	0
Trust preferred collateralized debt obligations	0	0	27,167	30,623
Single issue trust preferred securities	502	2	8,210	2,017
Marketable equity securities	0	0	25	1
Total	\$ 442,162	\$ 11,362	\$ 35,402	\$ 32,641

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	
	2014	2013
Proceeds from sales and calls	\$ 260,432	\$ 175,950
Gross realized gains	1,049	152
Gross realized losses	225	12

At March 31, 2014, gross unrealized losses on available for sale securities were \$33,442 on 186 securities of a total

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portfolio of 468 available for sale securities. Securities in an unrealized loss position at March 31, 2014 consisted primarily of pooled trust preferred collateralized debt obligations (Trup Cdos) and agency commercial mortgage-backed securities. The Trup Cdos relate mainly to securities of financial institutions. The agency commercial mortgage-backed securities relate mainly to income-producing multifamily properties and provide a guaranty of full and timely payments of principal and interest by either Fannie Mae or Freddie Mac. In determining whether or not a security is other-than-temporarily impaired (OTTI), management considered the severity and the duration of the loss in conjunction with United's positive intent and the more likely than not ability to hold these securities to recovery of their cost basis or maturity.

Agency mortgage-backed securities

United's agency mortgage-backed securities portfolio relates to securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae. The total amortized cost of available for sale agency mortgage securities was \$785.17 million at March 31, 2014. Of the \$785.17 million, \$262.44 million was related to agency commercial mortgage securities and \$522.73 million was related to agency residential mortgage securities. Each of the agency mortgage securities provides a guarantee of full and timely payments of principal and interest by the issuing agency. Based upon management's analysis and judgment, it was determined that none of the agency mortgage-backed securities were other-than-temporarily impaired at March 31, 2014.

Non-agency residential mortgage-backed securities

United's non-agency residential mortgage-backed securities portfolio relates to securities of various private label issuers. The Company has no exposure to real estate investment trusts (REITS) in its investment portfolio. The total amortized cost of available for sale non-agency residential mortgage securities was \$15.61 million at March 31, 2014. Of the \$15.61 million, \$5.94 million was rated above investment grade and \$9.67 million was rated below investment grade. Approximately 46% of the portfolio includes collateral that was originated during the year of 2005 or before. The remaining 54% includes collateral that was originated in the years of 2006 and 2007. The entire portfolio of the non-agency residential mortgage securities are either the senior or super-senior tranches of their respective structure. In determining whether or not the non-agency mortgage-backed securities are other-than-temporarily impaired, management performs an in-depth analysis on each non-agency residential mortgage-backed security on a quarterly basis. The analysis includes a review of the following factors: weighted average loan to value, weighted average maturity, average FICO scores, historical collateral performance, geographic concentration, credit subordination, cross-collateralization, coverage ratios, origination year, full documentation percentage, event risk (repricing), and collateral type. Management completes a quarterly stress test to determine the level of loss protection remaining in each individual security and compares the protection remaining to the future expected performance of the underlying collateral. Additionally, management utilizes a third-party cash flow model to perform a cash flow test for each bond below investment grade. The model produces a bond specific set of cash flows based upon assumptions input by management. The input assumptions that are incorporated include the projected constant default rate (CDR) of the underlying mortgages, the loss severity upon default, and the prepayment rate on the underlying mortgage collateral. CDR and loss severities are forecasted by management after full evaluation of the underlying collateral including recent performance statistics. Therefore, based upon management's analysis and judgment, there was no additional credit-related or noncredit-related other-than-temporary impairment recognized on the non-agency residential mortgage-backed securities at March 31, 2014.

Single issue trust preferred securities

The majority of United's single-issue trust preferred portfolio consists of obligations from large cap banks (i.e. banks with market capitalization in excess of \$10 billion). Management reviews each issuer's current and projected earnings trends, asset quality, capitalization levels, TARP participation status, and other key factors. Upon completing the review for the first quarter of 2014, it was determined that none of the single issue securities were other-than-

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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 \$632 thousand. The issuer has the contractual ability to defer interest payments for up to 5 years. The available for sale single issue trust preferred securities ratings ranged from a low of CCC to a high of BBB. The amortized cost of available for sale single issue trust preferred securities as of March 31, 2014 consisted of \$3.49 million in split-rated bonds and \$10.74 million in below investment grade bonds. Of the \$10.74 million in below investment grade bonds, \$10.24 million was in an unrealized loss position for twelve months or longer as of March 31, 2014.

Trust preferred collateralized debt obligations (Trup Cdos)

At March 31, 2014, United determined that certain Trup Cdos were other-than-temporarily impaired. In order to determine how and when the Company recognizes OTTI, the Company first assesses its intentions regarding any sale of securities as well as the likelihood that it would be required to sell prior to recovery of the amortized cost. As a result of Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the Volcker Rule, the Company has determined that, as of March 31, 2014, it is more likely than not that the Company will be required to sell four of its Trup Cdos prior to recovery of the amortized cost. This is consistent with the determination made as of December 31, 2013, at which time the Company recognized credit-related other-than-temporary impairment of \$2.33 million related to these four securities. Of the four securities, only one was in an unrealized loss position as of March 31, 2014. The Company is required to mark this security to its fair value as of March 31, 2014, which resulted in credit-related other-than-temporary impairment of \$36 thousand recognized in earnings during the first quarter of 2014. Excluding these four Trup Cdos, the Company has determined that it does not intend to sell any other pooled trust preferred security and that it is not more likely than not that the Company will be required to sell such securities before recovery of their amortized cost.

To determine a net realizable value and assess whether other-than-temporary impairment existed on those securities which the Company is not more likely than not required to sell, 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. The Company discounts the security-specific cash flow projection at the security-specific interest rate and compares the present value to the amortized cost. 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, in addition to the one Trup Cdo mentioned above, management determined that an adverse change in cash flows had occurred for certain Trup Cdos as the expected discounted cash flows from these particular securities were less than the discounted cash flows originally expected at purchase or from the previous date of other-than-temporary impairment (cash flows are discounted at the contractual coupon rate for purposes of assessing OTTI). Therefore, based upon management's analysis and judgment, certain Trup Cdos were determined to be other-than-temporarily impaired.

The total credit-related other-than-temporary impairment recognized in earnings for the first quarter of 2014 related to these securities was \$639 thousand, compared to \$834 thousand for the first quarter of 2013. At March 31, 2014, the balance of the noncredit-related other-than-temporary impairment recognized on United's Trup Cdo portfolio was \$32.61 million as compared to \$34.30 million at December 31, 2013.

The amortized cost of available for sale Trup Cdos in as of March 31, 2014 consisted of \$5.52 million in investment grade bonds, \$5.00 million in split-rated bonds and \$57.80 million in below investment grade bonds.

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The following is a summary of the available for sale Trup Cdos as of March 31, 2014:

Class		Amortized Cost	Fair Value	Unrealized Loss/(Gain)	Investment Grade	Amortized Cost	
						Split Rated	Below Investment Grade
Senior	Bank	\$ 7,725	\$ 6,186	\$ 1,539	\$ 0	\$ 5,000	\$ 2,725
Senior	Insurance	5,521	5,780	(259)	5,521	0	0
Mezzanine	Bank (now in senior position)	13,595	9,909	3,686	0	0	13,595
Mezzanine	Insurance (now in senior position)	2,531	2,531	0	0	0	2,531
Mezzanine	Bank	31,746	16,640	15,106	0	0	31,746
Mezzanine	Insurance	2,050	2,150	(100)	0	0	2,050
Mezzanine	Bank & Insurance (combination)	5,152	2,985	2,167	0	0	5,152
Totals		\$ 68,320	\$ 46,181	\$ 22,139	\$ 5,521	\$ 5,000	\$ 57,799

While a large difference remains between the fair value and amortized cost, the Company believes the remaining unrealized losses are related to the illiquid market for Trup Cdos rather than an adverse change in expected cash flows. The expected future cash flow substantiates the return of the remaining amortized cost of the security. The Company believes the following evidence supports the position that the remaining unrealized loss is related to the illiquid market for Trup Cdos:

The market for new issuance of Trup Cdos was robust from 2000 to 2007 with an estimated \$60 billion in new issuance. The new market issuances came to an abrupt halt in 2007.

The secondary market for Trup Cdos ultimately became illiquid and is not reflective of orderly transactions between market participants. In making this determination, the Company holds discussions with institutional traders to identify trends in the number and type of transactions related to the Trup Cdos.

The presence of a below-investment grade rating severely limits the pool of available buyers and contributes to the illiquidity of the market.

Trup Cdos have a more complex structure than most debt instruments, making projections of tranche returns difficult for non-specialists in the product. Deferral features available to the underlying issuers within each pool are unique to these securities. Additionally, it can be difficult for market participants to predict whether deferrals will ultimately cure or ultimately default. Due to the lack of transparency, market participants will require a higher risk premium, thus resulting in higher required discount rates.

The variability of cash flows at the time the securities were originated was expected to be very limited. Due to the financial crisis, Trup Cdos have experienced more substantive variability of cash flows compared to expectations, resulting in a higher risk premium when evaluating discount rates.

The limited, yet relevant, observable inputs indicate that market yield requirements for Trup Cdos, on a credit-adjusted basis, remained very high relative to discount rates at purchase and compared to other similarly rated debt securities.

Overall, the Company believes the lack of new issuances, illiquid secondary market, limited pool of buyers, below investment grade ratings, complex structures and high market discount rates are the key drivers of the remaining unrealized losses in the Company's Trup Cdos and the robust expected cash flow analysis substantiates the return of the remaining amortized cost under ASC 320.

Management also considered the ratings of the Company's bonds in its portfolio and the extent of downgrades in

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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 Trup Cdos in the table above range from a low of BBB to a high of AA+. The ratings of the split-rated Trup Cdos range from a low of BB+ to a high of Aa2, while the below investment grade Trup Cdos range from a low of D to a high of Ba1.

The Company has recognized cumulative credit-related other-than-temporary impairment of \$43.75 million on certain Trup Cdos since the third quarter of 2009.

On the Trup Cdos that have not been deemed to be other-than-temporarily impaired, the collateralization ratios range from a low of 94.2% to a high of 226.1%, with a median of 134.7%, and a weighted average of 167.2%. The collateralization ratio is defined as the current performing collateral in a security, divided by the current balance of the specific tranche the Company owns, plus any debt which is senior or pari passu with the Company's security's priority level. Performing collateral excludes the balance of any issuer that has either defaulted or has deferred its interest payment. It is not uncommon for the collateralization of a security that is not other-than-temporarily impaired to be less than 100% due to the excess spread built into the securitization structure.

Except for the debt securities that have already been deemed to be other-than-temporarily impaired, management does not believe any other individual security with an unrealized loss as of March 31, 2014 is other-than-temporarily impaired. For these 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.

Equity securities

The amortized cost of United's equity securities was \$3.45 million at March 31, 2014. For equity securities, management has evaluated the near-term prospects of the investment in relation to the severity and duration of any impairment and based on that evaluation, management determined that no equity securities were other-than-temporarily impaired at March 31, 2014. As of March 31, 2014, 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.

Other investment securities (cost method)

During the first quarter of 2014, United also evaluated all of its cost method investments to determine if certain events or changes in circumstances during the first quarter of 2014 had a significant adverse effect on the fair value of any of its cost method securities. United determined that there were no events or changes in circumstances during the first quarter which would have an adverse effect on the fair value of any of its cost method securities. Therefore, no impairment was recorded.

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

Balance of cumulative credit losses at December 31, 2013	\$ 70,446
Additions for credit losses on securities for which OTTI was not previously recognized	0
Additions for additional credit losses on securities for which OTTI was previously recognized	639
Balance of cumulative credit losses at March 31, 2014	\$ 71,085

The amortized cost and estimated fair value of securities available for sale at March 31, 2014 and December 31, 2013

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by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

	March 31, 2014		December 31, 2013	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 120,476	\$ 120,532	\$ 28,837	\$ 28,960
Due after one year through five years	150,051	151,122	217,415	218,498
Due after five years through ten years	387,565	384,598	292,460	286,534
Due after ten years	604,483	580,862	271,038	237,422
Marketable equity securities	3,451	4,062	3,299	3,870
Total	\$ 1,266,026	\$ 1,241,176	\$ 813,049	\$ 775,284

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

	March 31, 2014			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 10,722	\$ 1,610	\$ 0	\$ 12,332
State and political subdivisions	10,198	37	520	9,715
Residential mortgage-backed securities				
Agency	46	6	0	52
Single issue trust preferred securities	19,770	0	3,666	16,104
Other corporate securities	20	0	0	20
Total	\$ 40,756	\$ 1,653	\$ 4,186	\$ 38,223

	December 31, 2013			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 10,762	\$ 1,689	\$ 0	\$ 12,451
State and political subdivisions	10,367	37	299	10,105
Residential mortgage-backed securities				
Agency	50	9	0	59
Single issue trust preferred securities	19,766	0	4,108	15,658
Other corporate securities	20	0	0	20
Total	\$ 40,965	\$ 1,735	\$ 4,407	\$ 38,293

Even though the market value of the held-to-maturity investment portfolio is less than its cost, the unrealized loss has no impact on the net worth or regulatory capital requirements of United. As of March 31, 2014, the Company's two largest held-to-maturity single-issue trust preferred exposures were to Wells Fargo (\$9.90 million) and SunTrust Bank (\$7.40 million). The two held-to-maturity single-issue trust preferred exposures with at least one rating below investment grade included SunTrust Bank (\$7.40 million) and Royal Bank of Scotland (\$972 thousand). Other corporate securities consist mainly of bonds of corporations.

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There were no gross realized gains or losses on calls and sales of held to maturity securities included in earnings for the first quarter of 2014 and 2013.

The amortized cost and estimated fair value of debt securities held to maturity at March 31, 2014 and December 31, 2013 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

	March 31, 2014		December 31, 2013	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 385	\$ 386	\$ 555	\$ 556
Due after one year through five years	6,666	7,232	6,683	7,312
Due after five years through ten years	13,004	13,563	13,026	13,821
Due after ten years	20,701	17,042	20,701	16,604
Total	\$ 40,756	\$ 38,223	\$ 40,965	\$ 38,293

The carrying value of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law, approximated \$1,019,774 and \$640,870 at March 31, 2014 and December 31, 2013, respectively.

4. LOANS

Major classes of loans are as follows:

	March 31, 2014	December 31, 2013
Commercial, financial and agricultural:		
Owner-occupied commercial real estate	\$ 1,101,388	\$ 654,963
Nonowner-occupied commercial real estate	2,614,912	1,917,785
Other commercial loans	1,573,037	1,338,355
Total commercial, financial & agricultural	5,289,337	3,911,103
Residential real estate	2,177,784	1,821,378
Construction & land development	990,974	670,364
Consumer:		
Bankcard	10,138	11,023
Other consumer	313,114	299,731
Total gross loans	\$ 8,781,347	\$ 6,713,599

The table above does not include loans held for sale of \$3,565 and \$4,236 at March 31, 2014 and December 31, 2013, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

The outstanding balances in the table above include acquired impaired loans with a recorded investment of \$188,730 or 2.15% of total gross loans at March 31, 2014 and \$31,099 or less than 1% of total gross loans at December 31, 2013. The contractual principal in these acquired impaired loans was \$281,354 and \$52,237 at March 31, 2014 and December 31, 2013, respectively. The balances above do not include future accretable net interest (i.e. the difference between the undiscounted expected cash flows and the recorded investment in the loan) on the acquired impaired loans.

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Activity for the accretable yield for the first quarter of 2014 follows:

Accretable yield at the beginning of the period	\$ 2,251
Additions	9,115
Accretion (including cash recoveries)	(1,293)
Net reclassifications to accretable from non-accretable	436
Disposals (including maturities, foreclosures, and charge-offs)	(26)
Accretable yield at the ending of the period	\$ 10,483

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 \$137,170 and \$150,798 at March 31, 2014 and December 31, 2013, respectively.

5. CREDIT QUALITY

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

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

A loan is categorized as a troubled debt restructuring (TDR) if a concession is granted and there is deterioration in the financial condition of the borrower. TDRs can take the form of a reduction of the stated interest rate, splitting a loan into separate loans with market terms on one loan and concessionary terms on the other loan, receipts of assets from a debtor in partial or full satisfaction of a loan, the extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk, the reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement, the reduction of accrued interest or any other concessionary type of renegotiated debt. As of March 31, 2014, United had TDRs of \$8,106 as compared to \$8,157 as of December 31, 2013. Of the \$8,106 aggregate balance of TDRs at March 31, 2014, \$844 was on nonaccrual status and included in the *Loans on Nonaccrual Status* on the following page. Of the \$8,157 aggregate balance of TDRs at December 31, 2013, \$861 was on nonaccrual status and included in the *Loans on Nonaccrual Status* on the following page. As of March 31, 2014, there were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in TDRs. At March 31, 2014, United had restructured loans in the amount of \$4,247 that were modified by a reduction in the interest rate, \$2,933 that were modified by a combination of a reduction in the interest rate and the principal and \$926 that was modified by a change in terms.

A loan acquired and accounted for under ASC topic 310-30 *Loans and Debt Securities Acquired with Deteriorated Credit Quality* is reported as an accruing loan and a performing asset, even if contractually past due (or if United does

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not expect to receive payment in full based on the original contractual terms), as United is currently accreting interest income over the expected life of the loans. See Notes 2 and 4 in the Notes to Consolidated Financial Statements for additional information on these loans.

No loans were restructured during the first quarter of 2014. The following table sets forth United's troubled debt restructurings that were restructured during the three months ended March 31, 2013, segregated by class of loans:

	Troubled Debt Restructurings For the Three Months Ended March 31, 2013		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
Commercial real estate:			
Owner-occupied	2	\$ 2,150	\$ 2,150
Nonowner-occupied	0	0	0
Other commercial	0	0	0
Residential real estate			
Construction & land development	0	0	0
Consumer:			
Bankcard	0	0	0
Other consumer	0	0	0
Total	2	\$ 2,150	\$ 2,150

During the first quarter of 2013, \$2,150 of restructured loans were modified by a combination of a reduction in the interest rate and change in terms. In some instances, the post-modification balance on the restructured loans is larger than the pre-modification balance due to the advancement of monies for items such as delinquent taxes on real estate property. The loans were evaluated individually for allocation within United's allowance for loan losses. The modifications had an immaterial impact on the financial condition and results of operations for United.

No loans restructured during the twelve-month periods ended March 31, 2014 and 2013 subsequently defaulted, resulting in a principal charge-off during the first quarters of 2014 and 2013, respectively.

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

Age Analysis of Past Due Loans**As of March 31, 2014**

	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment >90 Days & Accruing
Commercial real estate:						
Owner-occupied	\$ 16,547	\$ 5,236	\$ 21,783	\$ 1,079,605	\$ 1,101,388	\$ 2,202
Nonowner-occupied	23,585	13,934	37,519	2,577,393	2,614,912	3,761
Other commercial	18,713	22,185	40,898	1,532,139	1,573,037	10,347
Residential real estate						
Construction & land development	39,136	30,124	69,260	2,108,524	2,177,784	9,588
	12,413	15,867	28,280	962,694	990,974	533
Consumer:						
Bankcard	349	109	458	9,680	10,138	109

Other consumer	7,813	1,408	9,221	303,893	313,114	1,272
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As of March 31, 2014

	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment >90 Days & Accruing
Total	\$ 118,556	\$ 88,863	\$ 207,419	\$ 8,573,928	\$ 8,781,347	\$ 27,812

Age Analysis of Past Due Loans

As of December 31, 2013

	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment >90 Days & Accruing
Commercial real estate:						
Owner-occupied	\$ 14,144	\$ 4,537	\$ 18,681	\$ 636,282	\$ 654,963	\$ 1,383
Nonowner-occupied	30,836	11,725	42,561	1,875,224	1,917,785	186
Other commercial	54,319	11,794	66,113	1,272,242	1,338,355	896
Residential real estate	54,271	25,446	79,717	1,741,661	1,821,378	5,214
Construction & land development	9,921	18,491	28,412	641,952	670,364	1,611
Consumer:						
Bankcard	229	128	357	10,666	11,023	128
Other consumer	9,466	1,712	11,178	288,553	299,731	1,626
Total	\$ 173,186	\$ 73,833	\$ 247,019	\$ 6,466,580	\$ 6,713,599	\$ 11,044

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

Loans on Nonaccrual Status

	March 31, 2014	December 31, 2013
Commercial real estate:		
Owner-occupied	\$ 3,034	\$ 3,154
Nonowner-occupied	10,173	11,539
Other commercial	11,838	10,898
Residential real estate	20,536	20,232
Construction & land development	15,334	16,880
Consumer:		
Bankcard	0	0
Other consumer	136	86
Total	\$ 61,051	\$ 62,789

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

Special mention loans, with a corporate credit exposure, have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or in the Company's credit position at some future date. Borrowers may be experiencing adverse operating

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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.

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

Credit Quality Indicators**Corporate Credit Exposure**

	As of March 31, 2014			
	Commercial Owner- occupied	Real Estate Nonowner- occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	\$ 990,831	\$ 2,456,123	\$ 1,387,804	\$ 783,280
Special mention	33,896	40,793	53,461	75,530
Substandard	76,661	117,996	130,161	132,164
Doubtful	0	0	1,611	0
Total	\$ 1,101,388	\$ 2,614,912	\$ 1,573,037	\$ 990,974

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	Commercial Owner- occupied	Real Estate Nonowner- occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	\$ 604,129	\$ 1,811,915	\$ 1,206,030	\$ 510,911
Special mention	27,576	45,617	60,668	63,375
Substandard	23,258	60,253	71,148	96,078
Doubtful	0	0	509	0
Total	\$ 654,963	\$ 1,917,785	\$ 1,338,355	\$ 670,364

Credit Quality Indicators**Consumer Credit Exposure****As of March 31, 2014**

	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	\$ 2,082,558	\$ 9,680	\$ 303,271
Special mention	23,287	349	7,936
Substandard	70,459	109	1,755
Doubtful	1,480	0	152
Total	\$ 2,177,784	\$ 10,138	\$ 313,114

As of December 31, 2013

	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	\$ 1,773,244	\$ 10,666	\$ 288,401
Special mention	13,006	229	9,466
Substandard	35,128	128	1,712
Doubtful	0	0	152
Total	\$ 1,821,378	\$ 11,023	\$ 299,731

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

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

	Impaired Loans					
	March 31, 2014			December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial real estate:						
Owner-occupied	\$ 36,248	\$ 36,248	\$ 0	\$ 4,672	\$ 4,672	\$ 0
Nonowner-occupied	60,529	62,409	0	5,938	6,651	0
Other commercial	39,982	45,353	0	10,292	17,753	0
Residential real estate	24,175	25,580	0	12,009	12,193	0
Construction & land development	49,050	51,256	0	13,866	14,662	0
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	25	25	0	0	0	0
With an allowance recorded:						
Commercial real estate:						
Owner-occupied	\$ 3,724	\$ 3,724	\$ 482	\$		