

UNITED BANKSHARES INC/WV

Form 10-Q

November 07, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For Quarter Ended September 30, 2007**

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 No

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

Large accelerated filer Accelerated Filer Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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; **43,212,399** shares outstanding as of **October 31, 2007**.

UNITED BANKSHARES, INC. AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The September 30, 2007 and December 31, 2006, 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, 2007 and 2006, the related consolidated statement of changes in shareholders equity for the nine months ended September 30, 2007, the related condensed consolidated statements of cash flows for the nine months ended September 30, 2007 and 2006, and the notes to consolidated financial statements appear on the following pages.

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Table of Contents**CONSOLIDATED BALANCE SHEETS**

UNITED BANKSHARES, INC. AND SUBSIDIARIES

	September 30 2007 (Unaudited)	December 31 2006 (Note 1)
(Dollars in thousands, except par value)		
Assets		
Cash and due from banks	\$ 167,228	\$ 217,562
Interest-bearing deposits with other banks	24,789	22,882
Federal funds sold	12,444	18,569
Total cash and cash equivalents	204,461	259,013
Securities available for sale at estimated fair value (amortized cost-\$1,102,410 at September 30, 2007 and \$1,016,840 at December 31, 2006)	1,098,548	1,010,252
Securities held to maturity (estimated fair value-\$158,350 at September 30, 2007 and \$215,678 at December 31, 2006)	158,252	212,296
Other investment securities	66,469	52,922
Loans held for sale	954	2,041
Loans	5,593,245	4,813,708
Less: Unearned income	(6,919)	(6,961)
Loans net of unearned income	5,586,326	4,806,747
Less: Allowance for loan losses	(50,353)	(43,629)
Net loans	5,535,973	4,763,118
Bank premises and equipment	62,026	38,111
Goodwill	312,857	167,421
Accrued interest receivable	38,835	34,508
Other assets	207,313	177,916
TOTAL ASSETS	\$ 7,685,688	\$ 6,717,598
Liabilities		
Deposits:		
Noninterest-bearing	\$ 874,696	\$ 903,207
Interest-bearing	4,471,530	3,924,985
Total deposits	5,346,226	4,828,192
Borrowings:		
Federal funds purchased	78,405	97,720
Securities sold under agreements to repurchase	575,206	460,858
Federal Home Loan Bank borrowings	643,672	533,899
Other short-term borrowings	2,007	3,688
Other long-term borrowings	206,459	85,301
Allowance for lending-related commitments	8,264	8,742
Accrued expenses and other liabilities	70,180	65,106

TOTAL LIABILITIES	6,930,419	6,083,506
Shareholders Equity		
Common stock, \$2.50 par value; Authorized-100,000,000 shares; issued-44,320,832 at September 30, 2007 and December 31, 2006, including 1,138,504 and 3,261,931 shares in treasury at September 30, 2007 and December 31, 2006, respectively	110,802	110,802
Surplus	99,145	93,680
Retained earnings	598,770	559,257
Accumulated other comprehensive loss	(13,904)	(15,791)
Treasury stock, at cost	(39,544)	(113,856)
TOTAL SHAREHOLDERS EQUITY	755,269	634,092
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 7,685,688	\$ 6,717,598

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		Nine Months Ended	
	September 30		September 30	
	2007	2006	2007	2006
Interest income				
Interest and fees on loans	\$ 99,240	\$ 84,288	\$ 267,111	\$ 242,537
Interest on federal funds sold and other short-term investments	876	515	1,980	1,235
Interest and dividends on securities:				
Taxable	13,832	13,934	40,446	43,371
Tax-exempt	3,361	3,698	10,096	11,334
Total interest income	117,309	102,435	319,633	298,477
Interest expense				
Interest on deposits	40,176	32,312	107,574	84,807
Interest on short-term borrowings	8,220	7,142	22,846	23,029
Interest on long-term borrowings	9,801	8,052	24,619	25,111
Total interest expense	58,197	47,506	155,039	132,947
Net interest income	59,112	54,929	164,594	165,530
Provision for credit losses	1,550	571	2,750	1,169
Net interest income after provision for credit losses	57,562	54,358	161,844	164,361
Other income				
Fees from trust and brokerage services	3,788	3,190	11,097	9,857
Fees from deposit services	9,087	7,367	24,134	21,575
Other service charges, commissions, and fees	2,285	1,785	5,769	5,202
Income from bank-owned life insurance	1,179	1,181	3,965	3,285
Income from mortgage banking	124	236	447	615
Security gains (losses)	172	(134)	494	(3,071)
(Loss) Gain on termination of interest rate swaps associated with prepayment of FHLB advances		(7,659)	787	(4,599)
Other income	691	248	2,074	1,437
Total other income	17,326	6,214	48,767	34,301
Other expense				
Salaries and employee benefits	17,452	15,740	46,830	46,789
Net occupancy expense	3,823	3,031	10,393	9,458
Equipment expense	2,059	1,567	4,867	4,599
Data processing expense	2,448	1,477	6,401	4,428
Bankcard processing expense	1,445	1,257	3,857	3,507
Prepayment penalties on FHLB advance		8,261	786	8,261
Other expense	11,795	8,881	29,879	27,523

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Total other expense	39,022	40,214	103,013	104,565
Income before income taxes	35,866	20,358	107,598	94,097
Income taxes	10,063	6,193	32,876	29,863
Net income	\$ 25,803	\$ 14,165	\$ 74,722	\$ 64,234
Earnings per common share:				
Basic	\$ 0.60	\$ 0.34	\$ 1.80	\$ 1.54
Diluted	\$ 0.60	\$ 0.34	\$ 1.79	\$ 1.53
Dividends per common share	\$ 0.28	\$ 0.27	\$ 0.84	\$ 0.81
Average outstanding shares:				
Basic	42,731,909	41,373,945	41,458,388	41,658,678
Diluted	42,998,484	41,775,111	41,811,493	42,075,862

See notes to consolidated unaudited financial statements.

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

Nine Months Ended September 30, 2007

	Common Stock		Accumulated			Treasury Stock	Total Shareholders Equity
	Shares	Par Value	Surplus	Retained Earnings	Other Comprehensive Income (Loss)		
<i>(Dollars in thousands, except per share data)</i>							
Balance at January 1, 2007	44,320,832	\$ 110,802	\$ 93,680	\$ 559,257	(\$15,791)	(\$113,856)	\$ 634,092
Cumulative effect of adopting FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, at January 1, 2007				(300)			(300)
Comprehensive income:							
Net income				74,722			74,722
Other comprehensive income, net of tax:							
Unrealized gain on securities of \$2,091 net of reclassification adjustment for gains included in net income of \$321					1,770		1,770
Unrealized loss on cash flow hedge, net of tax of \$1,600					(2,972)		(2,972)
Termination of cash flow hedge, net of tax of \$1,033					1,919		1,919
Remaining unrealized loss related to the call of securities previously transferred from available for sale to held to maturity investment portfolio					778		778
Accretion of the unrealized loss for securities transferred from the available for sale to the held to maturity investment portfolio					203		203
Pension plan's amortization of transition asset, prior service cost, and actuarial loss, net of tax of \$125					189		189
Total comprehensive income							76,609
Acquisition of Premier Community Bankshares, Inc. (2,684,068 shares)			8,443			93,707	102,150
Purchase of treasury stock (746,472 shares)						(25,869)	(25,869)
Distribution of treasury stock for deferred compensation plan (2,000 shares)						59	59
Cash dividends (\$0.84 per share)				(34,909)			(34,909)
Common stock options exercised (183,831 shares)			(2,978)			6,415	3,437
Balance at September 30, 2007	44,320,832	\$ 110,802	\$ 99,145	\$ 598,770	(\$13,904)	(\$39,544)	\$ 755,269

See notes to consolidated unaudited financial statements

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

<i>(Dollars in thousands)</i>	Nine Months Ended September 30	
	2007	2006
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 67,820	\$ 54,453
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	56,287	13,672
Proceeds from sales of securities held to maturity	475	
Purchases of securities held to maturity	(445)	(587)
Proceeds from sales of securities available for sale	9,587	135,381
Proceeds from maturities and calls of securities available for sale	493,245	277,647
Purchases of securities available for sale	(558,412)	(222,645)
Net purchases of bank premises and equipment	(2,107)	(2,391)
Net cash of acquired subsidiary	(35,778)	
Net change in other investment securities	(8,978)	9,545
Net change in loans	(32,141)	(103,046)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(78,267)	107,576
FINANCING ACTIVITIES		
Cash dividends paid	(34,335)	(33,907)
Excess tax benefits from stock-based compensation arrangements	796	499
Acquisition of treasury stock	(24,885)	(36,503)
Net proceeds from issuance of trust preferred securities	82,475	
Proceeds from exercise of stock options	2,416	5,561
Distribution of treasury stock for deferred compensation plan	59	35
Proceeds from long-term Federal Home Loan Bank borrowings	333,900	200,000
Repayment of long-term Federal Home Loan Bank borrowings	(234,127)	(252,067)
Changes in:		
Deposits	(198,834)	133,103
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	28,430	(214,176)
NET CASH USED IN FINANCING ACTIVITIES	(44,105)	(197,455)
Decrease in cash and cash equivalents	(54,552)	(35,426)
Cash and cash equivalents at beginning of year	259,013	207,962
Cash and cash equivalents at end of period	\$ 204,461	\$ 172,536

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) 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, 2007 and 2006 and for the three-month and nine-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2006 has been extracted from the audited financial statements included in United s 2006 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 2006 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 and share data.

New Accounting Standards

In February 2007, the Financial Standards Board (FASB) issued Statement No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities which provides companies with an option to report selected financial assets and liabilities at fair value. With this Standard, the FASB expects to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate the comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Statement does not eliminate disclosure requirements included in accounting standards. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. United does not expect that the adoption of this statement will have a material impact on its consolidated financial statements.

In September 2006, the FASB published Statement No. 158 (SFAS 158), Employers Accounting for Defined Benefit Pension and Other Postretirement Plans , an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS 158 requires employers to recognize in their statement of financial position an asset for a plan s overfunded status or a liability for a plan s underfunded status. United is also required to recognize fluctuations in the funded status in the year in which the changes occur through comprehensive

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income. United adopted the recognition and disclosure provisions of SFAS 158 on December 31, 2006. See Note 13 for additional information regarding United's adoption of SFAS 158. SFAS also requires employers to measure the funded status of a plan as of the end of the employer's fiscal year, with limited exceptions, and will be effective for United for the fiscal year ending December 31, 2008.

In September 2006, the FASB also issued Statement No. 157 (SFAS 157), Fair Value Measurements which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, with earlier adoption permitted. United is currently assessing the impact this statement will have on its consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, to address the noncomparability in reporting tax assets and liabilities resulting from a lack of specific guidance in FASB Statement No. 109 (SFAS 109), Accounting for Income Taxes, on the uncertainty in income taxes recognized in an enterprise's financial statements. United has adopted FIN 48 as of January 1, 2007, as required. The cumulative effect of adopting FIN 48 was recorded in retained earnings. The adoption of FIN 48 did not have a significant impact on United's consolidated financial statements. See Note 14 for additional information regarding United's adoption of FIN 48.

In March 2006, the FASB issued Statement No. 156 (SFAS 156), Accounting for Servicing of Financial Assets. SFAS 156 amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS 156 permits, but does not require, an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities. SFAS 156 was effective for United on January 1, 2007. The implementation of SFAS 156 did not have a material impact on United's consolidated financial statements.

In February 2006, the FASB issued Statement No. 155 (SFAS 155), Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140. SFAS 155 amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, to permit fair value remeasurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS 155 amends SFAS No. 140, Accounting for the Impairment or Disposal of Long-Lived Assets, to allow a qualifying special-purpose entity (SPE) to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. United adopted SFAS 155 on January 1, 2007, as required. Its implementation did not have a material impact on United's consolidated financial statements.

On January 1, 2006, United adopted FASB Statement No. 123 revised 2004 (SFAS 123R), "Share-Based Payment which replaced Statement of Financial Accounting Standards No. 123 (SFAS 123), Accounting for Stock-Based Compensation and superseded APB Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees and amended FASB Statement No. 95, Statement of Cash Flows. Under this transition method, compensation cost to be recognized beginning in the first quarter of 2006 would include: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006,

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based on the grant-date fair value estimated in accordance with the original provision of SFAS 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods were not restated. Due to modification on December 30, 2005 to accelerate unvested options under United's existing stock option plans and the fact that no new options were granted in 2006 and the first nine months of 2007, United did not recognize any compensation cost for 2006 and the first nine months of 2007. See Note 12 for additional information regarding United's adoption of SFAS 123R.

2. MERGERS & ACQUISITIONS

At the opening of business on July 14, 2007, United acquired 100% of the outstanding common stock of Premier Community Bankshares, Inc. (Premier) of Winchester, Virginia. The results of operations of Premier, which are not significant, are included in the consolidated results of operations from the date of acquisition. Because the results of operations of Premier are not significant, pro forma information is not being provided. The acquisition of Premier expands United's presence in the rapidly growing and economically attractive Metro DC area and affords United the opportunity to enter new Virginia markets in the Winchester, Harrisonburg and Charlottesville areas.

At consummation, Premier had assets of approximately \$911 million, loans of \$759 million, deposits of \$716 million and shareholders' equity of \$71 million. Premier's net income was \$1.8 million or 31¢ per diluted share for the second quarter of 2007 and \$3.6 million or 60¢ per diluted share for the first half of 2007. The transaction was accounted for under the purchase method of accounting.

The aggregate purchase price was approximately \$200 million, including \$98 million of cash, common stock valued at \$97 million, and vested stock options exchanged valued at \$5 million. The number of shares issued in the transaction were 2,684,068, which were valued based on the average market price of United's common shares over the period including the two days before and after the terms of the acquisition were agreed to and announced. The value of the vested stock options was determined using the Black-Scholes option pricing model based upon 241,428 options exchanged. The following weighted average assumptions were used to determine the value of the options exchanged: risk-free interest rate of 4.96%, expected dividend yield of 3.00%, volatility factor of the expected market price of United's common stock of 0.219 and a weighted expected option life of 2.1 years. 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 \$148 million and \$11 million, respectively. In the merger, United assumed approximately \$2.5 million of liabilities to provide severance benefits to terminated employees of Premier. The estimated fair values of the acquired assets and liabilities, including identifiable intangible assets, are subject to refinement as additional information becomes available. Any subsequent adjustments to the fair values of assets and liabilities acquired, identifiable intangible assets, or other purchase accounting adjustments will result in adjustments to goodwill within the first 12 months following the date of acquisition.

3. INVESTMENT SECURITIES

The amortized cost and estimated fair values of securities available for sale are summarized on the following page:

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	September 30, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of				
U.S. Government corporations and agencies	\$ 40,068	\$ 166	\$ 26	\$ 40,208
State and political subdivisions	118,583	1,553	553	119,583
Mortgage-backed securities	795,945	2,177	7,380	790,742
Marketable equity securities	6,585	191	177	6,599
Other	141,229	2,921	2,734	141,416
Total	\$1,102,410	\$7,008	\$10,870	\$1,098,548

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S.				
Government corporations and agencies	\$ 7,993		\$ 85	\$ 7,908
State and political subdivisions	110,261	\$2,176	201	112,236
Mortgage-backed securities	777,133	822	11,896	766,059
Marketable equity securities	6,200	439	43	6,596
Other	115,253	2,619	419	117,453
Tot				