

UNITED BANKSHARES INC/WV

Form 10-Q

May 11, 2009

**Table of Contents**

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

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2009**

**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 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 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

**Yes**  **No**

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; **43,394,144** shares outstanding as of **April 30, 2009**.



**UNITED BANKSHARES, INC. AND SUBSIDIARIES**  
**FORM 10-Q**  
**TABLE OF CONTENTS**

	Page
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<u>Item 1. Financial Statements</u>	3
<u>Consolidated Balance Sheets (Unaudited) March 31, 2009 and December 31, 2008</u>	4
<u>Consolidated Statements of Income (Unaudited) for the Three Months Ended March 31, 2009 and 2008</u>	5
<u>Consolidated Statement of Changes in Shareholders' Equity (Unaudited) for the Three Months Ended March 31, 2009</u>	6
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2009 and 2008</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	54
<u>Item 4. Controls and Procedures</u>	57
<b><u>PART II. OTHER INFORMATION</u></b>	
<u>Item 1. Legal Proceedings</u>	58
<u>Item 1A. Risk Factors</u>	58
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	58
<u>Item 3. Defaults Upon Senior Securities</u>	59
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	59
<u>Item 5. Other Information</u>	59
<u>Item 6. Exhibits</u>	59
<u>Signatures</u>	61
<u>Exhibits Index</u>	62
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

**Table of Contents**

**PART I FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS (UNAUDITED)**

The March 31, 2009 and December 31, 2008, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries ( United or the Company ), consolidated statements of income for the three months ended March 31, 2009 and 2008, the related consolidated statement of changes in shareholders equity for the three months ended March 31, 2009, the related condensed consolidated statements of cash flows for the three months ended March 31, 2009 and 2008, and the notes to consolidated financial statements appear on the following pages.

3

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**Table of Contents****CONSOLIDATED BALANCE SHEETS**

## UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except par value)

	<b>March 31 2009 (Unaudited)</b>	<b>December 31 2008 (Note 1)</b>
<b>Assets</b>		
Cash and due from banks	\$ 154,374	\$ 190,895
Interest-bearing deposits with other banks	21,424	14,187
Federal funds sold	7,256	8,452
 Total cash and cash equivalents	 183,054	 213,534
Securities available for sale at estimated fair value (amortized cost-\$1,105,099 at March 31, 2009 and \$1,165,116 at December 31, 2008)	1,041,099	1,097,043
Securities held to maturity (estimated fair value-\$84,989 at March 31, 2009 and \$103,505 at December 31, 2008)	105,180	116,407
Other investment securities	78,502	78,372
Loans held for sale	1,417	868
Loans	5,983,350	6,020,558
Less: Unearned income	(5,754)	(6,403)
 Loans net of unearned income	 5,977,596	 6,014,155
Less: Allowance for loan losses	(62,422)	(61,494)
 Net loans	 5,915,174	 5,952,661
Bank premises and equipment	58,204	58,560
Goodwill	312,193	312,263
Accrued interest receivable	29,281	31,816
Other assets	260,613	240,567
 <b>TOTAL ASSETS</b>	 <b>\$ 7,984,717</b>	 <b>\$ 8,102,091</b>
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 993,987	\$ 906,099
Interest-bearing	4,668,693	4,741,855
 Total deposits	 5,662,680	 5,647,954
Borrowings:		
Federal funds purchased	151,435	128,185
Securities sold under agreements to repurchase	342,673	434,425
Federal Home Loan Bank borrowings	792,459	879,538
Other short-term borrowings	3,047	3,710
Other long-term borrowings	185,040	185,147
Allowance for lending-related commitments	2,260	2,109
Accrued expenses and other liabilities	88,137	84,311

TOTAL LIABILITIES	7,227,731	7,365,379
<b>Shareholders Equity</b>		
Preferred stock, \$1.00 par value; Authorized-50,000,000 shares, none issued		
Common stock, \$2.50 par value; Authorized-100,000,000 shares; issued-44,319,157 and 44,320,832 at March 31, 2009 and December 31, 2008, respectively, including 922,049 and 916,941 shares in treasury at March 31, 2009 and December 31, 2008, respectively	110,798	110,802
Surplus	96,301	96,654
Retained earnings	654,191	637,152
Accumulated other comprehensive loss	(72,886)	(76,151)
Treasury stock, at cost	(31,418)	(31,745)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>756,986</b>	<b>736,712</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 7,984,717</b>	<b>\$ 8,102,091</b>

*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)

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
<b>Interest income</b>		
Interest and fees on loans	\$ 78,585	\$ 94,861
Interest on federal funds sold and other short-term investments	37	272
Interest and dividends on securities:		
Taxable	13,798	15,153
Tax-exempt	2,285	3,260
Total interest income	94,705	113,546
<b>Interest expense</b>		
Interest on deposits	24,234	35,129
Interest on short-term borrowings	245	6,830
Interest on long-term borrowings	9,309	9,309
Total interest expense	33,788	51,268
Net interest income	60,917	62,278
Provision for credit losses	8,028	2,100
Net interest income after provision for credit losses	52,889	60,178
<b>Other income</b>		
Fees from trust and brokerage services	3,594	3,939
Fees from deposit services	9,303	9,083
Bankcard fees and merchant discounts	923	1,558
Other service charges, commissions, and fees	451	488
(Loss) income from bank-owned life insurance	(102)	1,309
Income from mortgage banking	137	93
Security gains	69	955
Other income	1,015	1,185
Total other income	15,390	18,610
<b>Other expense</b>		
Salaries and employee benefits	19,836	19,028
Net occupancy expense	4,552	4,297
Equipment expense	2,765	1,794
Data processing expense	2,643	2,803
Bankcard processing expense	748	1,349
Other expense	11,270	12,087



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Total other expense	41,814	41,358
Income before income taxes	26,465	37,430
Income taxes	(3,168)	11,734
Net income	\$ 29,633	\$ 25,696
Earnings per common share:		
Basic	\$ 0.68	\$ 0.59
Diluted	\$ 0.68	\$ 0.59
Dividends per common share	\$ 0.29	\$ 0.29
Average outstanding shares:		
Basic	43,407,224	43,246,852
Diluted	43,465,298	43,418,571

*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, 2009						
	Common Stock Par			Retained	Accumulated Other Comprehensive Income	Treasury	Total Shareholders
	Shares	Value	Surplus	Earnings	(Loss)	Stock	Equity
Balance at January 1, 2009	44,320,832	\$ 110,802	\$ 96,654	\$ 637,152	(\$76,151)	(\$31,745)	\$ 736,712
Comprehensive income:							
Net income				29,633			29,633
Other Comprehensive income, net of tax:							
Unrealized gain on securities of \$2,693 net of reclassification adjustment for gains included in net income of \$45					2,648		2,648
Unrealized gain on cash flow hedge, net of tax of \$125					231		231
Accretion of the unrealized loss for securities transferred from the available for sale to the held to maturity investment portfolio					16		16
Pension plan s amortization of transition asset, prior service cost, and actuarial loss, net of tax of \$328					581		581
Change in pension asset, net of tax of \$113					(211)		(211)
							32,898

Total comprehensive income							
Stock based compensation expense			137				137
Purchase of treasury stock (26,429 shares)						(409)	(409)
Distribution of treasury stock for deferred compensation plan (263 shares)						6	6
Cash dividends (\$0.29 per share)				(12,594)			(12,594)
Common stock options exercised (21,058 shares)			(494)			730	236
Fractional shares adjustment	(1,675)	(4)	4				

Balance at March 31, 2009	44,319,157	\$ 110,798	\$ 96,301	\$ 654,191	(\$72,886)	(\$31,418)	\$ 756,986
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*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)*

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 23,902	\$ 31,878
<b>INVESTING ACTIVITIES</b>		
Proceeds from maturities and calls of securities held to maturity	11,149	6,236
Purchases of securities held to maturity		
Proceeds from sales of securities available for sale	829	268
Proceeds from maturities and calls of securities available for sale	84,923	123,610
Purchases of securities available for sale	(25,590)	(118,135)
Net purchases of bank premises and equipment	(1,149)	(370)
Net change in other investment securities	(150)	4,599
Net change in loans	29,810	(7,324)
NET CASH PROVIDED BY INVESTING ACTIVITIES	99,822	8,884
<b>FINANCING ACTIVITIES</b>		
Cash dividends paid	(12,590)	(12,535)
Excess tax benefits from stock-based compensation arrangements	96	244
Acquisition of treasury stock	(409)	(4)
Proceeds from exercise of stock options	211	223
Proceeds from issuance of long-term Federal Home Loan Bank borrowings	75,000	
Repayment of long-term Federal Home Loan Bank borrowings	(79)	(81)
Redemption of debt related to trust preferred securities		(10,310)
Distribution of treasury stock for deferred compensation plan	6	6
Changes in:		
Deposits	14,726	70,023
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	(231,165)	(90,089)
NET CASH USED IN FINANCING ACTIVITIES	(154,204)	(42,523)
Decrease in cash and cash equivalents	(30,480)	(1,761)
Cash and cash equivalents at beginning of year	213,534	230,651
Cash and cash equivalents at end of period	\$ 183,054	\$ 228,890

*See notes to consolidated unaudited financial statements.*

7

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**Table of Contents****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 (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, 2009 and 2008 and for the three-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2008 has been extracted from the audited financial statements included in United s 2008 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 2008 Annual Report of United on Form 10-K. To conform to the 2009 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 and share data or unless otherwise noted.

**New Accounting Standards**

On April 9, 2009, the FASB issued Staff Position SFAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (SFAS 157-4). This final staff position provides additional guidance in determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurement purposes as defined in SFAS 157, Fair Value Measurements. SFAS 157-4 is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. United plans to adopt the provisions of SFAS 157-4 during the second quarter of 2009, but does not believe this guidance will have a significant impact on the Company s financial condition, results of operations, or liquidity.

On April 9, 2009, the FASB issued Staff Position SFAS 115-2, SFAS 124-2, and EITF 99-20-2, Recognition and Presentation of Other-Than-Temporary Impairments. This final staff position provides guidance in determining whether impairments in debt securities are other than temporary, and modifies the presentation and disclosures surrounding such instruments. This final staff position is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. United plans to adopt the provisions of this final staff position during the second quarter of 2009.

**Table of Contents**

United is currently assessing the impact this final staff position will have on its consolidated financial statements. On April 9, 2009, the FASB issued Staff Position SFAS 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, Interim Disclosures about Fair Value of Financial Instruments (SFAS 107-1 and APB 28-1). This final staff position amends FASB Statement No. 107, Disclosures about Fair Values of Financial Instruments, to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. The final staff position also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in all interim financial statements. This final staff position is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. United plans to adopt SFAS 107-1 and APB 28-1 and provide the additional disclosure requirements for the second quarter of 2009.

In January 2009, the FASB issued FSP 99-20-1, Amendments to the Impairment Guidance of EITF Issue No. 99-20 (FSP 99-20). This FSP amends the impairment guidance in EITF 99-20, Recognition of Interest Income and Impairment of Purchased Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets, by eliminating the requirement that an investment holder's best estimate of cash flows be based upon those that a market participant would use. Instead, FSP 99-20 requires that an other than temporary impairment (OTTI) be recognized as a realized loss through earnings when it is probable that there has been an adverse change in the investment holder's estimated cash flows from the cash flows previously projected. This requirement and amendment makes the impairment model in EITF 99-20 consistent with the impairment model in SFAS 115, Accounting for Certain Investments in Debt and Equity Securities. In addition, this FSP provides additional guidance emphasizing that investment holders should consider all available information (i.e., past events, current conditions, and expected events) when developing estimates of future cash flows in their EITF 99-20 OTTI assessments. FSP 99-20 is effective for interim and annual reporting periods ending after December 15, 2008. Retroactive application to prior interim or annual reporting periods is not permitted. The adoption of this FSP did not have any impact on the level or amount of OTTI impairments because United does not have any transferred securitized financial assets.

In December 2008, the FASB issued FSP FAS 132R-1 (FSP 132R-1), Employers' Disclosures about Postretirement Benefit Plan Assets. This FSP amends FASB Statement 132R, Employers' Disclosures about Pensions and other Postretirement Benefits, to require additional disclosures about assets held in an employer's defined benefit pension or other postretirement plan. The objectives of the enhanced disclosures are to provide users of financial statements with an understanding of: how investment allocation decisions are made; the major categories of an employer's plan assets; the inputs and valuation techniques used to measure the fair value of a plan's assets; the effect of fair value measurements on plan assets using significant unobservable inputs, and significant concentrations of risk within plan assets. Additionally, FSP 132R requires employers to reconcile the beginning and ending balances of plan assets with fair values measured using significant Level 3 unobservable inputs. This reconciliation will require entities to separately present changes during the period that are attributable to actual return on plan assets, purchases, sales and settlements, and transfers in and out of Level 3. The disclosure provisions of FSP 132R-1 are required for reporting periods ending after December 15, 2009. Comparative disclosures are not required upon adoption and earlier application of this FSP is permitted. The adoption of FSP 132R-1 is not expected to have an impact on the Company's financial condition, results of operations, or liquidity.

**Table of Contents**

In March 2008, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 161 (SFAS 161),

Disclosures about Derivative Instruments and Hedging Activities which amends FASB Statement No. 133. SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The disclosure provisions of SFAS 161 have been adopted by United and the adoption did not have any impact on the Company's financial condition, results of operations, or liquidity.

In December 2007, the FASB issued FASB Statement No. 141-revised 2007 (SFAS 141R), Business Combinations which amends FASB Statement 141 (SFAS 141). SFAS 141R aims to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141R is effective for business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. Thus, SFAS 141R had no effect on United's consolidated financial statements.

In December 2007, the FASB issued FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 will be effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. United adopted SFAS 160 on January 1, 2009. The adoption of this statement did not have a material impact on United's consolidated financial statements.

**2. INVESTMENT SECURITIES**

Securities to be 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 below:

	<b>March 31, 2009</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
U.S. Treasury securities and obligations of				
U.S. Government corporations and agencies	\$ 4,295	\$ 75		\$ 4,370
State and political subdivisions	105,865	2,842	\$ 581	108,126
Mortgage-backed securities	837,108	17,934	17,993	837,049
Marketable equity securities	4,691	46	642	4,095
Corporate securities	153,140		65,681	87,459
<b>Total</b>	<b>\$1,105,099</b>	<b>\$20,897</b>	<b>\$84,897</b>	<b>\$1,041,099</b>



**Table of Contents**

	<b>December 31, 2008</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 10,704	\$ 113	\$	\$ 10,817
State and political subdivisions	112,720	1,357	1,345	112,732
Mortgage-backed securities	883,361	13,525	21,567	875,319
Marketable equity securities	5,070		296	4,774
Corporate securities	153,261		59,860	93,401
<b>Total</b>	<b>\$1,165,116</b>	<b>\$14,995</b>	<b>\$83,068</b>	<b>\$1,097,043</b>

Corporate securities consist mainly of bonds and trust preferred issuances of corporations. Provided below is a summary of securities available-for-sale which were in an unrealized loss position at March 31, 2009 and December 31, 2008:

	<b>Less than 12 months</b>		<b>12 months or longer</b>	
	<b>Market Value</b>	<b>Unrealized Losses</b>	<b>Market Value</b>	<b>Unrealized Losses</b>
<b>March 31, 2009</b>				
Treasuries and agencies				
State and political	\$ 18,281	\$ 581		
Mortgage-backed	21,652	425	\$ 159,771	\$ 17,568
Marketable equity securities	308	202	779	440
Corporate securities	17,786	11,757	69,674	53,924
<b>Total</b>	<b>\$ 58,027</b>	<b>\$ 12,965</b>	<b>\$ 230,224</b>	<b>\$ 71,932</b>

	<b>Less than 12 months</b>		<b>12 months or longer</b>	
	<b>Market Value</b>	<b>Unrealized Losses</b>	<b>Market Value</b>	<b>Unrealized Losses</b>
<b>December 31, 2008</b>				
Treasuries and agencies				
State and political	\$ 38,574	\$ 1,345		
Mortgage-backed	173,308	18,026	\$ 26,625	\$ 3,541