

UNITED BANKSHARES INC/WV

Form 10-Q

November 05, 2008

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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, 2008**

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, a non-accelerated filer, or a smaller reporting company. See definition 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; **43,337,472** shares outstanding as of **October 31, 2008**.

UNITED BANKSHARES, INC. AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The September 30, 2008 and December 31, 2007, 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, 2008 and 2007, the related consolidated statement of changes in shareholders equity for the nine months ended September 30, 2008, the related condensed consolidated statements of cash flows for the nine months ended September 30, 2008 and 2007, 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 2008 (Unaudited)	December 31 2007 (Note 1)
(Dollars in thousands, except par value)		
Assets		
Cash and due from banks	\$ 195,212	\$ 202,586
Interest-bearing deposits with other banks	14,671	10,559
Federal funds sold	14,595	17,506
Total cash and cash equivalents	224,478	230,651
Securities available for sale at estimated fair value (amortized cost-\$1,207,207 at September 30, 2008 and \$1,163,014 at December 31, 2007)	1,169,998	1,156,561
Securities held to maturity (estimated fair value-\$110,873 at September 30, 2008 and \$158,165 at December 31, 2007)	127,123	157,228
Other investment securities	80,556	80,975
Loans held for sale	718	1,270
Loans	5,918,262	5,800,561
Less: Unearned income	(6,644)	(7,077)
Loans net of unearned income	5,911,618	5,793,484
Less: Allowance for loan losses	(57,556)	(50,456)
Net loans	5,854,062	5,743,028
Bank premises and equipment	59,483	61,680
Goodwill	312,371	312,111
Accrued interest receivable	34,560	38,238
Other assets	232,204	212,997
TOTAL ASSETS	\$ 8,095,553	\$ 7,994,739
Liabilities		
Deposits:		
Noninterest-bearing	\$ 922,484	\$ 913,427
Interest-bearing	4,581,987	4,436,323
Total deposits	5,504,471	5,349,750
Borrowings:		
Federal funds purchased	99,920	97,074
Securities sold under agreements to repurchase	572,007	499,989
Federal Home Loan Bank borrowings	887,616	1,012,272
Other short-term borrowings	2,300	5,000
Other long-term borrowings	185,254	195,890
Allowance for lending-related commitments	1,832	8,288

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Accrued expenses and other liabilities		69,044	65,277
	TOTAL LIABILITIES	7,322,444	7,233,540
Shareholders Equity			
Common stock, \$2.50 par value; Authorized-100,000,000 shares; issued-44,320,832 at September 30, 2008 and December 31, 2007, including 1,036,905 and 1,086,106 shares in treasury at September 30, 2008 and December 31, 2007, respectively			
		110,802	110,802
Surplus		97,746	98,405
Retained earnings		633,222	602,185
Accumulated other comprehensive loss		(32,721)	(12,480)
Treasury stock, at cost		(35,940)	(37,713)
	TOTAL SHAREHOLDERS EQUITY	773,109	761,199
	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 8,095,553	\$ 7,994,739

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 September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Interest income				
Interest and fees on loans	\$ 88,822	\$ 99,240	\$ 272,088	\$ 267,111
Interest on federal funds sold and other short-term investments	140	876	632	1,980
Interest and dividends on securities:				
Taxable	15,104	13,832	45,125	40,446
Tax-exempt	2,694	3,361	8,880	10,096
Total interest income	106,760	117,309	326,725	319,633
Interest expense				
Interest on deposits	29,538	40,176	94,850	107,574
Interest on short-term borrowings	3,214	8,220	13,794	22,846
Interest on long-term borrowings	9,871	9,801	28,514	24,619
Total interest expense	42,623	58,197	137,158	155,039
Net interest income	64,137	59,112	189,567	164,594
Provision for credit losses	6,497	1,550	12,948	2,750
Net interest income after provision for credit losses	57,640	57,562	176,619	161,844
Other income				
Fees from trust and brokerage services	4,522	3,788	13,014	11,097
Fees from deposit services	10,251	9,087	29,336	24,134
Bankcard fees and merchant discounts	1,543	1,716	4,835	4,522
Other service charges, commissions, and fees	450	569	1,527	1,247
Income from bank-owned life insurance	1,622	1,179	3,943	3,965
Income from mortgage banking	93	124	342	447
Security (losses) gains	(9,167)	172	(8,258)	494
Gain on termination of interest rate swaps associated with prepayment of FHLB advances				787
Other income	1,016	691	3,384	2,074
Total other income	10,330	17,326	48,123	48,767

Other expense

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Salaries and employee benefits	18,766	17,559	56,735	47,207
Net occupancy expense	4,163	3,823	12,434	10,393
Equipment expense	1,790	2,059	6,072	4,867
Data processing expense	2,461	2,448	7,661	6,401
Bankcard processing expense	1,282	1,445	4,100	3,857
Prepayment penalty on FHLB advance				786
Other expense	13,176	11,688	37,471	29,502
Total other expense	41,638	39,022	124,473	103,013
Income before income taxes	26,332	35,866	100,269	107,598
Income taxes	6,740	10,063	29,834	32,876
Net income	\$ 19,592	\$ 25,803	\$ 70,435	\$ 74,722
Earnings per common share:				
Basic	\$ 0.45	\$ 0.60	\$ 1.63	\$ 1.80
Diluted	\$ 0.45	\$ 0.60	\$ 1.62	\$ 1.79
Dividends per common share	\$ 0.29	\$ 0.28	\$ 0.87	\$ 0.84
Average outstanding shares:				
Basic	43,276,962	42,731,909	43,262,926	41,458,388
Diluted	43,421,333	42,998,484	43,418,755	41,811,493
<i>See notes to consolidated unaudited financial statements.</i>				

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

	Common Stock		Nine Months Ended September 30, 2008				Total Shareholders Equity
	Par Shares	Value	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	
<i>(Dollars in thousands, except per share data)</i>							
Balance at January 1, 2008	44,320,832	\$ 110,802	\$ 98,405	\$ 602,185	(\$12,480)	(\$37,713)	\$ 761,199
Cumulative effect of adopting EITF 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split- Dollar Life Insurance Arrangements				(1,486)			(1,486)
Effect of changing pension plan measurement date pursuant to SFAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans , net of tax				(270)			(270)
Comprehensive income:							
Net income				70,435			70,435
Other comprehensive income, net of tax:							
Unrealized loss on securities of \$25,327 net of reclassification adjustment for losses included in net income of \$5,368					(19,959)		(19,959)
Unrealized loss on cash flow hedge, net of tax of \$1,018					(1,890)		(1,890)
Accretion of the unrealized loss for securities transferred from the available for sale to the held to maturity investment portfolio					138		138
Pension plan s amortization of transition asset, prior service cost, and actuarial loss, net of tax of \$6					8		8
Change in pension asset, net of tax of \$788					1,462		1,462
Total comprehensive income							50,194
Stock based compensation expense			410				410
Purchase of treasury stock (8,514 shares)						(208)	(208)
Distribution of treasury stock for deferred compensation plan (5,938 shares)						183	183
Cash dividends (\$0.87 per share)				(37,642)			(37,642)
Common stock options exercised (51,777 shares)			(1,069)			1,798	729
Balance at September 30, 2008	44,320,832	\$ 110,802	\$ 97,746	\$ 633,222	(\$32,721)	(\$35,940)	\$ 773,109

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	
	2008	2007
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 84,222	\$ 67,820
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	21,286	56,287
Proceeds from sales of securities held to maturity		475
Purchases of securities held to maturity		(445)
Proceeds from sales of securities available for sale	1,230	9,587
Proceeds from maturities and calls of securities available for sale	466,361	493,245
Purchases of securities available for sale	(511,805)	(558,412)
Net purchases of bank premises and equipment	(1,460)	(2,107)
Net cash of acquired subsidiary		(35,778)
Net change in other investment securities	1,279	(8,978)
Net change in loans	(122,947)	(32,141)
NET CASH USED IN INVESTING ACTIVITIES	(146,056)	(78,267)
FINANCING ACTIVITIES		
Cash dividends paid	(37,628)	(34,335)
Excess tax benefits from stock-based compensation arrangements	322	796
Acquisition of treasury stock	(198)	(24,885)
Net proceeds from issuance of trust preferred securities		82,475
Proceeds from exercise of stock options	670	2,416
Proceeds from issuance of long-term Federal Home Loan Bank borrowings	225,000	333,900
Repayment of long-term Federal Home Loan Bank borrowings	(60,656)	(234,127)
Redemption of debt related to trust preferred securities	(10,310)	
Distribution of treasury stock for deferred compensation plan	183	59
Changes in:		
Deposits	155,114	(198,834)
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	(216,836)	28,430
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	55,661	(44,105)
Decrease in cash and cash equivalents	(6,173)	(54,552)
Cash and cash equivalents at beginning of year	230,651	259,013
Cash and cash equivalents at end of period	\$ 224,478	\$ 204,461

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, 2008 and 2007 and for the three-month and nine-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2007 has been extracted from the audited financial statements included in United s 2007 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 2007 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 or unless otherwise noted.

New Accounting Standards

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. United is currently assessing the impact this statement will have on its consolidated financial statements.

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. Early adoption is not permitted.

In December 2007, the FASB issued FASB Statement No. 160, Noncontrolling Interests in Consolidated

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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. Earlier adoption is prohibited. Based on management's preliminary analysis, the adoption of SFAS 160 is not expected to have a significant impact on United's consolidated financial statements.

In September 2006, the FASB issued EITF Issue No. 06-4 (EITF 06-4), Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements, which will require employers with endorsement split-dollar arrangements that provide a post-retirement life insurance benefit to record an obligation for this benefit and recognize an ongoing expense. EITF 06-4 applies for fiscal years beginning after December 15, 2007, with an earlier adoption permitted. United adopted EITF 06-4 on January 1, 2008, as required and a cumulative effect adjustment was recorded in retained earnings.

In March 2007, the Emerging Issues Task Force (EITF) of the FASB ratified EITF Issue No. 06-10, Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements. EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 was effective for fiscal years beginning after December 31, 2007. United adopted EITF 06-10 as of January 1, 2008, as required. The adoption of this standard did not have an impact on United's financial statements since United does not have any collateral assignment split-dollar life insurance agreements.

In February 2007, the 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 decided to not report any existing financial assets or liabilities at fair value that are not already reported, thus the adoption of this statement did not have a material impact on United's 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 income. United adopted the recognition and disclosure provisions of SFAS 158 on December 31, 2006. The effect of adopting SFAS 158 on United's financial condition at December 31, 2006 has been included in the accompanying consolidated financial statements. SFAS 158 also requires employers to measure the funded status of a plan as of the end of the employers' fiscal year. On January 1, 2008, United changed the

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measurement date for its defined pension plan from September 30 to December 31 for its 2008 financial statements as required. As a result, United recorded a cumulative effect adjustment of \$270 to retained earnings. See Note 14 for additional information regarding United's adoption of SFAS 158.

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. United adopted SFAS 157 on January 1, 2008. The adoption of this statement did not have a material impact on United's consolidated financial statements. See Note 12 for additional information regarding United's adoption of SFAS 157.

2. MERGERS & ACQUISITIONS

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 provided. The acquisition of Premier expanded United's presence in the rapidly growing and economically attractive Metro DC area and afforded United the opportunity to enter new Virginia markets in the Winchester, Harrisonburg and Charlottesville areas.

The purchase price was allocated to the identifiable tangible and intangible assets resulting in additions to goodwill and core deposit intangibles of approximately \$148 million and \$11 million, respectively.

As a result of the merger, United assumed approximately \$2.5 million of liabilities to provide severance benefits to terminated employees of Premier. A balance of \$811 thousand remains as of September 30, 2008 for the assumed liabilities to provide severance benefits to terminated employees of Premier.

Statement of Position 03-3 (SOP 03-3), Accounting for Certain Loans or Debt Securities Acquired in a Transfer requires acquired impaired loans for which it is probable that the investor will be unable to collect all contractually required payments receivable to be recorded at the present value of amounts expected to be received and prohibits carrying over or creating valuation allowances in the initial accounting for these loans. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3. The impact of recording the impaired loans acquired from Premier on July 14, 2007 at fair value was not significant. Additional disclosures required by SOP 03-3 are not provided because of the insignificant impact.

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The amortized cost and estimated fair values of securities available for sale are summarized below:

		September 30, 2008		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of				
U.S. Government corporations and agencies	\$ 42,583	\$ 98	\$ 1	\$ 42,680
State and political subdivisions	113,990	1,004	2,038	112,956
Mortgage-backed securities	890,523	4,085	12,757	881,851
Marketable equity securities	6,691		898	5,793
Corporate securities	153,420		26,702	126,718
Total	\$1,207,207	\$5,187	\$42,396	\$1,169,998

		December 31, 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	\$ 42,689	\$ 188	\$ 8	\$ 42,869
State and political subdivisions	117,713	2,349	53	120,009
Mortgage-backed securities	846,037	4,173	4,105	846,105