

UNITED BANKSHARES INC/WV  
Form 10-Q  
August 08, 2018  
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**FORM 10-Q**  
**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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

For the quarterly period ended June 30, 2018

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: 002-86947

**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

Registrant's telephone number, including area code: (304) 424-8716

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

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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, smaller reporting company or an emerging growth company. See definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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; **103,821,168** shares outstanding as of **July 31, 2018**.

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**UNITED BANKSHARES, INC. AND SUBSIDIARIES**

**FORM 10-Q**

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**PART I - FINANCIAL INFORMATION**

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

The June 30, 2018 and December 31, 2017, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries ( United or the Company ), consolidated statements of income and comprehensive income for the three and six months ended June 30, 2018 and 2017, the related consolidated statement of changes in shareholders' equity for the six months ended June 30, 2018, the related condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017, 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)**

|                                                                                                                                          | <b>June 30<br/>2018<br/>(Unaudited)</b> | <b>December 31<br/>2017<br/>(Note 1)</b> |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------|
| <b>Assets</b>                                                                                                                            |                                         |                                          |
| Cash and due from banks                                                                                                                  | \$ 230,965                              | \$ 196,742                               |
| Interest-bearing deposits with other banks                                                                                               | 861,166                                 | 1,468,636                                |
| Federal funds sold                                                                                                                       | 795                                     | 789                                      |
| <b>Total cash and cash equivalents</b>                                                                                                   | <b>1,092,926</b>                        | <b>1,666,167</b>                         |
| Securities available for sale at estimated fair value (amortized cost-\$2,103,362 at June 30, 2018 and \$1,900,684 at December 31, 2017) | 2,060,927                               | 1,888,756                                |
| Securities held to maturity (estimated fair value-\$19,708 at June 30, 2018 and \$20,018 at December 31, 2017)                           | 20,378                                  | 20,428                                   |
| Equity securities at estimated fair value                                                                                                | 9,664                                   | 0                                        |
| Other investment securities                                                                                                              | 175,334                                 | 162,461                                  |
| Loans held for sale (at fair value-\$282,439 at June 30, 2018 and \$263,308 at December 31, 2017)                                        | 285,194                                 | 265,955                                  |
| Loans                                                                                                                                    | 13,529,008                              | 13,027,337                               |
| Less: Unearned income                                                                                                                    | (12,379)                                | (15,916)                                 |
| <b>Loans net of unearned income</b>                                                                                                      | <b>13,516,629</b>                       | <b>13,011,421</b>                        |
| Less: Allowance for loan losses                                                                                                          | (77,135)                                | (76,627)                                 |
| <b>Net loans</b>                                                                                                                         | <b>13,439,494</b>                       | <b>12,934,794</b>                        |
| Bank premises and equipment                                                                                                              | 100,260                                 | 104,894                                  |
| Goodwill                                                                                                                                 | 1,478,014                               | 1,478,380                                |
| Accrued interest receivable                                                                                                              | 57,270                                  | 52,815                                   |
| Other assets                                                                                                                             | 488,142                                 | 484,309                                  |
| <b>TOTAL ASSETS</b>                                                                                                                      | <b>\$ 19,207,603</b>                    | <b>\$ 19,058,959</b>                     |
| <b>Liabilities</b>                                                                                                                       |                                         |                                          |
| Deposits:                                                                                                                                |                                         |                                          |
| Noninterest-bearing                                                                                                                      | \$ 4,331,840                            | \$ 4,294,687                             |
| Interest-bearing                                                                                                                         | 9,498,926                               | 9,535,904                                |
| <b>Total deposits</b>                                                                                                                    | <b>13,830,766</b>                       | <b>13,830,591</b>                        |
| Borrowings:                                                                                                                              |                                         |                                          |
| Federal funds purchased                                                                                                                  | 14,000                                  | 16,235                                   |
| Securities sold under agreements to repurchase                                                                                           | 185,507                                 | 311,352                                  |
| Federal Home Loan Bank borrowings                                                                                                        | 1,560,365                               | 1,271,531                                |
| Other long-term borrowings                                                                                                               | 234,276                                 | 242,446                                  |
| Reserve for lending-related commitments                                                                                                  | 927                                     | 679                                      |
| Accrued expenses and other liabilities                                                                                                   | 139,197                                 | 145,595                                  |
| <b>TOTAL LIABILITIES</b>                                                                                                                 | <b>15,965,038</b>                       | <b>15,818,429</b>                        |
| <b>Shareholders Equity</b>                                                                                                               |                                         |                                          |

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|                                                                                                                                                                                                                                                                |                      |                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Preferred stock, \$1.00 par value; Authorized-50,000,000 shares, none issued                                                                                                                                                                                   | 0                    | 0                    |
| Common stock, \$2.50 par value; Authorized-200,000,000 shares; issued-105,208,914 and 105,069,821 at June 30, 2018 and December 31, 2017, respectively, including 1,005,372 and 29,173 shares in treasury at June 30, 2018 and December 31, 2017, respectively | 263,022              | 262,675              |
| Surplus                                                                                                                                                                                                                                                        | 2,131,697            | 2,129,077            |
| Retained earnings                                                                                                                                                                                                                                              | 954,953              | 891,816              |
| Accumulated other comprehensive loss                                                                                                                                                                                                                           | (70,001)             | (42,025)             |
| Treasury stock, at cost                                                                                                                                                                                                                                        | (37,106)             | (1,013)              |
| <b>TOTAL SHAREHOLDERS EQUITY</b>                                                                                                                                                                                                                               | <b>3,242,565</b>     | <b>3,240,530</b>     |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>                                                                                                                                                                                                               | <b>\$ 19,207,603</b> | <b>\$ 19,058,959</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)

|                                                                 | Three Months Ended<br>June 30 |                | Six Months Ended<br>June 30 |                |
|-----------------------------------------------------------------|-------------------------------|----------------|-----------------------------|----------------|
|                                                                 | 2018                          | 2017           | 2018                        | 2017           |
| <b>Interest income</b>                                          |                               |                |                             |                |
| Interest and fees on loans                                      | \$ 159,294                    | \$ 140,899     | \$ 308,222                  | \$ 249,841     |
| Interest on federal funds sold and other short-term investments | 3,465                         | 3,785          | 8,382                       | 6,471          |
| Interest and dividends on securities:                           |                               |                |                             |                |
| Taxable                                                         | 13,810                        | 8,809          | 25,685                      | 16,820         |
| Tax-exempt                                                      | 1,431                         | 1,454          | 2,896                       | 2,573          |
| <b>Total interest income</b>                                    | <b>178,000</b>                | <b>154,947</b> | <b>345,185</b>              | <b>275,705</b> |
| <b>Interest expense</b>                                         |                               |                |                             |                |
| Interest on deposits                                            | 19,076                        | 12,586         | 34,733                      | 21,054         |
| Interest on short-term borrowings                               | 464                           | 415            | 885                         | 719            |
| Interest on long-term borrowings                                | 9,338                         | 5,701          | 16,402                      | 10,067         |
| <b>Total interest expense</b>                                   | <b>28,878</b>                 | <b>18,702</b>  | <b>52,020</b>               | <b>31,840</b>  |
| <b>Net interest income</b>                                      | <b>149,122</b>                | <b>136,245</b> | <b>293,165</b>              | <b>243,865</b> |
| Provision for loan losses                                       | 6,204                         | 8,251          | 11,382                      | 14,150         |
| <b>Net interest income after provision for loan losses</b>      | <b>142,918</b>                | <b>127,994</b> | <b>281,783</b>              | <b>229,715</b> |
| <b>Other income</b>                                             |                               |                |                             |                |
| Fees from trust services                                        | 3,104                         | 2,863          | 6,195                       | 5,893          |
| Fees from brokerage services                                    | 1,953                         | 1,882          | 4,177                       | 3,738          |
| Fees from deposit services                                      | 8,420                         | 8,528          | 16,650                      | 16,234         |
| Bankcard fees and merchant discounts                            | 1,479                         | 1,216          | 2,835                       | 2,100          |
| Other service charges, commissions, and fees                    | 599                           | 521            | 1,108                       | 998            |
| Income from bank-owned life insurance                           | 1,271                         | 1,258          | 2,525                       | 2,475          |
| Income from mortgage banking activities                         | 18,692                        | 22,537         | 33,262                      | 23,212         |
| Net investment securities (losses) gains                        | (55)                          | 747            | (540)                       | 4,687          |
| Other income                                                    | 544                           | 954            | 987                         | 1,315          |
| <b>Total other income</b>                                       | <b>36,007</b>                 | <b>40,506</b>  | <b>67,199</b>               | <b>60,652</b>  |
| <b>Other expense</b>                                            |                               |                |                             |                |
| Employee compensation                                           | 43,120                        | 56,030         | 83,956                      | 80,063         |
| Employee benefits                                               | 9,298                         | 9,760          | 18,869                      | 16,663         |
| Net occupancy expense                                           | 9,076                         | 13,913         | 18,503                      | 20,697         |
| Other real estate owned (OREO) expense                          | 556                           | 524            | 1,502                       | 1,938          |
| Equipment expense                                               | 3,279                         | 2,471          | 6,436                       | 4,436          |
| Data processing expense                                         | 5,817                         | 5,331          | 11,667                      | 9,374          |
| Bankcard processing expense                                     | 480                           | 442            | 946                         | 907            |
| FDIC insurance expense                                          | 2,842                         | 1,771          | 4,690                       | 3,522          |
| Other expense                                                   | 18,942                        | 21,895         | 37,293                      | 37,379         |
| <b>Total other expense</b>                                      | <b>93,410</b>                 | <b>112,137</b> | <b>183,862</b>              | <b>174,979</b> |

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|                            |           |           |            |           |
|----------------------------|-----------|-----------|------------|-----------|
| Income before income taxes | 85,515    | 56,363    | 165,120    | 115,388   |
| Income taxes               | 19,241    | 19,304    | 37,140     | 39,520    |
| Net income                 | \$ 66,274 | \$ 37,059 | \$ 127,980 | \$ 75,868 |



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

|                                    | <b>Three Months Ended<br/>June 30</b> |             | <b>Six Months Ended<br/>June 30</b> |             |
|------------------------------------|---------------------------------------|-------------|-------------------------------------|-------------|
|                                    | <b>2018</b>                           | <b>2017</b> | <b>2018</b>                         | <b>2017</b> |
| <b>Earnings per common share:</b>  |                                       |             |                                     |             |
| Basic                              | \$ 0.63                               | \$ 0.37     | \$ 1.22                             | \$ 0.84     |
| Diluted                            | \$ 0.63                               | \$ 0.37     | \$ 1.22                             | \$ 0.84     |
| <br>Dividends per common share     | <br>\$ 0.34                           | <br>\$ 0.33 | <br>\$ 0.68                         | <br>\$ 0.66 |
| <b>Average outstanding shares:</b> |                                       |             |                                     |             |
| Basic                              | 104,682,910                           | 99,197,807  | 104,770,681                         | 90,100,627  |
| Diluted                            | 104,952,788                           | 99,620,045  | 105,058,014                         | 90,570,289  |

*See notes to consolidated unaudited financial statements*

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

|                                                                                                                         | <b>Three Months Ended</b> |             | <b>Six Months Ended</b> |             |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------|-------------------------|-------------|
|                                                                                                                         | <b>June 30</b>            |             | <b>June 30</b>          |             |
|                                                                                                                         | <b>2018</b>               | <b>2017</b> | <b>2018</b>             | <b>2017</b> |
| Net income                                                                                                              | \$ 66,274                 | \$ 37,059   | \$ 127,980              | \$ 75,868   |
| Change in net unrealized gain (loss) on available-for-sale (AFS) securities, net of tax                                 | (6,501)                   | 3,101       | (23,274)                | 6,479       |
| Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (HTM) securities, net of tax | 1                         | 1           | 2                       | 2           |
| Change in pension plan assets, net of tax                                                                               | 1,052                     | 695         | 1,785                   | 1,390       |
| Comprehensive income, net of tax                                                                                        | \$ 60,826                 | \$ 40,856   | \$ 106,493              | \$ 83,739   |

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(Dollars in thousands, except per share data)

|                                                                  | Six Months Ended June 30, 2018 |            |              |            |             |             |              |
|------------------------------------------------------------------|--------------------------------|------------|--------------|------------|-------------|-------------|--------------|
|                                                                  | Common Stock                   |            | Surplus      | Retained   | Accumulated | Treasury    | Total        |
|                                                                  | Shares                         | Par Value  |              |            |             |             |              |
| Balance at January 1, 2018                                       | 105,069,821                    | \$ 262,675 | \$ 2,129,077 | \$ 891,816 | (\$ 42,025) | (\$ 1,013)  | \$ 3,240,530 |
| Cumulative effect of adopting Accounting Standard Update 2016-01 |                                |            |              | 136        | (136)       |             | 0            |
| Reclass due to adopting Accounting Standard Update 2018-02       |                                |            |              | 6,353      | (6,353)     |             | 0            |
| Comprehensive income:                                            |                                |            |              |            |             |             |              |
| Net income                                                       | 0                              | 0          | 0            | 127,980    | 0           | 0           | 127,980      |
| Other comprehensive income, net of tax:                          | 0                              | 0          | 0            | 0          | (21,487)    | 0           | (21,487)     |
| Total comprehensive income, net of tax                           |                                |            |              |            |             |             | 106,493      |
| Stock based compensation expense                                 | 0                              | 0          | 1,992        | 0          | 0           | 0           | 1,992        |
| Purchase of treasury stock (973,346 shares)                      | 0                              | 0          | 0            | 0          | 0           | (35,984)    | (35,984)     |
| Cash dividends (\$0.68 per share)                                | 0                              |            |              | (71,332)   | 0           | 0           | (71,332)     |
| Grant of restricted stock (97,004 shares)                        | 97,004                         | 243        | (243)        | 0          | 0           | 0           | 0            |
| Forfeiture of restricted stock (2,853 shares)                    | 0                              | 0          | 109          | 0          | 0           | (109)       | 0            |
| Common stock options exercised (42,089 shares)                   | 42,089                         | 104        | 762          | 0          | 0           | 0           | 866          |
| Balance at June 30, 2018                                         | 105,208,914                    | \$ 263,022 | \$ 2,131,697 | \$ 954,953 | (\$ 70,001) | (\$ 37,106) | \$ 3,242,565 |

*See notes to consolidated unaudited financial statements.*

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(Dollars in thousands)

|                                                                                                         | <b>Six Months Ended<br/>June 30</b> |              |
|---------------------------------------------------------------------------------------------------------|-------------------------------------|--------------|
|                                                                                                         | <b>2018</b>                         | <b>2017</b>  |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                                        | \$ 98,498                           | \$ 35,919    |
| <b>INVESTING ACTIVITIES</b>                                                                             |                                     |              |
| Proceeds from maturities and calls of securities held to maturity                                       | 2                                   | 12,888       |
| Proceeds from sales of securities available for sale                                                    | 53,179                              | 234,816      |
| Proceeds from maturities and calls of securities available for sale                                     | 124,894                             | 332,488      |
| Purchases of securities available for sale                                                              | (391,186)                           | (524,561)    |
| Proceeds from sales of equity securities                                                                | 1,826                               | 0            |
| Purchases of equity securities                                                                          | (380)                               | 0            |
| Proceeds from sales and redemptions of other investment securities                                      | 15,606                              | 9,272        |
| Purchases of other investment securities                                                                | (33,279)                            | (43,337)     |
| Purchases of bank premises and equipment                                                                | (2,159)                             | (2,798)      |
| Proceeds from sales of bank premises and equipment                                                      | 2,123                               | 13           |
| Proceeds from the sales of OREO properties                                                              | 4,658                               | 3,835        |
| Acquisition of subsidiaries, net of cash paid                                                           | 0                                   | 44,531       |
| Net change in loans                                                                                     | (493,787)                           | 112,150      |
| <b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>                                              | (718,503)                           | 179,297      |
| <b>FINANCING ACTIVITIES</b>                                                                             |                                     |              |
| Cash dividends paid                                                                                     | (71,461)                            | (52,092)     |
| Acquisition of treasury stock                                                                           | (35,984)                            | (1)          |
| Proceeds from exercise of stock options                                                                 | 851                                 | 2,546        |
| Repayment of long-term Federal Home Loan Bank borrowings                                                | (625,000)                           | (825,191)    |
| Proceeds from issuance of long-term Federal Home Loan Bank borrowings                                   | 1,115,000                           | 845,000      |
| Repayment of trust preferred issuance                                                                   | (9,374)                             | 0            |
| Changes in:                                                                                             |                                     |              |
| Deposits                                                                                                | 812                                 | (174,557)    |
| Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings | (328,080)                           | (34,444)     |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>                                              | 46,764                              | (238,739)    |
| Decrease in cash and cash equivalents                                                                   | (573,241)                           | (23,523)     |
| Cash and cash equivalents at beginning of year                                                          | 1,666,167                           | 1,434,527    |
| Cash and cash equivalents at end of period                                                              | \$ 1,092,926                        | \$ 1,411,004 |
| <b>Supplemental information</b>                                                                         |                                     |              |
| Noncash investing activities:                                                                           |                                     |              |
| Transfers of loans to OREO                                                                              | \$ 527                              | \$ 1,951     |

*See notes to consolidated unaudited financial statements.*



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**UNITED BANKSHARES, INC. AND SUBSIDIARIES**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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 June 30, 2018 and 2017 and for the three-month and six-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2017 has been extracted from the audited financial statements included in United s 2017 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 2017 Annual Report of United on Form 10-K. To conform to the 2018 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 operates in two business segments: community banking and mortgage banking. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. Information is presented in these notes to the unaudited consolidated interim financial statements with dollars expressed in thousands, except per share or unless otherwise noted.

**New Accounting Standards**

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-07 Compensation-Stock Compensation (Topic 718):Improvements to Nonemployee Share-Based Payment Accounting. This update has been issued as part of a simplification initiative which will expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees and expands the scope through the amendments to address and improve aspects of the accounting for non-employee share-based payment transactions. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. ASU No. 2018-07 is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2018; early adoption is permitted. ASU No. 2018-07 is not expected to have a material impact on the Company s financial condition or results of operations.

In February 2018, the FASB issued ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2018-03 clarifies that entities that use the measurement alternative for equity securities without readily determinable fair values can change its measurement approach to fair value. This election is irrevocable and will apply to all future purchases of identical or similar investments of the same issuer. The amended guidance also clarifies that adjustments made under the measurement alternative should reflect the fair value of the security as of the date that an observable transaction took place rather than the current reporting date. Entities will use the prospective transition approach only for securities they elect to measure using the measurement alternative. ASU No. 2018-03 is effective for interim and annual reporting periods beginning after December 15, 2017; early adoption is permitted. ASU No. 2018-03 did not have a material impact on the Company s financial condition or results of operations.

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In February 2018, the FASB issued ASU No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, to help organizations address certain stranded income tax effects in accumulated other comprehensive income (AOCI) resulting from the Tax Cuts and Jobs Act (the Tax Act). This ASU provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act (or portion thereof) is recorded. The amendments are effective for all organizations for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. Organizations should apply the proposed amendments either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. United adopted ASU No. 2018-02 in the first quarter of 2018 and reclassified \$6,353 of stranded income tax effected amounts in AOCI to retained earnings.

In August 2017, the FASB issued ASU No. 2017-12, *Targeting Improvement to Accounting for Hedging Activities*. This ASU amends ASC 815 and its objectives are to improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities and reduce the complexity and simplify the application of hedge accounting by preparers. ASU No. 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. ASU No. 2017-12 is not expected to have a material impact on the Company's financial condition or results of operations.

In July 2017, the FASB issued ASU No. 2017-11, *Part I, Accounting for Certain Financial Instruments with Down Round Features and Part II, Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling interests with a Scope Exception*. Part I of this ASU simplifies the accounting for financial instruments that include down round features while the amendments in Part II, which do not have an accounting effect, address the difficulty of navigating the guidance in ASC 480, *Distinguishing Liabilities from Equity*, due to the existence of extensive pending content in the Codification. ASU No. 2017-11 is effective for interim and annual reporting periods beginning after December 15, 2018. ASU No. 2017-11 is not expected to have a material impact on the Company's financial condition or results of operations.

In May 2017, the FASB issued ASU No. 2017-09, *Stock Compensation, Scope of Modification Accounting*. This ASU clarifies when changes to the terms of conditions of a share-based payment award must be accounted for as modifications. Companies will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. The new guidance should reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications, as the guidance will allow companies to make certain non-substantive changes to awards without accounting for them as modifications. It does not change the accounting for modifications. ASU No. 2017-09 is effective for interim and annual reporting periods beginning after December 15, 2017; early adoption is permitted. ASU No. 2017-09 did not have a material impact on the Company's financial condition or results of operations.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU No. 2017-07 amends ASC 715, *Compensation - Retirement Benefits* and will change how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Only the service cost component will be eligible for capitalization in assets. Employers will present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of operating income, if one is presented. These components will

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not be eligible for capitalization in assets. ASU No. 2017-07 was effective for United on January 1, 2018. The adoption of ASU No. 2017-07 had a slight change in presentation but did not materially impact the Company's financial condition or results of operations. United used amounts previously disclosed in its Employee Benefits Plan footnote (Note 14) to retrospectively adjust prior period amounts of employee compensation and employee benefits within United's Consolidated Statements of Income.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350). ASU No. 2017-04 eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. ASU No. 2017-04 is effective for United on January 1, 2020, with early adoption permitted, and management is currently evaluating the possible impact this standard may have on the Company's financial condition or results of operations.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. ASU No. 2017-01 changes the definition of a business to assist entities with evaluation when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606. ASU No. 2017-01 was effective for United on January 1, 2018 and did not have a material impact on the Company's financial condition or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU No. 2016-15 amends ASC Topic 230 to add and clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows as a result of diversity in practice and in certain circumstances, financial statement restatements. Entities should apply ASU No. 2016-15 using a retrospective transition method to each period presented. ASU No. 2016-15 was effective for United on January 1, 2018 and did not have a material impact on the Company's financial condition or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses. ASU No. 2016-13 changes the impairment model for most financial assets and certain other instruments that aren't measured at fair value through net income. The standard will replace today's incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment (OTTI) model. ASU No. 2016-13 also simplifies the accounting model for purchased credit-impaired debt securities and loans. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. ASU No. 2016-13 is effective for United on January 1, 2020, with early adoption permitted, and management is currently evaluating the possible impact this standard may have on the Company's financial condition or results of operations.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU No. 2016-09 will change certain aspects of accounting for share-based payments to employees. The new guidance will, amongst other things, require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. The requirement to report those income tax effects in earnings was applied to settlements occurring on or after January 1, 2017 and the impact of applying that guidance reduced reporting income tax expense by \$1,048 for the year of 2017. ASU No. 2016-09 also allows an employer to repurchase more of an employee's shares than it could previously for tax withholding purposes without triggering liability accounting and make a policy election to account for forfeitures as they occur. The Company will continue to estimate the number of awards expected to be forfeited and adjust the estimate when it is no longer probable that the employee will fulfill the service condition, as was previously required. ASU No. 2016-09 also requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities



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in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. The adoption of ASU No. 2016-09 did not have a material impact on the Company's financial condition or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 includes a lessee accounting model that recognizes two types of leases, finance leases and operating leases, while lessor accounting will remain largely unchanged from the current GAAP. ASU No. 2016-02 requires, amongst other things, that a lessee recognize on the balance sheet a right-of-use asset and a lease liability for leases, which has not yet been quantified, with terms of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. ASU No. 2016-02 is effective for United on January 1, 2019. The Company is currently assessing the impact of the adoption of ASU No. 2016-02 on the Company's results of operations, financial position and cash flows. The Company has evaluated and plans to elect the practical expedients, which would allow for existing leases to be accounted for consistent with current guidance, with the exception of the balance sheet recognition for lessees. The election of these practical expedients will simplify the accounting for leases and the implementation of ASU No. 2016-02. As a lessee, United had \$69,844 in total future minimum lease payments for operating leases as of December 31, 2017. However, the population of contracts requiring balance sheet recognition and their initial measurement continues to be under evaluation. To assist in determining this information as well as the additional requirements of the new standard, the Company has evaluated and selected a third-party lease accounting software solution as part of its implementation strategy. The Company is also documenting the new lease accounting process and has drafted internal controls over financial reporting as part of the implementation process.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 makes changes to the classification and measurement of investments in equity securities, the presentation of certain fair value changes for financial liabilities measured at fair value under the fair value option and disclosure of fair value of instruments. In addition, ASU No. 2016-01 clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU No. 2016-01 was adopted by United on January 1, 2018 and did not have a significant impact on the Company's financial condition or results of operations.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the ASC. The amendments require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new revenue recognition standard sets forth a five-step principle-based approach for determining revenue recognition. For United, revenue is comprised of net interest income and noninterest income. As the standard does not apply to revenue associated with financial instruments, net interest income, gains and losses from securities, income from bank-owned life insurance (BOLI) and income from mortgage banking activities are not impacted by the standard. Based on a review and evaluation of a number of revenue contracts, United's management determined that ASU No. 2014-09 impacts certain recurring revenue streams related to noninterest income such as fees from trust and brokerage services. However, based on an assessment of these revenue streams under the standard, management concluded that ASU No. 2014-09 does not have a material impact on the Company's financial condition or results of operations. In addition, in the Company's evaluation of the nature of its contracts with customers, United has determined that further disaggregation of revenue from contracts with customers into more granular categories beyond those presented in the Consolidated Statements of Income was not necessary. ASU No. 2014-09 was adopted by United on January 1, 2018 using the modified-retrospective transition method. No cumulative effect adjustment was made to the opening balance of retained earnings because the amount was considered immaterial. The impact of ASU No. 2014-09 for the first six months of 2018 was also immaterial to United's consolidated financial position, results of operations, shareholders' equity, cash flows and disclosures.

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Descriptions of our revenue-generating activities that are within the scope of ASC Topic 606, which are presented in our Consolidated Statements of Income as components of Other Income are discussed below. There are no significant judgements relating to the amount and timing of revenue recognition for those revenue streams under the scope of ASC Topic 606.

### *Fees from Trust Services*

Revenue from trust services primarily is comprised of fees earned from the management and administration of trusts and other customer assets. Trust services include custody of assets, investment management, escrow services, and similar fiduciary activities. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to customers accounts.

### *Fees from Brokerage Services*

Revenue from brokerage services are recorded as the income is earned at the time the related service is performed. In return for such services, the Company charges a commission for the sales of various securities products primarily consisting of investment company shares, annuity products, and corporate debt and equity securities, for its selling and administrative efforts. For account supervision, advisory and administrative services, revenue is recognized over a period of time as earned based on customer account balances and activity.

### *Fees from Deposit Services*

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, ATM activity fees, debit card fees, and other deposit account related fees. Revenue is recognized when our performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (ATM or debit card activity).

### *Bankcard Fees and Merchant Discounts*

Bankcard fees and merchant discounts are primarily comprised of credit card income and merchant services income. Credit card income is primarily comprised of interchange fees earned whenever the Company's credit cards are processed through card payment networks such as Visa. Merchant services income mainly represents fees charged to merchants to process their credit card transactions. The Company's performance obligation for bankcard fees and exchange are largely satisfied, and related revenue recognized at the time services are rendered. Payment is typically received immediately or in the following month.

## **2. MERGERS AND ACQUISITIONS**

### **Cardinal Financial Corporation**

On April 21, 2017 (Cardinal Acquisition Date), United acquired 100% of the outstanding common stock of Cardinal Financial Corporation (Cardinal), headquartered in Tysons Corner, Virginia. The acquisition of Cardinal expands United's existing footprint in the Washington, D.C. Metropolitan Statistical Area. At consummation, Cardinal had assets of \$4,136,008, loans of \$3,313,033 and deposits of \$3,344,740. Cardinal also operated George Mason Mortgage, LLC (George Mason), a residential mortgage lending company based in Fairfax, Virginia with offices located in Virginia, Maryland, North Carolina, South Carolina and the District of Columbia. As a result of the merger, George Mason became an indirectly-owned subsidiary of United.

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The merger was accounted for under the acquisition method of accounting. The results of operations of Cardinal are included in the consolidated results of operations from the Cardinal Acquisition Date.

The aggregate purchase price was approximately \$975,254, including common stock valued at \$972,499, stock options assumed valued at \$2,741, and cash paid for fractional shares of \$14. The number of shares issued in the transaction was 23,690,589, which were valued based on the closing market price of \$41.05 for United's common shares on April 21, 2017. The purchase price has been allocated to the identifiable tangible and intangible assets resulting in additions to goodwill, core deposit intangibles and the George Mason trade name intangible of \$612,920, \$28,724 and \$1,080, respectively. The core deposit intangibles are being amortized over ten years. The George Mason trade name provides a source of market recognition to attract potential clients and retain existing relationships. United believes the George Mason trade name provides a competitive advantage and is likely going to be used into perpetuity and thus will not be subject to amortization, but rather be evaluated for impairment.

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 Cardinal acquisition is deductible for tax purposes. United used an independent third party to help determine the fair values of the assets and liabilities acquired from Cardinal. As a result of the merger, United recorded fair value discounts of \$144,434 on the loans acquired, \$2,281 on leases and \$8,738 on trust preferred issuances, respectively, and premiums of \$4,408 on land acquired, \$5,072 on interest-bearing deposits and \$10,740 on long-term FHLB advances, respectively. The remaining discount and premium amounts are being accreted or amortized on an accelerated or straight-line basis over each asset's or liability's estimated remaining life at the time of acquisition except for loans and land. The discount on loans will be accreted into income based on the effective yield method. The premium on land will not be amortized. At June 30, 2018, the discounts on leases and trust preferred issuances had an average estimated remaining life of 5.25 years and 16.22 years, respectively, and the premiums on the interest-bearing deposits and the FHLB advances each had an average estimated remaining life of 4.25 years and 4.06 years, respectively. United assumed approximately \$1,825 of liabilities to provide severance benefits to terminated employees of Cardinal, which has no remaining balance as of June 30, 2018. The estimated fair values of the acquired assets and assumed liabilities, including identifiable intangible assets and goodwill are considered final as of June 30, 2018.

In many cases, determining the estimated fair value of the acquired assets and assumed liabilities required United to estimate cash flows expected to result from those assets and liabilities and to discount those cash flows at appropriate rates of interest. The most significant of those determinations related to the fair value 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 Cardinal's previously established allowance for loan losses.

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.

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

|                                                                    | <b>April 21, 2017</b> |
|--------------------------------------------------------------------|-----------------------|
| Contractually required principal and interest at acquisition       | \$ 4,211,734          |
| Contractual cash flows not expected to be collected                | (56,176)              |
| Expected cash flows at acquisition                                 | 4,155,558             |
| Interest component of expected cash flows                          | (986,959)             |
| <b>Basis in acquired loans at acquisition estimated fair value</b> | <b>\$ 3,168,599</b>   |

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 \$132,837, \$108,275, and \$86,696, respectively.

The consideration paid for Cardinal's common equity and the amounts of acquired identifiable assets and liabilities assumed as of the Cardinal Acquisition Date were as follows:

|                                                                                   |                     |
|-----------------------------------------------------------------------------------|---------------------|
| <b>Purchase price:</b>                                                            |                     |
| Value of common shares issued (23,690,589 shares)                                 | \$ 972,499          |
| Fair value of stock options assumed                                               | 2,741               |
| Cash for fractional shares                                                        | 14                  |
| <b>Total purchase price</b>                                                       | <b>975,254</b>      |
| <b>Identifiable assets:</b>                                                       |                     |
| Cash and cash equivalents                                                         | 44,545              |
| Investment securities                                                             | 395,829             |
| Loans held for sale                                                               | 271,301             |
| Loans                                                                             | 3,168,599           |
| Premises and equipment                                                            | 24,774              |
| Core deposit intangibles                                                          | 28,724              |
| George Mason trade name intangible                                                | 1,080               |
| Other assets                                                                      | 135,383             |
| <b>Total identifiable assets</b>                                                  | <b>\$ 4,070,235</b> |
| <b>Identifiable liabilities:</b>                                                  |                     |
| Deposits                                                                          | \$ 3,349,812        |
| Short-term borrowings                                                             | 96,215              |
| Long-term borrowings                                                              | 220,119             |
| Unfavorable lease liability                                                       | 2,281               |
| Other liabilities                                                                 | 39,474              |
| <b>Total identifiable liabilities</b>                                             | <b>3,707,901</b>    |
| <b>Fair value of net assets acquired including identifiable intangible assets</b> | <b>362,334</b>      |
| <b>Resulting goodwill</b>                                                         | <b>\$ 612,920</b>   |

The operating results of United for the six months ended June 30, 2018 include operating results of acquired assets and assumed liabilities subsequent to the Cardinal Acquisition Date. The operations of United's metropolitan Washington D.C. geographic area, which primarily includes the acquired operations of Cardinal, provided \$431,463 in total revenues, which represents net interest income plus other income, and

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\$212,834 in net income from the period from the Cardinal Acquisition Date to June 30, 2018. These amounts are included in United's consolidated financial statements as of and for the six months ended June 30, 2018. Cardinal's results of operations prior to the Cardinal Acquisition Date are not included in United's consolidated financial statements.

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Securities held for indefinite periods of time 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.

|                                                                                       | <b>June 30, 2018</b>      |                                       |                                        |                                     |                                                       |
|---------------------------------------------------------------------------------------|---------------------------|---------------------------------------|----------------------------------------|-------------------------------------|-------------------------------------------------------|
|                                                                                       | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Estimated<br/>Fair<br/>Value</b> | <b>Cumulative<br/>OTTI in<br/>AOCI <sup>(1)</sup></b> |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 144,867                | \$ 8                                  | \$ 1,060                               | \$ 143,815                          | \$ 0                                                  |
| State and political subdivisions                                                      | 276,516                   | 897                                   | 5,233                                  | 272,180                             | 0                                                     |
| Residential mortgage-backed securities                                                |                           |                                       |                                        |                                     |                                                       |
| Agency                                                                                | 913,926                   | 766                                   | 24,562                                 | 890,130                             | 0                                                     |
| Non-agency                                                                            | 4,306                     | 487                                   | 0                                      | 4,793                               | 86                                                    |
| Commercial mortgage-backed securities                                                 |                           |                                       |                                        |                                     |                                                       |
| Agency                                                                                | 513,212                   | 127                                   | 11,936                                 | 501,403                             | 0                                                     |
| Asset-backed securities                                                               | 166,355                   | 342                                   | 566                                    | 166,131                             | 0                                                     |
| Trust preferred collateralized debt obligations                                       | 6,177                     | 91                                    | 450                                    | 5,818                               | 2,586                                                 |
| Single issue trust preferred securities                                               | 8,742                     | 234                                   | 738                                    | 8,238                               | 0                                                     |
| Other corporate securities                                                            | 69,261                    | 174                                   | 1,016                                  | 68,419                              | 0                                                     |
| <b>Total</b>                                                                          | <b>\$ 2,103,362</b>       | <b>\$ 3,126</b>                       | <b>\$ 45,561</b>                       | <b>\$ 2,060,927</b>                 | <b>\$ 2,672</b>                                       |

|                                                                                       | <b>December 31, 2017</b>  |                                       |                                        |                                     |                                                       |
|---------------------------------------------------------------------------------------|---------------------------|---------------------------------------|----------------------------------------|-------------------------------------|-------------------------------------------------------|
|                                                                                       | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Estimated<br/>Fair<br/>Value</b> | <b>Cumulative<br/>OTTI in<br/>AOCI <sup>(1)</sup></b> |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 114,735                | \$ 385                                | \$ 362                                 | \$ 114,758                          | \$ 0                                                  |
| State and political subdivisions                                                      | 303,101                   | 3,197                                 | 2,429                                  | 303,869                             | 0                                                     |
| Residential mortgage-backed securities                                                |                           |                                       |                                        |                                     |                                                       |
| Agency                                                                                | 821,857                   | 2,096                                 | 9,360                                  | 814,593                             | 0                                                     |
| Non-agency                                                                            | 4,969                     | 543                                   | 0                                      | 5,512                               | 86                                                    |
| Commercial mortgage-backed securities                                                 |                           |                                       |                                        |                                     |                                                       |
| Agency                                                                                | 457,107                   | 1,059                                 | 3,309                                  | 454,857                             | 0                                                     |
| Asset-backed securities                                                               | 109,829                   | 148                                   | 7                                      | 109,970                             | 0                                                     |
| Trust preferred collateralized debt obligations                                       | 37,856                    | 542                                   | 4,129                                  | 34,269                              | 20,770                                                |
| Single issue trust preferred securities                                               | 13,417                    | 368                                   | 1,225                                  | 12,560                              | 0                                                     |
| Other corporate securities                                                            | 28,101                    | 407                                   | 18                                     | 28,490                              | 0                                                     |
| Marketable equity securities                                                          | 9,712                     | 179                                   | 13                                     | 9,878                               | 0                                                     |
| <b>Total</b>                                                                          | <b>\$ 1,900,684</b>       | <b>\$ 8,924</b>                       | <b>\$ 20,852</b>                       | <b>\$ 1,888,756</b>                 | <b>\$ 20,856</b>                                      |

(1) Non-credit related 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 June 30, 2018 and December 31, 2017.

|                                                                                       | Less than 12 months |                   | 12 months or longer |                   |
|---------------------------------------------------------------------------------------|---------------------|-------------------|---------------------|-------------------|
|                                                                                       | Fair Value          | Unrealized Losses | Fair Value          | Unrealized Losses |
| <b>June 30, 2018</b>                                                                  |                     |                   |                     |                   |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 116,482          | \$ 964            | \$ 22,771           | \$ 97             |
| State and political subdivisions                                                      | 137,435             | 1,710             | 57,150              | 3,524             |
| Residential mortgage-backed securities                                                |                     |                   |                     |                   |
| Agency                                                                                | 664,630             | 16,051            | 190,576             | 8,511             |
| Non-agency                                                                            | 0                   | 0                 | 0                   | 0                 |
| Commercial mortgage-backed securities                                                 |                     |                   |                     |                   |
| Agency                                                                                | 415,526             | 10,289            | 69,225              | 1,647             |
| Asset-backed securities                                                               | 75,437              | 566               | 0                   | 0                 |
| Trust preferred collateralized debt obligations                                       | 0                   | 0                 | 2,050               | 450               |
| Single issue trust preferred securities                                               | 0                   | 0                 | 4,980               | 737               |
| Other corporate securities                                                            | 51,304              | 1,015             | 0                   | 0                 |
| <b>Total</b>                                                                          | <b>\$ 1,460,814</b> | <b>\$ 30,595</b>  | <b>\$ 346,752</b>   | <b>\$ 14,966</b>  |

|                                                                                       | Less than 12 months |                   | 12 months or longer |                   |
|---------------------------------------------------------------------------------------|---------------------|-------------------|---------------------|-------------------|
|                                                                                       | Fair Value          | Unrealized Losses | Fair Value          | Unrealized Losses |
| <b>December 31, 2017</b>                                                              |                     |                   |                     |                   |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 36,678           | \$ 230            | \$ 22,920           | \$ 132            |
| State and political subdivisions                                                      | 82,896              | 566               | 59,432              | 1,863             |
| Residential mortgage-backed securities                                                |                     |                   |                     |                   |
| Agency                                                                                | 460,414             | 4,621             | 182,482             | 4,739             |
| Non-agency                                                                            | 0                   | 0                 | 0                   | 0                 |
| Commercial mortgage-backed securities                                                 |                     |                   |                     |                   |
| Agency                                                                                | 282,858             | 2,386             | 70,763              | 923               |
| Asset-backed securities                                                               | 27,931              | 7                 | 0                   | 0                 |
| Trust preferred collateralized debt obligations                                       | 0                   | 0                 | 28,629              | 4,129             |
| Single issue trust preferred securities                                               | 0                   | 0                 | 4,485               | 1,225             |
| Other corporate securities                                                            | 6,975               | 18                | 0                   | 0                 |
| Marketable equity securities                                                          | 0                   | 0                 | 363                 | 13                |
| <b>Total</b>                                                                          | <b>\$ 897,752</b>   | <b>\$ 7,828</b>   | <b>\$ 369,074</b>   | <b>\$ 13,024</b>  |

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.

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|                               | Three Months Ended |            | Six Months Ended |            |
|-------------------------------|--------------------|------------|------------------|------------|
|                               | June 30            |            | June 30          |            |
|                               | 2018               | 2017       | 2018             | 2017       |
| Proceeds from sales and calls | \$ 75,157          | \$ 468,506 | \$ 174,860       | \$ 567,304 |
| Gross realized gains          | 58                 | 845        | 1,221            | 1,059      |
| Gross realized losses         | 85                 | 82         | 1,397            | 82         |

At June 30, 2018, gross unrealized losses on available for sale securities were \$45,561 on 668 securities of a total portfolio of 858 available for sale securities. Securities in an unrealized loss position at June 30, 2018 consisted primarily of state and political subdivision securities, and agency commercial and residential mortgage-backed securities. The state and political subdivisions securities relate to securities issued by various municipalities. The agency commercial and residential mortgage-backed securities relate to commercial and residential properties and provide a guaranty of full and timely payments of principal and interest by the issuing agency.

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.

*State and political subdivisions*

United's state and political subdivisions portfolio relates to securities issued by various municipalities located throughout the United States. The total amortized cost of available for sale state and political subdivision securities was \$276,516 at June 30, 2018. As of June 30, 2018, approximately 75% of the portfolio was supported by the general obligation of the issuing municipality, which allows for the securities to be repaid by any means available to the municipality. The majority of the portfolio was rated AA or higher, and less than one percent of the portfolio was rated below investment grade as of June 30, 2018. In addition to monitoring the credit ratings of these securities, management also evaluates the financial performance of the underlying issuers on an ongoing basis. Based upon management's analysis and judgment, it was determined that none of the state and political subdivision securities were other-than-temporarily impaired at June 30, 2018.

*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-backed securities was \$1,427,138 at June 30, 2018. Of the \$1,427,138 amount, \$513,212 was related to agency commercial mortgage-backed securities and \$913,926 was related to agency residential mortgage-backed securities. Each of the agency mortgage-backed 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 June 30, 2018.

*Non-agency residential mortgage-backed securities*

United's non-agency residential mortgage-backed securities portfolio relates to securities of various private label issuers. The total amortized cost of available for sale non-agency residential mortgage-backed securities was \$4,306 at June 30, 2018. Of the \$4,306 amount, \$250 was rated above investment grade and \$4,056 was rated below investment grade. The entire portfolio of the non-agency residential mortgage-backed securities are either the senior or super-senior tranches of their respective structure. Based upon management's analysis and judgment, it was determined that none of the non-agency mortgage-backed securities were other-than-temporarily impaired at June 30, 2018.



**Table of Contents***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, and other key factors. Upon completing the review for the second quarter of 2018, it was determined that none of the single issue trust preferred securities were other-than-temporarily impaired. All single issue trust preferred securities are currently receiving interest payments. The amortized cost of available for sale single issue trust preferred securities as of June 30, 2018 consisted of \$3,024 in investment grade bonds and \$5,718 in unrated bonds. The investment grade bonds were rated BBB-. All of the unrated bonds were in an unrealized loss position for twelve months or longer as of June 30, 2018.

*Trust preferred collateralized debt obligations (Trup Cdos)*

The total amortized cost balance of United's Trup Cdo portfolio was \$6,177 as of June 30, 2018. For any securities in an unrealized loss position, 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 of June 30, 2018, the Company has determined that it does not intend to sell any Trup Cdo 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, 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. 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 June 30, 2018 is other-than-temporarily impaired.

*Corporate securities*

As of June 30, 2018, United's Corporate securities portfolio had a total amortized cost balance of \$69,261. The majority of the portfolio consisted of debt issuances of corporations representing a variety of industries, including financial institutions. Of the \$69,261, 70% was investment grade rated and 30% was unrated. For corporate 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 corporate securities were other-than-temporarily impaired at June 30, 2018.

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

|                                                              | Three Months Ended |           | Six Months Ended |           |
|--------------------------------------------------------------|--------------------|-----------|------------------|-----------|
|                                                              | June 30            |           | June 30          |           |
|                                                              | 2018               | 2017      | 2018             | 2017      |
| Balance of cumulative credit losses at beginning of period   | \$ 3,199           | \$ 22,162 | \$ 18,060        | \$ 22,162 |
| Reductions for securities sold or paid off during the period | 0                  | 0         | (14,861)         | 0         |
| Balance of cumulative credit losses at end of period         | \$ 3,199           | \$ 22,162 | \$ 3,199         | \$ 22,162 |

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The amortized cost and estimated fair value of securities available for sale at June 30, 2018 and December 31, 2017 by contractual maturity are shown as follows. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

|                                        | June 30, 2018  |                      | December 31, 2017 |                      |
|----------------------------------------|----------------|----------------------|-------------------|----------------------|
|                                        | Amortized Cost | Estimated Fair Value | Amortized Cost    | Estimated Fair Value |
| Due in one year or less                | \$ 68,381      | \$ 68,272            | \$ 50,311         | \$ 50,212            |
| Due after one year through five years  | 510,595        | 503,142              | 386,039           | 384,585              |
| Due after five years through ten years | 447,739        | 435,727              | 400,129           | 398,208              |
| Due after ten years                    | 1,076,647      | 1,053,786            | 1,054,493         | 1,045,873            |
| Marketable equity securities           | 0              | 0                    | 9,712             | 9,878                |
| Total                                  | \$ 2,103,362   | \$ 2,060,927         | \$ 1,900,684      | \$ 1,888,756         |

**Securities Held to Maturity**

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

|                                                                                       | June 30, 2018  |                        |                         |                      |
|---------------------------------------------------------------------------------------|----------------|------------------------|-------------------------|----------------------|
|                                                                                       | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 5,132       | \$ 181                 | \$ 0                    | \$ 5,313             |
| State and political subdivisions                                                      | 5,798          | 9                      | 0                       | 5,807                |
| Residential mortgage-backed securities                                                |                |                        |                         |                      |
| Agency                                                                                | 21             | 3                      | 0                       | 24                   |
| Single issue trust preferred securities                                               | 9,407          | 0                      | 863                     | 8,544                |
| Other corporate securities                                                            | 20             | 0                      | 0                       | 20                   |
| Total                                                                                 | \$ 20,378      | \$ 193                 | \$ 863                  | \$ 19,708            |

|                                                                                       | December 31, 2017 |                        |                         |                      |
|---------------------------------------------------------------------------------------|-------------------|------------------------|-------------------------|----------------------|
|                                                                                       | Amortized Cost    | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 5,187          | \$ 308                 | \$ 0                    | \$ 5,495             |
| State and political subdivisions                                                      | 5,797             | 10                     | 0                       | 5,807                |
| Residential mortgage-backed securities                                                |                   |                        |                         |                      |
| Agency                                                                                | 23                | 3                      | 0                       | 26                   |
| Single issue trust preferred securities                                               | 9,401             | 0                      | 731                     | 8,670                |
| Other corporate securities                                                            | 20                | 0                      | 0                       | 20                   |
| Total                                                                                 | \$ 20,428         | \$ 321                 | \$ 731                  | \$ 20,018            |

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 June 30, 2018, the Company's largest held-to-maturity single-issue trust preferred exposure was to SunTrust Bank (\$7,430). The two held-to-maturity single-issue trust preferred exposures with at least one rating below investment grade included SunTrust Bank (\$7,430) and Royal Bank of Scotland (\$976).



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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 second quarter and first six months of 2018 and 2017.

The amortized cost and estimated fair value of debt securities held to maturity at June 30, 2018 and December 31, 2017 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.

|                                        | June 30, 2018    |                      | December 31, 2017 |                      |
|----------------------------------------|------------------|----------------------|-------------------|----------------------|
|                                        | Amortized Cost   | Estimated Fair Value | Amortized Cost    | Estimated Fair Value |
| Due in one year or less                | \$ 2,000         | \$ 2,000             | \$ 0              | \$ 0                 |
| Due after one year through five years  | 7,290            | 7,478                | 9,344             | 9,660                |
| Due after five years through ten years | 8,092            | 7,610                | 5,663             | 5,343                |
| Due after ten years                    | 2,996            | 2,620                | 5,421             | 5,015                |
| <b>Total</b>                           | <b>\$ 20,378</b> | <b>\$ 19,708</b>     | <b>\$ 20,428</b>  | <b>\$ 20,018</b>     |

**Equity securities at fair value**

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 fair value of United's equity securities was \$9,664 at June 30, 2018. Prior to the adoption of ASU No. 2016-01 on January 1, 2018, equity securities were included in available for sale securities.

|                                                                                              | Three Months        | Six Months          |
|----------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                              | Ended June 30, 2018 | Ended June 30, 2018 |
| Net gains (losses) recognized during the period                                              | \$ (28)             | \$ (64)             |
| Net gains (losses) recognized during the period on equity securities sold                    | (4)                 | (2)                 |
| Unrealized gains recognized during the period on equity securities still held at period end  | 11                  | 50                  |
| Unrealized losses recognized during the period on equity securities still held at period end | 35                  | 112                 |

**Other investment securities**

During the second quarter of 2018, United evaluated all of its cost method investments to determine if certain events or changes in circumstances during the second quarter of 2018 had a significant adverse effect on the fair value of any of its cost method securities. United determined that there was no individual security that experienced an adverse event during the second quarter. There were no other events or changes in circumstances during the second quarter which would have an adverse effect on the fair value of its cost method securities.

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 \$1,735,336 and \$1,403,565 at June 30, 2018 and December 31, 2017, respectively.

**Table of Contents****4. LOANS**

Major classes of loans are as follows:

|                                                       | June 30,<br>2018     | December 31,<br>2017 |
|-------------------------------------------------------|----------------------|----------------------|
| Commercial, financial and agricultural:               |                      |                      |
| Owner-occupied commercial real estate                 | \$ 1,366,814         | \$ 1,361,629         |
| Nonowner-occupied commercial real estate              | 4,435,910            | 4,451,298            |
| Other commercial loans                                | 2,209,191            | 1,998,979            |
| <b>Total commercial, financial &amp; agricultural</b> | <b>8,011,915</b>     | <b>7,811,906</b>     |
| Residential real estate                               | 3,300,472            | 2,996,171            |
| Construction & land development                       | 1,396,853            | 1,504,907            |
| Consumer:                                             |                      |                      |
| Bankcard                                              | 9,717                | 10,314               |
| Other consumer                                        | 810,051              | 704,039              |
| <b>Total gross loans</b>                              | <b>\$ 13,529,008</b> | <b>\$ 13,027,337</b> |

The table above does not include loans held for sale of \$285,194 and \$265,955 at June 30, 2018 and December 31, 2017, 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 previously acquired impaired loans with a recorded investment of \$168,497 or 1.25% of total gross loans at June 30, 2018 and \$210,521 or 1.62% of total gross loans at December 31, 2017. The contractual principal in these acquired impaired loans was \$221,983 and \$285,964 at June 30, 2018 and December 31, 2017, 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.

Activity for the accretable yield for the first six months of 2018 follows:

|                                                                 |               |
|-----------------------------------------------------------------|---------------|
| Accretable yield at the beginning of the period                 | \$ 39,098     |
| Accretion (including cash recoveries)                           | (8,371)       |
| Additions                                                       | 0             |
| Net reclassifications to accretable from non-accretable         | 9,803         |
| Disposals (including maturities, foreclosures, and charge-offs) | (3,323)       |
| <br>Accretable yield at the end of the period                   | <br>\$ 37,207 |

United's subsidiary bank has made loans to the directors and officers of United and its subsidiaries, and to their affiliates. The aggregate dollar amount of these loans was \$32,506 and \$36,360 at June 30, 2018 and December 31, 2017, 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

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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. 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 June 30, 2018, United had TDRs of \$60,384 as compared to \$50,129 as of December 31, 2017. Of the \$60,384 aggregate balance of TDRs at June 30, 2018, \$46,652 was on nonaccrual, \$84 were 90 days or more past due and \$1,148 were 30 to 89 days past due. Of the \$50,129 aggregate balance of TDRs at December 31, 2017, \$30,868 was on nonaccrual, \$95 were 90 days or more past due and \$1,254 were 30 to 89 days past due. All these amounts are included in the appropriate categories in the "Age Analysis of Past Due Loans" table on a subsequent page. As of June 30, 2018, there were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in TDRs. At June 30, 2018, United had restructured loans in the amount of \$1,715 that were modified by a reduction in the interest rate, \$1,859 that were modified by a combination of a reduction in the interest rate and the principal and \$56,810 that were 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 unless it does not perform in accordance with its restructured contractual provisions.

The following table sets forth United's troubled debt restructurings that have been restructured during the three months ended June 30, 2018 and 2017, segregated by class of loans:

|                                 | Troubled Debt Restructurings<br>For the Three Months Ended |                                                               |                                                                |                        |                                                               |                                                                |
|---------------------------------|------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------|------------------------|---------------------------------------------------------------|----------------------------------------------------------------|
|                                 | June 30, 2018                                              |                                                               |                                                                | June 30, 2017          |                                                               |                                                                |
|                                 | Number of<br>Contracts                                     | Pre-<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post-<br>Modification<br>Outstanding<br>Recorded<br>Investment | Number of<br>Contracts | Pre-<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post-<br>Modification<br>Outstanding<br>Recorded<br>Investment |
| <b>Commercial real estate:</b>  |                                                            |                                                               |                                                                |                        |                                                               |                                                                |
| Owner-occupied                  | 0                                                          | \$ 0                                                          | \$ 0                                                           | 1                      | \$ 5,333                                                      | \$ 5,333                                                       |
| Nonowner-occupied               | 0                                                          | 0                                                             | 0                                                              | 0                      | 0                                                             | 0                                                              |
| Other commercial                | 4                                                          | 9,571                                                         | 9,571                                                          | 4                      | 21,355                                                        | 21,355                                                         |
| Residential real estate         | 2                                                          | 6,953                                                         | 6,953                                                          | 0                      | 0                                                             | 0                                                              |
| Construction & land development | 0                                                          | 0                                                             | 0                                                              | 0                      | 0                                                             | 0                                                              |
| <b>Consumer:</b>                |                                                            |                                                               |                                                                |                        |                                                               |                                                                |
| Bankcard                        | 0                                                          | 0                                                             | 0                                                              | 0                      | 0                                                             | 0                                                              |
| Other consumer                  | 0                                                          | 0                                                             | 0                                                              | 0                      | 0                                                             | 0                                                              |
| <b>Total</b>                    | <b>6</b>                                                   | <b>\$ 16,524</b>                                              | <b>\$ 16,524</b>                                               | <b>5</b>               | <b>\$ 26,688</b>                                              | <b>\$ 26,688</b>                                               |

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The following table sets forth United's troubled debt restructurings that have been restructured during the six months ended June 30, 2018 and 2017, segregated by class of loans:

|                                 | Troubled Debt Restructurings<br>For the Six Months Ended |                                                               |                                                                |                        |                                                               |                                                                |
|---------------------------------|----------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------|------------------------|---------------------------------------------------------------|----------------------------------------------------------------|
|                                 | June 30, 2018                                            |                                                               |                                                                | June 30, 2017          |                                                               |                                                                |
|                                 | Number of<br>Contracts                                   | Pre-<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post-<br>Modification<br>Outstanding<br>Recorded<br>Investment | Number of<br>Contracts | Pre-<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post-<br>Modification<br>Outstanding<br>Recorded<br>Investment |
| Commercial real estate:         |                                                          |                                                               |                                                                |                        |                                                               |                                                                |
| Owner-occupied                  | 0                                                        | \$ 0                                                          | \$ 0                                                           | 1                      | \$ 5,333                                                      | \$ 5,333                                                       |
| Nonowner-occupied               | 0                                                        | 0                                                             | 0                                                              | 0                      | 0                                                             | 0                                                              |
| Other commercial                | 4                                                        | 9,571                                                         | 9,571                                                          | 8                      | 24,107                                                        | 24,032                                                         |
| Residential real estate         | 2                                                        | 6,953                                                         | 6,953                                                          | 0                      | 0                                                             | 0                                                              |
| Construction & land development | 0                                                        | 0                                                             | 0                                                              | 1                      | 1,456                                                         | 1,437                                                          |
| Consumer:                       |                                                          |                                                               |                                                                |                        |                                                               |                                                                |
| Bankcard                        | 0                                                        | 0                                                             | 0                                                              | 0                      | 0                                                             | 0                                                              |
| Other consumer                  | 0                                                        | 0                                                             | 0                                                              | 0                      | 0                                                             | 0                                                              |
| Total                           | 6                                                        | \$ 16,524                                                     | \$ 16,524                                                      | 10                     | \$ 30,896                                                     | \$ 30,802                                                      |

During both the second quarter and first six months of 2018, \$16,524 of restructured loans were modified by a change in loan terms. During the second quarter and first six months of 2017, \$26,688 and \$30,802, respectively, of restructured loans were modified by a change in loan 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 June 30, 2018 and 2017 subsequently defaulted, resulting in a principal charge-off during the first six months of 2018 and 2017, 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 June 30, 2018**

|                                 | 30-89<br>Days<br>Past Due | 90 Days or<br>more Past<br>Due | Total Past<br>Due | Current &<br>Other (1) | Total<br>Financing<br>Receivables | Recorded<br>Investment<br>>90 Days<br>& Accruing |
|---------------------------------|---------------------------|--------------------------------|-------------------|------------------------|-----------------------------------|--------------------------------------------------|
| Commercial real estate:         |                           |                                |                   |                        |                                   |                                                  |
| Owner-occupied                  | \$ 13,261                 | \$ 18,602                      | \$ 31,863         | \$ 1,334,951           | \$ 1,366,814                      | \$ 1,377                                         |
| Nonowner-occupied               | 14,118                    | 16,924                         | 31,042            | 4,404,868              | 4,435,910                         | 1,301                                            |
| Other commercial                | 9,598                     | 54,562                         | 64,160            | 2,145,031              | 2,209,191                         | 2,313                                            |
| Residential real estate         | 37,135                    | 28,705                         | 65,840            | 3,234,632              | 3,300,472                         | 9,866                                            |
| Construction & land development | 2,910                     | 17,345                         | 20,255            | 1,376,598              | 1,396,853                         | 802                                              |
| Consumer:                       |                           |                                |                   |                        |                                   |                                                  |
| Bankcard                        | 427                       | 165                            | 592               | 9,125                  | 9,717                             | 165                                              |



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|                |           |            |            |               |               |           |
|----------------|-----------|------------|------------|---------------|---------------|-----------|
| Other consumer | 6,618     | 969        | 7,587      | 802,464       | 810,051       | 682       |
| Total          | \$ 84,067 | \$ 137,272 | \$ 221,339 | \$ 13,307,669 | \$ 13,529,008 | \$ 16,506 |

- (1) Other includes loans with a recorded investment of \$168,497 acquired and accounted for under ASC Topic 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality .

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As of December 31, 2017

| (In thousands)                  | 30-89<br>Days<br>Past Due | 90 Days or<br>more Past<br>Due | Total Past<br>Due | Current &<br>Other (1) | Total<br>Financing<br>Receivables | Recorded<br>Investment<br>>90 Days<br>& Accruing |
|---------------------------------|---------------------------|--------------------------------|-------------------|------------------------|-----------------------------------|--------------------------------------------------|
| <b>Commercial real estate:</b>  |                           |                                |                   |                        |                                   |                                                  |
| Owner-occupied                  | \$ 7,968                  | \$ 13,663                      | \$ 21,631         | \$ 1,339,998           | \$ 1,361,629                      | \$ 458                                           |
| Nonowner-occupied               | 10,398                    | 20,448                         | 30,846            | 4,420,452              | 4,451,298                         | 634                                              |
| Other commercial                | 11,533                    | 68,476                         | 80,009            | 1,918,970              | 1,998,979                         | 940                                              |
| Residential real estate         | 35,300                    | 28,637                         | 63,937            | 2,932,234              | 2,996,171                         | 6,519                                            |
| Construction & land development | 1,615                     | 17,190                         | 18,805            | 1,486,102              | 1,504,907                         | 385                                              |
| <b>Consumer:</b>                |                           |                                |                   |                        |                                   |                                                  |
| Bankcard                        | 449                       | 186                            | 635               | 9,679                  | 10,314                            | 186                                              |
| Other consumer                  | 9,288                     | 968                            | 10,256            | 693,783                | 704,039                           | 775                                              |
| <b>Total</b>                    | <b>\$ 76,551</b>          | <b>\$ 149,568</b>              | <b>\$ 226,119</b> | <b>\$ 12,801,218</b>   | <b>\$ 13,027,337</b>              | <b>\$ 9,897</b>                                  |

(1) Other includes loans with a recorded investment of \$210,521 acquired and accounted for under ASC Topic 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality .

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

**Loans on Nonaccrual Status**

|                                 | June 30,<br>2018  | December 31,<br>2017 |
|---------------------------------|-------------------|----------------------|
| <b>Commercial real estate:</b>  |                   |                      |
| Owner-occupied                  | \$ 17,225         | \$ 13,205            |
| Nonowner-occupied               | 15,623            | 19,814               |
| Other commercial                | 52,249            | 67,536               |
| Residential real estate         | 18,839            | 22,118               |
| Construction & land development | 16,543            | 16,805               |
| <b>Consumer:</b>                |                   |                      |
| Bankcard                        | 0                 | 0                    |
| Other consumer                  | 287               | 193                  |
| <b>Total</b>                    | <b>\$ 120,766</b> | <b>\$ 139,671</b>    |

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

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date. Borrowers may be experiencing adverse operating trends (declining revenues or margins) or an ill proportioned balance sheet (e.g., increasing inventory without an increase in sales, high leverage, tight liquidity). Adverse economic or market conditions, such as interest rate increases or the entry of a new competitor, may also support a special mention rating. Nonfinancial reasons for rating a credit exposure special mention include management problems, pending litigation, an ineffective loan agreement or other material structural weakness, and any other significant deviation from prudent lending practices. For loans with a consumer credit exposure, loans that are past due 30-89 days are generally considered special mention.

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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 June 30, 2018**

|                 | Commercial<br>Owner-<br>occupied | Real Estate<br>Nonowner-<br>occupied | Other<br>Commercial | Construction<br>& Land<br>Development |
|-----------------|----------------------------------|--------------------------------------|---------------------|---------------------------------------|
| Grade:          |                                  |                                      |                     |                                       |
| Pass            | \$ 1,279,444                     | \$ 4,282,361                         | \$ 2,100,084        | \$ 1,312,907                          |
| Special mention | 31,737                           | 56,404                               | 16,523              | 4,402                                 |
| Substandard     | 55,633                           | 97,145                               | 89,566              | 79,544                                |
| Doubtful        | 0                                | 0                                    | 3,018               | 0                                     |
| Total           | \$ 1,366,814                     | \$ 4,435,910                         | \$ 2,209,191        | \$ 1,396,853                          |

**As of December 31, 2017**

|                 | Commercial<br>Owner-<br>occupied | Real Estate<br>Nonowner-<br>occupied | Other<br>Commercial | Construction<br>& Land<br>Development |
|-----------------|----------------------------------|--------------------------------------|---------------------|---------------------------------------|
| Grade:          |                                  |                                      |                     |                                       |
| Pass            | \$ 1,276,088                     | \$ 4,312,985                         | \$ 1,848,868        | \$ 1,413,706                          |
| Special mention | 20,165                           | 57,618                               | 55,564              | 5,196                                 |
| Substandard     | 65,376                           | 80,695                               | 90,625              | 86,005                                |
| Doubtful        | 0                                | 0                                    | 3,922               | 0                                     |
| Total           | \$ 1,361,629                     | \$ 4,451,298                         | \$ 1,998,979        | \$ 1,504,907                          |

**Table of Contents****Credit Quality Indicators**

## Consumer Credit Exposure

| <b>As of June 30, 2018</b>     |                                    |                  |                           |
|--------------------------------|------------------------------------|------------------|---------------------------|
|                                | <b>Residential<br/>Real Estate</b> | <b>Bankcard</b>  | <b>Other<br/>Consumer</b> |
| <b>Grade:</b>                  |                                    |                  |                           |
| Pass                           | \$ 3,239,999                       | \$ 9,125         | \$ 802,394                |
| Special mention                | 25,077                             | 427              | 6,671                     |
| Substandard                    | 35,396                             | 165              | 986                       |
| Doubtful                       | 0                                  | 0                | 0                         |
| <b>Total</b>                   | <b>\$ 3,300,472</b>                | <b>\$ 9,717</b>  | <b>\$ 810,051</b>         |
| <b>As of December 31, 2017</b> |                                    |                  |                           |
|                                | <b>Residential<br/>Real Estate</b> | <b>Bankcard</b>  | <b>Other<br/>Consumer</b> |
| <b>Grade:</b>                  |                                    |                  |                           |
| Pass                           | \$ 2,945,266                       | \$ 9,679         | \$ 693,727                |
| Special mention                | 18,025                             | 449              | 9,334                     |
| Substandard                    | 32,880                             | 186              | 978                       |
| Doubtful                       | 0                                  | 0                | 0                         |
| <b>Total</b>                   | <b>\$ 2,996,171</b>                | <b>\$ 10,314</b> | <b>\$ 704,039</b>         |

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.

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

|                                            | <b>Impaired Loans</b>          |                                         |                              |                                |                                         |                              |
|--------------------------------------------|--------------------------------|-----------------------------------------|------------------------------|--------------------------------|-----------------------------------------|------------------------------|
|                                            | <b>June 30, 2018</b>           |                                         |                              | <b>December 31, 2017</b>       |                                         |                              |
|                                            | <b>Recorded<br/>Investment</b> | <b>Unpaid<br/>Principal<br/>Balance</b> | <b>Related<br/>Allowance</b> | <b>Recorded<br/>Investment</b> | <b>Unpaid<br/>Principal<br/>Balance</b> | <b>Related<br/>Allowance</b> |
| <b>With no related allowance recorded:</b> |                                |                                         |                              |                                |                                         |                              |
| Commercial real estate:                    |                                |                                         |                              |                                |                                         |                              |
| Owner-occupied                             | \$ 72,883                      | \$ 73,343                               | \$ 0                         | \$ 78,117                      | \$ 78,419                               | \$ 0                         |
| Nonowner-occupied                          | 99,098                         | 99,159                                  | 0                            | 134,136                        | 134,195                                 | 0                            |
| Other commercial                           | 52,375                         | 61,377                                  | 0                            | 46,993                         | 49,552                                  | 0                            |
| Residential real estate                    | 24,315                         | 25,078                                  | 0                            | 26,751                         | 28,202                                  | 0                            |
| Construction & land development            | 45,497                         | 50,132                                  | 0                            | 52,279                         | 59,691                                  | 0                            |
| Consumer:                                  |                                |                                         |                              |                                |                                         |                              |
| Bankcard                                   | 0                              | 0                                       | 0                            | 0                              | 0                                       | 0                            |
| Other consumer                             | 23                             | 23                                      | 0                            | 15                             | 15                                      | 0                            |

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**With an allowance recorded:**

Commercial real estate:

|                         |          |          |        |          |          |          |
|-------------------------|----------|----------|--------|----------|----------|----------|
| Owner-occupied          | \$ 4,766 | \$ 4,766 | \$ 978 | \$ 9,132 | \$ 9,132 | \$ 2,251 |
| Nonowner-occupied       | 10,463   | 10,463   | 1,693  | 7,797    | 7,797    | 1,592    |
| Other commercial        | 44,671   | 50,278   | 14,676 | 60,512   | 70,396   | 16,721   |
| Residential real estate | 12,097   | 13,539   | 1,460  | 9,813    | 10,418   | 1,552    |

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|                                 | Impaired Loans         |                                |                      |                        |                                |                      |
|---------------------------------|------------------------|--------------------------------|----------------------|------------------------|--------------------------------|----------------------|
|                                 | June 30, 2018          |                                |                      | December 31, 2017      |                                |                      |
|                                 | Recorded<br>Investment | Unpaid<br>Principal<br>Balance | Related<br>Allowance | Recorded<br>Investment | Unpaid<br>Principal<br>Balance | Related<br>Allowance |
| Construction & land development | 2,001                  | 4,654                          | 277                  | 1,383                  | 1,383                          | 229                  |
| Consumer:                       |                        |                                |                      |                        |                                |                      |
| Bankcard                        | 0                      | 0                              | 0                    | 0                      | 0                              | 0                    |
| Other consumer                  | 0                      | 0                              | 0                    | 0                      | 0                              | 0                    |
| <b>Total:</b>                   |                        |                                |                      |                        |                                |                      |
| Commercial real estate:         |                        |                                |                      |                        |                                |                      |
| Owner-occupied                  | \$ 77,649              | \$ 78,109                      | \$ 978               | \$ 87,249              | \$ 87,551                      | \$ 2,251             |
| Nonowner-occupied               | 109,561                | 109,622                        | 1,693                | 141,933                | 141,992                        | 1,592                |
| Other commercial                | 97,046                 | 111,655                        | 14,676               | 107,505                | 119,948                        | 16,721               |
| Residential real estate         | 36,412                 | 38,617                         | 1,460                | 36,564                 | 38,620                         | 1,552                |
| Construction & land development | 47,498                 | 54,786                         | 277                  | 53,662                 | 61,074                         | 229                  |
| Consumer:                       |                        |                                |                      |                        |                                |                      |
| Bankcard                        | 0                      | 0                              | 0                    | 0                      | 0                              | 0                    |
| Other consumer                  | 23                     | 23                             | 0                    | 15                     | 15                             | 0                    |

|                                            | Impaired Loans<br>For the Three Months Ended |                                  |                                   |                                  |
|--------------------------------------------|----------------------------------------------|----------------------------------|-----------------------------------|----------------------------------|
|                                            | June 30, 2018                                |                                  | June 30, 2017                     |                                  |
|                                            | Average<br>Recorded<br>Investment            | Interest<br>Income<br>Recognized | Average<br>Recorded<br>Investment | Interest<br>Income<br>Recognized |
| <b>With no related allowance recorded:</b> |                                              |                                  |                                   |                                  |
| Commercial real estate:                    |                                              |                                  |                                   |                                  |
| Owner-occupied                             | \$ 74,330                                    | \$ 354                           | \$ 69,670                         | \$ 412                           |
| Nonowner-occupied                          | 108,343                                      | 159                              | 109,003                           | 168                              |
| Other commercial                           | 52,384                                       | 246                              | 58,597                            | 226                              |
| Residential real estate                    | 24,220                                       | 85                               | 20,713                            | 54                               |
| Construction & land development            | 46,909                                       | 98                               | 36,182                            | 83                               |
| Consumer:                                  |                                              |                                  |                                   |                                  |
| Bankcard                                   | 0                                            | 0                                | 0                                 | 0                                |
| Other consumer                             | 32                                           | 0                                | 36                                | 0                                |
| <b>With an allowance recorded:</b>         |                                              |                                  |                                   |                                  |
| Commercial real estate:                    |                                              |                                  |                                   |                                  |
| Owner-occupied                             | \$ 5,319                                     | \$ 6                             | \$ 14,102                         | \$ 159                           |
| Nonowner-occupied                          | 9,503                                        | 60                               | 14,147                            | 12                               |
| Other commercial                           | 46,376                                       | 10                               | 72,568                            | 157                              |
| Residential real estate                    | 11,992                                       | 11                               | 15,485                            | 34                               |
| Construction & land development            | 2,008                                        | 20                               | 2,587                             | 21                               |
| Consumer:                                  |                                              |                                  |                                   |                                  |
| Bankcard                                   | 0                                            | 0                                | 0                                 | 0                                |
| Other consumer                             | 0                                            | 0                                | 0                                 | 0                                |
| <b>Total:</b>                              |                                              |                                  |                                   |                                  |
| Commercial real estate:                    |                                              |                                  |                                   |                                  |
| Owner-occupied                             | \$ 79,649                                    | \$ 360                           | \$ 83,772                         | \$ 571                           |
| Nonowner-occupied                          | 117,846                                      | 219                              | 123,150                           | 180                              |
| Other commercial                           | 98,760                                       | 256                              | 131,165                           | 383                              |
| Residential real estate                    | 36,212                                       | 96                               | 36,198                            | 88                               |
| Construction & land development            | 48,917                                       | 118                              | 38,769                            | 104                              |
| Consumer:                                  |                                              |                                  |                                   |                                  |
| Bankcard                                   | 0                                            | 0                                | 0                                 | 0                                |
| Other consumer                             | 32                                           | 0                                | 36                                | 0                                |





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|                                            | <b>Impaired Loans<br/>For the Six Months Ended</b> |                                           |                                            |                                           |
|--------------------------------------------|----------------------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------------------|
|                                            | <b>June 30, 2018</b>                               |                                           | <b>June 30, 2017</b>                       |                                           |
|                                            | <b>Average<br/>Recorded<br/>Investment</b>         | <b>Interest<br/>Income<br/>Recognized</b> | <b>Average<br/>Recorded<br/>Investment</b> | <b>Interest<br/>Income<br/>Recognized</b> |
| <b>With no related allowance recorded:</b> |                                                    |                                           |                                            |                                           |
| Commercial real estate:                    |                                                    |                                           |                                            |                                           |
| Owner-occupied                             | \$ 75,592                                          | \$ 739                                    | \$ 62,615                                  | \$ 837                                    |
| Nonowner-occupied                          | 116,941                                            | 328                                       | 105,045                                    | 347                                       |
| Other commercial                           | 50,587                                             | 470                                       | 53,076                                     | 496                                       |
| Residential real estate                    | 25,064                                             | 180                                       | 21,468                                     | 103                                       |
| Construction & land development            | 48,699                                             | 197                                       | 35,903                                     | 164                                       |
| Consumer:                                  |                                                    |                                           |                                            |                                           |
| Bankcard                                   | 0                                                  | 0                                         | 0                                          | 0                                         |
| Other consumer                             | 26                                                 | 0                                         | 36                                         | 0                                         |
| <b>With an allowance recorded:</b>         |                                                    |                                           |                                            |                                           |
| Commercial real estate:                    |                                                    |                                           |                                            |                                           |
| Owner-occupied                             | \$ 6,590                                           | \$ 31                                     | \$ 9,997                                   | \$ 318                                    |
| Nonowner-occupied                          | 8,934                                              | 119                                       | 15,411                                     | 87                                        |
| Other commercial                           | 51,088                                             | 28                                        | 63,783                                     | 622                                       |
| Residential real estate                    | 11,266                                             | 21                                        | 14,345                                     | 83                                        |
| Construction & land development            | 1,800                                              | 40                                        | 3,372                                      | 42                                        |
| Consumer:                                  |                                                    |                                           |                                            |                                           |
| Bankcard                                   | 0                                                  | 0                                         | 0                                          | 0                                         |
| Other consumer                             | 0                                                  | 0                                         | 0                                          | 0                                         |
| <b>Total:</b>                              |                                                    |                                           |                                            |                                           |
| Commercial real estate:                    |                                                    |                                           |                                            |                                           |
| Owner-occupied                             | \$ 82,182                                          | \$ 770                                    | \$ 72,612                                  | \$ 1,155                                  |
| Nonowner-occupied                          | 125,875                                            | 447                                       | 120,456                                    | 434                                       |
| Other commercial                           | 101,675                                            | 498                                       | 116,859                                    | 1,118                                     |
| Residential real estate                    | 36,330                                             | 201                                       | 35,813                                     | 186                                       |
| Construction & land development            | 50,499                                             | 237                                       | 39,275                                     | 206                                       |
| Consumer:                                  |                                                    |                                           |                                            |                                           |
| Bankcard                                   | 0                                                  | 0                                         | 0                                          | 0                                         |
| Other consumer                             | 26                                                 | 0                                         | 36                                         | 0                                         |

At June 30, 2018 and December 31, 2017, other real estate owned ( OREO ) included in other assets in the Consolidated Balance Sheets was \$21,926 and \$24,348, respectively. OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried at the lower of the investment in the assets or the fair value of the assets less estimated selling costs. Any adjustment to the fair value at the date of transfer is charged against the allowance for loan losses. Any subsequent valuation adjustments as well as any costs relating to operating, holding or disposing of the property are recorded in other expense in the period incurred. At June 30, 2018 and December 31, 2017, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was \$1,587 and \$873, respectively.

**6. ALLOWANCE FOR CREDIT LOSSES**

The allowance for loan losses is management's estimate of the probable credit losses inherent in the loan portfolio. For purposes of determining the general allowance, the loan portfolio is segregated by product type to recognize differing risk profiles among categories. It is further segregated by credit grade for non-homogenous loan pools and delinquency for homogeneous loan pools. The outstanding principal balance within each pool is multiplied by historical loss data, the loss emergence period (which is the period of time between the event that triggers a loss and the confirmation and/or charge off of that loss) and certain qualitative factors to derive the general loss allocation per pool. Specific loss allocations are calculated for commercial loans in excess of \$500,000 in accordance with ASC Topic 310. Risk characteristics of owner-occupied commercial real estate loans and other commercial loans are similar in that they are normally dependent upon the borrower's internal cash flow from operations to service debt.

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Nonowner-occupied commercial real estate loans differ in that cash flow to service debt is normally dependent on external income from third parties for use of the real estate such as rents, leases and room rates. Residential real estate loans are dependent upon individual borrowers who are affected by changes in general economic conditions, demand for housing and resulting residential real estate valuation. Construction and land development loans are impacted mainly by demand whether for new residential housing or for retail, industrial, office and other types of commercial construction within a given area. Consumer loan pool risk characteristics are influenced by general, regional and local economic conditions.

Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. For commercial loans, when a loan or a portion of a loan is identified to contain a loss, a charge-off recommendation is directed to management to charge-off all or a portion of that loan. Generally, any unsecured commercial loan more than six months delinquent in payment of interest must be charged-off in full. If secured, the charge-off is generally made to reduce the loan balance to a level equal to the liquidation value of the collateral when payment of principal and interest is six months delinquent. Any commercial loan, secured or unsecured, on which a principal or interest payment has not been made within 90 days, is reviewed monthly for appropriate action.

For consumer loans, closed-end retail loans that are past due 120 cumulative days delinquent from the contractual due date and open-end loans 180 cumulative days delinquent from the contractual due date are charged-off. Any consumer loan on which a principal or interest payment has not been made within 90 days is reviewed monthly for appropriate action. For a one-to-four family open-end or closed-end residential real estate loan, home equity loan, or high-loan-to-value loan that has reached 180 or more days past due, management evaluates the collateral position and charges-off any amount that exceeds the value of the collateral. On retail credits for which the borrower is in bankruptcy, all amounts deemed unrecoverable are charged off within 60 days of the receipt of the notification. On retail credits effected by fraud, a loan is charged-off within 90 days of the discovery of the fraud. In the event of the borrower's death and if repayment within the required timeframe is uncertain, the loan is generally charged-off as soon as the amount of the loss is determined.

For loans acquired through the completion of a transfer, including loans acquired in a business combination, that have evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that United will be unable to collect all contractually required payments receivable are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the investment in the loan, or the accretible yield, is recognized as interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the nonaccretible difference, are not recognized as a yield adjustment or as a loss accrual or a valuation allowance. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining life. Decreases in expected cash flows are recognized as impairment. Valuation allowances on these impaired loans reflect only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately are not to be received). For the three and six months ended June 30, 2018, the re-estimation of the expected cash flows related to loans acquired that have evidence of deterioration of credit quality resulted in provision for loan losses expense of \$801 and \$2,080, respectively, as compared to a reversal of provision for loan losses expense of \$738 and \$371, respectively, for the three and six months ended June 30, 2017.

United maintains an allowance for loan losses and a reserve for lending-related commitments such as unfunded loan commitments and letters of credit. The reserve for lending-related commitments of \$927 and \$679 at June 30, 2018 and December 31, 2017, respectively, is separately classified on the balance sheet and is included in other liabilities. The combined allowance for loan losses and reserve for lending-related commitments are referred to as the allowance for credit losses.

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A progression of the allowance for loan losses, by portfolio segment, for the periods indicated is summarized as follows:

**Allowance for Loan Losses****For the Three Months Ended June 30, 2018**

|                                   | Commercial<br>Owner-<br>occupied | Real Estate<br>Nonowner-<br>occupied | Other<br>Commercial | Residential<br>Real Estate | Construction<br>& Land<br>Development | Consumer | Allowance<br>for<br>Estimated<br>Imprecision | Total     |
|-----------------------------------|----------------------------------|--------------------------------------|---------------------|----------------------------|---------------------------------------|----------|----------------------------------------------|-----------|
| <b>Allowance for Loan Losses:</b> |                                  |                                      |                     |                            |                                       |          |                                              |           |
| Beginning balance                 | \$ 3,719                         | \$ 6,774                             | \$ 46,917           | \$ 10,253                  | \$ 6,429                              | \$ 2,391 | \$ 170                                       | \$ 76,653 |
| Charge-offs                       | 728                              | 314                                  | 5,795               | 82                         | 72                                    | 721      | 0                                            | 7,712     |
| Recoveries                        | 690                              | 17                                   | 984                 | 94                         | 9                                     | 196      | 0                                            | 1,990     |
| Provision                         | (468)                            | (294)                                | 6,085               | 115                        | 226                                   | 553      | (13)                                         | 6,204     |
| Ending balance                    | \$ 3,213                         | \$ 6,183                             | \$ 48,191           | \$ 10,380                  | \$ 6,592                              | \$ 2,419 | \$ 157                                       | \$ 77,135 |

**Allowance for Loan Losses and Carrying Amount of Loans****For the Six Months Ended June 30, 2018**

|                                                                    | Commercial<br>Owner-<br>occupied | Real Estate<br>Nonowner-<br>occupied | Other<br>Commercial | Residential<br>Real Estate | Construction<br>& Land<br>Development | Consumer   | Allowance<br>for<br>Estimated<br>Imprecision | Total         |
|--------------------------------------------------------------------|----------------------------------|--------------------------------------|---------------------|----------------------------|---------------------------------------|------------|----------------------------------------------|---------------|
| <b>Allowance for Loan Losses:</b>                                  |                                  |                                      |                     |                            |                                       |            |                                              |               |
| Beginning balance                                                  | \$ 5,401                         | \$ 6,369                             | \$ 45,189           | \$ 9,927                   | \$ 7,187                              | \$ 2,481   | \$ 73                                        | \$ 76,627     |
| Charge-offs                                                        | 1,743                            | 314                                  | 8,663               | 992                        | 532                                   | 1,326      | 0                                            | 13,570        |
| Recoveries                                                         | 745                              | 153                                  | 1,090               | 358                        | 11                                    | 339        | 0                                            | 2,696         |
| Provision                                                          | (1,190)                          | (25)                                 | 10,575              | 1,087                      | (74)                                  | 925        | 84                                           | 11,382        |
| Ending balance                                                     | \$ 3,213                         | \$ 6,183                             | \$ 48,191           | \$ 10,380                  | \$ 6,592                              | \$ 2,419   | \$ 157                                       | \$ 77,135     |
| Ending Balance: individually<br>evaluated for impairment           | \$ 978                           | \$ 1,693                             | \$ 14,676           | \$ 1,460                   | \$ 277                                | \$ 0       | \$ 0                                         | \$ 19,084     |
| Ending Balance: collectively<br>evaluated for impairment           | \$ 2,235                         | \$ 4,490                             | \$ 33,515           | \$ 8,920                   | \$ 6,315                              | \$ 2,419   | \$ 157                                       | \$ 58,051     |
| Ending Balance: loans acquired<br>with deteriorated credit quality | \$ 0                             | \$ 0                                 | \$ 0                | \$ 0                       | \$ 0                                  | \$ 0       | \$ 0                                         | \$ 0          |
| <b>Financing receivables:</b>                                      |                                  |                                      |                     |                            |                                       |            |                                              |               |
| Ending balance                                                     | \$ 1,366,814                     | \$ 4,435,910                         | \$ 2,209,191        | \$ 3,300,472               | \$ 1,396,853                          | \$ 819,768 | \$ 0                                         | \$ 13,529,008 |
| Ending Balance: individually<br>evaluated for impairment           | \$ 30,134                        | \$ 21,653                            | \$ 79,980           | \$ 15,185                  | \$ 16,892                             | \$ 0       | \$ 0                                         | \$ 163,844    |
| Ending Balance: collectively<br>evaluated for impairment           | \$ 1,305,807                     | \$ 4,337,381                         | \$ 2,103,205        | \$ 3,272,737               | \$ 1,357,792                          | \$ 819,745 | \$ 0                                         | \$ 13,196,667 |

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Ending Balance: loans acquired  
with deteriorated credit quality    \$   30,873    \$   76,876    \$   26,006    \$   12,550    \$   22,169    \$   23    \$   0    \$   168,497

**Table of Contents****Allowance for Loan Losses and Carrying Amount of Loans****For the Year Ended December 31, 2017**

|                                                                    | Commercial<br>Owner-<br>occupied | Real Estate<br>Nonowner-<br>occupied | Other<br>Commercial | Residential<br>Real Estate | Construction<br>& Land<br>Development | Consumer   | Allowance<br>for<br>Estimated<br>Imprecision | Total         |
|--------------------------------------------------------------------|----------------------------------|--------------------------------------|---------------------|----------------------------|---------------------------------------|------------|----------------------------------------------|---------------|
| <b>Allowance for Loan Losses:</b>                                  |                                  |                                      |                     |                            |                                       |            |                                              |               |
| Beginning balance                                                  | \$ 5,273                         | \$ 6,883                             | \$ 33,087           | \$ 13,770                  | \$ 10,606                             | \$ 2,805   | \$ 347                                       | \$ 72,771     |
| Charge-offs                                                        | 2,246                            | 296                                  | 21,189              | 2,973                      | 3,337                                 | 2,822      | 0                                            | 32,863        |
| Recoveries                                                         | 2,599                            | 244                                  | 3,395               | 601                        | 726                                   | 748        | 0                                            | 8,313         |
| Provision                                                          | (225)                            | (462)                                | 29,896              | (1,471)                    | (808)                                 | 1,750      | (274)                                        | 28,406        |
| Ending balance                                                     | \$ 5,401                         | \$ 6,369                             | \$ 45,189           | \$ 9,927                   | \$ 7,187                              | \$ 2,481   | \$ 73                                        | \$ 76,627     |
| Ending Balance: individually<br>evaluated for impairment           | \$ 2,251                         | \$ 1,592                             | \$ 16,721           | \$ 1,552                   | \$ 229                                | \$ 0       | \$ 0                                         | \$ 22,345     |
| Ending Balance: collectively<br>evaluated for impairment           | \$ 3,150                         | \$ 4,777                             | \$ 28,468           | \$ 8,375                   | \$ 6,958                              | \$ 2,481   | \$ 73                                        | \$ 54,282     |
| Ending Balance: loans acquired<br>with deteriorated credit quality | \$ 0                             | \$ 0                                 | \$ 0                | \$ 0                       | \$ 0                                  | \$ 0       | \$ 0                                         | \$ 0          |
| <b>Financing receivables:</b>                                      |                                  |                                      |                     |                            |                                       |            |                                              |               |
| Ending balance                                                     | \$ 1,361,629                     | \$ 4,451,298                         | \$ 1,998,979        | \$ 2,996,171               | \$ 1,504,907                          | \$ 714,353 | \$ 0                                         | \$ 13,027,337 |
| Ending Balance: individually<br>evaluated for impairment           | \$ 36,721                        | \$ 21,851                            | \$ 78,715           | \$ 14,316                  | \$ 16,921                             | \$ 0       | \$ 0                                         | \$ 168,524    |
| Ending Balance: collectively<br>evaluated for impairment           | \$ 1,291,379                     | \$ 4,320,997                         | \$ 1,892,706        | \$ 2,967,666               | \$ 1,461,206                          | \$ 714,338 | \$ 0                                         | \$ 12,648,292 |
| Ending Balance: loans acquired<br>with deteriorated credit quality | \$ 33,529                        | \$ 108,450                           | \$ 27,558           | \$ 14,189                  | \$ 26,780                             | \$ 15      | \$ 0                                         | \$ 210,521    |

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

|                                         | Community Banking     |                          | June 30, 2018<br>Mortgage Banking |                          | Total                 |                          |
|-----------------------------------------|-----------------------|--------------------------|-----------------------------------|--------------------------|-----------------------|--------------------------|
|                                         | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount             | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| <b>Amortized intangible assets:</b>     |                       |                          |                                   |                          |                       |                          |
| Core deposit intangible assets          | \$ 98,359             | (\$ 58,473)              | \$ 0                              | (\$ 0)                   | \$ 98,359             | (\$ 58,473)              |
| <b>Non-amortized intangible assets:</b> |                       |                          |                                   |                          |                       |                          |
| George Mason trade name                 | \$ 0                  |                          | \$ 1,080                          |                          | \$ 1,080              |                          |
| Goodwill not subject to amortization    | \$ 1,472,699          |                          | \$ 5,315                          |                          | \$ 1,478,014          |                          |

|                                         | Community Banking     |                          | December 31, 2017<br>Mortgage Banking |                          | Total                 |                          |
|-----------------------------------------|-----------------------|--------------------------|---------------------------------------|--------------------------|-----------------------|--------------------------|
|                                         | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount                 | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| <b>Amortized intangible assets:</b>     |                       |                          |                                       |                          |                       |                          |
| Core deposit intangible assets          | \$ 98,359             | (\$ 54,453)              | \$ 0                                  | \$ 0                     | \$ 98,359             | (\$ 54,453)              |
| <b>Non-amortized intangible assets:</b> |                       |                          |                                       |                          |                       |                          |
| George Mason trade name                 | \$ 0                  |                          | \$ 1,080                              |                          | \$ 1,080              |                          |
| Goodwill not subject to amortization    | \$ 1,473,265          |                          | \$ 5,115                              |                          | \$ 1,478,380          |                          |

The following table provides a reconciliation of goodwill:

|                                                | Community Banking | Mortgage Banking | Total        |
|------------------------------------------------|-------------------|------------------|--------------|
| Goodwill at December 31, 2017                  | \$ 1,473,265      | \$ 5,115         | \$ 1,478,380 |
| Addition to goodwill from Cardinal acquisition |                   | (566)            | (366)        |
| Goodwill at June 30, 2018                      | \$ 1,472,699      | \$ 5,315         | \$ 1,478,014 |

United incurred amortization expense on intangible assets of \$2,010 and \$4,020 for the quarter and six months ended June 30, 2018, respectively, and \$2,093 and \$3,141 for the quarter and six months ended June 30, 2017, respectively.

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The following table sets forth the anticipated amortization expense for intangible assets for the years subsequent to 2017:

| <b>Year</b>         | <b>Amount</b> |
|---------------------|---------------|
| 2018                | \$ 8,039      |
| 2019                | 7,016         |
| 2020                | 6,309         |
| 2021                | 5,369         |
| 2022 and thereafter | 17,173        |

**8. SHORT-TERM BORROWINGS**

Federal funds purchased and securities sold under agreements to repurchase are a significant source of funds for the Company. United has various unused lines of credit available from certain of its correspondent banks in the aggregate amount of \$230,000. These lines of credit, which bear interest at prevailing market rates, permit United to borrow funds in the overnight market, and are renewable annually subject to certain conditions. At June 30, 2018, federal funds purchased were \$14,000 while total securities sold under agreements to repurchase (REPOs) were \$185,507. The securities sold under agreements to repurchase were accounted for as collateralized financial transactions. They were recorded at the amounts at which the securities were acquired or sold plus accrued interest.

United has a \$20,000 line of credit with an unrelated financial institution to provide for general liquidity needs. The line is an unsecured, revolving line of credit. The line will be renewable on a 360-day basis and will carry an indexed, floating-rate of interest. The line requires compliance with various financial and nonfinancial covenants. At June 30, 2018, United had no outstanding balance under this line of credit.

**9. LONG-TERM BORROWINGS**

United's subsidiary bank is a member of the Federal Home Loan Bank ( FHLB ). Membership in the FHLB makes available short-term and long-term borrowings from collateralized advances. All FHLB borrowings are collateralized by a mix of single-family residential mortgage loans, commercial loans and investment securities. At June 30, 2018, United had an unused borrowing amount of approximately \$3,579,159 available subject to delivery of collateral after certain trigger points. Advances may be called by the FHLB or redeemed by United based on predefined factors and penalties.

At June 30, 2018, \$1,560,365 of FHLB advances with a weighted-average interest rate of 1.97% are scheduled to mature within the next seven years.

The scheduled maturities of these FHLB borrowings are as follows:

| <b>Year</b>         | <b>Amount</b>       |
|---------------------|---------------------|
| 2018                | \$ 1,246,776        |
| 2019                | 187,370             |
| 2020                | 41,896              |
| 2021                | 52,547              |
| 2022 and thereafter | 31,776              |
| <b>Total</b>        | <b>\$ 1,560,365</b> |

At June 30, 2018, United had a total of fourteen statutory business trusts that were formed for the purpose of issuing or participating in pools of trust preferred capital securities ( Capital Securities ) with the proceeds invested in junior subordinated debt securities ( Debentures ) of United. The Debentures, which are subordinate and junior in right of payment to all present and future senior indebtedness and certain other financial obligations of United, are the sole assets of the trusts and United's payment under the Debentures is the sole source of revenue for the trusts. At June 30, 2018 and December 31, 2017, the outstanding balance of the Debentures was \$234,276 and \$242,446, respectively,





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and was included in the category of long-term debt on the Consolidated Balance Sheets entitled "Other long-term borrowings." The Capital Securities are not included as a component of shareholders' equity in the Consolidated Balance Sheets. United fully and unconditionally guarantees each individual trust's obligations under the Capital Securities.

Under the provisions of the subordinated debt, United has the right to defer payment of interest on the subordinated debt at any time, or from time to time, for periods not exceeding five years. If interest payments on the subordinated debt are deferred, the dividends on the Capital Securities are also deferred. Interest on the subordinated debt is cumulative.

For reporting periods prior to June 30, 2017, the Trust Preferred Securities qualified as Tier 1 regulatory capital under the Basel III Capital Rules as published by United's primary federal regulator, the Federal Reserve, in July of 2013. The Basel III Capital Rules established a new comprehensive capital framework for U.S. banking organizations. Because United was less than \$15 billion in total consolidated assets, the Basel III Capital Rules grandfathered United's Trust Preferred Securities as Tier 1 capital under the limitations for restricted capital elements in the general risk-based capital rules. As a result, beginning in 2015 (the adoption date), United's Trust Preferred Securities was subject to a limit of 25 percent of Tier 1 capital elements excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments applied to Tier 1 capital, which is substantially similar to the limit in the general risk-based capital rules. Trust preferred securities no longer included in United's Tier 1 capital could be included as a component of Tier 2 capital on a permanent basis without phase-out.

## **10. COMMITMENTS AND CONTINGENT LIABILITIES**

United is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to alter its own exposure to fluctuations in interest rates. These financial instruments include loan commitments, standby letters of credit, and interest rate swap agreements. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

United's maximum exposure to credit loss in the event of nonperformance by the counterparty to the financial instrument for the loan commitments and standby letters of credit is the contractual or notional amount of those instruments. United uses the same policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Collateral may be obtained, if deemed necessary, based on management's credit evaluation of the counterparty.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily, and historically do not, represent future cash requirements. The amount of collateral obtained, if deemed necessary upon the extension of credit, is based on management's credit evaluation of the counterparty. United had approximately \$3,899,439 and \$4,224,719 of loan commitments outstanding as of June 30, 2018 and December 31, 2017, respectively, the majority of which contractually expire within one year. Included in the June 30, 2018 amount are commitments to extend credit of \$324,487 related to George Mason's mortgage loan funding commitments and are of a short-term nature.

Commercial and standby letters of credit are agreements used by United's customers as a means of improving their credit standing in their dealings with others. Under these agreements, United guarantees certain financial commitments of its customers. A commercial letter of credit is issued specifically to facilitate trade or commerce. Typically, under the terms of a commercial letter of credit, a commitment is drawn upon when the underlying transaction is consummated as intended between the customer and a third party. As of June 30, 2018 and

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December 31, 2017, United had no outstanding commercial letters of credit. A standby letter of credit is generally contingent upon the failure of a customer to perform according to the terms of an underlying contract with a third party. United has issued standby letters of credit of \$145,778 and \$147,017 as of June 30, 2018 and December 31, 2017, respectively. In accordance with the Contingencies Topic of the FASB Accounting Standards Codification, United has determined that substantially all of its letters of credit are renewed on an annual basis and the fees associated with these letters of credit are immaterial.

George Mason provides for its estimated exposure to repurchase loans previously sold to investors for which borrowers failed to provide full and accurate information on their loan application or for which appraisals have not been acceptable or where the loan was not underwritten in accordance with the loan program specified by the loan investor, and for other exposure to its investors related to loan sales activities. United evaluates the merits of each claim and estimates its reserve based on actual and expected claims received and considers the historical amounts paid to settle such claims. George Mason has a reserve of \$516 as of June 30, 2018.

United has derivative counter-party risk that may arise from the possible inability of George Mason's third party investors to meet the terms of their forward sales contracts. George Mason works with third-party investors that are generally well-capitalized, are investment grade and exhibit strong financial performance to mitigate this risk. United does not expect any third-party investor to fail to meet its obligation.

United and its subsidiaries are currently involved in various legal proceedings in the normal course of business. Management is vigorously pursuing all its legal and factual defenses and, after consultation with legal counsel, believes that all such litigation will be resolved with no material effect on United's financial position.

## **11. DERIVATIVE FINANCIAL INSTRUMENTS**

United uses derivative instruments to help aid against adverse price changes or interest rate movements on the value of certain assets or liabilities and on future cash flows. These derivatives may consist of interest rate swaps, caps, floors, collars, futures, forward contracts, written and purchased options. United also executes derivative instruments with its commercial banking customers to facilitate its risk management strategies.

United accounts for its derivative financial instruments in accordance with the Derivatives and Hedging topic of the FASB Accounting Standards Codification (ASC Topic 815). The Derivatives and Hedging topic require all derivative instruments to be carried at fair value on the balance sheet. United has designated certain derivative instruments used to manage interest rate risk as hedge relationships with certain assets, liabilities or cash flows being hedged. Certain derivatives used for interest rate risk management are not designated in a hedge relationship.

Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For a fair value hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to the hedged financial instrument. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a fair value hedge are offset in current period earnings. For a cash flow hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to other comprehensive income within shareholders' equity, net of tax. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a cash flow hedge are offset to other comprehensive income, net of tax. The portion of a hedge that is ineffective is recognized immediately in earnings.

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At inception of a hedge relationship, United formally documents the hedged item, the particular risk management objective, the nature of the risk being hedged, the derivative being used, how effectiveness of the hedge will be assessed and how the ineffectiveness of the hedge will be measured. United also assesses hedge effectiveness at inception and on an ongoing basis using regression analysis. Hedge ineffectiveness is measured by using the change in fair value method. The change in fair value method compares the change in the fair value of the hedging derivative to the change in the fair value of the hedged exposure, attributable to changes in the benchmark rate. The portion of a hedge that is ineffective is recognized immediately in earnings.

United through George Mason enters into interest rate lock commitments to finance residential mortgage loans with its customers. These commitments, which contain fixed expiration dates, offer the borrower an interest rate guarantee provided the loan meets underwriting guidelines and closes within the timeframe established by United. Interest rate risk arises on these commitments and subsequently closed loans if interest rates change between the time of the interest rate lock and the delivery of the loan to the investor. Market risk on interest rate lock commitments and mortgage loans held for sale is managed using corresponding forward mortgage loan sales contracts. United is a party to these forward mortgage loan sales contracts to sell loans servicing released and short sales of mortgage-backed securities. When the interest rate is locked with the borrower, the rate lock commitment, forward sale agreement, and mortgage-backed security position are undesignated derivatives and marked to fair value through earnings. The fair value of the rate lock derivative includes the servicing premium and the interest spread for the difference between retail and wholesale mortgage rates. Income from mortgage banking activities includes the gain recognized for the period presented and associated elements of fair value.

United sells mortgage loans on either a best efforts or mandatory delivery basis. For loans sold on a mandatory delivery basis, United enters into forward mortgage-backed securities (the residual hedge ) to mitigate the effect of interest rate risk. Both the rate lock commitment under mandatory delivery and the residual hedge are recorded at fair value through earnings and are not designated as accounting hedges. At the closing of the loan, the loan commitment derivative expires and United records a loan held for sale at fair value and continues to mark these assets to market under the election of fair value option. United closes out of the trading mortgage-backed securities assigned within the residual hedge and replaces the securities with a forward sales contract once a price has been accepted by an investor and recorded at fair value. For those loans selected to be sold under best efforts delivery, at the closing of the loan, the rate lock commitment derivative expires and the Company records a loan held for sale at fair value under the election of fair value option and continues to be obligated under the same forward loan sales contract entered into at inception of the rate lock commitment.

The derivative portfolio also includes derivative financial instruments not included in hedge relationships. These derivatives consist of interest rate swaps used for interest rate management purposes and derivatives executed with commercial banking customers to facilitate their interest rate management strategies. For derivatives that are not designated in a hedge relationship, changes in the fair value of the derivatives are recognized in earnings in the same period as the change in fair value. Gains and losses on other derivative financial instruments are included in noninterest income and noninterest expense, respectively.

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The following tables disclose the derivative instruments' location on the Company's Consolidated Balance Sheets and the notional amount and fair value of those instruments at June 30, 2018 and December 31, 2017.

|                                                                         | June 30, 2018  |                   | Asset Derivatives |                |                   | December 31, 2017 |  |
|-------------------------------------------------------------------------|----------------|-------------------|-------------------|----------------|-------------------|-------------------|--|
|                                                                         | Balance        | Notional Amount   | Fair Value        | Balance        | Notional Amount   | Fair Value        |  |
|                                                                         | Sheet Location |                   |                   | Sheet Location |                   |                   |  |
| <b>Derivatives designated as hedging instruments Fair Value Hedges:</b> |                |                   |                   |                |                   |                   |  |
| Interest rate swap contracts (hedging commercial loans)                 | Other assets   | \$ 87,672         | \$ 3,329          | Other assets   | \$ 71,831         | \$ 538            |  |
| <b>Total derivatives designated as hedging instruments</b>              |                | <b>\$ 87,672</b>  | <b>\$ 3,329</b>   |                | <b>\$ 71,831</b>  | <b>\$ 538</b>     |  |
| <b>Derivatives not designated as hedging instruments</b>                |                |                   |                   |                |                   |                   |  |
| Forward loan sales commitments                                          | Other assets   | \$ 22,107         | \$ 112            | Other assets   | \$ 31,024         | \$ 2              |  |
| Interest rate lock commitments                                          | Other assets   | 182,030           | 6,541             | Other assets   | 148,866           | 4,559             |  |
| <b>Total derivatives not designated as hedging instruments</b>          |                | <b>\$ 204,137</b> | <b>\$ 6,653</b>   |                | <b>\$ 179,890</b> | <b>\$ 4,561</b>   |  |
| Total asset derivatives                                                 |                | \$ 291,809        | \$ 9,982          |                | \$ 251,721        | \$ 5,099          |  |

|                                                                         | June 30, 2018     |                   | Liability Derivatives |                   |                   | December 31, 2017 |  |
|-------------------------------------------------------------------------|-------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|--|
|                                                                         | Balance           | Notional Amount   | Fair Value            | Balance           | Notional Amount   | Fair Value        |  |
|                                                                         | Sheet Location    |                   |                       | Sheet Location    |                   |                   |  |
| <b>Derivatives designated as hedging instruments Fair Value Hedges:</b> |                   |                   |                       |                   |                   |                   |  |
| Interest rate swap contracts (hedging commercial loans)                 | Other liabilities | \$ 0              | \$ 0                  | Other liabilities | \$ 18,795         | \$ 165            |  |
| <b>Total derivatives designated as hedging instruments</b>              |                   | <b>\$ 0</b>       | <b>\$ 0</b>           |                   | <b>\$ 18,795</b>  | <b>\$ 165</b>     |  |
| <b>Derivatives not designated as hedging instruments</b>                |                   |                   |                       |                   |                   |                   |  |
| TBA mortgage-backed securities                                          | Other liabilities | \$ 343,000        | \$ 1,422              | Other liabilities | \$ 236,500        | \$ 312            |  |
| Interest rate lock commitments                                          | Other liabilities | 0                 | 0                     | Other liabilities | 0                 | 0                 |  |
| <b>Total derivatives not designated as hedging instruments</b>          |                   | <b>\$ 343,000</b> | <b>\$ 1,422</b>       |                   | <b>\$ 236,500</b> | <b>\$ 312</b>     |  |
| Total liability derivatives                                             |                   | \$ 343,000        | \$ 1,422              |                   | \$ 255,295        | \$ 477            |  |

Derivative contracts involve the risk of dealing with both bank customers and institutional derivative counterparties and their ability to meet contractual terms. Credit risk arises from the possible inability of counterparties to meet the terms of their contracts. United's exposure is limited to the replacement value of the contracts rather than the notional amount of the contract. The Company's agreements generally contain provisions that limit the unsecured exposure up to an agreed upon threshold. Additionally, the Company attempts to minimize credit risk through certain approval processes established by management.



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The effect of United's derivative financial instruments on its unaudited Consolidated Statements of Income for the three and six months ended June 30, 2018 and 2017 are presented as follows:

|                                                                | Income Statement<br>Location               | Three Months Ended |                  |
|----------------------------------------------------------------|--------------------------------------------|--------------------|------------------|
|                                                                |                                            | June 30,<br>2018   | June 30,<br>2017 |
| <b>Derivatives in hedging relationships Fair Value Hedges:</b> |                                            |                    |                  |
| Interest rate swap contracts                                   | Interest income/(expense)                  | \$ 24              | \$ (282)         |
| <b>Total derivatives in hedging relationships</b>              |                                            | \$ 24              | \$ (282)         |
| <b>Derivatives not designated as hedging instruments</b>       |                                            |                    |                  |
| Forward loan sales commitments                                 | Income from Mortgage<br>Banking Activities | 112                | (170)            |
| TBA mortgage-backed securities                                 | Income from Mortgage<br>Banking Activities | (660)              | 2,784            |
| Interest rate lock commitments                                 | Income from Mortgage<br>Banking Activities | 2,888              | 1,019            |
| <b>Total derivatives not designated as hedging instruments</b> |                                            | \$ 2,340           | \$ 3,633         |
| <b>Total derivatives</b>                                       |                                            | \$ 2,364           | \$ 3,351         |

|                                                                           | Income Statement<br>Location               | Six Months Ended |                  |
|---------------------------------------------------------------------------|--------------------------------------------|------------------|------------------|
|                                                                           |                                            | June 30,<br>2018 | June 30,<br>2017 |
| <b>Derivatives in fair value hedging relationships Fair Value Hedges:</b> |                                            |                  |                  |
| Interest rate swap contracts                                              | Interest income/(expense)                  | \$ (18)          | \$ (440)         |
| <b>Cash Flow Hedges:</b>                                                  |                                            |                  |                  |
| Forward loan sales commitments                                            | Other income                               | 0                | 0                |
| <b>Total derivatives in hedging relationships</b>                         |                                            | \$ (18)          | \$ (440)         |
| <b>Derivatives not designated as hedging instruments</b>                  |                                            |                  |                  |
| Forward loan sales commitments                                            | Income from Mortgage<br>Banking Activities | 185              | (170)            |
| TBA mortgage-backed securities                                            | Income from Mortgage<br>Banking Activities | (1,110)          | 2,784            |
| Interest rate lock commitments                                            | Income from Mortgage<br>Banking Activities | 1,619            | 1,019            |
| <b>Total derivatives not designated as hedging instruments</b>            |                                            | \$ 694           | \$ 3,633         |
| <b>Total derivatives</b>                                                  |                                            | \$ 676           | \$ 3,193         |

**12. FAIR VALUE MEASUREMENTS**

United determines the fair values of its financial instruments based on the fair value hierarchy established by ASC Topic 820, which also clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.



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The Fair Value Measurements and Disclosures topic specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect United's market assumptions.

The three levels of the fair value hierarchy, based on these two types of inputs, are as follows:

- Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.
- Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.
- Level 3 - Valuation is based on prices, inputs and model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

When determining the fair value measurements for assets and liabilities, United looks to active and observable markets to price identical assets or liabilities whenever possible and classifies such items in Level 1. When identical assets and liabilities are not traded in active markets, United looks to market observable data for similar assets and liabilities and classifies such items as Level 2. Nevertheless, certain assets and liabilities are not actively traded in observable markets and United must use alternative valuation techniques using unobservable inputs to determine a fair value and classifies such items as Level 3. For assets and liabilities that are not actively traded, the fair value measurement is based primarily upon estimates that require significant judgment. Therefore, the results may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there are inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. The level within the fair value hierarchy is based on the lowest level of input that is significant in the fair value measurement.

In accordance with ASC Topic 820, the following describes the valuation techniques used by United to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements.

**Securities available for sale and equity securities:** Securities available for sale and equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Using a market approach valuation methodology, third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2). Management internally reviews the fair values provided by third party vendors on a monthly basis. Management's review consists of comparing fair values assigned by third party vendors to trades and offerings observed by management. The review requires some degree of judgment as to the number or percentage of securities to review on the part of management which could fluctuate based on results of past reviews and in comparison to current expectations. Exceptions that are deemed to be material are reviewed by management. Additionally, to assess the reliability of the information received from third party vendors, management obtains documentation from third party vendors related to the sources, methodologies, and inputs utilized in valuing securities classified as Level 2. Management analyzes this information to ensure the underlying assumptions appear reasonable. Management also obtains an independent service auditor's report from third party vendors to provide reasonable assurance that appropriate controls are in place over the valuation process. Upon completing its review of the pricing from third party vendors at June 30, 2018, management determined that the prices provided by its third party pricing source were reasonable and in line with management's expectations for the market values of these securities. Therefore, prices obtained from third party vendors that did not reflect forced liquidation or distressed sales were not adjusted by management at June 30, 2018. Management utilizes a number of factors to determine if a market is inactive, all of



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which may require a significant level of judgment. Factors that management considers include: a significant widening of the bid-ask spread, a considerable decline in the volume and level of trading activity in the instrument, a significant variance in prices among market participants, and a significant reduction in the level of observable inputs. Any securities available for sale not valued based upon quoted market prices or third party pricing models that consider observable market data are considered Level 3. Currently, United considers its valuation of available-for-sale Trup Cdos as Level 3. Based upon management's review of the market conditions for Trup Cdos, it was determined that an income approach valuation technique (present value technique) that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs is the most representative measurement technique for these securities. The present value technique discounts expected future cash flows of a security to arrive at a present value. Management considers the following items when calculating the appropriate discount rate: the implied rate of return when the market was last active, changes in the implied rate of return as markets moved from very active to inactive, recent changes in credit ratings, and recent activity showing that the market has built in increased liquidity and credit premiums. Management's internal credit review of each security was also factored in to determine the appropriate discount rate. The credit review considered each security's collateral, subordination, excess spread, priority of claims, principal and interest.

**Loans held for sale:** For residential mortgage loans sold in the mortgage banking segment, the loans closed are recorded at fair value using the fair value option which is measured using valuations from investors for loans with similar characteristics adjusted for the Company's actual sales experience versus the investor's indicated pricing. These valuations fall into the Level 3 category. The unobservable input is the Company's historical sales prices. The range of historical sales prices increased the investor's indicated pricing by a range of 0.18% to 0.65% with a weighted average increase of 0.34%.

**Derivatives:** United utilizes interest rate swaps to hedge exposure to interest rate risk and variability of cash flows associated to changes in the underlying interest rate of the hedged item. These hedging interest rate swaps are classified as either a fair value hedge or a cash flow hedge. United's derivative portfolio also includes derivative financial instruments not included in hedge relationships. These derivatives consist of interest rate swaps used for interest rate management purposes and derivatives executed with commercial banking customers to facilitate their interest rate management strategies. United utilizes third-party vendors for derivative valuation purposes. These vendors determine the appropriate fair value based on a net present value calculation of the cash flows related to the interest rate swaps using primarily observable market inputs such as interest rate yield curves (Level 2). Valuation adjustments to derivative fair values for liquidity and credit risk are also taken into consideration, as well as the likelihood of default by United and derivative counterparties, the net counterparty exposure and the remaining maturities of the positions. Values obtained from third party vendors are typically not adjusted by management. Management internally reviews the derivative values provided by third party vendors on a quarterly basis. All derivative values are tested for reasonableness by management utilizing a net present value calculation.

For a fair value hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to the hedged financial instrument. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a fair value hedge are offset in current period earnings either in interest income or interest expense depending on the nature of the hedged financial instrument. For a cash flow hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to other comprehensive income within shareholders' equity, net of tax. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a cash flow hedge are offset to other comprehensive income, net of tax. The portion of a hedge that is ineffective is recognized immediately in earnings.

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The Company records its interest rate lock commitments and forward loan sales commitments at fair value determined as the amount that would be required to settle each of these derivative financial instruments at the balance sheet date. In the normal course of business, George Mason enters into contractual interest rate lock commitments to extend credit to borrowers with fixed expiration dates. The commitments become effective when the borrowers' lock-in a specified interest rate within the timeframes established by the mortgage companies. All borrowers are evaluated for credit worthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the interest rate lock by the borrower and the sale date of the loan to the investor. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, George Mason enters into either a forward sales contract to sell loans to investors when using best efforts or a TBA mortgage-backed security under mandatory delivery. As TBA mortgage-backed securities are actively traded in an open market, TBA mortgage-backed securities fall into a Level 1 category. The forward sales contracts lock in an interest rate and price for the sale of loans similar to the specific rate lock commitments. Under the Company's best efforts model, the rate lock commitments to borrowers and the forward sales contracts to investors through to the date the loan closes are undesignated derivatives and accordingly, are marked to fair value through earnings. These valuations fall into a Level 2 category. For residential mortgage loans sold in the mortgage banking segment, the interest rate lock commitments are recorded at fair value which is measured using valuations from investors for loans with similar characteristics adjusted for the Company's actual sales experience versus the investor's indicated pricing. These valuations fall into the Level 3 category. The unobservable input is the Company's historical sales prices. The range of historical sales prices increased the investor's indicated pricing by a range of 0.18% to 0.65% with a weighted average increase of 0.34%.

For interest rate swap derivatives that are not designated in a hedge relationship, changes in the fair value of the derivatives are recognized in earnings in the same period as the change in the fair value. Unrealized gains and losses due to changes in the fair value of other derivative financial instruments not in hedge relationship are included in noninterest income and noninterest expense, respectively.

The following tables present the balances of financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017, segregated by the level of the valuation inputs within the fair value hierarchy.

| Description                                                                           | Fair Value at June 30, 2018 Using |                                                                                        |                                                           |                                                    |
|---------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                                                                       | Balance as of<br>June 30,<br>2018 | Quoted Prices<br>in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level<br>1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Assets</b>                                                                         |                                   |                                                                                        |                                                           |                                                    |
| Available for sale securities:                                                        |                                   |                                                                                        |                                                           |                                                    |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 143,815                        | \$ 0                                                                                   | \$ 143,815                                                | \$ 0                                               |
| State and political subdivisions                                                      | 272,180                           | 0                                                                                      | 272,180                                                   | 0                                                  |
| Residential mortgage-backed securities                                                |                                   |                                                                                        |                                                           |                                                    |
| Agency                                                                                | 890,129                           | 0                                                                                      | 890,129                                                   | 0                                                  |
| Non-agency                                                                            | 4,794                             | 0                                                                                      | 4,794                                                     | 0                                                  |
| Commercial mortgage-backed securities                                                 |                                   |                                                                                        |                                                           |                                                    |
| Agency                                                                                | 501,403                           | 0                                                                                      | 501,403                                                   | 0                                                  |
| Asset-backed securities                                                               | 166,131                           | 0                                                                                      | 166,131                                                   | 0                                                  |
| Trust preferred collateralized debt obligations                                       | 5,818                             | 0                                                                                      | 0                                                         | 5,818                                              |

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| Description                                   | Fair Value at June 30, 2018 Using |                                                                                        |                                                           |                                                    |
|-----------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                               | Balance as of<br>June 30,<br>2018 | Quoted Prices<br>in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level<br>1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Single issue trust preferred securities       | 8,238                             | 0                                                                                      | 8,238                                                     | 0                                                  |
| Other corporate securities                    | 68,419                            | 6,940                                                                                  | 61,479                                                    | 0                                                  |
| <b>Total available for sale securities</b>    | <b>2,060,927</b>                  | <b>6,940</b>                                                                           | <b>2,048,169</b>                                          | <b>5,818</b>                                       |
| Equity securities:                            |                                   |                                                                                        |                                                           |                                                    |
| Financial services industry                   | 175                               | 175                                                                                    | 0                                                         | 0                                                  |
| Equity mutual funds (1)                       | 4,856                             | 4,856                                                                                  | 0                                                         | 0                                                  |
| Other equity securities                       | 4,633                             | 4,633                                                                                  | 0                                                         | 0                                                  |
| <b>Total equity securities</b>                | <b>9,664</b>                      | <b>9,664</b>                                                                           | <b>0</b>                                                  | <b>0</b>                                           |
| Loans held for sale                           | 282,439                           | 0                                                                                      | 0                                                         | 282,439                                            |
| Derivative financial assets:                  |                                   |                                                                                        |                                                           |                                                    |
| Interest rate swap contracts                  | 3,329                             | 0                                                                                      | 3,329                                                     | 0                                                  |
| Forward sales commitments                     | 112                               | 0                                                                                      | 112                                                       | 0                                                  |
| Interest rate lock commitments                | 6,541                             | 0                                                                                      | 0                                                         | 6,541                                              |
| <b>Total derivative financial assets</b>      | <b>9,982</b>                      | <b>0</b>                                                                               | <b>3,441</b>                                              | <b>6,541</b>                                       |
| Liabilities                                   |                                   |                                                                                        |                                                           |                                                    |
| Derivative financial liabilities:             |                                   |                                                                                        |                                                           |                                                    |
| TBA mortgage-backed securities                | 1,422                             | 0                                                                                      | 1,422                                                     | 0                                                  |
| <b>Total derivative financial liabilities</b> | <b>1,422</b>                      | <b>0</b>                                                                               | <b>1,422</b>                                              | <b>0</b>                                           |

(1) The equity mutual funds are within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries.

| Description                                                                           | Fair Value at December 31, 2017 Using |                                                                                        |                                                           |                                                    |
|---------------------------------------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                                                                       | Balance as of<br>December 31,<br>2017 | Quoted Prices<br>in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level<br>1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets                                                                                |                                       |                                                                                        |                                                           |                                                    |
| Available for sale debt securities:                                                   |                                       |                                                                                        |                                                           |                                                    |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 114,758                            | \$ 0                                                                                   | \$ 114,758                                                | \$ 0                                               |
| State and political subdivisions                                                      | 303,869                               | 0                                                                                      | 303,869                                                   | 0                                                  |
| Residential mortgage-backed securities                                                |                                       |                                                                                        |                                                           |                                                    |

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|                                                 |                  |          |                  |               |
|-------------------------------------------------|------------------|----------|------------------|---------------|
| Agency                                          | 814,593          | 0        | 814,593          | 0             |
| Non-agency                                      | 5,512            | 0        | 5,512            | 0             |
| Commercial mortgage-backed securities Agency    | 454,857          | 0        | 454,857          | 0             |
| Asset-backed securities                         | 109,970          | 0        | 109,970          | 0             |
| Trust preferred collateralized debt obligations | 34,269           | 0        | 0                | 34,269        |
| Single issue trust preferred securities         | 12,560           | 0        | 12,560           | 0             |
| Other corporate securities                      | 28,490           | 0        | 28,490           | 0             |
| <b>Total available for sale debt securities</b> | <b>1,878,878</b> | <b>0</b> | <b>1,844,609</b> | <b>34,269</b> |
| Available for sale equity securities:           |                  |          |                  |               |
| Financial services industry                     | 3,545            | 331      | 3,214            | 0             |
| Equity mutual funds (1)                         | 6,332            | 6,332    | 0                | 0             |

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| Description                                | Fair Value at December 31, 2017 Using |                                                                                        |                                                           |                                                    |
|--------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                            | Balance as of<br>December 31,<br>2017 | Quoted Prices<br>in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level<br>1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Other equity securities                    | 1                                     | 1                                                                                      | 0                                                         | 0                                                  |
| Total available for sale equity securities | 9,878                                 | 6,664                                                                                  | 3,214                                                     | 0                                                  |
| Total available for sale securities        | 1,888,756                             | 6,664                                                                                  | 1,847,823                                                 | 34,269                                             |
| Loans held for sale                        | 263,308                               | 0                                                                                      | 0                                                         | 263,308                                            |
| Derivative financial assets:               |                                       |                                                                                        |                                                           |                                                    |
| Interest rate swap contracts               | 538                                   | 0                                                                                      | 538                                                       | 0                                                  |
| Interest rate lock commitments             | 4,561                                 | 0                                                                                      | 2                                                         | 4,559                                              |
| Total derivative financial assets          | 5,099                                 | 0                                                                                      | 540                                                       | 4,559                                              |
| Liabilities                                |                                       |                                                                                        |                                                           |                                                    |
| Derivative financial liabilities:          |                                       |                                                                                        |                                                           |                                                    |
| Interest rate swap contracts               | 165                                   | 0                                                                                      | 165                                                       | 0                                                  |
| TBA mortgage-backed securities             | 312                                   | 0                                                                                      | 312                                                       | 0                                                  |
| Total derivative financial liabilities     | 477                                   | 0                                                                                      | 477                                                       | 0                                                  |

(1) The equity mutual funds are within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries.

There were no transfers between Level 1 and Level 2 for financial assets and liabilities measured at fair value on a recurring basis during the six months ended June 30, 2018 and the year ended December 31, 2017.

The following table presents additional information about financial assets and liabilities measured at fair value at June 30, 2018 and December 31, 2017 on a recurring basis and for which United has utilized Level 3 inputs to determine fair value:

|                                                 | Available-for-sale<br>Securities<br>Trust preferred<br>collateralized debt obligations |                      |
|-------------------------------------------------|----------------------------------------------------------------------------------------|----------------------|
|                                                 | June 30,<br>2018                                                                       | December 31,<br>2017 |
| Balance, beginning of period                    | \$ 34,269                                                                              | \$ 33,552            |
| Total gains or losses (realized/unrealized):    |                                                                                        |                      |
| Included in earnings (or changes in net assets) | 28                                                                                     | 9                    |
| Included in other comprehensive income          | 821                                                                                    | 8,757                |
| Purchases, issuances, and settlements           | 0                                                                                      | 0                    |
| Sales                                           | (29,300)                                                                               | (8,049)              |
| Transfers in and/or out of Level 3              | 0                                                                                      | 0                    |
| Balance, end of period                          | \$ 5,818                                                                               | \$ 34,269            |

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|                                                                                                                                                                                                             |    |   |    |   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---|----|---|
| The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date | \$ | 0 | \$ | 0 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---|----|---|

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|                                                                | Loans held for sale |                      |
|----------------------------------------------------------------|---------------------|----------------------|
|                                                                | June 30,<br>2018    | December 31,<br>2017 |
| Balance, beginning of period                                   | \$ 263,308          | \$ 0                 |
| Acquired in Cardinal merger                                    | 0                   | 271,301              |
| Originations                                                   | 1,448,225           | 2,333,927            |
| Sales                                                          | (1,440,029)         | (2,408,945)          |
| Total gains or losses during the period recognized in earnings | 38,351              | 58,132               |
| Transfers in and/or out of Level 3                             | (27,416)            | 8,893                |
| <b>Balance, end of period</b>                                  | <b>\$ 282,439</b>   | <b>\$ 263,308</b>    |

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date

|  |      |      |
|--|------|------|
|  | \$ 0 | \$ 0 |
|--|------|------|

|                               | Derivative Financial Assets<br>Interest Rate Lock Commitments |                      |
|-------------------------------|---------------------------------------------------------------|----------------------|
|                               | June 30,<br>2018                                              | December 31,<br>2017 |
| Balance, beginning of period  | \$ 4,559                                                      | \$ 0                 |
| Acquired in Cardinal merger   | 0                                                             | 10,393               |
| Transfers other               | 1,982                                                         | (5,834)              |
| <b>Balance, end of period</b> | <b>\$ 6,541</b>                                               | <b>\$ 4,559</b>      |

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date

|  |      |      |
|--|------|------|
|  | \$ 0 | \$ 0 |
|--|------|------|

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

*Fair Value Option*

United elected the fair value option for the loans held for sale in its mortgage banking segment to mitigate a divergence between accounting losses and economic exposure.

The following table reflects the change in fair value included in earnings of financial instruments for which the fair value option has been elected:

| Description                             | Three Months Ended<br>June 30, 2018 | Three Months Ended<br>June 30, 2017 |
|-----------------------------------------|-------------------------------------|-------------------------------------|
|                                         | <b>Assets</b>                       |                                     |
| Loans held for sale                     |                                     |                                     |
| Income from mortgage banking activities | \$ 3,929                            | \$ (2,439)                          |
| <b>Assets</b>                           |                                     |                                     |
| <b>Description</b>                      |                                     |                                     |
|                                         | Six Months Ended<br>June 30, 2018   | Six Months Ended<br>June 30, 2017   |
| <b>Assets</b>                           |                                     |                                     |
| Loans held for sale                     |                                     |                                     |
| Income from mortgage banking activities | \$ 3,092                            | \$ (2,439)                          |

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The following table reflects the difference between the aggregate fair value and the remaining contractual principal outstanding for financial instruments for which the fair value option has been elected:

| Description                                                                  | June 30, 2018                  |               |                                                              | December 31, 2017              |               |                                                              |
|------------------------------------------------------------------------------|--------------------------------|---------------|--------------------------------------------------------------|--------------------------------|---------------|--------------------------------------------------------------|
|                                                                              | Unpaid<br>Principal<br>Balance | Fair<br>Value | Fair Value<br>Over/(Under)<br>Unpaid<br>Principal<br>Balance | Unpaid<br>Principal<br>Balance | Fair<br>Value | Fair Value<br>Over/(Under)<br>Unpaid<br>Principal<br>Balance |
| Assets                                                                       |                                |               |                                                              |                                |               |                                                              |
| Loans held for sale                                                          | \$ 275,693                     | \$ 282,439    | \$ 6,746                                                     | \$ 257,674                     | \$ 263,308    | \$ 5,634                                                     |
| <i>Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis</i> |                                |               |                                                              |                                |               |                                                              |

The following describes the valuation techniques used by United to measure certain financial assets recorded at fair value on a nonrecurring basis in the financial statements.

**Loans held for sale:** Loans held for sale within the community banking segment that are delivered on a best efforts basis are carried at the lower of cost or fair value. The fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, United records any fair value adjustments for these loans held for sale on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale during the six months ended June 30, 2018. Gains and losses on sale of loans are recorded within income from mortgage banking activities on the Consolidated Statements of Income.

**Impaired Loans:** Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Impairment is measured based upon the present value of expected future cash flows from the loan discounted at the loan's effective rate and the loan's observable market price or the fair value of collateral, if the loan is collateral dependent. Fair value is measured using a market approach based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing an appraisal conducted by an independent, licensed appraiser outside of the Company using comparable property sales (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property is over two years old, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business' financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). For impaired loans, a specific reserve is established through the Allowance for Loan Losses, if necessary, by estimating the fair value of the underlying collateral on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for credit losses expense on the Consolidated Statements of Income.

**OREO:** OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried on the balance sheet at the lower of the investment in the assets or the fair value of the assets less estimated selling costs. Fair value is determined by one of two market approach methods depending on whether the property has been vacated and an appraisal can be conducted. If the property has yet to be vacated and thus an appraisal cannot be performed, a Brokers Price Opinion (i.e. BPO), is obtained. A BPO represents a best estimate valuation performed by a realtor based on knowledge of current property values and a visual examination of the exterior condition of the property. Once the property is subsequently vacated, a formal appraisal is obtained and the recorded asset value appropriately adjusted. On the other hand, if the OREO property has been vacated and an appraisal can be conducted, the fair value of the property is determined based upon the appraisal using a market approach. An authorized independent appraiser conducts appraisals for United. Appraisals for property other than ongoing construction are based on consideration of



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comparable property sales (Level 2). In contrast, valuation of ongoing construction assets requires some degree of professional judgment. In conducting an appraisal for ongoing construction property, the appraiser develops two appraised amounts: an as is appraised value and a completed value. Based on professional judgment and their knowledge of the particular situation, management determines the appropriate fair value to be utilized for such property (Level 3). As a matter of policy, valuations are reviewed at least annually and appraisals are generally updated on a bi-annual basis with values lowered as necessary.

**Intangible Assets:** For United, intangible assets consist of goodwill and core deposit intangibles. Goodwill is tested for impairment at least annually or sooner if indicators of impairment exist. Goodwill impairment would be defined as the difference between the recorded value of goodwill (i.e. book value) and the implied fair value of goodwill. In determining the implied fair value of goodwill for purposes of evaluating goodwill impairment, United determines the fair value of the reporting unit using a market approach and compares the fair value to its carrying value. If the carrying value exceeds the fair value, a step two test is performed whereby the implied fair value is computed by deducting the fair value of all tangible and intangible net assets from the fair value of the reporting unit. Core deposit intangibles relate to the estimated value of the deposit base of acquired institutions. Management reviews core deposit intangible assets on an annual basis, or sooner if indicators of impairment exist, and evaluates changes in facts and circumstances that may indicate impairment in the carrying value. No other fair value measurement of intangible assets was made during the first six months of 2018 and 2017.

The following table summarizes United's financial assets that were measured at fair value on a nonrecurring basis during the period:

| Description         | Carrying value at June 30, 2018   |                                                                                        |                                                           |                                                    | YTD<br>Losses |
|---------------------|-----------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|---------------|
|                     | Balance as of<br>June 30,<br>2018 | Quoted Prices<br>in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level<br>1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |               |
| Assets              |                                   |                                                                                        |                                                           |                                                    |               |
| Loans held for sale | \$ 2,755                          | \$ 0                                                                                   | \$ 2,755                                                  | \$ 0                                               | \$ 0          |
| Impaired Loans      | 73,997                            | 0                                                                                      | 65,174                                                    | 8,823                                              | 1,581         |
| OREO                | 21,926                            | 0                                                                                      | 21,747                                                    | 179                                                | 825           |