

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 March 31, 2021

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$2.50 per share	UBSI	NASDAQ Global Select Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 ☒

Non-accelerated filer ☐

Accelerated filer ☐

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 ☒

As of April 30, 2021, the registrant had 129,182,898 shares of common stock, \$2.50 par value per share, outstanding.

UNITED BANKSHARES, INC. AND SUBSIDIARIES

FORM 10-Q

TABLE OF CONTENTS

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements</u>	3
<u>Consolidated Balance Sheets March 31, 2021 (Unaudited) and December 31, 2020</u>	4
<u>Consolidated Statements of Income (Unaudited) for the Three Months Ended March 31, 2021 and 2020</u>	5
<u>Consolidated Statements of Comprehensive Income (Unaudited) for the Three Months Ended March 31, 2021 and 2020</u>	7
<u>Consolidated Statement of Changes in Shareholders' Equity (Unaudited) for the Three Months Ended March 31, 2021 and 2020</u>	8
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2021 and 2020</u>	9
<u>Notes to Consolidated Financial Statements</u>	10
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	57
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	77
<u>Item 4. Controls and Procedures</u>	80
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	81
<u>Item 1A. Risk Factors</u>	81
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	81
<u>Item 3. Defaults Upon Senior Securities</u>	81
<u>Item 4. Mine Safety Disclosures</u>	82
<u>Item 5. Other Information</u>	82
<u>Item 6. Exhibits</u>	82
<u>Signatures</u>	83

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The March 31, 2021 and December 31, 2020, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries (“United” or the “Company”), consolidated statements of income and comprehensive income for the three months ended March 31, 2021 and 2020, the related consolidated statement of changes in shareholders’ equity for the three months ended March 31, 2021 and 2020, the related condensed consolidated statements of cash flows for the three months ended March 31, 2021 and 2020, and the notes to consolidated financial statements appear on the following pages.

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

	March 31 2021 (Unaudited)	December 31 2020 (Note 1)
Assets		
Cash and due from banks	\$ 285,211	\$ 297,369
Interest-bearing deposits with other banks	2,677,002	1,910,876
Federal funds sold	925	823
Total cash and cash equivalents	2,963,138	2,209,068
Securities available for sale at estimated fair value (amortized cost-\$3,134,063 at March 31, 2021 and \$2,868,346 at December 31, 2020, allowance for credit losses of \$0 at March 31, 2021 and December 31, 2020)	3,171,663	2,953,359
Securities held to maturity, net of allowance for credit losses of \$23 at March 31, 2021 and December 31, 2020 (estimated fair value-\$1,020 at March 31, 2021 and \$1,235 at December 31, 2020)	997	1,212
Equity securities at estimated fair value	11,054	10,718
Other investment securities	219,208	220,895
Loans held for sale (at fair value-\$808,134 at March 31, 2021 and \$698,341 at December 31, 2020)	808,134	718,937
Loans and leases	17,400,321	17,622,583
Less: Unearned income	(34,430)	(31,170)
Loans and leases, net of unearned income	17,365,891	17,591,413
Less: Allowance for loan and lease losses	(231,582)	(235,830)
Net loans and leases	17,134,309	17,355,583
Bank premises and equipment	173,744	175,824
Operating lease right-of-use assets	69,369	69,520
Goodwill	1,804,038	1,796,848
Mortgage servicing rights, net of valuation allowance of \$1,383 at March 31, 2021 and December 31, 2020	22,018	20,955
Accrued interest receivable, net of allowance for credit losses of \$99 at March 31, 2021 and \$250 at December 31, 2020	66,223	66,832
Other assets	586,860	584,496
TOTAL ASSETS	\$27,030,755	\$26,184,247
Liabilities		
Deposits:		
Noninterest-bearing	\$ 8,093,770	\$ 7,405,260
Interest-bearing	13,302,704	13,179,900
Total deposits	21,396,474	20,585,160
Borrowings:		
Securities sold under agreements to repurchase	145,200	142,300
Federal Home Loan Bank ("FHLB") borrowings	533,948	584,532
Other long-term borrowings	280,247	279,837
Reserve for lending-related commitments	20,024	19,250
Operating lease liabilities	73,531	73,213
Accrued expenses and other liabilities	248,633	202,335
TOTAL LIABILITIES	22,698,057	21,886,627
Shareholders' Equity		
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-134,135,896 and 133,809,374 at March 31, 2021 and December 31, 2020, respectively, including 4,960,096 and 4,620,867 shares in treasury at March 31, 2021 and December 31, 2020, respectively	335,340	334,523
Surplus	2,898,807	2,894,471
Retained earnings	1,267,039	1,205,395
Accumulated other comprehensive gain	1,861	22,370
Treasury stock, at cost	(170,349)	(159,139)
TOTAL SHAREHOLDERS' EQUITY	4,332,698	4,297,620
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$27,030,755	\$26,184,247

See notes to consolidated unaudited financial statements.

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

	Three Months Ended March 31	
	2021	2020
Interest income		
Interest and fees on loans	\$ 188,673	\$ 158,854
Interest on federal funds sold and other short-term investments	1,893	3,965
Interest and dividends on securities:		
Taxable	13,526	16,969
Tax-exempt	1,565	694
Total interest income	<u>205,657</u>	<u>180,482</u>
Interest expense		
Interest on deposits	11,985	27,477
Interest on short-term borrowings	178	458
Interest on long-term borrowings	2,534	11,029
Total interest expense	<u>14,697</u>	<u>38,964</u>
Net interest income	<u>190,960</u>	<u>141,518</u>
Provision for credit losses	143	27,119
Net interest income after provision for credit losses	<u>190,817</u>	<u>114,399</u>
Other income		
Fees from trust services	3,763	3,483
Fees from brokerage services	4,323	2,916
Fees from deposit services	8,896	7,957
Bankcard fees and merchant discounts	1,064	993
Other service charges, commissions, and fees	759	518
Income from bank-owned life insurance	1,403	2,388
Income from mortgage banking activities	65,395	17,631
Mortgage loan servicing income	2,355	0
Net investment securities gains	2,609	196
Other income	2,006	724
Total other income	<u>92,573</u>	<u>36,806</u>
Other expense		
Employee compensation	72,412	44,541
Employee benefits	15,450	10,786
Net occupancy expense	10,941	9,062
Other real estate owned ("OREO") expense	3,625	906
Equipment expense	6,044	3,845
Data processing expense	7,026	5,506
Mortgage loan servicing expense and impairment	3,177	138
Bankcard processing expense	400	477
FDIC insurance expense	2,000	2,400
Other expense	27,852	23,472
Total other expense	<u>148,927</u>	<u>101,133</u>
Income before income taxes	<u>134,463</u>	<u>50,072</u>
Income taxes	<u>27,565</u>	<u>9,889</u>
Net income	<u>\$ 106,898</u>	<u>\$ 40,183</u>

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

	Three Months Ended March 31	
	2021	2020
Earnings per common share:		
Basic	\$ 0.83	\$ 0.40
Diluted	\$ 0.83	\$ 0.40
Average outstanding shares:		
Basic	128,635,740	101,295,073
Diluted	128,890,861	101,399,181

See notes to consolidated unaudited financial statements

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

	Three Months Ended	
	March 31	
	2021	2020
Net income	\$ 106,898	\$ 40,183
Change in net unrealized (loss) gain on available for sale (AFS) securities, net of tax	(36,365)	17,586
Change in net unrealized gain on cash flow hedge, net of tax	14,987	0
Change in defined benefit pension plan, net of tax	869	1,112
Comprehensive income, net of tax	<u>\$ 86,389</u>	<u>\$ 58,881</u>

See notes to consolidated unaudited financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended March 31, 2021						
	Common Stock		Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	Shares	Par Value					
Balance at January 1, 2021	133,809,374	\$334,523	\$2,894,471	\$1,205,395	\$ 22,370	\$(159,139)	\$ 4,297,620
Comprehensive income:							
Net income	0	0	0	106,898	0	0	106,898
Other comprehensive income, net of tax	0	0	0	0	(20,509)	0	(20,509)
Total comprehensive income, net of tax							86,389
Stock based compensation expense	0	0	1,688	0	0	0	1,688
Purchase of treasury stock (339,229 shares)	0	0	0	0	0	(11,210)	(11,210)
Cash dividends (\$0.35 per share)	0	0	0	(45,254)	0	0	(45,254)
Grant of restricted stock (180,901 shares)	180,901	452	(452)	0	0	0	0
Common stock options exercised (145,621 shares)	145,621	365	3,100	0	0	0	3,465
Balance at March 31, 2021	<u>134,135,896</u>	<u>\$335,340</u>	<u>\$2,898,807</u>	<u>\$1,267,039</u>	<u>\$ 1,861</u>	<u>\$(170,349)</u>	<u>\$ 4,332,698</u>

	Three Months Ended March 31, 2020						
	Common Stock		Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	Shares	Par Value					
Balance at January 1, 2020	105,494,290	\$263,736	\$2,140,175	\$1,132,579	\$ (34,869)	\$(137,788)	\$ 3,363,833
Cumulative effect of adopting Accounting Standard Update 2016-13	0	0	0	(44,331)	0	0	(44,331)
Comprehensive income:							
Net income	0	0	0	40,183	0	0	40,183
Other comprehensive income, net of tax	0	0	0	0	18,698	0	18,698
Total comprehensive income, net of tax							58,881
Stock based compensation expense	0	0	1,253	0	0	0	1,253
Purchase of treasury stock (19,314 shares)	0	0	0	0	0	(608)	(608)
Cash dividends (\$0.35 per share)	0	0	0	(35,604)	0	0	(35,604)
Grant of restricted stock (175,495 shares)	175,495	439	(439)	0	0	0	0
Forfeiture of restricted stock (946 shares)	0	0	35	0	0	(35)	0
Common stock options exercised (14,694 shares)	14,694	36	242	0	0	0	278
Balance at March 31, 2020	<u>105,684,479</u>	<u>\$264,211</u>	<u>\$2,141,266</u>	<u>\$1,092,827</u>	<u>\$ (16,171)</u>	<u>\$(138,431)</u>	<u>\$ 3,343,702</u>

See notes to consolidated unaudited financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
UNITED BANKSHARES, INC. AND SUBSIDIARIES
(Dollars in thousands)

	Three Months Ended March 31	
	2021	2020
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 80,584	\$ 21,476
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	215	210
Proceeds from sales of securities available for sale	39,182	3,665
Proceeds from maturities and calls of securities available for sale	230,347	129,261
Purchases of securities available for sale	(536,570)	(91,118)
Proceeds from sales of equity securities	852	195
Purchases of equity securities	(478)	(293)
Proceeds from sales and redemptions of other investment securities	7,178	17,000
Purchases of other investment securities	(8,208)	(42,499)
Redemption of bank-owned life insurance policies	0	1,186
Purchases of bank premises and equipment	(2,734)	(2,008)
Proceeds from sales of bank premises and equipment	2	0
Proceeds from the sales of OREO properties	1,262	2,573
Net change in loans	229,967	(140,529)
NET CASH USED IN INVESTING ACTIVITIES	(38,985)	(122,357)
FINANCING ACTIVITIES		
Cash dividends paid	(45,447)	(36,247)
Acquisition of treasury stock	(11,210)	(608)
Proceeds from exercise of stock options	3,465	281
Repayment of long-term Federal Home Loan Bank borrowings	(550,000)	(150,000)
Proceeds from issuance of long-term Federal Home Loan Bank borrowings	500,000	400,000
Changes in:		
Deposits	812,763	161,888
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	2,900	224,907
NET CASH PROVIDED BY FINANCING ACTIVITIES	712,471	600,221
Increase in cash and cash equivalents	754,070	499,340
Cash and cash equivalents at beginning of year	2,209,068	837,493
Cash and cash equivalents at end of period	<u>\$ 2,963,138</u>	<u>\$ 1,336,833</u>
Supplemental information		
Noncash investing activities:		
Transfers of loans to OREO	\$ 810	\$ 3,560

See notes to consolidated unaudited financial statements .

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 March 31, 2021 and 2020 and for the three-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2020 has been extracted from the audited financial statements included in United’s 2020 Annual Report to Shareholders. The Notes to Consolidated Financial Statements appearing in United’s 2020 Annual Report on Form 10-K, which includes descriptions of significant accounting policies, should be read in conjunction with these interim financial statements. In the opinion of management, any 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 January 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2021-01, “Reference Rate Reform (Topic 848).” This update refines the scope of ASC Topic 848 and permits entities to elect certain optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships affected by change in the interest rates used for discounting cash flows, for computing variation margin settlements, and for calculating price alignment interest in connection with reference rate reform activities under way in global financial markets. ASU No. 2021-01 is effective for public business entities upon issuance through December 31, 2022. United is implementing a transition plan to identify and modify its loans and other financial instruments with attributes that are either directly or indirectly influenced by LIBOR. The Company is assessing ASU No. 2021-01 and its impact on the Company’s transition away from LIBOR for its loan and other financial instruments.

In August 2020, the FASB issued ASU No. 2020-06, “Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40).” The amendments in the ASU remove certain separation models for convertible debt instruments and convertible preferred stock that require the separation of a convertible debt instrument into a debt component and an equity or derivative component. The ASU also amends the derivative scope exception guidance for contracts in an entity’s own equity. The amendments remove three settlement conditions that are required for equity contracts to qualify for the derivative scope exception. In addition, the ASU expands disclosure requirements for convertible instruments and simplifies areas of the guidance for diluted earnings-per-share calculations that are impacted by the amendments. ASU No. 2020-06 is effective for public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Entities may elect to adopt the amendments through either a modified retrospective method of transition or a fully retrospective method of transition. ASU No. 2020-06 is not expected to have a material impact on the Company’s financial condition or results of operations.

[Table of Contents](#)

In March 2020, the FASB issued ASU No. 2020-04, “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU provides “optional expedients and exceptions for applying generally accepted accounting principles under ASC Topic 848 to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued.” ASU No. 2020-04 is effective for public business entities on March 12, 2020 through December 31, 2022. United is implementing a transition plan to identify and modify its loans and other financial instruments with attributes that are either directly or indirectly influenced by LIBOR. The Company is assessing ASU No. 2020-04 and its impact on the Company’s transition away from LIBOR for its loan and other financial instruments.

In January 2020, the FASB issued ASU No. 2020-01, “Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815.” The new guidance addresses accounting for the transition into and out of the equity method and measuring certain purchased options and forward contracts to acquire investments. ASU No. 2020-01 is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2020; early adoption is permitted. ASU No. 2020-01 was adopted by United on January 1, 2021. The adoption did not have a material impact on the Company’s financial condition or results of operations.

In August 2018, the FASB issued ASU No. 2018-14 “Compensation – Retirement Benefits - Defined Benefits – General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans.” This update amends ASC Topic 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other post retirement plans. The ASU’s changes related to disclosures are part of the FASB’s disclosure framework project, which the FASB launched in 2014 to improve effectiveness of disclosures in notes to financial statements. ASU No. 2018-14 is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2020; early adoption is permitted. ASU No. 2018-14 was adopted by United on January 1, 2021. The adoption did not have a material impact on the Company’s financial condition or results of operations.

2. MERGERS AND ACQUISITIONS

On May 1, 2020 (“Acquisition Date”), United acquired 100% of the outstanding shares of Carolina Financial Corporation (“Carolina Financial”), a Delaware corporation headquartered in Charleston, South Carolina. Carolina Financial was merged with and into United (the “Merger”), pursuant to the terms of the Agreement and Plan of Merger, dated November 17, 2019, by and between United and Carolina Financial (the “Merger Agreement”). Upon completion of the Merger, Carolina Financial ceased to exist and United survived and continues to exist as a West Virginia corporation.

Under the terms of the Merger Agreement, each outstanding share of common stock of Carolina Financial was converted into the right to receive 1.13 shares of United common stock, par value \$2.50 per share. Also pursuant to the Merger Agreement, as of the effective time of the Merger, each outstanding Carolina Financial stock option, whether vested or unvested as of the date of the Merger, at such option holder’s election, (i) vested and converted into an option to acquire United common stock adjusted based on the 1.13 exchange ratio, or (ii) was entitled to receive cash consideration equal to the difference between (a) the option’s exercise price and (b) \$28.99, representing the volume weighted average trading price of the Carolina Financial common stock on NASDAQ for the twenty full trading days ending on the second trading day immediately preceding the closing date (the “CFC Closing Price”) multiplied by the number of shares of Carolina Financial common stock subject to such stock option. Also, at the effective time of the Merger, each restricted stock grant, restricted stock unit grant or any other award of a share of Carolina Financial common stock subject to vesting, repurchase or other lapse restriction under a Carolina Financial stock plan (other than a stock option) (each, a “Stock Award”) that was outstanding immediately prior to the effective time of the Merger, vested in accordance with the terms of the Carolina Financial stock plan and at the election of the holder (i) converted into the right to receive shares of United common stock based on the 1.13 exchange ratio or (ii) converted into cash in an amount equal to the CFC Closing Price multiplied by the shares of Carolina Financial common stock subject to the Stock Award.

Immediately following the Merger, CresCom Bank, a wholly-owned subsidiary of Carolina Financial, merged with and into United Bank, a wholly-owned subsidiary of United (the “Bank Merger”). United Bank survived the Bank Merger and continues to exist as a Virginia banking corporation. CresCom Bank owned and operated Crescent Mortgage Company

[Table of Contents](#)

(“Crescent”), which is based in Atlanta, Georgia. As a result of the Bank Merger, Crescent is now a wholly-owned subsidiary of United Bank. For the first quarter of 2021, United did not record any acquisition-related costs as compared to acquisition-related costs of \$1,560 for the first quarter of 2020.

The Merger was accounted for under the acquisition method of accounting. The results of operations of Carolina Financial are included in the consolidated results of operations from the Acquisition Date. The acquisition of Carolina Financial affords United the opportunity to expand its existing footprint in North Carolina and South Carolina. Carolina Financial had banking locations in North Carolina and South Carolina. As of the Acquisition Date, Carolina Financial had \$5,004,990 in total assets, \$3,292,635 in loans and leases, net of unearned income and \$3,873,183 in deposits.

The aggregate purchase price was approximately \$817,877, including common stock valued at \$815,997, stock options assumed valued at \$1,833, and cash paid for fractional shares of \$47. The number of shares issued in the transaction was 28,031,501, which were valued based on the closing market price of \$29.11 for United’s common shares on May 1, 2020. The preliminary purchase price has been allocated to the identifiable tangible and intangible assets resulting in preliminary additions to goodwill, core deposit intangibles and the Crescent trade name intangible of \$326,024, \$3,408 and \$196, respectively. The goodwill recognized results from the expected synergies and potential earnings from the combination of United and Carolina Financial. The core deposit intangible is expected to be amortized on an accelerated basis over ten years. The Crescent trade name provides a source of market recognition to attract potential clients and retain existing relationships. United believes the Crescent 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 Carolina Financial acquisition is expected to be deductible for tax purposes. United used an independent third party to help determine the fair values of the assets and liabilities acquired from Carolina Financial. As a result of the merger, United recorded preliminary fair value discounts of \$47,425 on the loans and leases acquired, \$620 on investment securities, \$272 on OREO, \$4,831 on trust preferred issuances and \$135 on subordinated notes, respectively, and premiums of \$5,908 on buildings acquired, \$4,357 on land acquired, \$12,818 on interest-bearing deposits, and \$468 on long-term FHLB advances, respectively. United also recorded an allowance for credit losses, including a reserve for unfunded commitments, of \$50,562 on the loans and commitments acquired split between \$19,797 for purchased credit deteriorated (“PCD”) loans and \$30,765 for non-PCD loans. The discounts and premium amounts, except for discount on the land and OREO acquired, are being accreted or amortized on an accelerated or straight-line basis, based on the type of asset or liability, over each asset’s or liability’s estimated remaining life at the time of acquisition. At March 31, 2021, the discounts on subordinated debt and trust preferred issuances had an average estimated remaining life of 6.75 years and 16.00 years, respectively, and the premiums on the buildings, and interest-bearing deposits each had an average estimated remaining life of 30.75 years, and 4.35 years, respectively. The estimated fair values of the acquired assets and assumed liabilities, including identifiable intangible assets are preliminary as of March 31, 2021 and are subject to refinement as additional information relative to closing date fair values becomes available. Any subsequent adjustments to the fair values of acquired assets and liabilities assumed, identifiable intangible assets, or other purchase accounting adjustments will result in adjustments to goodwill within the measurement period following the date of acquisition.

Portfolio loans and leases acquired from Carolina Financial were recorded at their fair value at the Acquisition Date based on a discounted cash flow methodology. The estimated fair value incorporates adjustments related to market loss assumptions and prevailing market interest rates for comparable assets and other market factors such as liquidity from the perspective of a market participant. Also, acquired portfolio loans and leases were evaluated upon acquisition and classified as either PCD, which indicates that the loan has experienced a more-than-insignificant deterioration in credit quality since origination, or non-PCD. United considered a variety of factors in evaluating the acquired loans and leases for a more-than-insignificant deterioration in credit quality, including but not limited to risk grades, delinquency, nonperforming status, current or previous troubled debt restructurings or bankruptcies, watch list credits and other qualitative factors that indicated a deterioration in credit quality since origination. For PCD loans and leases, an initial allowance is determined based on the same methodology as other portfolio loans and leases. This initial allowance for credit losses is allocated to individual PCD loans and leases and added to the acquisition date fair values to establish the initial amortized cost basis for

[Table of Contents](#)

the PCD loans and leases. The difference between the unpaid principal balance (“UPB”), or par value, of PCD loans and leases and the amortized cost basis is considered to relate to noncredit factors and resulted in a discount of \$7,212 at Acquisition Date. This discount will be recognized through interest income on a level-yield method over the life of the loans which is estimated to be a weighted-average of 4.6 years. For non-PCD acquired loans and leases, the differences between the initial fair value and the UPB, or par value, are recognized as interest income on a level-yield basis over the lives of the related loans and leases which is estimated to be a weighted-average of 7.3 years. The total fair value mark on the non-PCD loans and leases at the Acquisition Date was \$40,213. At the Acquisition Date, an initial allowance for expected credit losses of \$28,948 was recorded with a corresponding charge to the provision for credit losses in the Consolidated Statements of Income. Subsequent changes in the allowance for credit losses related to PCD and non-PCD loans and leases are recognized in the provision for credit losses.

The following table provides a reconciliation of the difference between the purchase price and the par value of portfolio PCD loans and leases acquired from Carolina Financial as of the Acquisition Date:

Purchase price of PCD loans and leases at acquisition	\$1,023,531
Allowance for credit losses at acquisition	18,635
Non-credit discount at acquisition	7,212
Par value (UPB) of acquired PCD loans and leases at acquisition	<u>\$1,049,378</u>

The consideration paid for Carolina Financial’s common equity and the preliminary amounts of acquired identifiable assets and liabilities assumed as of the Carolina Financial Acquisition Date were as follows:

Purchase price:	
Value of common shares issued (28,031,501 shares)	\$ 815,997
Fair value of stock options assumed	1,833
Cash for fractional shares	47
Total purchase price	<u>817,877</u>
Identifiable assets:	
Cash and cash equivalents	629,154
Investment securities	580,791
Loans held for sale	65,757
Net loans and leases	3,246,940
Premises and equipment	79,127
Operating lease right-of-use asset	9,861
Crescent trade name intangible	196
Core deposit intangible	3,408
Mortgage servicing rights	20,123
Other assets	159,218
Total identifiable assets	<u>\$4,794,575</u>
Identifiable liabilities:	
Deposits	\$3,884,977
Short-term borrowings	332,000
Long-term borrowings	42,738
Operating lease liability	9,861
Other liabilities	33,146
Total identifiable liabilities	<u>4,302,722</u>
Preliminary fair value of net assets acquired including identifiable intangible assets	<u>491,853</u>
Preliminary resulting goodwill	<u>\$ 326,024</u>

The operating results of United for the three months ended March 31, 2021 include operating results of acquired assets and assumed liabilities subsequent to the Acquisition Date. The operations of United’s North Carolina and South Carolina geographic area, which includes the acquired operations of Carolina Financial, and Crescent provided \$55,538 in total revenues (net interest income plus other income), and \$29,509 in net income for the first three months ended March 31, 2021. These amounts are included in United’s consolidated financial statements for the first three months of 2021. Carolina Financial’s results of operations prior to the Acquisition Date are not included in United’s consolidated results of operations.

[Table of Contents](#)

The following table presents certain unaudited pro forma information for the results of operations for the first three months of 2020, as if the Carolina Financial merger had occurred on January 1, 2020. These results combine the historical results of Carolina Financial into United's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair valuation adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on the indicated date nor are they intended to represent or be indicative of future results of operations. In particular, no adjustments have been made to eliminate the amount of Carolina Financial's provision for credit losses for the first three months of 2020 that may not have been necessary had the acquired loans and leases been recorded at fair value as of the beginning of 2020. Additionally, United expects to achieve operating cost savings and other business synergies as a result of the acquisition which are not reflected in the pro forma amounts.

	Proforma Three Months Ended March 31, 2020
Total Revenues ⁽¹⁾	\$ 231,318
Net Income	56,884

⁽¹⁾ Represents net interest income plus other income

3. INVESTMENT SECURITIES

Securities Available for Sale

Securities held for indefinite periods of time are classified as available for sale and carried at estimated fair value. The amortized cost, estimated fair values, and allowance for credit losses of securities available for sale are summarized as follows.

	March 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance For Credit Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 14,956	\$ 88	\$ 109	\$ 0	\$ 14,935
State and political subdivisions	575,485	14,236	4,490	0	585,231
Residential mortgage-backed securities					
Agency	989,243	20,290	7,314	0	1,002,219
Non-agency	8,196	53	0	0	8,249
Commercial mortgage-backed securities					
Agency	663,695	18,763	8,032	0	674,426
Asset-backed securities	399,262	870	1,332	0	398,800
Single issue trust preferred securities	18,240	162	968	0	17,434
Other corporate securities	464,986	5,943	560	0	470,369
Total	\$3,134,063	\$ 60,405	\$ 22,805	\$ 0	\$3,171,663

[Table of Contents](#)

	December 31, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance For Credit Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 65,804	\$ 543	\$ 3	\$ 0	\$ 66,344
State and political subdivisions	538,082	27,330	252	0	565,160
Residential mortgage-backed securities					
Agency	905,230	24,134	473	0	928,891
Non-agency	21,639	137	0	0	21,776
Commercial mortgage-backed securities					
Agency	644,774	31,009	638	0	675,145
Asset-backed securities	297,834	204	3,415	0	294,623
Single issue trust preferred securities	18,230	167	1,370	0	17,027
Other corporate securities	376,753	7,648	8	0	384,393
Total	\$2,868,346	\$ 91,172	\$ 6,159	\$ 0	\$2,953,359

For the adoption of ASC Topic 326, “Financial Instruments—Credit Losses,” United made a policy election to exclude accrued interest from the amortized cost basis of available-for-sale debt securities and report accrued interest separately in “Accrued interest receivable” in the consolidated balance sheets. Available-for-sale debt securities are placed on non-accrual status when we no longer expect to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on non-accrual status. Accordingly, United does not currently recognize an allowance for credit loss against accrued interest receivable on available-for-sale debt securities. The table above excludes accrued interest receivable of \$11,609 and \$10,663 at March 31, 2021 and December 31, 2020, respectively, that is recorded in “Accrued interest receivable.”

The following is a summary of securities available for sale which were in an unrealized loss position at March 31, 2021 and December 31, 2020.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2021						
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 10,164	\$ 109	\$ 0	\$ 0	\$ 10,164	\$ 109
State and political subdivisions	160,296	4,490	0	0	160,296	4,490
Residential mortgage-backed securities						
Agency	368,375	7,314	0	0	368,375	7,314
Non-agency	0	0	0	0	0	0
Commercial mortgage-backed securities						
Agency	149,129	8,032	0	0	149,129	8,032
Asset-backed securities	19,567	1	184,414	1,331	203,981	1,332
Trust preferred collateralized debt obligations	0	0	0	0	0	0
Single issue trust preferred securities	0	0	14,212	968	14,212	968
Other corporate securities	150,396	560	0	0	150,396	560
Total	\$857,927	\$ 20,506	\$198,626	\$ 2,299	\$1,056,553	\$ 22,805

[Table of Contents](#)

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2020						
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 297	\$ 3	\$ 0	\$ 0	\$ 297	\$ 3
State and political subdivisions	30,480	252	0	0	30,480	252
Residential mortgage-backed securities						
Agency	131,114	467	3,867	6	134,981	473
Non-agency	0	0	0	0	0	0
Commercial mortgage-backed securities						
Agency	83,395	638	0	0	83,395	638
Asset-backed securities	0	0	266,104	3,415	266,104	3,415
Trust preferred collateralized debt obligations	0	0	0	0	0	0
Single issue trust preferred securities	0	0	13,804	1,370	13,804	1,370
Other corporate securities	8,494	8	0	0	8,494	8
Total	\$253,780	\$ 1,368	\$283,775	\$ 4,791	\$537,555	\$ 6,159

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 any sales and calls. Gains or losses on sales and calls of available for sale securities were recognized by the specific identification method.

	Three Months Ended March 31	
	2021	2020
Proceeds from sales and calls	\$269,529	\$132,926
Gross realized gains	1,542	253
Gross realized losses	98	79

At March 31, 2021, gross unrealized losses on available for sale securities were \$22,805 on 161 securities of a total portfolio of 998 available for sale securities. Securities with the most significant gross unrealized losses at March 31, 2021 consisted primarily of agency residential mortgage-backed securities and agency commercial mortgage-backed securities.

In determining whether or not a security is impaired, management considered the severity 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 \$575,485 at March 31, 2021. As of March 31, 2021, approximately 59% 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 no securities within the portfolio were rated below investment grade as of March 31, 2021. 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 had credit losses at March 31, 2021.

[Table of Contents](#)

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 \$1,652,938 at March 31, 2021. Of the \$1,652,938 amount, \$663,695 was related to agency commercial mortgage-backed securities and \$989,243 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 had credit losses at March 31, 2021.

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 \$8,196 at March 31, 2021. Of the \$8,196, 100% was rated AAA. As of March 31, 2021, none of the non-agency residential mortgage-backed securities were in an unrealized loss position and were therefore not considered to have credit losses.

Asset-backed securities

As of March 31, 2021, United's asset-backed securities portfolio had a total amortized cost balance of \$399,262. The entire portfolio was rated AA+ or better as of March 31, 2021. Approximately 69% of the portfolio relates to securities that are backed by Federal Family Education Loan Program ("FFELP") student loan collateral which includes a minimum of a 97% government repayment guaranty, as well as additional credit support and subordination in excess of the government guaranteed portion. Approximately 26% of the portfolio relates to collateralized loan obligation securities that are all AAA rated. The remaining 5% of the portfolio relates to various other asset-backed securities that are all AAA rated. Upon reviewing this portfolio for the first quarter of 2021, it was determined that none of the asset-backed securities had credit losses.

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). 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 March 31, 2021 consisted of \$11,509 in investment grade bonds, \$978 in split rated bonds, and \$5,753 in unrated bonds. Management reviews each issuer's current and projected earnings trends, asset quality, capitalization levels, and other key factors. Upon completing the review for the first quarter of 2021, it was determined that none of the single issue trust preferred securities had credit losses.

Corporate securities

As of March 31, 2021, United's Corporate securities portfolio had a total amortized cost balance of \$464,986. The majority of the portfolio consisted of debt issuances of corporations representing a variety of industries, including financial institutions. Of the \$464,986 total amortized cost balance, 89% was investment grade rated and 11% was unrated. For corporate securities, management has evaluated the near-term prospects of the investment in relation to the severity of any unrealized loss. Based upon management's analysis and judgment, it was determined that none of the corporate securities had credit losses at March 31, 2021.

The amortized cost and estimated fair value of securities available for sale at March 31, 2021 and December 31, 2020 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.

[Table of Contents](#)

	March 31, 2021		December 31, 2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 78,371	\$ 79,043	\$ 150,575	\$ 151,651
Due after one year through five years	587,535	603,572	495,922	514,441
Due after five years through ten years	732,273	737,352	688,264	714,416
Due after ten years	1,735,884	1,751,696	1,533,585	1,572,851
Total	<u>\$3,134,063</u>	<u>\$3,171,663</u>	<u>\$2,868,346</u>	<u>\$2,953,359</u>

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 \$11,054 at March 31, 2021 and \$10,718 at December 31, 2020.

	Three Months Ended March 31	
	2021	2020
Net gains recognized during the period	\$ 710	\$ 22
Net gains recognized during the period on equity securities sold	788	6
Unrealized gains recognized during the period on equity securities still held at period end	27	71
Unrealized losses recognized during the period on equity securities still held at period end	(105)	(55)

Other investment securities

During the first quarter of 2021, United evaluated all of its cost method investments to determine if certain events or changes in circumstances during the first quarter of 2021 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 first quarter. There were no other events or changes in circumstances during the first 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 \$1,832,589 and \$1,942,087 at March 31, 2021 and December 31, 2020, respectively.

4. LOANS AND LEASES

Major classes of loans and leases are as follows:

	March 31, 2021	December 31, 2020
Commercial, financial and agricultural:		
Owner-occupied commercial real estate	\$ 1,618,785	\$ 1,622,687
Nonowner-occupied commercial real estate	4,911,683	5,017,727
Other commercial	4,104,614	4,054,418
Total commercial, financial & agricultural	10,635,082	10,694,832
Residential real estate	3,697,527	3,899,885
Construction & land development	1,886,583	1,826,349
Consumer:		
Bankcard	7,999	8,937
Other consumer	1,173,130	1,192,580
Less: Unearned income	(34,430)	(31,170)
Total gross loans	<u>\$17,365,891</u>	<u>\$17,591,413</u>

[Table of Contents](#)

The table above does not include loans held for sale of \$808,134 and \$718,937 at March 31, 2021 and December 31, 2020, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

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 \$32,443 and \$35,756 at March 31, 2021 and December 31, 2020, respectively.

5. CREDIT QUALITY

Management monitors the credit quality of its loans and leases on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of each loan. United considers a loan to be past due when it is 30 days or more past its contractual payment due date.

For all loan classes, past due loans and leases are reviewed on a monthly basis to identify loans and leases for nonaccrual status. Generally, when collection in full of the principal and interest is jeopardized, the loan is placed on nonaccrual status. The accrual of interest income on commercial and most consumer loans generally is discontinued when a loan becomes 90 to 120 days past due as to principal or interest. However, regardless of delinquency status, if a loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days), then the loan will not be placed on nonaccrual status. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for credit losses. United's method of income recognition for loans and leases 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 and leases 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. Generally, a loan is categorized as a TDR if a concession is granted and there is deterioration in the financial condition of the borrower. The portfolio of TDR loans is monitored monthly.

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. A loan classified as a TDR will generally retain such classification until the loan is paid in full. However, a one-to-four-family residential mortgage TDR loan that yields a market rate and demonstrates the ability to pay under the terms of the restructured note through a sustained period of repayment performance, which is generally one year, is removed from the TDR classification. Interest income on TDRs is accrued at the reduced rate and the loan is returned to performing status once the borrower demonstrates the ability to pay under the terms of the restructured note through a sustained period of repayment performance, which is generally six months. TDRs can take the form of a reduction of the stated interest rate, splitting a loan into separate loans and leases 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, or the reduction of accrued interest or any other concessionary type of renegotiated debt. Under United's current loan policy, a loan is not recognized as a TDR until it becomes probable that the loan will be a TDR.

In response to the coronavirus ("COVID-19") pandemic and its economic impact on our customers, United has implemented a short-term modification program that complies with the Coronavirus Aid, Relief, and Economic Security ("CARES") Act to provide temporary payment relief to those borrowers directly impacted by COVID-19 who were not more than 30 days past due as of December 31, 2019. This program allows for a deferral of payments from the period beginning March 1, 2020 until the earlier of January 1, 2022 or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates. As provided for under the CARES Act, these loan modifications are exempt by law from classification as a TDR as defined by GAAP. Through March 31, 2021, United has made 5,967 eligible loan modifications on \$3,178,740 of loans outstanding under section 4013, "Temporary Relief from Troubled Debt Restructurings," of the CARES Act. Of those amounts made, 407 of eligible loan modifications remain in deferral on \$193,447 of loans outstanding as of March 31, 2021.

[Table of Contents](#)

As of March 31, 2021, United had TDRs of \$51,529 as compared to \$55,657 as of December 31, 2020. Of the \$51,529 aggregate balance of TDRs at March 31, 2021, \$38,023 was on nonaccrual and \$195 was 30-89 days past due. Of the \$55,657 aggregate balance of TDRs at December 31, 2020, \$41,185 was on nonaccrual and \$197 was 30-89 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 March 31, 2021, there was a commitment to lend additional funds of \$125 to a debtor owing a receivable whose terms have been modified in a TDR. During the first three months of 2021, there were no advances to this debtor under a loan that had been previously modified.

The following tables sets forth the balances of TDRs at March 31, 2021 and December 31, 2020 and the reasons for modification:

Reason for modification	March 31, 2021	December 31, 2020
Interest rate reduction	\$ 10,414	\$ 10,774
Interest rate reduction and change in terms	554	2,346
Forgiveness of principal	206	214
Concession of principal and term	21	22
Extended maturity	5,761	4,414
Change in terms	34,573	37,887
Total	\$ 51,529	\$ 55,657

The following table sets forth United’s troubled debt restructurings that were restructured during the three months ended March 31, 2021 and 2020, segregated by class of loans.

	Troubled Debt Restructurings For the Three Months Ended					
	March 31, 2021			March 31, 2020		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
Commercial real estate:						
Owner-occupied	1	\$ 940	\$ 922	3	\$ 7,951	\$ 7,827
Nonowner-occupied	1	937	937	0	0	0
Other commercial	0	0	0	4	498	392
Residential real estate	0	0	0	0	0	0
Construction & land development	0	0	0	3	2,045	2,032
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	0	0	0
Total	2	\$ 1,877	\$ 1,859	10	\$ 10,494	\$ 10,251

The following table presents troubled debt restructurings, by class of loan, that were restructured during the twelve-month period ended March 31, 2021 and had charge-offs during the first quarter of 2021. No loans restructured during the twelve-month periods ended March 31, 2020 subsequently defaulted, resulting in a principal charge-off during the first quarter of 2020.

[Table of Contents](#)

	Three Months Ended March 31, 2021	
	Number of Contracts	Recorded Investment
Troubled Debt Restructurings		
Commercial real estate:		
Owner-occupied	0	\$ 0
Nonowner-occupied	0	0
Other commercial	0	0
Residential real estate	0	0
Construction & land development	2	550
Consumer:		
Bankcard	0	0
Other consumer	0	0
Total	<u>2</u>	<u>\$ 550</u>

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

**Age Analysis of Past Due Loans and Leases
As of March 31, 2021**

	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current & Other	Total Financing Receivables	90 Days or More Past Due & Accruing
Commercial real estate:						
Owner-occupied	\$ 3,343	\$ 24,673	\$ 28,016	\$ 1,590,769	\$ 1,618,785	\$ 304
Nonowner-occupied	13,093	23,327	36,420	4,875,263	4,911,683	185
Other commercial	17,552	25,238	42,790	4,061,824	4,104,614	4,550
Residential real estate	21,759	22,656	44,415	3,653,112	3,697,527	8,331
Construction & land development	3,330	4,320	7,650	1,878,933	1,886,583	181
Consumer:						
Bankcard	133	117	250	7,749	7,999	117
Other consumer	9,238	2,396	11,634	1,161,496	1,173,130	2,051
Total	<u>\$68,448</u>	<u>\$102,727</u>	<u>\$171,175</u>	<u>\$17,229,146</u>	<u>\$17,400,321</u>	<u>\$ 15,719</u>

**Age Analysis of Past Due Loans and Leases
As of December 31, 2020**

	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current & Other	Total Financing Receivables	90 Days or More Past Due & Accruing
Commercial real estate:						
Owner-occupied	\$ 4,556	\$ 28,479	\$ 33,035	\$ 1,589,652	\$ 1,622,687	\$ 0
Nonowner-occupied	6,837	29,292	36,129	4,981,598	5,017,727	1,284
Other commercial	13,796	26,274	40,070	4,014,348	4,054,418	1,001
Residential real estate	32,743	24,892	57,635	3,842,250	3,899,885	8,574
Construction & land development	1,919	5,885	7,804	1,818,545	1,826,349	461
Consumer:						
Bankcard	362	156	518	8,419	8,937	156
Other consumer	14,765	2,757	17,522	1,175,058	1,192,580	2,356
Total	<u>\$74,978</u>	<u>\$117,735</u>	<u>\$192,713</u>	<u>\$17,429,870</u>	<u>\$17,622,583</u>	<u>\$ 13,832</u>

[Table of Contents](#)

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

	At March 31, 2021			At December 31, 2020		
	Nonaccruals	With No Related Allowance for Credit Losses	90 Days or More Past Due & Accruing	Nonaccruals	With No Related Allowance for Credit Losses	90 Days or More Past Due & Accruing
Commercial Real Estate:						
Owner-occupied	\$ 24,369	\$ 24,369	\$ 304	\$ 28,479	\$ 28,479	\$ 0
Nonowner-occupied	23,142	14,265	185	28,008	16,070	1,284
Other Commercial	20,688	17,493	4,550	25,273	13,149	1,001
Residential Real Estate	14,325	14,325	8,331	16,318	14,769	8,574
Construction	4,139	4,139	181	5,424	4,484	461
Consumer:						
Bankcard	0	0	117	0	0	156
Other consumer	345	345	2,051	401	401	2,356
Total	<u>\$ 87,008</u>	<u>\$ 74,936</u>	<u>\$ 15,719</u>	<u>\$ 103,903</u>	<u>\$ 77,352</u>	<u>\$ 13,832</u>

No interest income was recognized on United's nonaccrual loans and leases for the first three months of 2021 and 2020 .

For the adoption of ASC Topic 326, United elected the practical expedient to measure expected credit losses on collateral dependent loans and leases based on the difference between the loan's amortized cost and the collateral's fair value, adjusted for selling costs. The following table presents the amortized cost basis of collateral-dependent loans and leases in which repayment is expected to be derived substantially through the operation or sale of the collateral and where the borrower is experiencing financial difficulty, by class of loans and leases as of March 31, 2021 and December 31, 2020:

	Collateral Dependent Loans and Leases					
	At March 31, 2021					
	Residential Property	Business Assets	Land	Commercial Property	Other	Total
Commercial real estate:						
Owner-occupied	\$ 1,183	\$ 130	\$ 0	\$ 17,935	\$23,500	\$ 42,748
Nonowner-occupied	13,068	0	2,762	9,835	10,329	35,994
Other commercial	5,424	17,245	0	243	1,698	24,610
Residential real estate	17,976	0	31	0	690	18,697
Construction & land development	38	0	6,015	0	794	6,847
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	0	0	0
Total	<u>\$ 37,689</u>	<u>\$17,375</u>	<u>\$8,808</u>	<u>\$ 28,013</u>	<u>\$37,011</u>	<u>\$128,896</u>

	Collateral Dependent Loans and Leases					
	At December 31, 2020					
	Residential Property	Business Assets	Land	Commercial Property	Other	Total
Commercial real estate:						
Owner-occupied	\$ 1,480	\$ 138	\$ 0	\$ 18,097	\$21,737	\$41,452
Nonowner-occupied	16,400	0	2,898	10,167	18,230	47,695
Other commercial	5,424	20,429	0	258	2,345	28,456
Residential real estate	21,006	229	34	0	803	22,072
Construction & land development	39	0	17,408	0	746	18,193
Consumer:						

[Table of Contents](#)

	Collateral Dependent Loans and Leases					
	At December 31, 2020					
	Residential Property	Business Assets	Land	Commercial Property	Other	Total
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	0	1	1
Total	\$ 44,349	\$20,796	\$20,340	\$ 28,522	\$43,862	\$157,869

United categorizes loans and leases into risk categories based on relevant information about the ability of borrowers to service their debt: current financial information, historical payment experience, credit documentation, underlying collateral (if any), public information and current economic trends, among other factors.

United uses the following definitions for risk ratings:

- Pass
- Special Mention
- Substandard
- Doubtful

For United's loans with a corporate credit exposure, United analyzes loans individually to classify the loans as to credit risk. Review and analysis of criticized (special mention-rated loans in the amount of \$1,000 or greater) and classified (substandard-rated and worse in the amount of \$500 and greater) loans is completed once per quarter. Review of notes with committed exposure of \$2,000 or greater is completed at least annually. For loans with a consumer credit exposure, United internally assigns a grade based upon an individual loan's delinquency status. United reviews and updates, as necessary, these grades on a quarterly basis.

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

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. 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.

Table of Contents

Based on the most recent analysis performed, the risk category of loans and leases by class of loans is as follows:

Commercial Real Estate – Owner-occupied

As of March 31, 2021	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2021	2020	2019	2018	2017	Prior			
Internal Risk Grade:									
Pass	\$30,607	\$282,867	\$163,697	\$157,736	\$186,219	\$667,083	\$ 21,754	\$ 0	\$1,509,963
Special Mention	0	0	0	3,746	746	22,722	0	439	27,653
Substandard	0	1,921	58	4,912	1,073	71,926	700	255	80,845
Doubtful	0	0	0	0	0	324	0	0	324
Total	<u>\$30,607</u>	<u>\$284,788</u>	<u>\$163,755</u>	<u>\$166,394</u>	<u>\$188,038</u>	<u>\$762,055</u>	<u>\$ 22,454</u>	<u>\$ 694</u>	<u>\$1,618,785</u>
Current-period charge-offs	0	0	0	0	(12)	(131)	0	0	(143)
Current-period recoveries	0	0	0	0	0	6	0	0	6
Current-period net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (12)</u>	<u>\$ (125)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (137)</u>

As of December 31, 2020	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
Internal Risk Grade:									
Pass	\$ 280,779	\$ 152,851	\$ 162,027	\$ 198,610	\$ 282,214	\$ 443,312	\$ 22,303	\$ 0	\$1,542,096
Special Mention	0	1,206	3,772	754	2,013	20,792	0	453	28,990
Substandard	1,935	62	0	1,117	3,788	43,354	864	149	51,269
Doubtful	0	0	0	0	0	332	0	0	332
Total	<u>\$ 282,714</u>	<u>\$ 154,119</u>	<u>\$ 165,799</u>	<u>\$ 200,481</u>	<u>\$ 288,015</u>	<u>\$ 507,790</u>	<u>\$ 23,167</u>	<u>\$ 602</u>	<u>\$1,622,687</u>
YTD charge-offs	0	0	0	0	0	(2,195)	0	0	(2,195)
YTD recoveries	0	0	0	0	0	795	0	0	795
YTD net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,400)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,400)</u>

Commercial Real Estate – Nonowner-occupied

As of March 31, 2021	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2021	2020	2019	2018	2017	Prior			
Internal Risk Grade:									
Pass	\$ 132,239	\$ 943,256	\$ 571,910	\$ 556,158	\$ 459,249	\$ 1,846,391	\$ 127,377	\$ 2,095	\$ 4,638,675
Special Mention	0	0	114,011	0	386	99,705	0	0	214,102
Substandard	0	392	14,183	2,113	1,542	40,676	0	0	58,906
Doubtful	0	0	0	0	0	0	0	0	0
Total	<u>\$ 132,239</u>	<u>\$ 943,648</u>	<u>\$ 700,104</u>	<u>\$ 558,271</u>	<u>\$ 461,177</u>	<u>\$ 1,986,772</u>	<u>\$ 127,377</u>	<u>\$ 2,095</u>	<u>\$ 4,911,683</u>
Current-period charge-offs	0	0	0	0	0	(3,101)	0	0	(3,101)
Current-period recoveries	0	0	0	0	0	253	0	0	253
Current-period net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,848)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,848)</u>

As of December 31, 2020	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
Internal Risk Grade:									
Pass	\$ 929,001	\$ 592,109	\$ 596,260	\$ 481,894	\$ 502,417	\$ 1,496,135	\$ 118,404	\$ 2,112	\$ 4,718,332
Special Mention	0	105,104	0	391	8,902	78,591	0	0	192,988
Substandard	392	14,620	7,435	1,564	10,824	71,572	0	0	106,407
Doubtful	0	0	0	0	0	0	0	0	0
Total	<u>\$ 929,393</u>	<u>\$ 711,833</u>	<u>\$ 603,695</u>	<u>\$ 483,849</u>	<u>\$ 522,143</u>	<u>\$ 1,646,298</u>	<u>\$ 118,404</u>	<u>\$ 2,112</u>	<u>\$ 5,017,727</u>
YTD charge-offs	(38)	0	(300)	0	(3,394)	(2,402)	0	0	(6,134)
YTD recoveries	0	0	0	0	0	1,023	0	0	1,023
YTD net charge-offs	<u>\$ (38)</u>	<u>\$ 0</u>	<u>\$ (300)</u>	<u>\$ 0</u>	<u>\$ (3,394)</u>	<u>\$ (1,379)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,111)</u>

Table of Contents

Other commercial

	Term Loans and leases Origination Year						Revolving loans and leases amortized cost basis	Revolving loans and leases converted to term loans	Total
	2021	2020	2019	2018	2017	Prior			
As of March 31, 2021									
Internal Risk Grade:									
Pass	\$ 484,258	\$1,411,300	\$358,175	\$172,299	\$105,424	\$ 59,737	\$1,403,557	\$ 2,536	\$3,997,286
Special Mention	0	315	233	3,207	650	9,506	41,686	78	55,675
Substandard	0	1,989	799	2,344	533	31,163	14,346	322	51,496
Doubtful	0	0	0	0	0	157	0	0	157
Total	<u>\$ 484,258</u>	<u>\$1,413,604</u>	<u>\$359,207</u>	<u>\$177,850</u>	<u>\$106,607</u>	<u>\$ 100,563</u>	<u>\$1,459,589</u>	<u>\$ 2,936</u>	<u>\$4,104,614</u>
Current-period charge-offs	0	0	(31)	(100)	0	(2,492)	0	0	(2,623)
Current-period recoveries	0	0	13	49	5	1,280	0	0	1,347
Current-period net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (18)</u>	<u>\$ (51)</u>	<u>\$ 5</u>	<u>\$ (1,212)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,276)</u>

	Term Loans and leases Origination Year						Revolving loans and leases amortized cost basis	Revolving loans and leases converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
As of December 31, 2020									
Internal Risk Grade:									
Pass	\$1,702,787	\$ 370,059	\$200,588	\$112,170	\$119,582	\$ 257,638	\$1,172,699	\$ 2,668	\$3,938,191
Special Mention	333	384	4,754	1,300	138	8,231	40,048	86	55,274
Substandard	1,649	830	2,241	2,606	6,565	30,308	16,222	360	60,781
Doubtful	0	0	0	0	37	135	0	0	172
Total	<u>\$1,704,769</u>	<u>\$ 371,273</u>	<u>\$207,583</u>	<u>\$116,076</u>	<u>\$126,322</u>	<u>\$ 296,312</u>	<u>\$1,228,969</u>	<u>\$ 3,114</u>	<u>\$4,054,418</u>
YTD charge-offs	0	0	(959)	(23)	(3,525)	(12,843)	0	0	(17,350)
YTD recoveries	94	864	18	12	684	2,789	0	0	4,461
YTD net charge-offs	<u>\$ 94</u>	<u>\$ 864</u>	<u>\$ (941)</u>	<u>\$ (11)</u>	<u>\$ (2,841)</u>	<u>\$ (10,054)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (12,889)</u>

Residential Real Estate

	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2021	2020	2019	2018	2017	Prior			
As of March 31, 2021									
Internal Risk Grade:									
Pass	\$ 194,950	\$ 653,561	\$547,400	\$479,556	\$258,459	\$1,109,378	\$ 416,346	\$ 4,193	\$3,663,843
Special Mention	0	0	265	0	185	7,460	823	0	8,733
Substandard	0	0	369	431	3,176	20,483	375	117	24,951
Doubtful	0	0	0	0	0	0	0	0	0
Total	<u>\$ 194,950</u>	<u>\$ 653,561</u>	<u>\$548,034</u>	<u>\$479,987</u>	<u>\$261,820</u>	<u>\$1,137,321</u>	<u>\$ 417,544</u>	<u>\$ 4,310</u>	<u>\$3,697,527</u>
Current-period charge-offs	0	0	(30)	0	(72)	(111)	0	0	(213)
Current-period recoveries	0	0	0	0	0	653	0	0	653
Current-period net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (30)</u>	<u>\$ 0</u>	<u>\$ (72)</u>	<u>\$ 542</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 440</u>

	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
As of December 31, 2020									
Internal Risk Grade:									
Pass	\$ 603,714	\$ 624,142	\$640,535	\$292,700	\$282,547	\$ 975,913	\$ 436,728	\$ 4,224	\$3,860,503
Special Mention	0	267	0	192	2,325	6,623	800	0	10,207
Substandard	0	282	440	3,263	3,516	20,967	201	227	28,896
Doubtful	0	0	0	0	0	279	0	0	279
Total	<u>\$ 603,714</u>	<u>\$ 624,691</u>	<u>\$640,975</u>	<u>\$296,155</u>	<u>\$288,388</u>	<u>\$1,003,782</u>	<u>\$ 437,729</u>	<u>\$ 4,451</u>	<u>\$3,899,885</u>
YTD charge-offs	0	0	0	0	(1)	(1,759)	0	0	(1,760)
YTD recoveries	0	0	0	101	0	961	1	0	1,063
YTD net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 101</u>	<u>\$ (1)</u>	<u>\$ (798)</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ (697)</u>

Table of Contents

Construction and Land Development

As of March 31, 2021	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2021	2020	2019	2018	2017	Prior			
Internal Risk Grade:									
Pass	\$ 80,442	\$ 483,256	\$ 601,309	\$ 290,034	\$ 124,449	\$ 133,682	\$ 149,762	\$ 0	\$1,862,934
Special Mention	0	0	0	2,086	556	1,406	995	0	5,043
Substandard	0	0	266	948	0	16,646	746	0	18,606
Doubtful	0	0	0	0	0	0	0	0	0
Total	<u>\$ 80,442</u>	<u>\$ 483,256</u>	<u>\$ 601,575</u>	<u>\$ 293,068</u>	<u>\$ 125,005</u>	<u>\$ 151,734</u>	<u>\$ 151,503</u>	<u>\$ 0</u>	<u>\$1,886,583</u>
Current-period charge-offs	0	0	0	0	0	(136)	0	0	(136)
Current-period recoveries	0	0	0	0	0	44	0	0	44
Current-period net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (92)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (92)</u>

As of December 31, 2020	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
Internal Risk Grade:									
Pass	\$ 420,977	\$ 663,113	\$ 304,579	\$ 127,377	\$ 83,252	\$ 53,713	\$ 145,431	\$ 0	\$1,798,442
Special Mention	0	0	4,689	557	0	1,420	995	0	7,661
Substandard	0	250	1,535	0	216	17,499	746	0	20,246
Doubtful	0	0	0	0	0	0	0	0	0
Total	<u>\$ 420,977</u>	<u>\$ 663,363</u>	<u>\$ 310,803</u>	<u>\$ 127,934</u>	<u>\$ 83,468</u>	<u>\$ 72,632</u>	<u>\$ 147,172</u>	<u>\$ 0</u>	<u>\$1,826,349</u>
YTD charge-offs	0	0	0	0	0	(2,027)	0	0	(2,027)
YTD recoveries	0	0	0	0	0	1,513	0	0	1,513
YTD net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (514)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (514)</u>

Bankcard

As of March 31, 2021	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2021	2020	2019	2018	2017	Prior			
Internal Risk Grade:									
Pass	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,749	\$ 0	\$ 7,749
Special Mention	0	0	0	0	0	0	133	0	133
Substandard	0	0	0	0	0	0	117	0	117
Doubtful	0	0	0	0	0	0	0	0	0
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,999</u>	<u>\$ 0</u>	<u>\$ 7,999</u>
Current-period charge-offs	0	0	0	0	0	0	(35)	0	(35)
Current-period recoveries	0	0	0	0	0	0	6	0	6
Current-period net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (29)</u>	<u>\$ 0</u>	<u>\$ (29)</u>

As of December 31, 2020	Term Loans Origination Year						Revolving loans amortized cost basis		Total
	2020	2019	2018	2017	2016	Prior			
Internal Risk Grade:									
Pass	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,419	\$ 0	\$ 8,419
Special Mention	0	0	0	0	0	0	362	0	362
Substandard	0	0	0	0	0	0	156	0	156
Doubtful	0	0	0	0	0	0	0	0	0
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,937</u>	<u>\$ 0</u>	<u>\$ 8,937</u>
YTD charge-offs	0	0	0	0	0	0	(221)	0	(221)
YTD recoveries	0	0	0	0	0	0	52	0	52
YTD net charge-offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (169)</u>	<u>\$ 0</u>	<u>\$ (169)</u>

Table of Contents

Other Consumer

As of March 31, 2021	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2021	2020	2019	2018	2017	Prior			
Internal Risk Grade:									
Pass	\$ 100,500	\$ 428,681	\$ 358,063	\$ 200,102	\$ 61,123	\$ 18,728	\$ 5,922	\$ 0	\$1,173,119
Special Mention	0	0	0	0	0	6	2	0	8
Substandard	0	3	0	0	0	0	0	0	3
Doubtful	0	0	0	0	0	0	0	0	0
Total	<u>\$ 100,500</u>	<u>\$ 428,684</u>	<u>\$ 358,063</u>	<u>\$ 200,102</u>	<u>\$ 61,123</u>	<u>\$ 18,734</u>	<u>\$ 5,924</u>	<u>\$ 0</u>	<u>\$1,173,130</u>
Current-period charge-offs	0	(161)	(321)	(129)	(42)	(52)	(1)	0	(706)
Current-period recoveries	0	22	3	24	4	53	0	0	106
Current-period net charge-offs	<u>\$ 0</u>	<u>\$ (139)</u>	<u>\$ (318)</u>	<u>\$ (105)</u>	<u>\$ (38)</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ 0</u>	<u>\$ (600)</u>

As of December 31, 2020	Term Loans Origination Year						Revolving loans amortized cost basis		Total
	2020	2019	2018	2017	2016	Prior			
Internal Risk Grade:									
Pass	\$ 419,768	\$ 401,958	\$ 231,172	\$ 74,550	\$ 34,435	\$ 7,466	\$ 6,110	\$ 0	\$1,175,459
Special Mention	0	0	0	0	0	14,763	2	0	14,765
Substandard	3	0	0	0	0	2,352	0	0	2,355
Doubtful	0	0	0	0	0	1	0	0	1
Total	<u>\$ 419,771</u>	<u>\$ 401,958</u>	<u>\$ 231,172</u>	<u>\$ 74,550</u>	<u>\$ 34,435</u>	<u>\$ 24,582</u>	<u>\$ 6,112</u>	<u>\$ 0</u>	<u>\$1,192,580</u>
YTD charge-offs	(136)	(1,013)	(1,040)	(393)	(228)	(484)	(2)	0	(3,296)
YTD recoveries	3	74	113	30	43	216	0	0	479
YTD net charge-offs	<u>\$ (133)</u>	<u>\$ (939)</u>	<u>\$ (927)</u>	<u>\$ (363)</u>	<u>\$ (185)</u>	<u>\$ (268)</u>	<u>\$ (2)</u>	<u>\$ 0</u>	<u>\$ (2,817)</u>

At March 31, 2021 and December 31, 2020, other real estate owned (“OREO”) included in other assets in the Consolidated Balance Sheets was \$18,690 and \$22,595, 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 March 31, 2021, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was \$219. There were no consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process as of December 31, 2020.

6. ALLOWANCE FOR CREDIT LOSSES

United adopted the CECL methodology for measuring credit losses as of January 1, 2020. All disclosures as of and for the three months ended March 31, 2021 are presented in accordance with ASC Topic 326.

The allowance for loan losses is an estimate of the expected credit losses on financial assets measured at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term). Assets are charged off when United determines that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Charge-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously charged-off, not to exceed the aggregate of the amount previously charged-off, are included in determining the necessary reserve at the balance sheet date.

United made a policy election to present the accrued interest receivable balance separately in its consolidated balance sheets from the amortized cost of a loan. Accrued interest receivable was \$54,439 and \$56,143 at March 31, 2021 and December 31, 2020, respectively, related to loans are included separately in “Accrued interest receivable” in the consolidated balance sheets. Due to loan interest payment deferrals granted by United under the CARES Act, United assessed the collectability of the accrued interest receivables on these deferring loans and leases. As a result of this assessment, United recorded an allowance for credit losses of \$99 and \$250 for accrued interest receivables not expected to be collected as of March 31,

[Table of Contents](#)

2021, and December 31, 2020, respectively. For all classes of loans and leases receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due, unless the loan is well secured and in the process of collection. Interest received on nonaccrual loans and leases, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal.

The following table represents the accrued interest receivable as of March 31, 2021 and December 31, 2020:

	Accrued Interest Receivable	
	At March 31, 2021	At December 31, 2020
Commercial Real Estate:		
Owner-occupied	\$ 4,716	\$ 5,001
Nonowner-occupied	13,997	15,989
Other Commercial	15,513	12,320
Residential Real Estate	10,591	12,558
Construction	6,636	7,314
Consumer:		
Bankcard	0	0
Other consumer	3,085	3,211
	<u>\$ 54,538</u>	<u>\$ 56,393</u>
Less: Allowance for credit losses	(99)	(250)
Total	<u>\$ 54,439</u>	<u>\$ 56,143</u>

The following table represents the accrued interest receivables written off by reversing interest income for the three months ended March 31, 2021 and 2020:

	Accrued Interest Receivables Written Off by Reversing Interest Income	
	Three Months Ended March 31	
	2021	2020
Commercial Real Estate:		
Owner-occupied	\$ 1	\$ 17
Nonowner-occupied	36	7
Other Commercial	6	12
Residential Real Estate	28	70
Construction	0	0
Consumer:		
Bankcard	0	0
Other consumer	64	40
Total	<u>\$ 135</u>	<u>\$ 146</u>

United estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values or other relevant factors. A reversion to historical loss data occurs via a straight-line method during the year following the one-year reasonable and supportable forecast period.

United pools its loans and leases based on similar risk characteristics in estimating expected credit losses. United has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

- Method: Probability of Default/Loss Given Default (PD/LGD)
 - Commercial Real Estate Owner-Occupied

[Table of Contents](#)

- Commercial Real Estate Nonowner-Occupied
- Commercial Other
- Method: Cohort
 - Residential Real Estate
 - Construction & Land Development
 - Consumer
 - Bankcard

Risk characteristics of commercial real estate owner-occupied loans and commercial other loans and leases are similar in that they are normally dependent upon the borrower's internal cash flow from operations to service debt. Commercial real estate nonowner-occupied 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 that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, but may also include other non-performing loans or TDRs, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. These individually evaluated loans are removed from their respective pools and typically represent collateral dependent loans. In addition, the Company individually evaluates "reasonably expected" TDRs, which are identified by the Company as a loan expected to be classified as a TDR.

Expected credit losses are estimated over the contractual term of the loans and leases, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancelable by United.

For past loans and leases acquired through the completion of a transfer, including loans and leases acquired in a business combination, that had evidence of deterioration of credit quality since origination ("PCI") and accounted for under ASC Topic 310, an entity did not have to reassess whether any loans and leases previously accounted for as PCI meet the definition of purchased credit deteriorated ("PCD") loans and leases upon adoption of ASC Topic 326. Any changes in the allowance for credit losses for these loans and leases were accounted for as an adjustment to the loan's amortized cost basis and not as a cumulative-effect adjustment to an entity's beginning retained earnings. Non-PCI loans and leases are now classified as non-PCD loans and leases with the adoption of ASC Topic 326. In accordance with ASC Topic 326 guidance, United calculated a PCD rate adjustment for all PCD loans and leases at adoption. Such adjustment created a discount balance for any excess amount not deemed to be credit-related between the PCD recorded balance at the adoption date and the contractual principal and interest balances outstanding.

At the acquisition date, an initial allowance for expected credit losses is estimated and recorded as credit loss expense. The subsequent measurement of expected credit losses for all acquired loans is the same as the subsequent measurement of expected credit losses for originated loans. For allowance for credit losses under ASC Topic 326 calculation purposes, United includes its acquired loans and leases in their relevant pool unless they meet the criteria for specific review.

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 \$20,024 and \$19,250 at March 31, 2021 and December 31, 2020, 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 is considered the allowance for credit losses.

[Table of Contents](#)

As of March 31, 2021, the allowance for credit losses decreased from December 31, 2020 primarily due to improved macroeconomic factors surrounding the COVID-19 pandemic considered in the determination of the allowance for loan and lease losses at March 31, 2021. Reserves are initially determined based on losses identified from the PD/LGD and Cohort models which utilize the Company's historical information. Then any qualitative adjustments are applied to account for the Company's view of the future. If current conditions underlying any qualitative adjustment factor were deemed to be materially different than historical conditions, then an adjustment was made for that factor.

The first quarter of 2021 qualitative adjustments include analyses of the following:

- Past events – This includes portfolio trends related to business conditions; past due, nonaccrual, and graded loans and leases; and concentrations.
- Current conditions – United considered the continued impact of COVID-19 on the economy as well as loan deferrals and modifications made in light of the pandemic when making determinations related to factor adjustments, such as changes in economic and business conditions, collateral values, external factors and past due loans and leases.
- Reasonable and supportable forecasts – The forecast is determined on a portfolio-by-portfolio basis by relating the correlation of real GDP and the unemployment rate to loss rates to forecasts of those variables. The reasonable and supportable forecast selection is subjective in nature and requires more judgment compared to the other components of the allowance. Assumptions for the economic variables were the following:
 - The ranges for the economic variables of GDP and the unemployment rate have narrowed in the first quarter of 2021 as compared to the fourth quarter of 2020.
 - The forecast is less severe than fourth quarter 2020 while maintaining a long gradual recovery pace extending into 2023.
 - Greater risk of loss is probable in the hotel and accommodations portfolio due to weakened economic conditions brought on by the pandemic which resulted in a more negative forecast relative to other portfolios and a longer projected recovery period to extend into late 2023 or 2024.
 - Consideration was given to the \$1.9 trillion American Rescue Plan (effective March 11, 2021) during the forecast selection process.
 - Reversion to historical loss data occurs via a straight-line method during the year following the one-year reasonable and supportable forecast period.

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

Allowance for Loan Losses and Carrying Amount of Loans and Leases For the Three Months Ended March 31, 2021

	Commercial Real Estate						Allowance for Estimated Imprecision		
	Owner- occupied	Nonowner- occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Bankcard	Other Consumer		Total
Allowance for Loan Losses:									
Beginning balance	\$ 23,354	\$ 49,150	\$ 78,138	\$ 29,125	\$ 39,077	\$ 322	\$ 16,664	\$ 0	\$ 235,830
Charge-offs	(143)	(3,101)	(2,623)	(213)	(136)	(35)	(706)	0	(6,957)
Recoveries	6	253	1,347	653	44	6	106	0	2,415
Provision	(2,143)	1,600	7,642	(4,574)	(656)	(22)	(1,553)	0	294
Ending balance	<u>\$ 21,074</u>	<u>\$ 47,902</u>	<u>\$ 84,504</u>	<u>\$ 24,991</u>	<u>\$ 38,329</u>	<u>\$ 271</u>	<u>\$ 14,511</u>	<u>\$ 0</u>	<u>\$ 231,582</u>

**Allowance for Loan and Lease Losses and Carrying Amount of Loans and Leases
For the Year Ended December 31, 2020**

	Commercial Owner- occupied	Real Estate Nonowner- occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Bankcard	Other Consumer	Allowance for Estimated Imprecision	Total
Allowance for Loan and Lease Losses:									
Beginning balance	\$ 5,554	\$ 8,524	\$ 47,325	\$ 8,997	\$ 3,353	\$ 74	\$ 2,933	\$ 297	\$ 77,057
Impact of the adoption of ASU 2016-13 on January 1, 2020	9,737	9,023	(4,829)	13,097	14,817	28	10,745	(297)	52,321
Impact of the adoption of ASU 2016-13 for PCD loans on January 1, 2020	1,843	121	938	174	2,045	0	0	0	5,121
Initial allowance for PCD loans (acquired during the period)	1,955	6,418	7,032	652	2,570	0	8	0	18,635
Charge-offs	(2,195)	(6,134)	(17,350)	(1,760)	(2,027)	(221)	(3,296)	0	(32,983)
Recoveries	795	1,023	4,461	1,063	1,513	52	479	0	9,386
Provision	5,665	30,175	40,561	6,902	16,806	389	5,795	0	106,293
Ending balance	<u>\$ 23,354</u>	<u>\$ 49,150</u>	<u>\$ 78,138</u>	<u>\$ 29,125</u>	<u>\$ 39,077</u>	<u>\$ 322</u>	<u>\$ 16,664</u>	<u>\$ 0</u>	<u>\$ 235,830</u>

7. INTANGIBLE ASSETS

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

	March 31, 2021					
	Community Banking		Mortgage Banking		Total	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Core deposit intangible assets	<u>\$ 101,767</u>	<u>(\$ 77,586)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 101,767</u>	<u>(\$ 77,586)</u>
Non-amortized intangible assets:						
George Mason trade name	\$ 0		\$ 1,080		\$ 1,080	
Crescent trade name	0		196		196	
Total	<u>\$ 0</u>		<u>\$ 1,276</u>		<u>\$ 1,276</u>	
Goodwill not subject to amortization	<u>\$1,798,723</u>		<u>\$ 5,315</u>		<u>\$1,804,038</u>	

[Table of Contents](#)

	December 31, 2020					
	Community Banking		Mortgage Banking		Total	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Core deposit intangible assets	\$ 101,767	(\$ 76,120)	\$ 0	\$ 0	\$ 101,767	(\$ 76,120)
Non-amortized intangible assets:						
George Mason trade name	\$ 0		\$ 1,080		\$ 1,080	
Crescent trade name	0		196		196	
Total	\$ 0		\$ 1,276		\$ 1,276	
Goodwill not subject to amortization	\$ 1,791,533		\$ 5,315		\$ 1,796,848	

United incurred amortization expense of \$1,466 and \$1,577 for the quarters ended March 31, 2021 and 2020, respectively.

The following table provides a reconciliation of goodwill:

	Community Banking	Mortgage Banking	Total
Goodwill at December 31, 2020	\$1,791,533	\$ 5,315	\$1,796,848
Preliminary addition to goodwill from Carolina Financial acquisition	7,190	0	7,190
Goodwill at March 31, 2021	\$1,798,723	\$ 5,315	\$1,804,038

The following table sets forth the anticipated amortization expense for intangible assets for the years subsequent to 2020:

Year	Amount
2021	\$ 5,866
2022	4,983
2023	4,680
2024	3,255
2025	2,942
2026 and thereafter	3,921

8. MORTGAGE SERVICING RIGHTS

Mortgage loans serviced for others are not included in the accompanying Consolidated Balance Sheets. The value of mortgage servicing rights ("MSRs") is included on the Company's Consolidated Balance Sheets.

The Company initially measures servicing assets and liabilities retained related to the sale of residential loans held for sale ("MSRs") at fair value, if practicable. For subsequent measurement purposes, the Company measures servicing assets and liabilities based on the lower of cost or market using the amortization method. MSRs are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of the MSRs is analyzed periodically and is adjusted to reflect changes in prepayment rates and other estimates.

The Company evaluates potential impairment of MSRs based on the difference between the carrying amount and current estimated fair value of the servicing rights. In determining impairment, the Company aggregates all servicing rights and stratifies them into tranches based on predominant risk characteristics. If impairment exists, a valuation allowance is

[Table of Contents](#)

established for any excess of amortized cost over the current estimated fair value by a charge to income. If the Company later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

Service fee income is recorded for fees earned for servicing mortgage loans under servicing agreements with the Federal national Mortgage Association (“FNMA”), the Federal home loan Mortgage Corporation (“FHLMC”), Government national Mortgage Association (“GNMA”) and certain private investors. The fees are based on a contractual percentage of the outstanding principal balance of the loans serviced and are recorded in noninterest income. Amortization of MSRs and mortgage servicing costs are charged to expense when incurred.

The unpaid principal balances of loans serviced for others were approximately \$3,585,890 at March 31, 2021 and \$3,587,953 at December 31, 2020.

The estimated fair value of the mortgage servicing rights was \$26,165 and \$20,955 at March 31, 2021 and December 31, 2020, respectively. The estimated fair value of servicing rights at March 31, 2021 was determined using a net servicing fee of 0.26%, average discount rates ranging from 10.50% to 13.11% with a weighted average discount rate of 10.62%, average constant prepayment rates (“CPR”) ranging from 7.93% to 19.88% with a weighted average prepayment rate of 14.89%, depending upon the stratification of the specific servicing right, and a delinquency rate, including loans on forbearance of 3.95%. The estimated fair value of servicing rights at December 31, 2020 was determined using a net servicing fee of 0.26%, average discount rates ranging from 9.50% to 14.07% with a weighted average discount rate of 10.62%, average CPR ranging from 7.98% to 18.42% with a weighted average prepayment rate of 14.60%, depending upon the stratification of the specific servicing right, and a delinquency rate, including loans on forbearance of 2.88%. Please refer to Note 15 in these Notes to Consolidated Financial Statements for additional information concerning the fair value of MSRs.

As disclosed in Note 2 of these Notes to Consolidated Financial Statements, the Company acquired \$20,123 of mortgage servicing rights from its acquisition of Carolina Financial Corporation on May 1, 2020. The following presents the activity in mortgage servicing rights, including their valuation allowance for the three months ended March 31, 2021:

	Three Months Ended March 31, 2021
MSRs beginning balance	\$ 22,338
Amount capitalized	3,224
Purchased servicing	0
Amount amortized	(2,161)
MSRs ending balance	\$ 23,401
MSRs valuation allowance beginning balance	\$ (1,383)
MSRs impairment	0
MSRs valuation allowance ending balance	\$ (1,383)
MSRs, net of valuation allowance	\$ 22,018

The Company did not record any temporary impairments on mortgage servicing rights for the three months ended March 31, 2021.

The estimated amortization expense is based on current information regarding future loan payments and prepayments. Amortization expense could change in future periods based on changes in the volume of prepayments and economic factors.

9. LEASES

United determines if an arrangement is a lease at inception. United and certain subsidiaries have entered into various noncancelable-operating leases for branch and loan production offices as well as operating facilities. Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities on the Consolidated Balance Sheets. Operating leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets. Presently, United does not have any finance leases.

[Table of Contents](#)

United's operating leases are subject to renewal options under various terms. United's operating leases have remaining terms of 1 to 12 years, some of which include options to extend leases generally for periods of 5 years. United rents or subleases certain real estate to third parties. Our sublease portfolio consists of operating leases to other organizations for former branch offices.

ROU assets represent United's right to use an underlying asset for the lease term and lease liabilities represent United's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of United's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend the lease when it is reasonably certain that United will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The components of lease expense were as follows:

	Classification	Three Months Ended	
		March 31, 2021	March 31, 2020
Operating lease cost	Net occupancy expense	\$ 5,349	\$ 5,066
Sublease income	Net occupancy expense	(297)	(205)
Net lease cost		<u>\$ 5,052</u>	<u>\$ 4,861</u>

Supplemental balance sheet information related to leases was as follows:

	Classification	March 31, 2021	December 31, 2020
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 69,369	\$ 69,520
Operating lease liabilities	Operating lease liabilities	\$ 73,531	\$ 73,213

Other information related to leases was as follows:

	March 31, 2021
Weighted-average remaining lease term:	
Operating leases	5.86 years
Weighted-average discount rate:	
Operating leases	2.41%

Supplemental cash flow information related to leases was as follows:

	Three Months Ended	
	March 31, 2021	March 31, 2020
Cash paid for amounts in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 5,446	\$ 5,017
ROU assets obtained in the exchange for lease liabilities	4,443	3,783

Maturities of lease liabilities by year and in the aggregate, under operating leases with initial or remaining terms of one year or more, for years subsequent to December 31, 2020, consists of the following as of March 31, 2021 and December 31, 2020:

	Amount	
Year	As of March 31, 2021	As of December 31, 2020
2021	\$ 15,408	\$ 20,172
2022	16,744	16,196
2023	13,237	12,723
2024	8,716	8,242

Year	Amount	
	As of March 31, 2021	As of December 31, 2020
2025	5,982	5,516
Thereafter	18,460	15,330
Total lease payments	78,547	78,179
Less: imputed interest	(5,016)	(4,966)
Total	<u>\$ 73,531</u>	<u>\$ 73,213</u>

10. 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 March 31, 2021, United did not have any federal funds purchased while total securities sold under agreements to repurchase (“REPOs”) were \$145,200. 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 March 31, 2021, United had no outstanding balance under this line of credit.

11. 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 March 31, 2021, United had an unused borrowing amount of approximately \$6,772,658 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 March 31, 2021, \$533,948 of FHLB advances with a weighted-average contractual interest rate of 0.34% and a weighted-average effective interest rate of 0.55% are scheduled to mature within the next four years .

The scheduled maturities of these FHLB borrowings are as follows:

Year	Amount
2021	\$500,000
2022	22,671
2023	0
2024	0
2025 and thereafter	11,277
Total	<u>\$533,948</u>

At March 31, 2021, United had a total of nineteen 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 March 31, 2021 and December 31, 2020, the outstanding balance of the Debentures was \$270,382 and \$269,972, respectively. United also assumed \$ 10,000 in aggregate principal amount of fixed-to-floating rate subordinated notes in the Carolina Financial acquisition. At both March 31, 2021 and December 31, 2020, the outstanding balance of the subordinated notes was \$9,865 .

[Table of Contents](#)

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

In accordance with the fully-phased in “Basel III Capital Rules” as published by United’s primary federal regulator, the Federal Reserve, United is unable to consider the Capital Securities or the subordinated notes as Tier 1 capital, but rather the Capital Securities and subordinated notes are included as a component of United’s Tier 2 capital. United can include the Capital Securities and subordinated notes in its Tier 2 capital on a permanent basis.

12. COMMITMENTS AND CONTINGENT LIABILITIES

Lending-related Commitments

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 \$6,015,978 and \$5,730,876 of loan commitments outstanding as of March 31, 2021 and December 31, 2020, respectively, approximately 41% of which contractually expire within one year. Included in the March 31, 2021 amount are commitments to extend credit of \$408,989 related to mortgage loan funding commitments of United’s mortgage banking segment 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. United had \$3,055 and \$5,092 of commercial letters of credit outstanding as of March 31, 2021 and December 31, 2020, respectively. 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 \$139,347 and \$134,916 as of March 31, 2021 and December 31, 2020, 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.

[Table of Contents](#)

Mortgage Repurchase Reserve

United's mortgage banking segment 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. United's mortgage banking segment had a reserve of \$1,216 as of March 31, 2021 and December 31, 2020.

United has derivative counter-party risk that may arise from the possible inability of United's mortgage banking segment's third party investors to meet the terms of their forward sales contracts. United's mortgage banking segment 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.

Legal Proceedings

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.

Regulatory Matters

A variety of consumer products, including mortgage and deposit products, and certain fees and charges related to such products, have come under increased regulatory scrutiny. It is possible that regulatory authorities could bring enforcement actions, including civil money penalties, or take other actions against United in regard to these consumer products. United could also determine of its own accord, or be required by regulators, to refund or otherwise make remediation payments to customers in connection with these products. It is not possible at this time for management to assess the probability of a material adverse outcome or reasonably estimate the amount of any potential loss related to such matters.

13. DERIVATIVE FINANCIAL INSTRUMENTS

United accounts for its derivative financial instruments in accordance with ASC Topic 815 which requires 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.

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.

During the second quarter of 2020, United entered into a new interest rate swap derivative designated as a cash flow hedge. The notional amount of the cash flow hedge derivative totaled \$250,000. The derivative is intended to hedge the changes in cash flows associated with floating rate FHLB borrowings. United is required to pay-fixed 0.59% and receive-variable 1-month LIBOR with monthly resets. The tenor of the interest rate swap derivative is 10 years with an expiration date in June 2030. During the third quarter of 2020, United entered into an additional interest rate swap derivative designated as a cash flow hedge. The notional amount of the cash flow hedge derivative totaled \$250,000. The derivative is intended to hedge the changes in cash flows associated with floating rate FHLB borrowings. United is required to pay-fixed 0.19% and receive-variable 1-month LIBOR with monthly resets. The tenor of the interest rate swap derivative is 4 years with an expiration date in August 2024. As of March 31, 2021, United has determined that no forecasted transactions related to its cash flow hedges resulted in gains or losses pertaining to cash flow hedge reclassification from AOCI to income because

Table of Contents

the forecasted transactions became probable of not occurring. United estimates that \$1,291 will be reclassified from AOCI as an increase to interest expense over the next 12-months following March 31, 2021 related to the cash flow hedges. As of March 31, 2021, the maximum length of time over which forecasted transactions are hedged is nine years.

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.

United through its mortgage banking subsidiaries 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 is subject to the Dodd-Frank Act clearing requirement for eligible derivatives. United has executed and cleared eligible derivatives through the London Clearing House ("LCH"). Variation margin at the LCH is distinguished as settled-to-market and settled daily based on the prior day value, rather than collateralized-to-market. The total notional amount of interest rate swap derivatives cleared through the LCH include \$500,000 for asset derivatives as of March 31, 2021. The related fair value on a net basis approximate zero.

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 March 31, 2021 and December 31, 2020.

		Asset Derivatives					
		March 31, 2021			December 31, 2020		
		Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Cash Flow Hedges:							
Interest rate swap contracts (hedging FHLB borrowings)	Other assets	\$ 500,000	\$23,918	Other assets	\$ 500,000	\$ 4,378	
Total Cash Flow Hedges		\$ 500,000	\$23,918		\$ 500,000	\$ 4,378	
Total derivatives designated as hedging instruments		\$ 500,000	\$23,918		\$ 500,000	\$ 4,378	
Derivatives not designated as hedging instruments							
Forward loan sales commitments	Other assets	\$ 40,905	\$ 562	Other assets	\$ 62,418	\$ 1,581	
TBA mortgage-backed securities	Other assets	1,108,571	17,887	Other assets	0	0	
Interest rate lock commitments	Other assets	1,035,181	21,317	Other assets	973,350	38,332	
Total derivatives not designated as hedging instruments		\$2,184,657	\$39,766		\$1,035,768	\$39,913	
Total asset derivatives		\$2,684,657	\$63,684		\$1,535,768	\$44,291	

[Table of Contents](#)

	Liability Derivatives					
	March 31, 2021			December 31, 2020		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Derivatives designated as hedging instruments						
Fair Value Hedges:						
Interest rate swap contracts (hedging commercial loans)	Other liabilities	\$ 75,880	\$3,659	Other liabilities	\$ 77,011	\$ 6,782
Total Fair Value Hedges		\$ 75,880	\$3,659		\$ 77,011	\$ 6,782
Total derivatives designated as hedging instruments		\$ 75,880	\$3,659		\$ 77,011	\$ 6,782
Derivatives not designated as hedging instruments						
Forward loan sales commitments	Other liabilities	\$ 69,097	\$1,972	Other liabilities	\$ 0	\$ 0
TBA mortgage-backed securities	Other liabilities	0	0		789,000	6,276
Total derivatives not designated as hedging instruments		\$ 69,097	\$1,972		\$789,000	\$ 6,276
Total liability derivatives		<u>\$144,977</u>	<u>\$5,631</u>		<u>\$866,011</u>	<u>\$13,058</u>

The following table represents the carrying amount of the hedged assets/(liabilities) and the cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets/(liabilities) that are designated as a fair value accounting relationship as of March 31, 2021 and December 31, 2020.

Derivatives in Fair Value Hedging Relationships	Location in the Statement of Condition	March 31, 2021		
		Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Remaining for any Hedged Assets/(Liabilities) for which Hedge Accounting has been Discontinued
Interest rate swaps	Loans, net of unearned income	\$ 76,666	\$ (3,659)	\$ 0

Derivatives in Fair Value Hedging Relationships	Location in the Statement of Condition	December 31, 2020		
		Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Remaining for any Hedged Assets/(Liabilities) for which Hedge Accounting has been Discontinued
Interest rate swaps	Loans, net of unearned income	\$ 77,810	\$ (6,782)	\$ 0

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.

Table of Contents

The effect of United's derivative financial instruments on its unaudited Consolidated Statements of Income for the three months ended March 31, 2021 and 2020 are presented as follows:

		Three Months Ended	
	Income Statement Location	March 31, 2021	March 31, 2020
Derivatives in hedging relationships			
Cash flow Hedges:			
Interest rate swap contracts	Interest on long-term borrowings	\$ (223)	\$ 0
Fair Value Hedges:			
Interest rate swap contracts	Interest and fees on loans	\$ (235)	\$ (443)
Total derivatives in hedging relationships		<u>\$ (458)</u>	<u>\$ (443)</u>
Derivatives not designated as hedging instruments			
Forward loan sales commitments	Income from Mortgage Banking Activities	\$ (2,990)	\$ 760
TBA mortgage-backed securities	Income from Mortgage Banking Activities	24,163	(18,975)
Interest rate lock commitments	Income from Mortgage Banking Activities	(6,991)	13,696
Total derivatives not designated as hedging instruments		<u>\$ 14,182</u>	<u>\$ (4,519)</u>
Total derivatives		<u>\$ 13,724</u>	<u>\$ (4,962)</u>

14. FAIR VALUE MEASUREMENTS

United determines the fair values of its financial instruments based on the fair value hierarchy established in 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.

ASC Topic 820 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 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.

Table of Contents

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 based on observable market inputs, which include benchmark yields, reported trades, issuer spreads, benchmark securities, and “To Be Announced” prices (“Level 2”). Management internally reviews the fair values provided by third party vendors on a monthly basis. Management also performs a quarterly price testing analysis at the individual security level which compares the pricing provided by the third party vendors to an independent pricing source’s valuation of the same securities. Variances that are deemed to be material are reviewed by management. Additionally, to further 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 March 31, 2021, 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 March 31, 2021. Management utilizes a number of factors to determine if a market is inactive, all of 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 does not have any available-for-sale securities considered as Level 3.

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 (“Level 2”) with some adjusted for the Company’s actual sales experience versus the investor’s indicated pricing (“Level 3”). The unobservable input for Level 3 valuations is the Company’s historical sales prices. For March 31, 2021, the range of historical sales prices increased the investor’s indicated pricing by a range of 0.11% to 0.37% with a weighted average increase of 0.22%.

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 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

Table of Contents

corresponding adjustment to accumulated 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 accumulated other comprehensive income, net of tax and reclassified into earnings in the same line associated with the forecasted transaction when the forecasted transaction affects earnings.

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, United's mortgage banking subsidiaries enter 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, United's mortgage banking subsidiaries enter 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 ("Level 2") with some adjusted for the Company's actual sales experience versus the investor's indicated pricing ("Level 3"). The unobservable input for Level 3 valuations is the Company's historical sales prices. For March 31, 2021, the range of historical sales prices increased the investor's indicated pricing by a range of 0.11% to 0.37% with a weighted average increase of 0.22%.

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 March 31, 2021 and December 31, 2020, segregated by the level of the valuation inputs within the fair value hierarchy.

Description	Balance as of March 31, 2021	Fair Value at March 31, 2021 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S.				
Government corporations and agencies	\$ 14,935	\$ 0	\$ 14,935	\$ 0
State and political subdivisions	585,231	0	585,231	0
Residential mortgage-backed securities				
Agency	1,002,219	0	1,002,219	0
Non-agency	8,249	0	8,249	0
Commercial mortgage-backed securities				
Agency	674,426	0	674,426	0
Asset-backed securities	398,800	0	398,800	0
Single issue trust preferred securities	17,434	0	17,434	0
Other corporate securities	470,369	6,095	464,274	0
Total available for sale securities	3,171,663	6,095	3,165,568	0

[Table of Contents](#)

Description	Balance as of March 31, 2021	Fair Value at March 31, 2021 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
Financial services industry	161	161	0	0
Equity mutual funds (1)	5,016	5,016	0	0
Other equity securities	5,877	5,877	0	0
Total equity securities	11,054	11,054	0	0
Loans held for sale	808,134	0	64,684	743,450
Derivative financial assets:				
Interest rate swap contracts	23,918	0	23,918	0
Forward sales commitments	562	0	562	0
TBA mortgage-backed securities	17,887	0	2,314	15,573
Interest rate lock commitments	21,317	0	3,508	17,809
Total derivative financial assets	63,684	0	30,302	33,382
Liabilities				
Derivative financial liabilities:				
Interest rate swap contracts	3,659	0	3,659	0
Forward sales commitments	1,972	0	1,972	0
Total derivative financial liabilities	5,631	0	5,631	0

Description	Balance as of December 31, 2020	Fair Value at December 31, 2020 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 66,344	\$ 0	\$ 66,344	\$ 0
State and political subdivisions	565,160	0	565,160	0
Residential mortgage-backed securities				
Agency	928,891	0	928,891	0
Non-agency	21,776	0	21,776	0
Commercial mortgage-backed securities				
Agency	675,145	0	675,145	0
Asset-backed securities	294,623	0	294,623	0
Single issue trust preferred securities	17,027	0	17,027	0
Other corporate securities	384,393	6,207	378,186	0
Total available for sale securities	2,953,359	6,207	2,947,152	0
Equity securities:				
Financial services industry	134	134	0	0
Equity mutual funds (1)	4,602	4,602	0	0
Other equity securities	5,982	5,982	0	0
Total equity securities	10,718	10,718	0	0
Loans held for sale	698,341	0	43,608	654,733
Derivative financial assets:				
Interest rate swap contracts	4,378	0	4,378	0
Forward sales commitments	1,581	0	1,581	0
TBA mortgage-backed securities	0	0	0	0

[Table of Contents](#)

Description	Balance as of December 31, 2020	Fair Value at December 31, 2020 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate lock commitments	38,332	0	6,321	32,011
Total derivative financial assets	44,291	0	12,280	32,011
Liabilities				
Derivative financial liabilities:				
Interest rate swap contracts	6,782	0	6,782	0
TBA mortgage-backed securities	6,276	0	6,276	0
Total derivative financial liabilities	13,058	0	13,058	0

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 three months ended March 31, 2021 and the year ended December 31, 2020.

The following table presents additional information about financial assets and liabilities measured at fair value at March 31, 2021 and December 31, 2020 on a recurring basis and for which United has utilized Level 3 inputs to determine fair value:

	Loans held for sale	
	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 654,733	\$ 384,375
Originations	1,580,090	5,699,581
Sales	(1,542,553)	(5,652,693)
Total gains or losses during the period recognized in earnings	51,180	223,470
Transfers in and/or out of Level 3	(0)	(0)
Balance, end of period	\$ 743,450	\$ 654,733
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 TBA Securities	
	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 0	\$ 0
Transfers other	15,573	0
Balance, end of period	\$ 15,573	\$ 0
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 Interest Rate Lock Commitments	
	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 32,011	\$ 4,518
Transfers other	(14,202)	27,493
Balance, end of period	\$ 17,809	\$ 32,011
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

[Table of Contents](#)

Fair Value Option

As of January 1, 2021, United elected the fair value option for new loans held for sale originated in its community banking segment after that date to mitigate a divergence between accounting losses and economic exposure. Prior to January 1, 2021, United elected the fair value option only for its loans held for sale in its mortgage banking segment.

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

<u>Description</u>	<u>Three Months Ended March 31, 2021</u>	<u>Three Months Ended March 31, 2020</u>
Income from mortgage banking activities	\$ (17,851)	\$ 1,625

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:

<u>Description</u>	<u>March 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Unpaid Principal Balance</u>	<u>Fair Value</u>	<u>Fair Value Over/ (Under) Unpaid Principal Balance</u>	<u>Unpaid Principal Balance</u>	<u>Fair Value</u>	<u>Fair Value Over/ (Under) Unpaid Principal Balance</u>
Loans held for sale	\$ 799,706	\$ 808,134	\$ 8,428	\$ 672,458	\$ 698,341	\$ 25,883

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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.

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: Prior to January 1, 2021, loans held for sale within the community banking segment that were delivered on a best efforts basis were carried at the lower of cost or fair value. As previously mentioned, United elected the fair value option for all loans held for sale as of January 1, 2021. Under the lower of cost or fair value accounting method, the fair value of loans held for sale within the community banking segment was based on the price secondary markets offered at the time for similar loans using observable market data which was not materially different than cost due to the short duration between origination and sale ("Level 2"). As such, United recorded any fair value adjustments for these loans held for sale on a nonrecurring basis. Gains and losses on sale of loans were recorded within income from mortgage banking activities on the Consolidated Statements of Income.

Individually assessed loans: In the determination of the allowance for loan losses, loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. 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

[Table of Contents](#)

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 individually assessed 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 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 primarily 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 and compares the fair value to its carrying value. United may elect to perform a qualitative analysis to determine whether or not it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If United elects to bypass this qualitative analysis, or concludes via qualitative analysis that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, United may use either a market or income quantitative approach, whichever is more practical, to determine the fair value of the reporting unit to compare to its carrying value as step one. If the fair value is greater than the carrying value, then the reporting unit's goodwill is deemed not to be impaired. If the fair value is less than the carrying value, then a second step is performed which measures the amount of impairment by comparing the carrying amount of the goodwill to its implied fair value. If the implied fair value of the goodwill exceeds the carrying amount, there is no impairment. If the carrying amount exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess. At each reporting date, the Company considers potential indicators of impairment. United performed its annual goodwill impairment test on the Company's reporting units as of September 30, 2020. The goodwill impairment test did not identify any goodwill impairment. In subsequent periods, economic uncertainty and volatility surrounding COVID-19 and the performance of the Company's stock as well as possible other impairment indicators could cause us to perform a goodwill impairment test which could result in an impairment charge being recorded for that period if the carrying value of goodwill was found to exceed fair value. 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 three months of 2021 and 2020.

Mortgage Servicing Rights ("MSRs") : A mortgage servicing right asset represents the amount by which the present value of the estimated future net cash flows to be received from servicing loans are expected to more than adequately compensate

Table of Contents

the Company for performing the servicing. The Company initially measures servicing assets and liabilities retained related to the sale of residential loans held for sale (“mortgage servicing rights”) at fair value, if practicable. For subsequent measurement purposes, the Company measures servicing assets and liabilities based on the lower of cost or market quarterly on a nonrecurring basis. The quarterly determination of fair value of servicing rights is provided by a third party and is estimated using a present value cash flow model. The most important assumptions used in the valuation model are the anticipated rate of the loan prepayments and discount rates. Although some assumptions in determining fair value are based on standards used by market participants, some are based on unobservable inputs and therefore are classified in Level 3 of the valuation hierarchy. The unobservable inputs for Level 3 valuations are market discount rates, anticipated prepayment speeds, projected delinquency rates, and ancillary fee income net of servicing costs. For March 31, 2021, the average range of discount rates was 10.50% to 13.11% with a weighted average discount rate of 10.62%; the average range of constant prepayment rates was 7.93% to 19.88% with a weighted average prepayment rate of 14.89%; the net servicing fee was 0.26%; and the delinquency rate, including loans on forbearance was 3.95%. For December 31, 2020, the average range of discount rates was 9.50% to 14.07% with a weighted average discount rate of 10.62%; the average range of constant prepayment rates was 7.98% to 18.42% with a weighted average prepayment rate of 14.60%; the net servicing fee was 0.26%; and the delinquency rate, including loans on forbearance was 2.88%.

The Company did not record any temporary impairment of mortgage servicing rights in the quarter ended March 31, 2021. The Company does not hedge the mortgage servicing rights positions and the impact of falling long-term interest rates increased prepayment speed assumptions reducing the value of MSR asset in 2020.

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

Description	Balance as of March 31, 2021	Carrying value at March 31, 2021			YTD Gains (Losses)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Individually assessed loans	\$ 21,286	\$ 0	\$ 16,777	\$ 4,509	\$ (1,522)
OREO	18,690	0	18,490	200	(3,306)
Mortgage servicing rights	26,165	0	0	26,165	0

Description	Balance as of December 31, 2020	Carrying value at December 31, 2020			YTD Gains (Losses)	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets						
Loans held for sale	\$ 20,596	\$ 0	\$ 20,596	\$ 0	\$ (197)	
Individually assessed loans	37,498	0	14,467	23,031	1,318	
OREO	22,595	0	22,595	0	(1,618)	
Mortgage servicing rights	20,955	0	0	20,955	(1,383)	

Fair Value of Other Financial Instruments

The following methods and assumptions were used by United in estimating its fair value disclosures for other financial instruments:

Cash and Cash Equivalents: The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets’ fair values.

Table of Contents

Securities held to maturity and other securities: The estimated fair values of securities held to maturity are based on quoted market prices, where available. 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. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider observable market data. Any securities held to maturity, not valued based upon the methods above, are valued based on a discounted cash flow methodology using appropriately adjusted discount rates reflecting nonperformance and liquidity risks. Other securities consist mainly of shares of Federal Home Loan Bank and Federal Reserve Bank stock that do not have readily determinable fair values and are carried at cost.

Loans and leases: The fair values of certain mortgage loans (e.g., one-to-four family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. The fair values of other loans and leases (e.g., commercial real estate and rental property mortgage loans, commercial and industrial loans, financial institution loans and agricultural loans) are estimated using discounted cash flow analyses, using market interest rates currently being offered for loans and leases with similar terms to borrowers of similar creditworthiness, which include adjustments for liquidity concerns. For acquired PCD loans, fair value is assumed to equal United's carrying value, which represents the present value of expected future principal and interest cash flows, as adjusted for any Allowance for Credit Losses recorded for these loans.

Deposits: The fair values of demand deposits (e.g., interest and noninterest checking, regular savings and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values of fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Short-term Borrowings: The carrying amounts of federal funds purchased, borrowings under repurchase agreements and any other short-term borrowings approximate their fair values.

Long-term Borrowings: The fair values of United's Federal Home Loan Bank borrowings and trust preferred securities are estimated using discounted cash flow analyses, based on United's current incremental borrowing rates for similar types of borrowing arrangements.

Summary of Fair Values for All Financial Instruments

The estimated fair values of United's financial instruments are summarized below:

	Carrying Amount	Fair Value	Fair Value Measurements		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2021					
Cash and cash equivalents	\$ 2,963,138	\$ 2,963,138	\$ 0	\$2,963,138	\$ 0
Securities available for sale	3,171,663	3,171,663	6,095	3,165,568	0
Securities held to maturity	997	1,020	0	0	1,020
Equity securities	11,054	11,054	11,054	0	0
Other securities	219,208	208,247	0	0	208,247
Loans held for sale	808,134	808,134	0	64,684	743,450
Net loans	17,134,309	16,415,210	0	0	16,415,210
Derivative financial assets	63,684	63,684	0	30,302	33,382
Mortgage servicing rights	22,018	26,165	0	0	26,165

Table of Contents

	Carrying Amount	Fair Value	Fair Value Measurements		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Deposits	21,396,474	21,390,957	0	21,390,957	0
Short-term borrowings	145,200	145,200	0	145,200	0
Long-term borrowings	814,195	768,765	0	768,765	0
Derivative financial liabilities	5,631	5,631	0	5,631	0
December 31, 2020					
Cash and cash equivalents	\$ 2,209,068	\$ 2,209,068	\$ 0	\$ 2,209,068	\$ 0
Securities available for sale	2,953,359	2,953,359	6,207	2,947,152	0
Securities held to maturity	1,212	1,235	0	215	1,020
Equity securities	10,718	10,718	10,718	0	0
Other securities	220,895	209,850	0	0	209,850
Loans held for sale	718,937	718,937	0	64,204	654,733
Net loans	17,355,583	16,559,797	0	0	16,559,797
Derivative financial assets	44,291	44,291	0	12,280	32,011
Mortgage servicing rights	20,955	20,955	0	0	20,955
Deposits	20,585,160	20,583,607	0	20,583,607	0
Short-term borrowings	142,300	142,300	0	142,300	0
Long-term borrowings	864,369	815,991	0	815,991	0
Derivative financial liabilities	13,058	13,058	0	13,058	0

15. STOCK BASED COMPENSATION

On May 12, 2020, United's shareholders approved the 2020 Long-Term Incentive Plan ("2020 LTI Plan"). The 2020 LTI Plan became effective May 13, 2020. An award granted under the 2020 LTI Plan may consist of any non-qualified stock options or incentive stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units, performance units or other-stock-based award. These awards all relate to the common stock of United. The maximum number of shares of United common stock which may be issued under the 2020 LTI Plan is 2,300,000. The 2020 LTI Plan will be administered by a board committee appointed by United's Board of Directors (the "Board"). Unless otherwise determined by the Board, the Compensation Committee of the Board (the "Committee") shall administer the 2020 LTI Plan. The maximum number of options and stock appreciation rights, in the aggregate, which may be awarded to any individual key employee during any calendar year is 100,000. The maximum number of options and stock appreciation rights, in the aggregate, which may be awarded to any non-employee director during any calendar year is 10,000 or, if such Award is payable in cash, the Fair Market Value equivalent thereof. The maximum number of shares of restricted stock or shares subject to a restricted stock units award that may be granted during any calendar year is 225,000 shares to any individual key employee and 10,000 shares to any individual non-employee director. Subject to certain change in control provisions, the 2020 LTI Plan provides that all awards of will vest as the Committee determines in the award agreement, provided that no awards will vest sooner than 1/3 per year over the first three anniversaries of the award. United adopted a clawback policy that applies to named executive officers and other executive officers and permits the Committee to cancel certain awards and to recoup gains realized from previous awards should United be required to prepare an accounting restatement due to materially inaccurate performance metrics. A Form S-8 was filed on May 29, 2020 with the Securities and Exchange Commission to register all the shares which were available for the 2020 LTI Plan. The 2020 LTI Plan replaces the 2016 LTI Plan.

Compensation expense of \$1,688 and \$1,253 related to the nonvested awards under United's Long-Term Incentive Plans was incurred for the first quarter of 2021 and 2020, respectively. Compensation expense was included in employee compensation in the unaudited Consolidated Statements of Income.

[Table of Contents](#)

Stock Options

United currently has options outstanding from various option plans other than the 2020 LTI Plan (the “Prior Plans”); however, no common shares of United stock are available for grants under the Prior Plans as these plans have expired. Awards outstanding under the Prior Plans will remain in effect in accordance with their respective terms. The maximum term for options granted under the plans is ten (10) years.

[Table of Contents](#)

A summary of activity under United's stock option plans as of March 31, 2021, and the changes during the first three months of 2021 are presented below:

	Three Months Ended March 31, 2021			
	Shares	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Yrs.)	Exercise Price
Outstanding at January 1, 2021	1,904,557			\$ 34.14
Granted	49,978			32.51
Exercised	(145,621)			28.01
Forfeited or expired	(108,147)			28.57
Outstanding at March 31, 2021	1,700,767	\$ 7,750	5.6	\$ 34.97
Exercisable at March 31, 2021	1,345,093	\$ 6,612	4.8	\$ 34.87

The following table summarizes the status of United's nonvested stock option awards during the first three months of 2021:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2021	544,905	\$ 6.93
Granted	49,978	5.65
Vested	(239,209)	7.32
Forfeited or expired	0	0.00
Nonvested at March 31, 2021	355,674	\$ 6.49

During the three months ended March 31, 2021 and 2020, 145,621 and 14,694 shares, respectively, were issued in connection with stock option exercises. All shares issued in connection with stock option exercises for the three months ended March 31, 2021 and 2020 were issued from authorized and unissued stock. The total intrinsic value of options exercised under the Plans during the three months ended March 31, 2021 and 2020 was \$1,408 and \$248 respectively.

Restricted Stock

Under the 2020 LTI Plan, United may award restricted common shares to key employees and non-employee directors. Restricted shares granted to participants will vest no sooner than 1/3 per year over the first three anniversaries of the award. Unless determined by the Committee or the Board and provided in the award agreement, recipients of restricted shares do not pay any consideration to United for the shares, have the right to vote all shares subject to such grant and receive all dividends with respect to such shares, whether or not the shares have vested. Presently, these nonvested participating securities have an immaterial impact on diluted earnings per share.

The following summarizes the changes to United's nonvested restricted common shares for the period ended March 31, 2021:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2021	340,976	\$ 35.41
Granted	180,901	35.94
Vested	(128,935)	36.89
Forfeited	0	0.00
Nonvested at March 31, 2021	392,942	\$ 35.17

Restricted Stock Units

Under the 2020 LTI Plan, United may grant restricted stock units ("RSUs") to key employees. These awards help align the interests of these employees with the interests of the shareholders of United by providing economic value directly related to the performance of the Company. These RSU grants could be time-vested RSUs, performance-vested RSUs, or a

[Table of Contents](#)

combination of both. Currently, time-vested RSUs vest ratably over three years from the date of grant. Performance-vested RSUs cliff-vest after assessment of the Company's performance over a period of three years. The number of performance-vested RSUs that vest is determined by two metrics measured relative to peers: Return on Average Tangible Common Equity ("ROATCE") and Total Shareholder Return ("TSR"). Based on ASC Topic 718, the ROATCE comparison is considered a performance condition while the TSR comparison is considered a market condition. There will be no payout of the performance-vested awards if the threshold performance is not achieved. United communicates the specific threshold, target, and maximum performance-vested RSU awards and performance targets to the applicable key employees at the beginning of a performance period. Dividends are accrued but not paid in respect to the awards until the RSUs vest. The holder does not have the right to vote the shares during the time and performance periods. The value of the time-vested RSUs and the performance-vested, based on the performance condition, RSUs awarded is established as the fair market value of the stock at the time of the grant. The value of the performance-vested, based on the market condition, RSUs awarded is estimated through the use of a Monte Carlo valuation model as of the grant date. The Company recognizes expense on the RSUs in accordance with ASC Topic 718.

The following table summarizes the status of United's nonvested RSUs during the first three months of 2021 :

	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2021	0	\$ 0.00
Granted	136,896	35.65
Vested	0	0.00
Forfeited or expired	0	0.00
Nonvested at March 31, 2021	<u>136,896</u>	<u>\$ 35.65</u>

16. EMPLOYEE BENEFIT PLANS

United has a defined benefit retirement plan covering qualified employees hired prior to October 1, 2007. Pension benefits are based on years of service and the average of the employee's highest five consecutive plan years of basic compensation paid during the ten plan years preceding the date of determination. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. No discretionary contributions were made during the first quarter of 2021 and 2020.

Included in accumulated other comprehensive income at December 31, 2020 are unrecognized actuarial losses of \$65,426 (\$50,182 net of tax) that have not yet been recognized in net periodic pension cost.

Net periodic pension cost for the three months ended March 31, 2021 and 2020 included the following components:

	Three Months Ended March 31	
	2021	2020
Service cost	\$ 750	\$ 715
Interest cost	1,020	1,287
Expected return on plan assets	(2,924)	(2,629)
Recognized net actuarial loss	1,572	1,442
Net periodic pension (benefit) cost	<u>\$ 418</u>	<u>\$ 815</u>
Weighted-Average Assumptions:		
Discount Rate	2.81%	3.42%
Expected return on assets	6.25%	6.75%
Rate of Compensation Increase (prior to age 40)	5.00%	5.00%
Rate of Compensation Increase (ages 40-54)	4.00%	4.00%
Rate of Compensation Increase (prior to age 45)	n/a	n/a
Rate of Compensation Increase (otherwise)	3.50%	3.50%

17. INCOME TAXES

United records a liability for uncertain income tax positions based on a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken on a tax return, in order for those tax positions to be recognized in the financial statements.

As of March 31, 2021 and 2020, the total amount of accrued interest related to uncertain tax positions was \$695 and \$693, respectively. United accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes.

United is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2017, 2018 and 2019 and certain State Taxing authorities for the years ended December 31, 2017 through 2019.

United's effective tax rate was 20.50% for the first quarter of 2021 and 19.75% for the first quarter of 2020.

18. COMPREHENSIVE INCOME

The components of total comprehensive income for the three months ended March 31, 2021 and 2020 are as follows:

	Three Months Ended March 31	
	2021	2020
Net Income	\$106,898	\$40,183
Available for sale ("AFS") securities:		
Change in net unrealized (loss) gain on AFS securities arising during the period	(45,967)	23,103
Related income tax effect	10,710	(5,383)
Net reclassification adjustment for gains included in net income	(1,444)	(175)
Related income tax effect	336	41
	<u>(36,365)</u>	<u>17,586</u>
Net effect of AFS securities on other comprehensive income	(36,365)	17,586
Cash flow hedge derivatives:		
Unrealized gain on cash flow hedge before reclassification to interest expense	19,317	0
Related income tax effect	(4,501)	0
Net reclassification adjustment for losses included in net income	223	0
Related income tax effect	(52)	0
	<u>14,987</u>	<u>0</u>
Net effect of cash flow hedge derivatives on other comprehensive income	14,987	0
Pension plan:		
Recognized net actuarial loss	1,572	1,442
Related income tax benefit	(703)	(330)
	<u>869</u>	<u>1,112</u>
Net effect of change in pension plan asset on other comprehensive income	869	1,112
Total change in other comprehensive income	(20,509)	18,698
Total Comprehensive Income	\$ 86,389	\$58,881

[Table of Contents](#)

The components of accumulated other comprehensive income for the three months ended March 31, 2021 are as follows:

Changes in Accumulated Other Comprehensive Income (AOCI) by Component ^(a)
For the Three Months Ended March 31, 2021

	Unrealized Gains/Losses on AFS Securities	Unrealized Gains/Losses on Cash Flow Hedges	Defined Benefit Pension Items	Total
Balance at January 1, 2021	\$ 65,205	\$ 3,358	\$(46,193)	\$ 22,370
Other comprehensive income before reclassification	(35,257)	14,816	0	(20,441)
Amounts reclassified from accumulated other comprehensive income	(1,108)	171	869	(68)
Net current-period other comprehensive income, net of tax	(36,365)	14,987	869	(20,509)
Balance at March 31, 2021	<u>\$ 28,840</u>	<u>\$ 18,345</u>	<u>\$(45,324)</u>	<u>\$ 1,861</u>

(a) All amounts are net-of-tax.

Reclassifications out of Accumulated Other Comprehensive Income (AOCI)
For the Three Months Ended March 31, 2021

Details about AOCI Components	Amount Reclassified from AOCI	Affected Line Item in the Statement Where Net Income is Presented
Available for sale ("AFS") securities:		
Net reclassification adjustment for gains included in net income	\$ (1,444)	Net investment securities gains
	(1,444)	Total before tax
Related income tax effect	336	Tax expense
	(1,108)	Net of tax
Cash flow hedge:		
Net reclassification adjustment for losses included in net income	\$ 223	Interest expense
	223	Total before tax
Related income tax effect	(52)	Tax expense
	171	Net of tax
Pension plan:		
Recognized net actuarial loss	1,572(a)	
	1,572	Total before tax
Related income tax effect	(703)	Tax expense
	869	Net of tax
Total reclassifications for the period	<u>\$ (68)</u>	

(a) This AOCI component is included in the computation of changes in plan assets (see Note 16, Employee Benefit Plans)

19. EARNINGS PER SHARE

The reconciliation of the numerator and denominator of basic earnings per share with that of diluted earnings per share is presented as follows:

	Three Months Ended March 31	
	2021	2020
Distributed earnings allocated to common stock	\$ 45,068	\$ 35,487
Undistributed earnings allocated to common stock	61,531	4,578
Net earnings allocated to common shareholders	<u>\$ 106,599</u>	<u>\$ 40,065</u>
Average common shares outstanding	128,635,740	101,295,073

Table of Contents

	Three Months Ended March 31	
	2021	2020
Common stock equivalents	255,121	104,108
Average diluted shares outstanding	128,890,861	101,399,181
Earnings per basic common share	\$ 0.83	\$ 0.40
Earnings per diluted common share	\$ 0.83	\$ 0.40

20. VARIABLE INTEREST ENTITIES

Variable interest entities (“VIEs”) are entities that either have a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest (i.e., ability to make significant decisions, through voting rights, right to receive the expected residual returns of the entity, and obligation to absorb the expected losses of the entity). VIEs can be structured as corporations, trusts, partnerships, or other legal entities. United’s business practices include relationships with certain VIEs. For United, the business purpose of these relationships primarily consists of funding activities in the form of issuing trust preferred securities.

United currently sponsors nineteen statutory business trusts that were created for the purpose of raising funds that originally qualified for Tier I regulatory capital. As previously discussed, these trusts now are considered Tier II regulatory capital. These trusts, of which several were acquired through bank acquisitions, issued or participated in pools of trust preferred capital securities to third-party investors with the proceeds invested in junior subordinated debt securities of United. The Company, through a small capital contribution, owns 100% of the voting equity shares of each trust. The assets, liabilities, operations, and cash flows of each trust are solely related to the issuance, administration, and repayment of the preferred equity securities held by third-party investors. United fully and unconditionally guarantees the obligations of each trust and is obligated to redeem the junior subordinated debentures upon maturity.

United does not consolidate these trusts as it is not the primary beneficiary of these entities because United’s wholly owned and indirect wholly owned statutory trust subsidiaries do not have a controlling financial interest in the VIEs. A controlling financial interest is present when an enterprise has both the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE.

Information related to United’s statutory trusts is presented in the table below:

Description	Issuance Date	Amount of Capital Securities Issued	Stated Interest Rate	Maturity Date
United Statutory Trust III	December 17, 2003	\$ 20,000	3-month LIBOR + 2.85%	December 17, 2033
United Statutory Trust IV	December 19, 2003	\$ 25,000	3-month LIBOR + 2.85%	January 23, 2034
United Statutory Trust V	July 12, 2007	\$ 50,000	3-month LIBOR + 1.55%	October 1, 2037
United Statutory Trust VI	September 20, 2007	\$ 30,000	3-month LIBOR + 1.30%	December 15, 2037
Premier Statutory Trust II	September 25, 2003	\$ 6,000	3-month LIBOR + 3.10%	October 8, 2033
Premier Statutory Trust III	May 16, 2005	\$ 8,000	3-month LIBOR + 1.74%	June 15, 2035
Premier Statutory Trust IV	June 20, 2006	\$ 14,000	3-month LIBOR + 1.55%	September 23, 2036
Premier Statutory Trust V	December 14, 2006	\$ 10,000	3-month LIBOR + 1.61%	March 1, 2037
Centra Statutory Trust I	September 20, 2004	\$ 10,000	3-month LIBOR + 2.29%	September 20, 2034
Centra Statutory Trust II	June 15, 2006	\$ 10,000	3-month LIBOR + 1.65%	July 7, 2036
Virginia Commerce Trust II	December 19, 2002	\$ 15,000	6-month LIBOR + 3.30%	December 19, 2032
Virginia Commerce Trust III	December 20, 2005	\$ 25,000	3-month LIBOR + 1.42%	February 23, 2036
Cardinal Statutory Trust I	July 27, 2004	\$ 20,000	3-month LIBOR + 2.40%	September 15, 2034
UFBC Capital Trust I	December 30, 2004	\$ 5,000	3-month LIBOR + 2.10%	March 15, 2035

[Table of Contents](#)

Description	Issuance Date	Amount of	Stated Interest Rate	Maturity Date
		Capital Securities Issued		
Carolina Financial Capital Trust I	December 19, 2002	\$ 5,000	Prime + 0.50%	December 31, 2032
Carolina Financial Capital Trust II	November 5, 2003	\$ 10,000	3-month LIBOR + 3.05%	January 7, 2034
Greer Capital Trust I	October 12, 2004	\$ 6,000	3-month LIBOR + 2.20%	October 18, 2034
Greer Capital Trust II	December 28, 2006	\$ 5,000	3-month LIBOR + 1.73%	January 30, 2037
First South Preferred Trust I	September 26, 2003	\$ 10,000	3-month LIBOR + 2.95%	September 30, 2033

United, through its banking subsidiary, also makes limited partner equity investments in various low income housing and community development partnerships sponsored by independent third-parties. United invests in these partnerships to either realize tax credits on its consolidated federal income tax return or for purposes of earning a return on its investment. These partnerships are considered VIEs as the limited partners lack a controlling financial interest in the entities through their inability to make decisions that have a significant effect on the operations and success of the partnerships. United's limited partner interests in these entities is immaterial, however; these partnerships are not consolidated as United is not deemed to be the primary beneficiary.

The following table summarizes quantitative information about United's significant involvement in unconsolidated VIEs:

	As of March 31, 2021			As of December 31, 2020		
	Aggregate Assets	Aggregate Liabilities	Risk Of Loss ⁽¹⁾	Aggregate Assets	Aggregate Liabilities	Risk Of Loss ⁽¹⁾
Trust preferred securities	\$295,367	\$284,660	\$10,707	\$295,466	\$284,788	\$10,678

(1) Represents investment in VIEs.

21. SEGMENT INFORMATION

United operates in two business segments: community banking and mortgage banking. Through its community banking segment, United offers a full range of products and services through various delivery channels. In particular, the community banking segment includes both commercial and consumer lending and provides customers with such products as commercial loans, real estate loans, business financing and consumer loans. In addition, this segment provides customers with several choices of deposit products including demand deposit accounts, savings accounts and certificates of deposit as well as investment and financial advisory services to businesses and individuals, including financial planning, retirement/estate planning, and investment management. The mortgage banking segment engages primarily in the origination and acquisition of residential mortgages for sale into the secondary market through United's mortgage banking subsidiaries, George Mason and Crescent. Crescent may retain servicing rights on their mortgage loans sold. At certain times, Crescent may purchase rights to service loans from third parties. These rights are known as mortgage servicing rights provide the owner with the contractual right to receive a stream of cash flows in exchange for performing specified mortgage servicing functions.

The community banking segment provides the mortgage banking segment (George Mason and Crescent) with short-term funds to originate mortgage loans through a warehouse line of credit and charges the mortgage banking segment interest based on the 30-day LIBOR rate. These transactions are eliminated in the consolidation process.

The Company does not have any operating segments other than those reported. The "Other" category consists of financial information not directly attributable to a specific segment, including interest income from investments and net securities gains or losses of parent companies and their non-banking subsidiaries, interest expense related to subordinated notes of unconsolidated subsidiaries as well as the elimination of non-segment related intercompany transactions such as management fees. The "Other" represents an overhead function rather than an operating segment.

Table of Contents

Information about the reportable segments and reconciliation of this information to the consolidated financial statements at and for the three months ended March 31, 2021 and 2020 is as follows:

	At and For the Three Months Ended March 31, 2021				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
Net interest income	\$ 187,197	\$ 2,650	\$ (2,138)	\$ 3,251	\$ 190,960
Provision for credit losses	143	0	0	0	143
Other income	26,388	67,507	1,521	(2,843)	92,573
Other expense	110,017	41,183	(2,681)	408	148,927
Income taxes	21,202	5,940	423	0	27,565
Net income (loss)	\$ 82,223	\$ 23,034	\$ 1,641	\$ 0	\$ 106,898
Total assets (liabilities)	\$ 26,625,449	\$ 930,481	\$ 40,862	\$ (566,037)	\$ 27,030,755
Average assets (liabilities)	26,154,094	716,744	23,029	(402,751)	26,491,116

	At and For the Three Months Ended March 31, 2020				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
Net interest income	\$ 140,420	\$ 949	\$ (2,689)	\$ 2,838	\$ 141,518
Provision for credit losses	27,119	0	0	0	27,119
Other income	19,567	21,190	9	(3,960)	36,806
Other expense	80,464	20,757	1,034	(1,122)	101,133
Income taxes	10,350	273	(734)	0	9,889
Net income (loss)	\$ 42,054	\$ 1,109	\$ (2,980)	\$ 0	\$ 40,183
Total assets (liabilities)	\$ 20,159,252	\$ 610,768	\$ 18,174	\$ (417,541)	\$ 20,370,653
Average assets (liabilities)	19,503,515	366,379	6,189	(276,830)	19,599,253

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Congress passed the Private Securities Litigation Act of 1995 to encourage corporations to provide investors with information about the company's anticipated future financial performance, goals, and strategies. The act provides a safe haven for such disclosure; in other words, protection from unwarranted litigation if actual results are not the same as management expectations.

United desires to provide its shareholders with sound information about past performance and future trends. Consequently, any forward-looking statements contained in this report, in a report incorporated by reference to this report, or made by management of United in this report, in any other reports and filings, in press releases and in oral statements, involve numerous assumptions, risks and uncertainties. Forward-looking statements can be identified by the use of the words "expect," "may," "could," "intend," "project," "estimate," "believe," "anticipate," and other words of similar meaning. Such forward-looking statements are based on assumptions and estimates, which although believed to be reasonable, may turn out to be incorrect, such as statements about the potential impacts of the COVID-19 pandemic. Therefore, undue reliance should not be placed upon these estimates and statements. United cannot assure that any of these statements, estimates, or beliefs will be realized and actual results may differ from those contemplated in these "forward-looking statements." United undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

CORONAVIRUS (“COVID-19”) PANDEMIC

During 2020, the COVID-19 pandemic had a severe disruptive impact on the U.S. and global economy with businesses closing in response to the pandemic. The economic disruption caused by the virus outbreak caused downturns and increased uncertainty and volatility in financial markets. Individual state governmental responses to the pandemic included orders closing “non-essential” businesses temporarily and directing individuals to restrict their movements, observe social distancing and “shelter- in-place.” These actions, together with responses to the pandemic by businesses and individuals, resulted in rapid decreases in commercial and consumer activity, temporary closures of many businesses that led to a loss of revenues and a rapid increase in unemployment, material decreases in oil and gas prices, disrupted global supply chains, changes in consumer behavior because of the potential exposure to the virus, related emergency response legislation and an expectation that Federal Reserve policy will maintain a low interest rate environment for the foreseeable future.

Several legislative measures were enacted to provide relief for those affected and provide stimulus to poor economic conditions. On March 29, 2020, then President Donald Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, which authorized approximately \$2 trillion in relief to businesses and workers that were affected by events related to COVID-19. The CARES Act included the Paycheck Protection Program (“PPP”), a nearly \$350 billion program designed to aid small- and medium-sized businesses through federally guaranteed loans distributed through banks. These loans were intended to guarantee eight weeks of payroll and other costs to help those businesses remain viable and allow their workers to pay their bills. In return for processing and booking these loans, the Small Business Administration (“SBA”), will pay the lender a processing fee tiered by the size of the loan (5% for loans of not more than \$350 thousand; 3% for loans of more than \$350 thousand and less than \$2 million; and 1% for loans of at least \$2 million). For the year of 2020, United processed almost 9,000 loans totaling over \$1.29 billion under the PPP and recognized \$16.26 million of net fee income during the year of 2020 related to the PPP loans.

The PPP loan program was extended and amended through additional legislation during 2020. The last of which occurred on December 27, 2020 when then President Trump signed into law the 2021 Consolidated Appropriations Act, an approximately \$900 billion bill to provide additional COVID-19 relief and among other measures, extended weekly unemployment benefits, provided another round of economic stimulus payments to individuals and families, lengthened temporary suspensions and modifications of several-bank related provisions and provided more aid to small businesses. Most notably, the 2021 Consolidated Appropriations Act reauthorized and appropriated up to \$284.5 billion for the PPP for both first-time and second-time borrowers to receive loan disbursements for a period ending March 31, 2021, expanded the list of eligible PPP expenses and created a simplified loan forgiveness application for loans under \$150 thousand.

On March 11, 2021, newly elected President Joe Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021. The legislation included additional stimulus checks to eligible individuals and an extension of the \$300-per-week supplement to federal unemployment benefits through September 6, 2021. The legislation also allocates funding to small businesses, state and local governments, and COVID-19 vaccination and testing and tracing efforts. The legislation also modified the PPP to clarify that the SBA affiliation rules would not apply to certain applicants. Specifically, 501(c)(3) organizations that employ not more than 500 employees per physical location of the organization would become eligible for the program. The legislation also provided an additional \$7.25 billion for the program. However, the legislation did not extend the March 31, 2021 application deadline.

On March 30, 2021, President Biden signed into law the PPP Extension Act of 2021. This bill extended the PPP through June 30, 2021. For the final 30 days of the program (i.e., from June 1 until June 30), the SBA may only process applications submitted prior to June 1, and it may not accept any new loan applications.

Impact on our Operations. In the states where United operates, many jurisdictions declared health emergencies. The resulting closures of non-essential businesses and related economic disruption impacted our operations as well as the operations of our customers. Financial services have been identified as a Critical Infrastructure Sector by the Department of Homeland Security. Accordingly, our business remains open. To address the issues arising as a result of COVID-19, and in order to facilitate the continued delivery of essential services while maintaining a high level of safety for our customers as well as our employees, United has implemented the following policies:

- Restricted all non-essential travel and large external gatherings and have instituted a mandatory quarantine period for anyone that has traveled to an impacted area.

[Table of Contents](#)

- Temporarily closed all of our financial center lobbies and other corporate facilities to non-employees, except for certain limited cases by appointment only. United continues to serve our consumer and business customers through our drive-through facilities, ATMs, internet banking, mobile app and telephone customer service capabilities.
- Expanded remote-access availability so that our work-force has the capability to work from home or other remote locations. All activities are performed in accordance with our compliance and information security policies designed to ensure customer data and other information is properly safeguarded.
- Instituted mandatory social distancing policies for those employees not working remotely. Members of certain operations teams have been split into separate buildings or locations to create redundancy for key functions across the organization.

As of March 31, 2021, we do not anticipate significant challenges to our ability to maintain our systems and controls in light of the measures we have taken to prevent the spread of COVID-19. The Company does not currently face any material resource constraint through the implementation of our business continuity plans.

United is currently unable to fully assess or predict the extent of the effects of COVID-19 on our operations as the ultimate impact will depend on factors that are currently unknown and/or beyond our control.

Impact on our Financial Position and Results of Operations. Although economic conditions improved in the first quarter of 2021, significant uncertainties as to future economic conditions exist. While industries were and continue to be impacted more severely than others, all businesses were impacted by the COVID-19 pandemic to some degree in 2020. The economic pressures, existing and forecasted, as of end of each quarter during 2020, coupled with the implementation of an expected loss methodology for determining United's provision for credit losses as required by CECL contributed to an increased provision for credit losses for the year of 2020. Also, in United's mortgage banking segment, a market disruption caused by the COVID-19 pandemic resulted in significant losses on mortgage banking derivatives in the first quarter of 2020.

The Company's fee income has been reduced due to COVID-19. In keeping with guidance from regulators, the Company actively worked with COVID-19 affected customers during 2020 to waive fees from a variety of sources, such as, but not limited to, insufficient funds and overdraft fees, ATM fees, account maintenance fees, etc. Should the pandemic and the global response escalate further as outbreaks occur, it is possible that the Company could reduce such fees in future periods; however, at this time, the Company is unable to project the materiality of such an impact on the results of operations in future periods.

The Company's interest income has and could continue to be reduced due to COVID-19. In keeping with guidance from regulators, the Company continues to work with COVID-19 affected borrowers to defer their payments, interest, and fees. While interest and fees continue to accrue to income, through normal GAAP accounting, should eventual credit losses on these deferred payments emerge, the related loans would be placed on nonaccrual status and interest income and fees accrued would be reversed. In such a scenario, interest income in future periods could be negatively impacted. At this time, the Company is unable to project the materiality of such an impact on future deferrals to COVID-19 affected borrowers, but recognizes the breadth of the economic impact may affect its borrowers' ability to repay in future periods.

Capital and liquidity. As of March 31, 2021, all of our capital ratios, and our subsidiary bank's capital ratios, were in excess of all regulatory requirements. While we believe that we have sufficient capital to withstand a second economic recession brought about by COVID-19, our reported and regulatory capital ratios could be adversely impacted by further credit loss expense. We rely on cash on hand as well as dividends from our subsidiary bank to service our debt. If our capital deteriorates such that our subsidiary bank is unable to pay dividends to us for an extended period of time, we may not be able to service our debt.

We maintain access to multiple sources of liquidity. Wholesale funding markets have remained open to us, rates for short-term funding were volatile throughout 2020. If funding costs become elevated for an extended period of time, it could have an adverse effect on our net interest margin. If an extended recession caused large numbers of our deposit customers to withdraw their funds, we might become more reliant on volatile or more expensive sources of funding.

[Table of Contents](#)

For a discussion of the United's liquidity and capital resources in light of the COVID-19 pandemic please refer to the sections with the captions of "Liquidity and Capital Resources" included in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").

Lending operations and accommodations to borrowers. In keeping with regulatory guidance to work with borrowers during this unprecedented situation and as outlined in the CARES Act, the Company is executing a payment deferral program for its customers that are adversely affected by the pandemic. Depending on the demonstrated need of the client and within the guidance of the CARES Act, the Company is deferring either the full loan payment or the principal component of the loan payment for stated period of time. Through March 31, 2021, United has made 5,967 eligible loan modifications on approximately \$3.18 billion of loans outstanding under section 4013, "Temporary Relief from Troubled Debt Restructurings," of the CARES Act. Of those amounts made, 407 of eligible loan modifications remain on approximately \$193.45 million of loans outstanding as of March 31, 2021. In accordance with the CARES Act, these deferrals are not considered troubled debt restructurings. It is possible that these deferrals could be extended further under the CARES Act; however, the volume of these future potential extensions is unknown. It is also possible that in spite of our best efforts to assist our borrowers and achieve full collection of our investment, these deferred loans could result in future charge-offs with additional credit loss expense charged to earnings; however, the amount of any future charge-offs on deferred loans is unknown.

With the passage and extensions of the PPP, administered by the SBA, the Company has actively participated in assisting its customers with applications for resources through the program. PPP loans generally have a two-year or five-year term and earn interest at 1%. The Company believes that the majority of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. As of March 31, 2021, the Company had 8,946 of PPP loans with a balance of approximately \$1.20 billion. The Company recognized approximately \$11.31 million in net fees on PPP loans during the first quarter ended March 31, 2021. Remaining fees due from the SBA will be amortized and recognized over the life of the associated loans. It is the Company's understanding that loans funded through the PPP program are fully guaranteed by the U.S. government. Should those circumstances change, the Company could be required to establish an allowance for credit loss through additional credit loss expense charged to earnings.

Retail operations. The Company has been committed to assisting our customers and communities during the COVID-19 pandemic. Most branch locations have converted to drive-thru only in order to ensure the health and safety of our customers and team members. We have introduced temporary changes to help with the financial hardship caused by COVID-19 for both our customers and non-customers. This included waiving select deposit account fees including overdraft fees, ATM fees and excessive withdrawal fees for savings and money market accounts.

We continue to serve our customers that need emergency branch access for account issues, safe deposit access and similar items by appointment. The Company has been able to open and close accounts effectively, through its drive through facility, and our customer service center is successfully managing the volume of incoming calls.

The Company continues to monitor the safety of our staff. With reduced access to the lobby, our staffing is adequate to address the requests for time off by any of our employees who are impacted by health or childcare issues. For our retail staff being asked to work during this event, a special bonus was paid in appreciation for their service.

ACQUISITION

On May 1, 2020, United acquired 100% of the outstanding common stock of Carolina Financial Corporation ("Carolina Financial"), headquartered in Charleston, South Carolina. Immediately following the Merger, CresCom Bank, a wholly-owned subsidiary of Carolina Financial, merged with and into United Bank, a wholly-owned subsidiary of United (the "Bank Merger"). United Bank survived the Bank Merger and continues to exist as a Virginia banking corporation. The acquisition of Carolina Financial affords United the opportunity to expand its existing footprint in North Carolina and South Carolina. The merger resulted in a combined company with more than 200 locations in some of the best banking markets in the United States. CresCom Bank owned and operated Crescent Mortgage Company ("Crescent"), which is based in Atlanta. Crescent is approved to originate loans in 48 states partnering with community banks, credit unions and mortgage brokers. As a result of the merger, Crescent became an indirectly-owned subsidiary of United. The Carolina Financial merger was accounted for under the acquisition method of accounting. At consummation, Carolina Financial had assets of \$5.00 billion, loans and leases, net of unearned income of \$3.29 billion and deposits of \$3.87 billion.

[Table of Contents](#)

The results of operations of Carolina Financial are included in the consolidated results of operations from its date of acquisition. As a result of the Carolina Financial acquisition, the first quarter of 2021 was impacted by increased levels of average balances, income, and expense as compared to the first quarter of 2020. In addition, the first quarter of 2020 included \$1.56 million of merger-related expenses from the Carolina Financial acquisition.

TRANSITION FROM THE LONDON INTERBANK OFFERED RATE (“LIBOR”)

In 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit the rates used to calculate LIBOR after 2021. ICE Benchmark Administration (the publisher of LIBOR) plans to discontinue publication of the one-week and two-month LIBOR on December 31, 2021, and to discontinue publication of overnight, one-month, three-month, six-month, and twelve-month LIBOR on June 30, 2023. Currently, it is unclear whether these banks, as a group or individually, will continue to submit the rates used to calculate LIBOR after 2021. It is also unclear whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes may be on the markets for LIBOR-indexed financial instruments.

Working groups comprised of various regulators and other industry groups have been formed in the United States and other countries in order to provide guidance on this topic. In particular, the Alternative Reference Rates Committee (“ARRC”) has been formed in the United States by the Federal Reserve Board and the Federal Reserve Bank of New York. The ARRC has identified the Secured Overnight Financing Rate (“SOFR”) as its preferred alternative reference rate for U.S. Dollar LIBOR. The ARRC has also published recommended fall-back language for LIBOR-linked financial instruments, among numerous other areas of guidance. At this time, however, it is unclear whether these recommendations will be broadly accepted by industry participants, whether they will continue to evolve, and what impact they will ultimately have on the broader markets that utilize LIBOR as a reference rate.

United has loans, derivative contracts, borrowings, and other financial instruments that are directly or indirectly dependent on LIBOR. The transition from LIBOR will cause changes to payment calculations for existing contracts that use LIBOR as the reference rate. These changes will create various risks surrounding the financial, operational, compliance and legal aspects associated with changing certain elements of existing contracts. United will also be subject to risks surrounding changes to models and systems that currently use LIBOR reference rates, as well as market and strategic risks that could arise from the use of alternative reference rates. Additionally, United could face reputational risks if this transition is not managed appropriately with its customers. While the full impact of the transition is not yet known, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

INTRODUCTION

The following discussion and analysis presents the significant changes in financial condition and the results of operations of United and its subsidiaries for the periods indicated below. This discussion and the unaudited consolidated financial statements and the notes to unaudited Consolidated Financial Statements include the accounts of United Bankshares, Inc. and its wholly-owned subsidiaries, unless otherwise indicated. Management has evaluated all significant events and transactions that occurred after March 31, 2021, but prior to the date these financial statements were issued, for potential recognition or disclosure required in these financial statements.

This discussion and analysis should be read in conjunction with the unaudited Consolidated Financial Statements and accompanying notes thereto, which are included elsewhere in this document.

USE OF NON-GAAP FINANCIAL MEASURES

This discussion and analysis contains certain financial measures that are not recognized under GAAP. Under SEC Regulation G, public companies making disclosures containing financial measures that are not in accordance with GAAP must also disclose, along with each “non-GAAP” financial measure, certain additional information, including a reconciliation of the non-GAAP financial measure to the closest comparable GAAP financial measure, as well as a statement of the company’s reasons for utilizing the non-GAAP financial measure.

Generally, United has presented a non-GAAP financial measure because it believes that this measure provides meaningful additional information to assist in the evaluation of United’s results of operations or financial position. Presentation of a non-GAAP financial measure is consistent with how United’s management evaluates its performance internally and this non-GAAP financial measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the banking industry. Specifically, this discussion contains certain references to financial measures identified as tax-equivalent (“FTE”) net interest income and return on average tangible equity. Management believes these non-GAAP financial measures to be helpful in understanding United’s results of operations or financial position.

Net interest income is presented in this discussion on a tax-equivalent basis. The tax-equivalent basis adjusts for the tax-favored status of income from certain loans and investments. Although this is a non-GAAP measure, United’s management believes this measure is more widely used within the financial services industry and provides better comparability of net interest income arising from taxable and tax-exempt sources. United uses this measure to monitor net interest income performance and to manage its balance sheet composition.

Average tangible equity is calculated as GAAP total shareholders’ equity minus total intangible assets. Tangible equity can thus be considered the most conservative valuation of the company. When considering net income, a return on average tangible equity can be calculated. Management provides a return on average equity to facilitate the understanding of as well as to assess the quality and composition of United’s capital structure. By removing the effect of intangible assets that result from merger and acquisition activity, the “permanent” items of shareholders’ equity are presented. This measure, along with others, is used by management to analyze capital adequacy and performance.

However, this non-GAAP information should be considered supplemental in nature and not as a substitute for related financial information prepared in accordance with GAAP. Where the non-GAAP financial measure is used, the comparable GAAP financial measure, as well as reconciliation to that comparable GAAP financial measure, as well as a statement of the company’s reasons for utilizing the non-GAAP financial measure, can be found within this discussion and analysis. Investors should recognize that United’s presentation of this non-GAAP financial measure might not be comparable to a similarly titled measure at other companies.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of United conform with U.S. generally accepted accounting principles. In preparing the consolidated financial statements, management is required to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments, which are reviewed with the Audit Committee of the Board of Directors, are based on information available as of the date of the financial statements. Actual results could differ from these estimates. United’s critical accounting policies involving the significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of March 31, 2021 were unchanged from the policies disclosed in United’s Annual Report on Form 10-K for the year ended December 31, 2020 within the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

FINANCIAL CONDITION

United’s total assets as of March 31, 2021 were \$27.03 billion, which was an increase of \$846.51 million or 3.23% from December 31, 2020. This increase was mainly due to an increase of \$754.07 million or 34.14% in cash and cash equivalents, an increase of \$216.74 million or 6.80% in investment securities, and an increase of \$89.20 million or 12.41% in loans held for sale. These increases in assets were partially offset by a \$225.52 million or 1.28% decrease in portfolio loans. Total liabilities increased \$811.43 million or 3.71% from year-end 2020. Deposits increased \$811.31 million or 3.94% and accrued expenses and other liabilities increased \$46.30 million or 22.88%, which were partially offset by a \$47.27 million or 4.70% decrease in borrowings. Shareholders’ equity increased \$35.08 million or less than 1%.

[Table of Contents](#)

The following discussion explains in more detail the changes in financial condition by major category.

Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2021 increased \$754.07 million or 34.14% from year-end 2020. In particular, interest-bearing deposits with other banks increased \$766.13 million or 40.09% as United placed more cash in an interest-bearing account with the Federal Reserve. Partially offsetting this increase in cash and cash equivalents was a \$12.16 million or 4.09% decrease in cash and due from banks. Federal funds sold increased \$102 thousand or 12.39%. During the first three months of 2021, net cash of \$80.58 million and \$712.47 million were provided by operating and financing activities, respectively, while net cash of \$38.99 million was used in investing activities. See the unaudited Consolidated Statements of Cash Flows for data on cash and cash equivalents provided and used in operating, investing and financing activities for the first three months of 2021 and 2020.

Securities

Total investment securities at March 31, 2021 increased \$216.74 million or 6.80%. Securities available for sale increased \$218.30 million or 7.39%. This change in securities available for sale reflects \$268.09 million in sales, maturities and calls of securities, \$536.57 million in purchases, and a decrease of \$47.41 million in market value. The majority of the purchase activity was related to mortgage-backed securities, corporate securities, and asset-backed securities. Securities held to maturity declined \$215 thousand or 17.74% from year-end 2020 due to maturities and calls of securities. Equity securities were \$11.05 million at March 31, 2021, an increase of \$336 thousand or 3.13% due mainly to net purchases. Other investment securities were flat, decreasing \$1.69 million or less than 1% from year-end 2020 due to a decrease in Federal Home Loan Bank ("FHLB") stock. Partially offsetting this decrease in FHLB stock were purchases of investment tax credits.

The following table summarizes the changes in the available for sale securities since year-end 2020:

<i>(Dollars in thousands)</i>	March 31 2021	December 31 2020	\$ Change	% Change
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 14,935	\$ 66,344	\$ (51,409)	(77.49%)
State and political subdivisions	585,231	565,160	20,071	3.55%
Mortgage-backed securities	1,684,894	1,625,812	59,082	3.63%
Asset-backed securities	398,800	294,623	104,177	35.36%
Single issue trust preferred securities	17,434	17,027	407	2.39%
Corporate securities	470,369	384,393	85,976	22.37%
Total available for sale securities, at fair value	<u>\$3,171,663</u>	<u>\$ 2,953,359</u>	<u>\$218,304</u>	<u>7.39%</u>

The following table summarizes the changes in the held to maturity securities since year-end 2020:

<i>(Dollars in thousands)</i>	March 31 2021	December 31 2020	\$ Change	% Change
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 0	\$ 0	\$ 0	0.00%
State and political subdivisions	977(1)	1,192(1)	(215)	(18.04%)
Mortgage-backed securities	0	0	0	0.00%
Single issue trust preferred securities	0	0	0	0.00%
Other corporate securities	20	20	0	0.00%
Total held to maturity securities, at amortized cost	<u>\$ 997</u>	<u>\$ 1,212</u>	<u>\$ (215)</u>	<u>(17.74%)</u>

Note : (1) net of allowance for credit losses of \$23 thousand.

[Table of Contents](#)

At March 31, 2021, gross unrealized losses on available for sale securities were \$22.81 million. Securities with the most significant gross unrealized losses at March 31, 2021 consisted primarily of agency residential mortgage-backed securities and agency commercial mortgage-backed securities.

As of March 31, 2021, United's available for sale mortgage-backed securities had an amortized cost of \$1.66 billion, with an estimated fair value of \$1.68 billion. The portfolio consisted primarily of \$989.24 million in agency residential mortgage-backed securities with a fair value of \$1.00 billion, \$8.20 million in non-agency residential mortgage-backed securities with an estimated fair value of \$8.25 million, and \$663.70 million in commercial agency mortgage-backed securities with an estimated fair value of \$674.43 million.

As of March 31, 2021, United's available for sale corporate securities had an amortized cost of \$882.49 million, with an estimated fair value of \$886.60 million. The portfolio consisted of \$18.24 million in single issue trust preferred securities with an estimated fair value of \$17.43 million. In addition to the single issue trust preferred securities, the Company held positions in various other corporate securities, including asset-backed securities with an amortized cost of \$399.26 million and a fair value of \$398.80 million and other corporate securities, with an amortized cost of \$464.99 million and a fair value of \$470.37 million.

United's available for sale single issue trust preferred securities had a fair value of \$17.43 million as of March 31, 2021. Of the \$17.43 million, \$11.39 million or 65.36% were investment grade; \$0.97 million or 5.58% were split rated; and \$5.07 million or 29.06% were unrated. The two largest exposures accounted for 70.86% of the \$17.43 million. These included Truist Bank at \$7.29 million and Emigrant Bank at \$5.07 million. All single issue trust preferred securities are currently receiving full scheduled principal and interest payments.

During the first quarter of 2021, United did not recognize any credit losses on its available for sale investment securities. Management does not believe that any individual security with an unrealized loss as of March 31, 2021 is impaired. United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not a deterioration of credit. Based on a review of each of the securities in the available for sale investment portfolio, management concluded that it was more likely than not that it would be able to realize the cost basis investment and appropriate interest payments on such securities. United has the intent and the ability to hold these securities until such time as the value recovers or the securities mature. As of March 31, 2021, there was no allowance for credit losses related to the Company's available for sale securities. However, United acknowledges that any securities in an unrealized loss position may be sold in future periods in response to significant, unanticipated changes in asset/liability management decisions, unanticipated future market movements or business plan changes.

Further information regarding the amortized cost and estimated fair value of investment securities, including remaining maturities as well as a more detailed discussion of management's impairment analysis, is presented in Note 3 to the unaudited Notes to Consolidated Financial Statements.

Loans held for sale

Loans held for sale increased \$89.20 million or 12.41% from year-end 2020. Loan originations in the secondary market exceeded sales during the first three months of 2021. Loan originations for the first three months of 2021 were \$1.93 billion while loans sales were \$1.84 billion. Loans held for sale were \$808.13 million at March 31, 2021 as compared to \$718.94 million at year-end 2020.

Portfolio Loans

Loans, net of unearned income, decreased \$225.52 million or 1.28%. Since year-end 2020, commercial, financial and agricultural loans decreased \$59.75 million or less than 1% as a result of a \$109.95 million or 1.66% decrease in commercial real estate loans which was partially offset by a \$50.20 million or 1.24% increase in commercial loans (not

[Table of Contents](#)

secured by real estate). Residential real estate loans decreased \$202.36 million or 5.19% while consumer loans decreased \$20.39 million or 1.70% due to a decrease in indirect automobile financing. Partially offsetting these decreases in loans, net of unearned income, was a \$60.23 million or 3.30% increase in construction and land development loans.

The following table summarizes the changes in the major loan classes since year-end 2020:

<i>(Dollars in thousands)</i>	March 31 2021	December 31 2020	\$ Change	% Change
Loans held for sale	\$ 808,134	\$ 718,937	\$ 89,197	12.41%
Commercial, financial, and agricultural:				
Owner-occupied commercial real estate	\$ 1,618,785	\$ 1,622,687	\$ (3,902)	(0.24%)
Nonowner-occupied commercial real estate	4,911,683	5,017,727	(106,044)	(2.11%)
Other commercial loans	4,104,614	4,054,418	50,196	1.24%
Total commercial, financial, and agricultural	\$ 10,635,082	\$ 10,694,832	\$ (59,750)	(0.56%)
Residential real estate	3,697,527	3,899,885	(202,358)	(5.19%)
Construction & land development	1,886,583	1,826,349	60,234	3.30%
Consumer:				
Bankcard	7,999	8,937	(938)	(10.50%)
Other consumer	1,173,130	1,192,580	(19,450)	(1.63%)
Total gross loans	\$ 17,400,321	\$ 17,622,583	\$ (222,262)	(1.26%)
Less: Unearned income	(34,430)	(31,170)	(3,260)	10.46%
Total Loans, net of unearned income	\$ 17,365,891	\$ 17,591,413	\$ (225,522)	(1.28%)

For a further discussion of loans see Note 4 to the unaudited Notes to Consolidated Financial Statements.

Other Assets

Other assets were flat from year-end 2020, increasing \$2.36 million or less than 1%. Derivative assets increased \$23.85 million and deferred tax assets increased \$7.23 million due to timing differences. Partially offsetting these increases were decreases of \$25.54 million in income tax receivable due to timing differences, \$3.90 million in Other Real Estate Owned properties ("OREO") due to sales and write downs and \$1.47 million in core deposit intangibles.

Deposits

Deposits represent United's primary source of funding. Total deposits at March 31, 2021 increased \$811.31 million or 3.94%. In terms of composition, noninterest-bearing deposits increased \$688.51 million or 9.30% while interest-bearing deposits increased \$122.80 million or less than 1% from December 31, 2020.

Noninterest-bearing deposits consist of demand deposit and noninterest bearing money market ("MMDA") account balances. The \$688.51 million increase in noninterest-bearing deposits was due mainly to increases in commercial noninterest-bearing deposits of \$275.75 million or 6.79%, personal noninterest-bearing deposits of \$134.31 million or 12.22% and public noninterest-bearing deposits of \$33.53 million or 25.67%. In addition, sweep activity to noninterest bearing MMDAs increased \$255.87 million or 12.94%.

Interest-bearing deposits consist of interest-bearing checking ("NOW"), regular savings, interest-bearing MMDA, and time deposit account balances. Interest-bearing MMDAs increased \$269.81 million or 3.30% while NOW accounts increased \$14.46 million or 1.81% since year-end 2020. In particular, interest-bearing MMDAs increased \$269.81 million as commercial MMDAs increased \$185.74 million, public MMDAs increased \$45.95 million, and personal MMDAs increased \$40.52 million. Partially offsetting these increases in interest-bearing MMDAs is a decrease of \$2.40 million in brokered MMDAs. Excluding sweep activity from NOW accounts to interest-bearing MMDAs to reduce United's reserve requirement at its Federal Reserve Bank, NOW accounts increased \$154.10 million or 4.98% mainly due to a \$67.70 million increase in personal NOW accounts, a \$59.25 million increase in commercial NOW accounts, and a \$27.15 million increase in public funds NOW accounts.

Table of Contents

Regular savings increased \$108.09 million or 8.42% from year-end 2020 mainly due to an \$101.74 million increase in personal savings accounts and a \$5.83 million increase in commercial savings accounts.

Time deposits under \$100,000 decreased \$48.19 million or 4.92% from year-end 2020. This decrease in time deposits under \$100,000 was the result of a \$40.45 million decrease in fixed CDs under \$100,000 and a \$8.49 million decrease in list CDs under \$100,000.

Since year-end 2020, time deposits over \$100,000 decreased \$221.37 million or 11.48% as fixed rate CDs decreased \$103.99 million, brokered certificates of deposits decreased \$68.39 million, and public funds CDs over \$100,000 decreased \$41.63 million. In addition, CDARS decreased \$7.62 million.

The table below summarizes the changes by deposit category since year-end 2020:

<i>(Dollars in thousands)</i>	March 31 2021	December 31 2020	\$ Change	% Change
Demand deposits	\$ 5,861,035	\$ 5,428,398	\$ 432,637	7.97%
Interest-bearing checking	814,096	799,635	14,461	1.81%
Regular savings	1,391,912	1,283,823	108,089	8.42%
Money market accounts	10,691,022	10,165,334	525,688	5.17%
Time deposits under \$100,000	931,796	979,988	(48,192)	(4.92%)
Time deposits over \$100,000 ⁽¹⁾	1,706,613	1,927,982	(221,369)	(11.48%)
Total deposits	<u>\$ 21,396,474</u>	<u>\$ 20,585,160</u>	<u>\$ 811,314</u>	<u>3.94%</u>

(1) Includes time deposits of \$250,000 or more of \$743,125 and \$889,334 at March 31, 2021 and December 31, 2020, respectively.

Borrowings

Total borrowings at March 31, 2021 decreased \$47.27 million or 4.70% since year-end 2020. During the first three months of 2021, short-term borrowings increased \$2.90 million or 2.04% due to short-term securities sold under agreements to repurchase. Long-term borrowings decreased \$50.17 million or 5.80% from year-end 2020 due to a \$50.58 million decrease in long-term FHLB advances as payments exceeded new borrowings.

The table below summarizes the change in the borrowing categories since year-end 2020:

<i>(Dollars in thousands)</i>	March 31 2021	December 31 2020	\$ Change	% Change
Short-term securities sold under agreements to repurchase	\$ 145,200	\$ 142,300	\$ 2,900	2.04%
Long-term FHLB advances	533,948	584,532	(50,584)	(8.65%)
Subordinated debt	9,865	9,865	0	0.00%
Issuances of trust preferred capital securities	270,382	269,972	410	0.15%
Total borrowings	<u>\$ 959,395</u>	<u>\$ 1,006,669</u>	<u>\$ (47,274)</u>	<u>(4.70%)</u>

For a further discussion of borrowings see Notes 10 and 11 to the unaudited Notes to Consolidated Financial Statements.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at March 31, 2021 increased \$46.30 million or 22.88% from year-end 2020. In particular, accounts payable associated with George Mason increased \$45.02 million and income tax payable increased \$9.57 million both due to timing differences. In addition, accrued mortgage escrow liabilities increased \$4.76 million and business franchise taxes increased \$2.40 million. Partially offsetting these increases was a decrease of \$8.36 million in incentives payables due to payments and a \$5.97 million decrease in derivative liabilities.

[Table of Contents](#)

Shareholders' Equity

Shareholders' equity at March 31, 2021 was \$4.33 billion, which was an increase of \$35.08 million or less than 1% from year-end 2020.

Retained earnings increased \$61.64 million or 5.11% from year-end 2020. Earnings net of dividends for the first three months of 2021 were \$61.64 million.

Accumulated other comprehensive income decreased \$20.51 million or 91.68% from year-end 2020 due mainly to a decrease of \$36.37 million in United's available for sale investment portfolio, net of deferred income taxes. Partially offsetting this decrease was a \$14.99 million increase in the fair value adjustment for cash flow hedges, net of deferred income taxes. The after-tax accretion of pension costs was \$869 thousand for the first quarter of 2021.

During the fourth quarter of 2020, United began repurchasing its common stock on the open market under repurchase plans approved by United's Board of Directors. United repurchased 306,204 shares in the first quarter of 2021 at a cost of \$9.96 million or an average price per share of \$32.52.

RESULTS OF OPERATIONS

Overview

Net income for the first quarter of 2021 was \$106.90 million as compared to earnings of \$40.18 million for the first quarter of 2020. Higher net income for the first quarter of 2021 compared to the first quarter of 2020 was primarily due to higher income from mortgage banking activities, driven by an elevated volume of mortgage loan originations and sales in the secondary market, the impact of the Carolina Financial acquisition and a lower provision for credit losses primarily due to better performance trends within the loan portfolio and an improved future macroeconomic forecast under the CECL accounting standard. Diluted earnings per share were \$0.83 for the first quarter of 2021 and \$0.40 for the first quarter of 2020.

United's annualized return on average assets for the first three months of 2021 was 1.64% and return on average shareholders' equity was 9.97% as compared to 0.82% and 4.82%, respectively, for the first three months of 2020. For the first three months of 2021, United's annualized return on average tangible equity was 17.20%, as compared to 8.77% for the first three months of 2020.

	Three Months Ended	
	March 31, 2021	March 31, 2020
<i>(Dollars in thousands)</i>		
Return on Average Tangible Equity:		
(a) Net Income (GAAP)	\$ 106,898	\$ 40,183
(b) Number of days	90	91
Average Total Shareholders' Equity (GAAP)	\$ 4,346,750	\$ 3,350,652
Less: Average Total Intangibles	(1,825,639)	(1,507,272)
(b) Average Tangible Equity (non-GAAP)	\$ 2,521,111	\$ 1,843,380
Return on Tangible Equity (non-GAAP)		
[(a) / (b)] x 365 or 366/ (c)	17.20%	8.77%

Net interest income for the first three months of 2021 was \$190.96 million, an increase of \$49.44 million or 34.94% from net interest income of \$141.52 million for the first three months of 2020. The increase of \$49.44 million in net interest income occurred because total interest income increased \$25.18 million while total interest expense decreased \$24.27 million from the first quarter of 2020.

The provision for credit losses was \$143 thousand for the first three months of 2021 as compared to \$27.12 million for the first three months of 2020. This decrease in the provision for credit losses was mainly due to the impact of better

[Table of Contents](#)

performance trends within the loan portfolio as well as improved reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses under the CECL accounting standard. Noninterest income was \$92.57 million for the first three months of 2021, an increase of \$55.77 million or 151.52% from the first three months of 2020 due mainly to increased income from mortgage banking activities due to an elevated volume of mortgage loan originations and sales in the secondary market as well as the addition of mortgage banking operations from the Carolina Financial acquisition. Noninterest expense for the first three months of 2021 increased \$47.79 million or 47.26% from the first three months of 2020 due mainly to the Carolina Financial acquisition as well as due to higher employee incentives and commissions expense mainly related to higher mortgage banking production. Income taxes increased \$17.68 million or 178.74% for the first three months of 2021 as compared to the first three months of 2020. The effective tax rate was 20.50% and 19.75% for the first quarter of 2021 and 2020, respectively.

Business Segments

United operates in two business segments: community banking and mortgage banking.

Community Banking

Net income attributable to the community banking segment for the first quarter of 2021 was \$82.22 million compared to net income of \$42.05 million for the first quarter of 2020. The higher net income within the community banking segment was due primarily to the impact of the Carolina Financial acquisition and a lower provision for credit losses.

Net interest income of \$187.20 million for the first quarter of 2021 was an increase of \$46.78 million or 33.31% from \$140.42 million for the first quarter of 2020. Generally, net interest income for the first quarter of 2021 increased from the first quarter of 2020 due to an increase in average earning assets as a result of the Carolina Financial acquisition, PPP loan activity and to a larger decline in the average cost of funds as compared to the average yield on earning assets.

Provision for credit losses was \$143 thousand for the three months ended March 31, 2021, a decrease of \$26.98 million or 99.47% from a provision of \$27.12 million for the same period of 2020. As previously mentioned, the decrease was due mainly to better performance trends within the loan portfolio as well as improved reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses under the CECL accounting standard.

Noninterest income increased \$6.82 million for the first quarter of 2021 to \$26.39 million as compared to \$19.57 million for the first quarter of 2020. The increase of \$6.82 million was due mainly to increased fees from brokerage, fees from deposit services, net gains on the sales and calls of investment securities and other miscellaneous income. Partially offsetting these increases was a decrease in income from bank-owned life insurance policies ("BOLI") due to the recognition of death benefits for the first quarter of 2020.

Noninterest expense was \$110.02 million for the first quarter of 2021, compared to \$80.46 million for the same period of 2020. The increase of \$29.55 million in noninterest expense was primarily attributable to the additional employees and branch offices from the Carolina Financial acquisition as most major categories of noninterest expense showed increases.

Mortgage Banking

The mortgage banking segment reported net income of \$23.03 million for the first quarter of 2021, compared to net income of \$1.11 million for the first quarter of 2020. Noninterest income, which consists mainly of realized and unrealized gains associated with the fair value of commitments and loans held for sale, was \$67.51 million for the first quarter of 2021, compared to \$21.19 million for the first quarter of 2020. The increase in the first quarter of 2021 was due mainly to increased sales of mortgage loans in the secondary market and the addition of mortgage banking operations from the Carolina Financial acquisition. Noninterest expense was \$41.18 million for the first three months of 2021 as compared to \$20.76 million for the first three months of 2020. Noninterest expense consists mainly of salaries, commissions and benefits of mortgage segment employees. The increase in the first quarter of 2021 was due mainly to higher employee incentives and

[Table of Contents](#)

commissions related to the increased mortgage banking production as well as the additional expense associated with the mortgage banking employees added from the Carolina Financial acquisition.

The following table sets forth certain consolidated income statement information of United:

	Three Months Ended		
	March 2021	March 2020	December 2020
<i>(Dollars in thousands)</i>			
Income Statement Summary:			
Interest income	\$205,657	\$180,482	\$208,914
Interest expense	14,697	38,964	16,925
Net interest income	190,960	141,518	191,989
Provision for credit losses	143	27,119	16,751
Other income	92,573	36,806	94,082
Other expense	148,927	101,133	156,117
Income before income taxes	134,463	50,072	113,203
Income taxes	27,565	9,889	20,833
Net income	<u>\$106,898</u>	<u>\$ 40,183</u>	<u>\$ 92,370</u>

The following discussion explains in more detail the consolidated results of operations by major category.

Net Interest Income

Net interest income represents the primary component of United's earnings. It is the difference between interest income from earning assets and interest expense incurred to fund these assets. Net interest income is impacted by changes in the volume and mix of interest-earning assets and interest-bearing liabilities, as well as changes in market interest rates. Such changes, and their impact on net interest income in 2021 and 2020, are presented below.

Net interest income for the first quarter of 2021 was \$190.96 million, an increase of \$49.44 million or 34.94% from the first quarter of 2020. The \$49.44 million increase in net interest income occurred because total interest income increased \$25.18 million while total interest expense decreased \$24.27 million from the first quarter of 2020. On a linked-quarter basis, net interest income for the first quarter of 2021 was relatively flat from the fourth quarter of 2020, decreasing \$1.03 million or less than 1%. The \$1.03 million decrease in net interest income occurred because total interest income decreased \$3.26 million while total interest expense decreased \$2.23 million from the fourth quarter of 2020.

Generally, net interest income for the first quarter of 2021 increased from the first quarter of 2020 due to a larger decline in the cost of average interest-bearing liabilities in comparison to the yield on average earning assets (interest rate spread). Generally, interest income for the first three months of 2021 increased from the first quarter of 2020 due to an increase in earning assets, mainly as a result of the Carolina Financial acquisition and PPP loan activity, while interest expense decreased primarily due to a decline in market interest rates which resulted in lower funding costs. For the purpose of this remaining discussion, net interest income is presented on a tax-equivalent basis to provide a comparison among all types of interest earning assets. The tax-equivalent basis adjusts for the tax-favored status of income from certain loans and investments. Although this is a non-GAAP measure, United's management believes this measure is more widely used within the financial services industry and provides better comparability of net interest income arising from taxable and tax-exempt sources. United uses this measure to monitor net interest income performance and to manage its balance sheet composition.

Tax-equivalent net interest income for the first quarter of 2021 was \$192.01 million, an increase of \$49.71 million or 34.93% from the first quarter of 2020. Average earning assets for the first quarter of 2021 increased \$6.21 billion or 35.91% from the first quarter of 2020 due to a \$4.06 billion or 29.16% increase in average net loans and leases, including loans held for sale, a \$1.58 billion or 220.44% increase in average short-term investments and a \$572.81 million or 21.67% increase in average investment securities. The net interest spread for the first quarter of 2021 increased 30 basis points from first quarter of 2020 due to a 95 basis point decrease in the average cost of funds partially offset by a 65 basis point decrease in average yield on earning assets. PPP loan fee income of \$11.31 million was recognized in the first quarter of 2021 driven primarily

[Table of Contents](#)

by loan forgiveness by the SBA. Loan accretion on acquired loans and leases was \$9.80 million and \$9.55 million for the first quarter of 2021 and 2020, respectively, an increase of \$254 thousand. The net interest margin of 3.30% for the first quarter of 2021 was flat from the first quarter of 2020.

On a linked-quarter basis, United's tax-equivalent net interest income for the first quarter of 2021 was relatively flat from the fourth quarter of 2020, decreasing \$1.02 million or less than 1% due mainly to a change in the mix of average earning assets. Average earning assets increased \$384.63 million or 1.66%. Specifically, average short-term investments increased \$521.57 million or 29.50% and average investment securities increased \$136.66 million or 4.44%. Average net loans for the quarter decreased \$273.59 million or 1.50%. The net interest spread for the first quarter of 2021 of 3.14% was flat from the fourth quarter of 2020 due to equal 6 basis point decreases in the average cost of funds and the average yield on earning assets. PPP loan fee income for the first quarter of 2021 increased \$4.33 million from the fourth quarter of 2020, driven primarily by higher loan forgiveness by the SBA. Loan accretion on acquired loans for the first quarter of 2021 declined \$1.13 million or 10.32% from the fourth quarter of 2020. Loan accretion on acquired loans was \$9.80 million and \$10.93 million for the first quarter of 2021 and fourth quarter of 2020, respectively. The net interest margin of 3.30% for the first quarter of 2021 was a decrease of 3 basis points from the net interest margin of 3.33% for the fourth quarter of 2020.

United's tax-equivalent net interest income also includes the impact of acquisition accounting fair value adjustments. The following table provides the discount/premium and net accretion impact to tax-equivalent net interest income for the three months ended March 31, 2021, March 31, 2020 and December 31, 2020:

	Three Months Ended		
	March 31 2021	March 31 2020	December 31 2020
<i>(Dollars in thousands)</i>			
Loan accretion	\$ 9,800	\$ 9,546	\$ 10,928
Certificates of deposit	1,449	141	2,145
Long-term borrowings	174	268	305
Total	<u>\$ 11,423</u>	<u>\$ 9,955</u>	<u>\$ 13,378</u>

The following tables reconcile the difference between net interest income and tax-equivalent net interest income for the three months ended March 31, 2021, March 31, 2020 and December 31, 2020.

	Three Months Ended		
	March 31 2021	March 31 2020	December 31 2020
<i>(Dollars in thousands)</i>			
Net interest income, GAAP basis	\$ 190,960	\$ 141,518	\$ 191,989
Tax-equivalent adjustment (1)	1,047	782	1,042
Tax-equivalent net interest income	<u>\$ 192,007</u>	<u>\$ 142,300</u>	<u>\$ 193,031</u>

- (1) The tax-equivalent adjustment combines amounts of interest income on federally nontaxable loans and investment securities using the statutory federal income tax rate of 21% for the three months ended March 31, 2021 and 2020 and December 31, 2020. All interest income on loans and investment securities was subject to state income taxes.

Table of Contents

The following tables show the unaudited consolidated daily average balance of major categories of assets and liabilities for the three-month periods ended March 31, 2021 and 2020, respectively, with the interest and rate earned or paid on such amount. The interest income and yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 21% for the three-month period ended March 31, 2021 and 2020. Interest income on all loans and investment securities was subject to state income taxes.

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1)	Avg. Rate (1)
<i>(Dollars in thousands)</i>						
ASSETS						
Earning Assets:						
Federal funds sold and securities purchased under agreements to resell and other short-term investments	\$ 2,289,545	\$ 1,893	0.34%	\$ 714,507	\$ 3,965	2.23%
Investment Securities:						
Taxable	2,921,295	13,526	1.85%	2,537,229	16,969	2.68%
Tax-exempt	294,820	1,981	2.69%	106,081	879	3.31%
Total Securities	3,216,115	15,507	1.93%	2,643,310	17,848	2.70%
Loans, net of unearned income (2)	15,237,552	189,304	4.20%	14,072,021	159,451	4.55%
Allowance for loan losses	(235,795)			(134,084)		
Net loans	18,001,757		4.26%	13,937,937		4.60%
Total earning assets	23,507,417	\$206,704	3.56%	17,295,754	\$181,264	4.21%
Other assets	2,983,699			2,303,499		
TOTAL ASSETS	\$26,491,116			\$19,599,253		
LIABILITIES						
Interest-Bearing Funds:						
Interest-bearing deposits	\$13,184,728	\$ 11,985	0.37%	\$ 9,278,782	\$ 27,477	1.19%
Short-term borrowings	142,155	178	0.51%	137,427	458	1.34%
Long-term borrowings	833,365	2,534	1.23%	2,002,763	11,029	2.21%
Total Interest-Bearing Funds	14,160,248	14,697	0.42%	11,418,972	38,964	1.37%
Noninterest-bearing deposits	7,735,638			4,627,044		
Accrued expenses and other liabilities	248,480			202,585		
TOTAL LIABILITIES	22,144,366			16,248,601		
SHAREHOLDERS' EQUITY	4,346,750			3,350,652		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$26,491,116			\$19,599,253		
NET INTEREST INCOME		\$192,007			\$142,300	
INTEREST SPREAD			3.14%			2.84%
NET INTEREST MARGIN			3.30%			3.30%

- (1) The interest income and the yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 21%.
- (2) Nonaccruing loans are included in the daily average loan amounts outstanding.

Provision for Credit Losses

For the quarters ended March 31, 2021 and 2020, the provision for credit losses was \$143 thousand and \$27.12 million, respectively. Net charge-offs were \$4.54 million for the first quarter of 2021 as compared to net charge-offs of \$6.69 million for the same quarter in 2020. The lower amount of provision expense for the first quarter of 2021 compared to the first quarter of 2020 was mainly due to better performance trends within the loan portfolio as well as improved reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses. The lower amount of net charge-offs was due to a large charge-off on a commercial credit in the first quarter of 2020. On a linked-quarter basis, the provision for credit losses decreased \$16.61 million due mainly to better performance trends within the loan portfolio as well as improved reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses. Net charge-offs for the first quarter of 2021 decreased \$2.38 million from the fourth quarter of 2020. Annualized net charge-offs as a percentage of average loans were 0.10% for the first quarter of 2021.

As of March 31, 2021, nonperforming loans and leases were \$116.23 million or 0.67% of loans and leases, net of unearned income as compared to \$132.21 million or 0.75% of loans, net of unearned income at December 31, 2020. The components of nonperforming loans and leases include: 1) nonaccrual loans and leases, 2) loans and leases which are contractually past due 90 days or more as to interest or principal, but have not been put on a nonaccrual basis and 3) loans and leases whose terms have been restructured for economic or legal reasons due to financial difficulties of the borrowers.

Loans past due 90 days or more were \$15.72 million at March 31, 2021, an increase of \$1.89 million or 13.64% from \$13.83 million at year-end 2020. This increase was primarily due to several large commercial relationships that have exceeded their stated maturity dates as of March 31, 2021. At March 31, 2021, nonaccrual loans were \$48.99 million, which was a decrease of \$13.73 million or 21.90% from \$62.72 million at year-end 2020. This decrease was due to the repayment of three large commercial nonaccrual loans as well as the charge-off of three commercial relationships. Restructured loans were \$51.53 million at March 31, 2021, a decrease of \$4.13 million or 7.42% from \$55.66 million at year-end 2020. The decrease was mainly due to the repayment of one large commercial relationship and charge-off of two commercial restructured loans during the first quarter of 2021. The loss potential on these loans has been properly evaluated and allocated within the Company's allowance for loan losses.

Nonperforming assets include nonperforming loans and real estate acquired in foreclosure or other settlement of loans ("OREO"). Total nonperforming assets of \$134.92 million, including OREO of \$18.69 million at March 31, 2021, represented 0.50% of total assets.

United maintains an allowance for loan and lease losses and a reserve for lending-related commitments. The combined allowance for loan losses and reserve for lending-related commitments is considered the allowance for credit losses. At March 31, 2021, the allowance for credit losses was \$251.61 million as compared to \$255.08 million at December 31, 2020.

At March 31, 2021, the allowance for loan and lease losses was \$231.58 million as compared to \$235.83 million at December 31, 2020. The decrease in the allowance for loan and lease losses was due to better trends within the loan portfolio as well as improved reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses. As a percentage of loans and leases, net of unearned income, the allowance for loan losses was 1.33% at March 31, 2021 and 1.34% at December 31, 2020. The ratio of the allowance for loan and lease losses to nonperforming loans and leases or coverage ratio was 199.24% and 178.38% at March 31, 2021 and December 31, 2020, respectively. The increase in this ratio was due mainly to a decline in nonperforming loans.

United continues to evaluate risks which may impact its loan and lease portfolios. As a result of the COVID-19 pandemic and resulting economic uncertainty given the rapidly changing economic impact, the Company reviewed its loan and lease portfolio segments, assessing the likely impact of COVID-19 on each segment and established relevant qualitative adjustment factors. Reserves are initially determined based on losses identified from the PD/LGD and Cohort models which utilize the Company's historical information. Then any qualitative adjustments are applied to account for the Company's view of the future. If current conditions underlying any qualitative adjustment factor were deemed to be materially different than historical conditions, then an adjustment was made for that factor.

Table of Contents

The first quarter of 2021 qualitative adjustments include analyses of the following:

- Past events – This includes portfolio trends related to business conditions; past due, nonaccrual, and graded loans and leases; and concentrations.
- Current conditions – United considered the continued impact of COVID-19 on the economy as well as loan deferrals and modifications made in light of the pandemic when making determinations related to factor adjustments, such as changes in economic and business conditions, collateral values, external factors and past due loans and leases.
- Reasonable and supportable forecasts – The forecast is determined on a portfolio-by-portfolio basis by relating the correlation of real GDP and the unemployment rate to loss rates to forecasts of those variables. The reasonable and supportable forecast selection is subjective in nature and requires more judgment compared to the other components of the allowance. Assumptions for the economic variables were the following:
 - The ranges for the economic variables of GDP and the unemployment rate have narrowed in the first quarter of 2021 as compared to the fourth quarter of 2020.
 - The forecast is less severe than fourth quarter 2020 while maintaining a long gradual recovery pace extending into 2023.
 - Greater risk of loss is probable in the hotel and accommodations portfolio due to weakened economic conditions brought on by the pandemic which resulted in a more negative forecast relative to other portfolios and a longer projected recovery period to extend into late 2023 or 2024.
 - Consideration was given to the \$1.9 trillion American Rescue Plan (effective March 11, 2021) during the forecast selection process.
 - Reversion to historical loss data occurs via a straight-line method during the year following the one-year reasonable and supportable forecast period.

Allocations are made for specific commercial loans based upon management's estimate of the borrowers' ability to repay and other factors impacting collectability. Other commercial loans and leases not specifically reviewed on an individual basis are evaluated based on historical loss percentages applied to loan pools that have been segregated by risk. Allocations for loans and leases other than commercial loans and leases are made based upon historical loss experience adjusted for current environmental conditions. The allowance for credit losses includes estimated lifetime losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet fully manifested themselves in loss allocation factors.

United's review of the allowance for loan and lease losses at March 31, 2021 produced increased allocations in one of the four loan categories and decreases in three of the loan categories. The allocation related to the commercial, financial & agricultural loan pool increased \$2.84 million. This increase was primarily driven by an increased probability of default due to recognition of losses on several significant impaired relationships. The residential real estate allocation decreased \$4.13 million primarily due to decrease in outstanding loan balances. The real estate construction and development loan pool allocation decreased \$748 thousand. The consumer loan pool experienced a decrease of \$2.20 million primarily due to improvement in economic conditions and the past economic stimulus which limited the Company's loss experience from expectations.

An allowance is established for estimated lifetime losses for loans that are individually assessed. Nonperforming commercial loans and leases are regularly reviewed to identify expected credit losses. A loan is individually assessed for expected credit losses when the loan does not share similar characteristics with other loans in the portfolio. Measuring expected credit losses of a loan requires judgment and estimates, and the eventual outcomes may differ from those estimates. Expected credit losses are measured based upon the present value of expected future cash flows from the loan discounted at the loan's effective rate, the loan's observable market price or the fair value of collateral if the loan is collateral dependent. When the selected measure is less than the recorded investment in the loan, an expected credit loss has occurred. The allowance for loans and leases that were individually assessed was \$3.85 million at March 31, 2021 and \$7.78 million at December 31, 2020. In comparison to the prior year-end, this element of the allowance decreased by \$3.93 million primarily due to charge-off of previously recognized allocations for probable credit losses on individually assessed loans as well as repayment of individually assessed loans.

[Table of Contents](#)

Management believes that the allowance for credit losses of \$251.61 million at March 31, 2021 is adequate to provide for expected losses on existing loans and lending-related commitments based on information currently available. United's loan administration policies are focused on the risk characteristics of the loan portfolio in terms of loan approval and credit quality. The commercial loan portfolio is monitored for possible concentrations of credit in one or more industries. Management has lending limits as a percentage of capital per type of credit concentration in an effort to ensure adequate diversification within the portfolio. Most of United's commercial loans are secured by real estate located in West Virginia, southeastern Ohio, Pennsylvania, Virginia, Maryland, North Carolina, South Carolina and the District of Columbia. It is the opinion of management that these commercial loans do not pose any unusual risks and that adequate consideration has been given to these loans in establishing the allowance for credit losses.

The provision for credit losses related to held to maturity securities for the first quarter of 2021 and 2020 was immaterial. The allowance for credit losses related to held to maturity securities was \$23 thousand as of March 31, 2021 and December 31, 2020. There was no provision for credit losses recorded on available for sale investment securities for the first quarter of 2021 and 2020 and no allowance for credit losses on available for sale investment securities as of March 31, 2021 and December 30, 2020. Due to loan interest payment deferrals granted by United under the CARES Act, United assessed the collectability of the accrued interest receivables on these deferring loans as of March 31, 2021. As a result of this assessment, United released reserves of \$151 thousand for the first quarter of 2021. No provision for credit losses on accrued interest receivables was recorded for the first quarter of 2020. The allowance for accrued interest receivables not expected to be collected as of March 31, 2021 was \$99 thousand as compared to \$250 thousand at December 31, 2020.

Management is not aware of any potential problem loans or leases, trends or uncertainties, which it reasonably expects, will materially impact future operating results, liquidity, or capital resources which have not been disclosed. Additionally, management has disclosed all known material credits, which cause management to have serious doubts as to the ability of such borrowers to comply with the loan repayment schedules.

Other Income

Other income consists of all revenues, which are not included in interest and fee income related to earning assets. Noninterest income has been and will continue to be an important factor for improving United's profitability. Recognizing the importance, management continues to evaluate areas where noninterest income can be enhanced.

Noninterest income for the first quarter of 2021 was \$92.57 million, an increase of \$55.77 million or 151.52% from the first quarter of 2020. The increase was due mainly to an increase in income from mortgage banking activities. Income from mortgage banking activities totaled \$65.40 million for the first quarter of 2021 compared to \$17.63 million for the first quarter of 2020. The increase of \$47.76 million or 270.91% for the first quarter of 2021 was mainly due to increased loan sales. Mortgage loan sales were \$1.84 billion in the first quarter of 2021 as compared to \$617.61 million in the first quarter of 2020. Mortgage loans originated for sale were \$1.93 billion for the first quarter of 2021 as compared to \$733.61 million for the first quarter of 2020.

Mortgage loan servicing income of \$2.34 million was recorded in the first quarter of 2021 due to the acquisition of Carolina Financial and Crescent Mortgage.

Fees from brokerage services for the first quarter of 2021 increased \$1.41 million or 48.25% from the first quarter of 2020. This increase was due to an increased volume of transactions.

Fees from deposit services for the first quarter of 2021 increased \$939 thousand or 11.80% from the first quarter of 2020. The increase was due primarily to higher debit card fee income partially offset by lower income from overdraft fees and automated teller machine ("ATM") fees due to the waiving of fees towards the end of the first quarter of 2020 as a result of the COVID-19 pandemic.

Income from bank-owned life insurance ("BOLI") for the first quarter of 2021 was \$1.40 million, a decrease of \$985 thousand or 41.25% from the first quarter of 2020 due to a decrease in death benefits. For the first quarter of 2020, United recognized death benefits from BOLI of \$1.19 million.

[Table of Contents](#)

On a linked-quarter basis, noninterest income for the first quarter of 2021 decreased \$1.51 million or 1.60% from the fourth quarter of 2020 primarily due to a decrease of \$5.40 million in income from mortgage banking activities as mortgage loan originations and sales volumes declined from the fourth quarter of 2020. Mortgage loan sales were down \$267.29 million or 12.70% in the first quarter of 2021 while mortgage loans originated for sale declined \$84.95 million or 4.22% from the fourth quarter of 2020. In addition, fees from deposit services declined \$605 thousand due to seasonality. Partially offsetting these decreases were increases of \$2.02 million in net gains on investment securities and \$1.20 million in fees from brokerage services in relation to the fourth quarter of 2020.

Other Expenses

Just as management continues to evaluate areas where noninterest income can be enhanced, it strives to improve the efficiency of its operations to reduce costs. Other expenses include all items of expense other than interest expense, the provision for credit losses, and income taxes. Noninterest expense for the first quarter of 2021 was \$148.93 million, which was an increase of \$47.79 million or 47.26% from the first quarter of 2020.

Employee compensation for the first quarter of 2021 increased \$27.87 million or 62.57% when compared to the first quarter of 2020. This increase was due mainly to additional employees from the Carolina Financial acquisition. The remainder of the increase in employee compensation for first quarter of 2021 was due mainly to higher employee incentives and commissions expense primarily related to the increased mortgage banking production.

Employee benefits expense for the first quarter of 2021 increased \$4.66 million or 43.24% from the first quarter of 2020. This increase was primarily due to higher levels of Federal Insurance Contributions Act ("FICA"), health insurance and postretirement expense due mainly to the additional employees from the Carolina Financial acquisition. The increase in FICA expense was also due to the higher incentives and commissions expense.

Net occupancy expense increased \$1.88 million or 20.73% for the first quarter of 2021 as compared to the first quarter of 2020. The increase was due primarily to increases in building depreciation and maintenance expenses mainly as a result of the offices added in the Carolina Financial acquisition.

OREO expense for the first quarter of 2021 increased \$2.72 million as declines in fair value of OREO properties increased from the first quarter of 2020.

Equipment expense increased \$2.20 million or 57.19% for the first quarter of 2021, as compared to the same time period in 2020. The increase was due mainly to higher maintenance costs and depreciation expense primarily due to the Carolina Financial acquisition.

Data processing expense increased \$1.52 million or 27.61% for the first quarter 2021 as compared to the first quarter of 2020 due to additional processing as a result of the Carolina Financial acquisition.

Mortgage loan servicing expense and impairment for the first quarter of 2021 increased \$3.04 million from the same time period in 2020. The increase was due to the acquisition of Carolina Financial and Crescent Mortgage.

Other expense for the first quarter of 2021 increased \$4.38 million or 18.66% from the first quarter of 2020. Within other expenses, the most significant increases were consulting and legal expenses of \$1.25 million and amortization of income tax credits which reduces the effective tax rate of \$1.17 million. Merger-related expenses associated with the Carolina Financial acquisition declined \$1.56 million.

On a linked-quarter basis, noninterest expense for the first quarter of 2021 decreased \$7.19 million or 4.61% from the fourth quarter of 2020 primarily due to decreases of \$4.59 million in employee compensation and \$5.29 million in other expenses. Employee compensation declined from the fourth quarter of 2020 primarily due a decline in expenses for salaries

[Table of Contents](#)

(fewer employees), incentives and commissions (lower mortgage banking production) recognized in the first quarter of 2021. Within other expenses, the largest driver of the decrease was a decrease in the expense for the reserve for unfunded commitments of \$2.52 million.

Income Taxes

For the first quarter of 2021, income tax expense was \$27.57 million as compared to \$9.89 million for the first quarter of 2020. The increase in the comparative quarter was due to higher earnings and a higher effective tax rate. On a linked-quarter basis, income tax expense increased \$6.73 million primarily due to higher earnings and a higher effective tax rate. United's effective tax rate was 20.50% for the first quarter of 2021, 19.75% for the first quarter of 2020 and 18.40% for the fourth quarter of 2020.

Liquidity and Capital Resources

In the opinion of management, United maintains liquidity that is sufficient to satisfy its depositors' requirements and the credit needs of its customers. Like all banks, United depends upon its ability to renew maturing deposits and other liabilities on a daily basis and to acquire new funds in a variety of markets. A significant source of funds available to United is "core deposits". Core deposits include certain demand deposits, statement and special savings and NOW accounts. These deposits are relatively stable, and they are the lowest cost source of funds available to United. Short-term borrowings have also been a significant source of funds. These include federal funds purchased and securities sold under agreements to repurchase as well as advances from the FHLB. Repurchase agreements represent funds which are obtained as the result of a competitive bidding process.

Liquid assets are cash and those items readily convertible to cash. All banks must maintain sufficient balances of cash and near-cash items to meet the day-to-day demands of customers and United's cash needs. Other than cash and due from banks, the available for sale securities portfolio and maturing loans are the primary sources of liquidity.

The goal of liquidity management is to ensure the ability to access funding which enables United to efficiently satisfy the cash flow requirements of depositors and borrowers and meet United's cash needs. Liquidity is managed by monitoring funds' availability from a number of primary sources. Substantial funding is available from cash and cash equivalents, unused short-term borrowing and a geographically dispersed network of branches providing access to a diversified and substantial retail deposit market.

Short-term needs can be met through a wide array of outside sources such as correspondent and downstream correspondent federal funds and utilization of Federal Home Loan Bank advances.

Other sources of liquidity available to United to provide long-term as well as short-term funding alternatives, in addition to FHLB advances, are long-term certificates of deposit, lines of credit, borrowings that are secured by bank premises or stock of United's subsidiaries and issuances of trust preferred securities. In the normal course of business, United through its Asset Liability Committee evaluates these as well as other alternative funding strategies that may be utilized to meet short-term and long-term funding needs.

For the three months ended March 31, 2021, cash of \$80.58 million was provided by operating activities due mainly to net income of \$106.90 million for the quarter. In addition, an increase of \$47.13 million in accrued expenses and a decrease of \$13.00 million in other assets added cash to the net income amount. Partially offsetting these increases to cash was a decrease of \$89.19 million in cash from mortgage banking activities as originations exceeded proceeds from the sales of mortgage loans in the secondary market. Net cash of \$38.99 million was used in investing activities which was primarily due to \$267.48 million of purchases of investment securities over proceeds from sales partially offset by net loan repayments of \$229.97 million. During the first three months of 2021, net cash of \$712.47 million was provided by financing activities due primarily to net growth of \$812.76 million in deposits. These funding activities were partially offset by the net repayment of \$50.00 million in long-term FHLB advances, cash dividends paid of \$45.45 million and net repurchases of \$11.21 million in treasury stock for the quarter. The net effect of the cash flow activities was an increase in cash and cash equivalents of \$754.07 million for the first three months of 2021.

[Table of Contents](#)

United anticipates it can meet its obligations over the next 12 months and has no material commitments for capital expenditures. United also has lines of credit available. See Notes 10 and 11 to the accompanying unaudited Notes to Consolidated Financial Statements for more details regarding the amounts available to United under lines of credit.

The Asset Liability Committee monitors liquidity to ascertain that a liquidity position within certain prescribed parameters is maintained. No changes are anticipated in the policies of United's Asset Liability Committee.

United's capital position is financially sound. United seeks to maintain a proper relationship between capital and total assets to support growth and sustain earnings. United has historically generated attractive returns on shareholders' equity. United is well-capitalized based upon regulatory guidelines. United's risk-based capital ratio is 15.68% at March 31, 2021 while its Common Equity Tier 1 capital, Tier 1 capital and leverage ratios are 13.43%, 13.43% and 10.38%, respectively. The March 31, 2021 ratios reflect United's election of a five-year transition provision, allowed by the Federal Reserve Board and other federal banking agencies in response to the COVID-19 pandemic, to delay for two years the full impact of CECL on regulatory capital, followed by a three-year transition period. The regulatory requirements for a well-capitalized financial institution are a risk-based capital ratio of 10.0%, a Common Equity Tier 1 capital ratio of 6.5%, a Tier 1 capital ratio of 8.0% and a leverage ratio of 5.0%.

Total shareholders' equity was \$4.33 billion at March 31, 2021, which was relatively flat from December 31, 2020, an increase of \$35.08 million or less than 1%. This increase is primarily due to an increase of \$61.64 million in retained earnings (net income less dividends declared). Partially offsetting this increase was a decrease of \$20.51 million in accumulated other comprehensive income due mainly to an after-tax decrease in the fair value of available for sale securities. Treasury stock increased \$11.21 million or 7.04% due to the repurchase of 306,204 shares of United common stock under a stock repurchase plan approved by United's Board of directors in November of 2019.

United's equity to assets ratio was 16.03% at March 31, 2021 as compared to 16.41% at December 31, 2020. The primary capital ratio, capital and reserves to total assets and reserves, was 16.80% at March 31, 2021 as compared to 17.22% at December 31, 2020. United's average equity to average asset ratio was 16.41% for the first quarter of 2021 as compared to 17.10% the first quarter of 2020. All of these financial measurements reflect a financially sound position.

During the first quarter of 2021, United's Board of Directors declared a cash dividend of \$0.35 per share. Total cash dividends declared were \$45.25 million for the first quarter of 2021 which was an increase of \$9.65 million or 27.10% from dividends declared of \$35.60 million for the first quarter of 2020.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The objective of United's Asset Liability Management function is to maintain consistent growth in net interest income within United's policy guidelines. This objective is accomplished through the management of balance sheet liquidity and interest rate risk exposures due to changes in economic conditions, interest rate levels and customer preferences.

Interest Rate Risk

Management considers interest rate risk to be United's most significant market risk. Interest rate risk is the exposure to adverse changes in United's net interest income as a result of changes in interest rates. United's earnings are largely dependent on the effective management of interest rate risk.

Management of interest rate risk focuses on maintaining consistent growth in net interest income within Board-approved policy limits. United's Asset/Liability Management Committee ("ALCO"), which includes senior management representatives and reports to the Board of Directors, monitors and manages interest rate risk to maintain an acceptable level of change to net interest income as a result of changes in interest rates. Policy established for interest rate risk is stated in terms of the change in net interest income over a one-year and two-year horizon given an immediate and sustained increase or decrease in interest rates. The current limits approved by the Board of Directors are structured on a staged basis with each stage requiring specific actions.

[Table of Contents](#)

United employs a variety of measurement techniques to identify and manage its exposure to changing interest rates. One such technique utilizes an earnings simulation model to analyze the sensitivity of net interest income to movements in interest rates. The model is based on actual cash flows and repricing characteristics for on and off-balance sheet instruments and incorporates market-based assumptions regarding the impact of changing interest rates on the prepayment rate of certain assets and liabilities. The model also includes executive management projections for activity levels in product lines offered by United. Assumptions based on the historical behavior of deposit rates and balances in relation to changes in interest rates are also incorporated into the model. Rate scenarios could involve parallel or nonparallel shifts in the yield curve, depending on historical, current, and expected conditions, as well as the need to capture any material effects of explicit or embedded options. These assumptions are inherently uncertain and, as a result, the model cannot precisely measure net interest income or precisely predict the impact of fluctuations in interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and management's strategies.

Interest sensitive assets and liabilities are defined as those assets or liabilities that mature or are repriced within a designated time frame. The principal function of managing interest rate risk is to maintain an appropriate relationship between those assets and liabilities that are sensitive to changing market interest rates. The difference between rate sensitive assets and rate sensitive liabilities for specified periods of time is known as the "GAP." Earnings-simulation analysis captures not only the potential of these interest sensitive assets and liabilities to mature or reprice, but also the probability that they will do so. Moreover, earnings-simulation analysis considers the relative sensitivities of these balance sheet items and projects their behavior over an extended period of time. United closely monitors the sensitivity of its assets and liabilities on an on-going basis and projects the effect of various interest rate changes on its net interest margin.

The following table shows United's estimated earnings sensitivity profile as of March 31, 2021 and December 31, 2020:

<u>Change in Interest Rates (basis points)</u>	<u>Percentage Change in Net Interest Income</u>	
	<u>March 31, 2021</u>	<u>December 31, 2020</u>
+200	(2.16%)	(4.32%)
+100	(1.58%)	(2.61%)
-100	(0.55%)	0.03%
-200	(1.57%)	(0.05%)

At March 31, 2021, given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, net interest income for United is estimated to decrease by 1.58% over one year as compared to a decrease of 2.61% at December 31, 2020. A 200 basis point immediate, sustained upward shock in the yield curve would decrease net interest income by an estimated 2.16% over one year as of March 31, 2021, as compared to a decrease of 4.32% as of December 31, 2020. A 100 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 0.55% over one year as of March 31, 2021 as compared to an increase of 0.03%, over one year as of December 31, 2020. A 200 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 1.57% over one year as of March 31, 2021 as compared to a decrease of 0.05% over one year as of December 31, 2020.

In addition to the one year earnings sensitivity analysis, a two-year analysis is also performed. Compared to the one year analysis, United is projected to show improved performance in year two within the upward rate shock scenarios. Given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, net interest income for United is estimated to increase by 1.29% in year two as of March 31, 2021. A 200 basis point immediate, sustained upward shock in the yield curve would increase net interest income by an estimated 3.04% in year two as of March 31, 2021. A 100 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 4.08% in year two as of March 31, 2021. A 200 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 6.56% in year two as of March 31, 2021.

This analysis does not include the potential increased refinancing activities, which should lessen the negative impact on net income from falling rates. While it is unlikely market rates would immediately move 100 or 200 basis points upward or

[Table of Contents](#)

downward on a sustained basis, this is another tool used by management and the Board of Directors to gauge interest rate risk. All of these estimated changes in net interest income are and were within the policy guidelines established by the Board of Directors.

To further aid in interest rate management, United's subsidiary bank is a member of the Federal Home Loan Bank ("FHLB"). The use of FHLB advances provides United with a low risk means of matching maturities of earning assets and interest-bearing funds to achieve a desired interest rate spread over the life of the earning assets. In addition, United uses credit with large regional banks and trust preferred securities to provide funding.

As part of its interest rate risk management strategy, United may use derivative instruments to protect against adverse price or interest rate movements on the value of certain assets or liabilities and on future cash flows. These derivatives commonly consist of interest rate swaps, caps, floors, collars, futures, forward contracts, written and purchased options. Interest rate swaps obligate two parties to exchange one or more payments generally calculated with reference to a fixed or variable rate of interest applied to the notional amount. United accounts for its derivative activities in accordance with the provisions of ASC Topic 815, "Derivatives and Hedging."

Extension Risk

A key feature of most mortgage loans is the ability of the borrower to repay principal earlier than scheduled. This is called a prepayment. Prepayments arise primarily due to sale of the underlying property, refinancing, or foreclosure. In general, declining interest rates tend to increase prepayments, and rising interest rates tend to slow prepayments. Like other fixed-income securities, when interest rates rise, the value of mortgage-related securities generally declines. The rate of prepayments on underlying mortgages will affect the price and volatility of mortgage-related securities and may shorten or extend the effective maturity of the security beyond what was anticipated at the time of purchase. If interest rates rise, United's holdings of mortgage-related securities may experience reduced returns if the borrowers of the underlying mortgages pay off their mortgages later than anticipated. This is generally referred to as extension risk.

At March 31, 2021, United's mortgage related securities portfolio had an amortized cost of \$1.7 billion, of which approximately \$593.6 million or 36% were fixed rate collateralized mortgage obligations ("CMOs"). These fixed rate CMOs consisted primarily of planned amortization class ("PACs"), sequential-pay and accretion directed ("VADMs") bonds having an average life of approximately 3.5 years and a weighted average yield of 2.09%, under current projected prepayment assumptions. These securities are expected to have very little extension risk in a rising rate environment. Current models show that given an immediate, sustained upward shock of 300 basis points, the average life of these securities would only extend to 4.9 years. The projected price decline of the fixed rate CMO portfolio in rates up 300 basis points would be 11.5%, or less than the price decline of a 5-year treasury note. By comparison, the price decline of a 30-year 2.50% coupon mortgage backed security ("MBS") in rates higher by 300 basis points would be approximately 16.3%.

United had approximately \$613.5 million in fixed rate balloon and Commercial Mortgage Backed Securities with a projected yield of 2.15% and a projected average life of 5.3 years on March 31, 2021. This portfolio consisted primarily of Freddie Mac Multifamily K securities and Fannie Mae Delegated Underwriting and Servicing ("DUS") securities with a weighted average maturity ("WAM") of 8.3 years.

United had approximately \$19.1 million in 15-year mortgage backed securities with a projected yield of 2.21% and a projected average life of 2.7 years as of March 31, 2021. This portfolio consisted of seasoned 15-year mortgage paper with a weighted average loan age ("WALA") of 8.3 years and a WAM of 7.8 years.

United had approximately \$200.1 million in 20-year mortgage backed securities with a projected yield of 1.48% and a projected average life of 5.9 years on March 31, 2021. This portfolio consisted of seasoned 20-year mortgage paper with a WALA of 1.3 years and a WAM of 18.6 years.

United had approximately \$172.3 million in 30-year mortgage backed securities with a projected yield of 2.33% and a projected average life of 5.2 years on March 31, 2021. This portfolio consisted of seasoned 30-year mortgage paper with a WALA of 3.4 years and a WAM of 24.3 years.

[Table of Contents](#)

The remaining 4% of the mortgage related securities portfolio on March 31, 2021, included 10-year mortgage backed pass-through securities and other fixed rate mortgage backed securities.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2021, an evaluation was performed under the supervision of and with the participation of United's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of United's disclosure controls and procedures. Based on that evaluation, United's management, including the CEO and CFO, concluded that United's disclosure controls and procedures as of March 31, 2021 were effective in ensuring that information required to be disclosed in the Quarterly Report on Form 10-Q was recorded, processed, summarized and reported within the time period required by the Securities and Exchange Commission's rules and forms.

Limitations on the Effectiveness of Controls

United's management, including the CEO and CFO, does not expect that United's disclosure controls and internal controls will prevent all errors and fraud. While United's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objective, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

Changes in Internal Controls

There have been no changes in United's internal control over financial reporting (as defined in Rules 13a-15(e) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2021, or in other factors that have materially affected or are reasonably likely to materially affect United's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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.

Item 1A. RISK FACTORS

In addition to the other information set forth in this report, please refer to United's Annual Report on Form 10-K for the year ended December 31, 2020 for disclosures with respect to United's risk factors which could materially affect United's business, financial condition or future results. The risks described in the Annual Report on Form 10-K are not the only risks facing United. Additional risks and uncertainties not currently known to United or that United currently deems to be immaterial also may materially adversely affect United's business, financial condition and/or operating results.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There have been no United equity securities sales during the quarter ended March 31, 2021 that were not registered. The table below includes certain information regarding United's purchase of its common shares during the quarter ended March 31, 2021:

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (3)	Maximum Number of Shares that May Yet be Purchased Under the Plans (3)
1/01 – 1/31/2021	260,000	\$ 32.54	260,000	3,080,000
2/01 – 2/28/2021	46,209	\$ 32.44	46,204	3,033,796
3/01 – 3/31/2021	33,020	\$ 37.88	0	3,033,796
Total	<u>339,229</u>	<u>\$ 33.04</u>	<u>306,204</u>	

- (1) Includes shares exchanged in connection with the exercise of stock options or the vesting of restricted stock under United's long-term incentive plans. Shares are purchased pursuant to the terms of the applicable plan and not pursuant to a publicly announced stock repurchase plan. For the quarter ended March 31, 2021 – 33,020 shares at an average price of \$37.88 were exchanged by participants in United's long-term incentive plans.
- (2) Includes shares purchased in open market transactions by United for a rabbi trust to provide payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. For the quarter ended March 31, 2021, the following shares were purchased for the deferred compensation plan: February 2021 – 5 shares at an average price of \$35.57.
- (3) In October 2019, United's Board of Directors approved a repurchase plan to repurchase up to 4,000,000 shares of United's common stock on the open market (the "2019 Plan"). The timing, price and quantity of purchases under the plans are at the discretion of management and the plan may be discontinued, suspended or restarted at any time depending on the facts and circumstances.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

[Table of Contents](#)

Item 4. MINE SAFETY DISCLOSURES

None.

Item 5. OTHER INFORMATION

- (a) None.
- (b) No changes were made to the procedures by which security holders may recommend nominees to United's Board of Directors.

Item 6. EXHIBITS

Index to exhibits required by Item 601 of Regulation S-K

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated November 17, 2019, by and between United Bankshares, Inc. and Carolina Financial Corporation (incorporated into this filing by reference to Exhibit 2.1 to the Form 8-K dated November 17, 2019 and filed November 18, 2019 for United Bankshares, Inc., File No. 002-86947)
3.1	Articles of Incorporation (incorporated into this filing by reference to a Quarterly Report on Form 10-Q dated March 31, 2017 and filed May 9, 2017 for United Bankshares, Inc., File No.002-86947)
3.2	Bylaws (incorporated into this filing by reference to a Current Report on Form 8-K dated and filed on March 20, 2020 for United Bankshares, Inc., File No.002-86947)
4.1	Description of Registrant's Securities (incorporated into this filing by reference to a Annual Report on Form 10-K dated December 31, 2019 and filed March 2, 2020 for United Bankshares, Inc., File No.002-86947)
31.1	Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer (filed herewith)
31.2	Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer (filed herewith)
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer (furnished herewith)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer (furnished herewith)
101	Interactive data file (inline XBRL) (filed herewith)
104	Cover Page (embedded in inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED BANKSHARES, INC.
(Registrant)

Date: May 10, 2021

/s/ Richard M. Adams
Richard M. Adams, Chairman of the Board and Chief
Executive Officer

Date: May 10, 2021

/s/ W. Mark Tatterson
W. Mark Tatterson, Executive Vice President and Chief
Financial Officer

CERTIFICATION

I, Richard M. Adams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Bankshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2021

/s/ Richard M. Adams

Richard M. Adams, Chairman of the
Board and Chief Executive Officer

CERTIFICATION

I, W. Mark Tatterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Bankshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2021

/s/ W. Mark Tatterson

W. Mark Tatterson, Executive

Vice President and Chief Financial Officer

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of United Bankshares, Inc. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2021

/s/ Richard M. Adams

Name: Richard M. Adams

Title: Chief Executive Officer

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of United Bankshares, Inc. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2021

/s/ W. Mark Tatterson

Name: W. Mark Tatterson

Title: Chief Financial Officer