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 September 30, 2020

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	**55-0641179**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

300 United Center **500 Virginia Street, East** **Charleston, West Virginia**	**25301**
(Address of principal executive offices)	Zip Code

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

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	☒	Accelerated filer	☐
Non-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 **October 31, 2020** , the registrant had **129,762,348** shares of common stock, $2.50 par value per share, outstanding.

UNITED BANKSHARES, INC. AND SUBSIDIARIES

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The September 30, 2020 and December 31, 2019, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries ("United" or the "Company"), consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2020 and 2019, the related consolidated statement of changes in shareholders' equity for the three and nine months ended September 30, 2020 and 2019, the related condensed consolidated statements of cash flows for the nine months ended September 30, 2020 and 2019, 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)

	September 30 2020 (Unaudited)	December 31 2019 (Note 1)
Assets		
Cash and due from banks	$ 277,232	$ 185,238
Interest-bearing deposits with other banks	1,378,478	651,435
Federal funds sold	823	820
Total cash and cash equivalents	1,656,533	837,493
Securities available for sale at estimated fair value (amortized cost-$2,697,548 at September 30, 2020 and $2,426,924 at December 31, 2019, allowance for credit losses of $ 0 at September 30, 2020)	2,777,802	2,437,296
Securities held to maturity, net of allowance for credit losses of $ 21 at September 30, 2020 (estimated fair value-$1,213 at September 30, 2020 and $1,447 at December 31, 2019)	1,214	1,446
Equity securities at estimated fair value	10,255	8,894
Other investment securities	217,992	222,161
Loans held for sale (at fair value-$784,457 at September 30, 2020 and $384,375 at December 31, 2019)	812,084	387,514
Loans and leases	17,967,520	13,713,548
Less: Unearned income	(37,289)	(1,419)
Loans and leases, net of unearned income	17,930,231	13,712,129
Less: Allowance for loan and lease losses	(225,812)	(77,057)
Net loans and leases	17,704,419	13,635,072
Bank premises and equipment	180,456	96,644
Operating lease right-of-use assets	72,789	57,783
Goodwill	1,794,886	1,478,014
Mortgage servicing rights, net of valuation allowance	20,413	0
Accrued interest receivable, net of allowance for credit losses of $435 at September 30, 2020	65,141	58,085
Other assets	617,324	441,922
TOTAL ASSETS	$25,931,308	$19,662,324
Liabilities		
Deposits:		
Noninterest-bearing	$ 7,304,747	$ 4,621,362
Interest-bearing	12,946,792	9,231,059
Total deposits	20,251,539	13,852,421
Borrowings:		
Securities sold under agreements to repurchase	148,357	124,654
Federal Home Loan Bank (“FHLB”) borrowings	645,249	1,851,865
Other long-term borrowings	279,425	236,164
Reserve for lending-related commitments	15,960	1,733
Operating lease liabilities	76,604	61,342
Accrued expenses and other liabilities	246,733	170,312
TOTAL LIABILITIES	21,663,867	16,298,491
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-133,723,210 and 105,494,290 at September 30, 2020 and December 31, 2019, respectively, including 3,960,862 and 3,940,619 shares in treasury at September 30, 2020 and December 31, 2019, respectively	334,308	263,736
Surplus	2,891,746	2,140,175
Retained earnings	1,158,467	1,132,579
Accumulated other comprehensive gain (loss)	21,350	(34,869)
Treasury stock, at cost	(138,430)	(137,788)
TOTAL SHAREHOLDERS’ EQUITY	4,267,441	3,363,833
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$25,931,308	$19,662,324

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 September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Interest income				
Interest and fees on loans and leases	$ 192,266	$ 165,149	$ 530,431	$ 505,150
Interest on federal funds sold and other short-term investments	2,060	6,236	7,893	17,478
Interest and dividends on securities:				
Taxable	14,448	18,168	47,658	53,279
Tax-exempt	1,495	798	3,486	2,786
Total interest income	210,269	190,351	589,468	578,693
Interest expense				
Interest on deposits	17,726	36,368	64,452	104,461
Interest on short-term borrowings	172	539	826	1,838
Interest on long-term borrowings	6,707	11,526	26,406	35,755
Total interest expense	24,605	48,433	91,684	142,054
Net interest income	185,664	141,918	497,784	436,639
Provision for credit losses	16,781	5,033	89,811	15,446
Net interest income after provision for credit losses	168,883	136,885	407,973	421,193
Other income				
Fees from trust services	3,574	3,574	10,318	10,276
Fees from brokerage services	3,066	2,378	8,633	7,668
Fees from deposit services	9,320	8,702	25,332	25,219
Bankcard fees and merchant discounts	1,226	1,262	2,937	3,520
Other service charges, commissions, and fees	715	568	1,843	1,665
Income from bank-owned life insurance	2,059	1,280	5,738	4,433
Income from mortgage banking activities	109,457	24,019	195,301	59,404
Mortgage loan servicing income	2,345	0	3,879	0
Net gain on the sale of bank premises	2,229	0	2,229	0
Net investment securities gains	860	116	2,566	66
Other income	617	325	1,888	991
Total other income	135,468	42,224	260,664	113,242
Other expense				
Employee compensation	84,455	46,313	197,660	129,563
Employee benefits	13,202	8,615	36,767	26,624
Net occupancy expense	10,944	8,698	30,324	26,116
Other real estate owned (“OREO”) expense	1,166	1,837	2,679	3,886
Equipment expense	5,616	3,698	14,465	10,688
Data processing expense	6,708	5,776	28,140	16,505
Mortgage loan servicing expense and impairment	3,301	107	5,949	304
Bankcard processing expense	450	474	1,319	1,402
FDIC insurance expense	2,700	465	7,882	7,065
FHLB prepayment penalties	10,385	0	10,385	5,105
Other expense	32,666	20,151	86,530	58,496
Total other expense	171,593	96,134	422,100	285,754
Income before income taxes	132,758	82,975	246,537	248,681
Income taxes	28,974	17,010	49,884	51,867
Net income	$ 103,784	$ 65,965	$ 196,653	$ 196,814
Earnings per common share:				
Basic	$ 0.80	$ 0.65	$ 1.68	$ 1.93
Diluted	$ 0.80	$ 0.65	$ 1.68	$ 1.93
Average outstanding shares:				
Basic	129,373,154	101,432,243	116,876,402	101,698,530
Diluted	129,454,966	101,711,740	116,944,594	101,967,135

See notes to consolidated unaudited financial statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net income	$103,784	$65,965	$196,653	$196,814
Change in net unrealized gain on available-for-sale (“AFS”) securities, net of tax	8,180	3,637	53,600	38,420
Change in net unrealized gain (loss) on cash flow hedge, net of tax	678	0	(594)	0
Change in pension plan assets, net of tax	988	949	3,213	2,768
Comprehensive income, net of tax	$113,630	$70,551	$252,872	$238,002

See notes to consolidated unaudited financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Nine Months Ended September 30, 2020						
	Common Stock				Accumulated Other		
	Shares	Par Value	Surplus	Retained Earnings	Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
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	105,684,479	264,211	2,141,266	1,092,827	(16,171)	(138,431)	3,343,702
Comprehensive income:							
Net income	0	0	0	52,686	0	0	52,686
Other comprehensive income, net of tax	0	0	0	0	27,675	0	27,675
Total comprehensive income, net of tax							80,361
Stock based compensation expense	0	0	1,369	0	0	0	1,369
Acquisition of Carolina Financial Corporation (28,031,501 shares)	28,031,501	70,079	747,751	0	0	0	817,830
Purchase of treasury stock (6 shares)	0	0	0	0	0	0	0
Cash dividends ($0.35 per share)	0	0	0	(45,416)	0	0	(45,416)
Common stock options exercised (300 shares)	300	1	8	0	0	0	9
Balance at June 30, 2020	133,716,280	334,291	2,890,394	1,100,097	11,504	(138,431)	4,197,855
Comprehensive income:							
Net income	0	0	0	103,784	0	0	103,784
Other comprehensive income, net of tax	0	0	0	0	9,846	0	9,846
Total comprehensive income, net of tax							113,630
Stock based compensation expense	0	0	1,369	0	0	0	1,369
Distribution of treasury stock for deferred compensation plan (29 shares)	0	0	0	0	0	1	1
Purchase of treasury stock (6 shares)	0	0	0	0	0	0	0
Cash dividends ($0.35 per share)	0	0	0	(45,414)	0	0	(45,414)
Grant of restricted stock (6,930 shares)	6,930	17	(17)	0	0	0	0
Common stock options exercised (0 shares)	0	0	0	0	0	0	0
Balance at September 30, 2020	133,723,210	$334,308	$2,891,746	$1,158,467	$ 21,350	$(138,430)	$ 4,267,441

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Nine Months Ended September 30, 2019						
	Common Stock				Accumulated Other		Total
	Shares	Par Value	Surplus	Retained Earnings	Comprehensive Income (Loss)	Treasury Stock	Shareholders' Equity
Balance at January 1, 2019	105,239,121	$263,098	$2,134,462	$1,013,037	$ (57,019)	$(101,954)	$ 3,251,624
Cumulative effect of adopting Accounting Standard Update 2016-02	0	0	0	(1,049)	0	0	(1,049)
Reclass due to adopting Accounting Standard Update 2017-12	0	0	0	0	50	0	50
Comprehensive income							
Net income	0	0	0	63,642	0	0	63,642
Other comprehensive income, net of tax	0	0	0	0	17,699	0	17,699
Total comprehensive income, net of tax							81,341
Stock based compensation expense	0	0	1,113	0	0	0	1,113
Purchase of treasury stock (365,702 shares)	0	0	0	0	0	(12,072)	(12,072)
Cash dividends ($0.34 per share)	0	0	0	(34,759)	0	0	(34,759)
Grant of restricted stock (126,427 shares)	126,427	316	(316)	0	0	0	0
Common stock options exercised (33,816 shares)	33,816	84	559	0	0	0	643
Balance at March 31, 2019	105,399,364	263,498	2,135,818	1,040,871	(39,270)	(114,026)	3,286,891
Comprehensive income:							
Net income	0	0	0	67,207	0	0	67,207
Other comprehensive income, net of tax	0	0	0	0	18,903	0	18,903
Total comprehensive income, net of tax							86,110
Stock based compensation expense	0	0	1,198	0	0	0	1,198
Purchase of treasury stock (166,604 shares)	0	0	0	0	0	(6,032)	(6,032)
Cash dividends ($0.34 per share)	0	0	0	(34,688)	0	0	(34,688)
Forfeiture of restricted stock (2,539 shares)	0	0	100	0	0	(100)	0
Common stock options exercised (14,144 shares)	14,144	36	343	0	0	0	379
Balance at June 30, 2019	105,413,508	263,534	2,137,459	1,073,390	(20,367)	(120,158)	3,333,858
Comprehensive income:							
Net income	0	0	0	65,965	0	0	65,965
Other comprehensive income, net of tax	0	0	0	0	4,586	0	4,586
Total comprehensive income, net of tax							70,551
Stock based compensation expense	0	0	1,194	0	0	0	1,194
Distribution of treasury stock for deferred compensation plan (27 shares)	0	0	0	0	0	1	1
Purchase of treasury stock (456,404 shares)	0	0	0	0	0	(16,395)	(16,395)
Cash dividends ($0.34 per share)	0	0	0	(34,518)	0	0	(34,518)
Forfeiture of restricted stock (1,610 shares)	0	0	62	0	0	(62)	0
Common stock options exercised (50,653 shares)	50,653	126	(475)	0	0	0	(349)
Balance at September 30, 2019	105,464,161	$263,660	$2,138,240	$1,104,837	$ (15,781)	$(136,614)	$ 3,354,342

See notes to consolidated unaudited financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Nine Months Ended September 30	
	2020	**2019**
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (45,337)	$ 90,956
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	210	6,975
Proceeds from sales of securities available for sale	192,010	333,414
Proceeds from maturities and calls of securities available for sale	370,889	240,260
Purchases of securities available for sale	(278,082)	(630,162)
Proceeds from sales of equity securities	1,043	1,865
Purchases of equity securities	(896)	(742)
Proceeds from sales and redemptions of other investment securities	145,394	80,281
Purchases of other investment securities	(127,950)	(114,156)
Redemption of bank-owned life insurance policies	1,186	2,829
Purchases of bank premises and equipment	(14,348)	(6,800)
Proceeds from sales of bank premises and equipment	4,391	251
Proceeds from the sales of OREO properties	9,438	4,620
Acquisition of Carolina Financial Corporation, net of cash paid	629,107	0
Net change in loans and leases	(957,029)	(205,480)
NET CASH USED IN INVESTING ACTIVITIES	(24,637)	(286,845)
FINANCING ACTIVITIES		
Cash dividends paid	(117,290)	(104,421)
Acquisition of treasury stock	(608)	(34,499)
Proceeds from exercise of stock options	288	672
Repayment of long-term Federal Home Loan Bank borrowings	(1,787,000)	(1,115,000)
Proceeds from issuance of long-term Federal Home Loan Bank borrowings	500,000	1,325,000
Distribution of treasury stock for deferred compensation plan	1	1
Changes in:		
Deposits	2,519,920	101,255
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	(226,297)	(21,361)
NET CASH PROVIDED BY FINANCING ACTIVITIES	889,014	151,647
Increase (decrease) in cash and cash equivalents	819,040	(44,242)
Cash and cash equivalents at beginning of year	837,493	1,020,396
Cash and cash equivalents at end of period	$ 1,656,533	$ 976,154
Supplemental information		
Noncash investing activities:		
Transfers of loans to OREO	$ 22,262	$ 9,386
Transfer of held to maturity debt securities to available for sale debt securities	0	11,544

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 September 30, 2020 and 2019 and for the three-month and nine-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2019 has been extracted from the audited financial statements included in United's 2019 Annual Report to Shareholders. The Notes to Consolidated Financial Statements appearing in United's 2019 Annual Report on Form 10-K, which includes descriptions of significant accounting policies, should be read in conjunction with these interim financial statements. Please refer to Notes 2, 3, 5, 6 and 8 in these Notes to Consolidated Financial Statements for updated accounting policies for acquired loans and leases, investment securities, troubled debt restructurings ("TDRs"), the allowance for credit losses and mortgage servicing rights ("MSRs"). 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 August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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.

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 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 February 2020, FASB issued ASU No. 2020-03, Codification Improvements to Financial Instruments. This update makes narrow-scope changes that are intended to improve the board's standards for financial instruments accounting, including the credit losses standard issued in 2016, as part of FASB's ongoing project to improve and clarify its Accounting Standards Codification and avoid unintended application. ASU No. 2020-03 was effective for public business entities upon issuance of this final update in March 2020. ASU No. 2020-03 did not have a material impact on the Company's financial condition or results of operations.

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 is not expected to have a material impact on the Company's financial condition or results of operations.

In November 2019, the FASB issued ASU No. 2019-08, Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer. ASU No. 2019-08 requires companies to measure and classify (on the balance sheet) share-based payments to customers by applying the guidance in Topic 718, Compensation—Stock Compensation. As a result, the amount recorded as a reduction in revenue would be measured based on the grant-date fair value of the share-based payment. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2019. ASU No. 2019-08 was adopted by United on January 1, 2020. The adoption did not have a material impact on the Company's financial condition or results of operations.

In April 2019, the FASB issued ASU No. 2019-04 "Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." The amendments clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments. The amendments also address partial-term fair valued hedges, fair value hedge basis adjustments. The amendments to the credit losses and hedging standards have the same effective dates as those standards, unless an entity has already adopted the standards. The amendments to recognition and measurement guidance are effective for fiscal years beginning after December 15, 2019; early adoption is permitted. ASU No. 2019-04 was adopted by United on January 1, 2020. 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 is not expected to have a material impact on the Company's financial statements.

In August 2018, the FASB issued ASU No. 2018-13 "Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." This amendment changes the fair value measurement disclosure requirements of ASC Topic 820 and is the result of a broader disclosure project called FASB Concepts Statement, Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements, which was finalized in August 2018. ASU No. 2018-13 is effective for all entities for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2019; early adoption is permitted for any eliminated or modified disclosure upon issuance of this ASU. ASU No. 2018-13 was adopted by United on January 1, 2020 and did not have a material impact on the Company's financial condition or results of operations.

In August 2017, the FASB issued ASU No. 2017-12, "Targeting Improvement to Accounting for Hedging Activities." This ASU amends ASC 815 and its objectives are to improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities and reduce the complexity and simplify the application of hedge accounting by preparers. This ASU makes certain targeted improvements to simplify the application of the hedge accounting, including to derivative instruments as well as allow a one-time election to reclassify fixed-rate, prepayable debt securities from a held to maturity classification to an available for sale classification. ASU No. 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. United adopted the standard on January 1, 2019 using the modified retrospective approach. As part of this adoption, the Company made a one-time election to transfer eligible HTM securities to the AFS category in order to optimize the investment portfolio management for capital and risk management considerations. The Company transferred HTM securities with a carrying amount of $11,544, which resulted in a decrease of $1,098 to AOCI.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles – Goodwill and Other (Topic 350)." ASU 2017-04 eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. ASU 2017-04 was adopted by United on January 1, 2020. The adoption of ASU 2017-04 did not have a material impact on the Company's financial condition or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses." ASU No. 2016-13 changes the impairment model for most financial assets and certain other instruments that aren't measured at fair value through net income. The standard replaces the "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost and requires entities to record allowances for available for sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment (OTTI) model. ASU No. 2016-13 also simplifies the accounting model for purchased credit-impaired debt securities and loans and leases. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. United engaged a third-party service provider to assist with the implementation of the new accounting standard. ASU No. 2016-13 was adopted by United on January 1, 2020 using a modified retrospective approach. At the January 1, 2020 date of adoption, based on forecasts of macroeconomic conditions and exposures at that time, the aggregate impact to United was a net increase to the allowance for credit losses of $57,442 and a decrease to retained earnings of $44,331, with the difference being an adjustment to deferred tax assets. United has elected to phase-in the impact to retained earnings using a five-year transition provision, allowed by the Federal Reserve Board and other federal banking agencies in response to the coronavirus (COVID-19) pandemic, to delay for two years the full impact of ASU No. 2016-13 on regulatory capital, followed by a three-year transition period. The adoption of ASU No. 2016-13 had an insignificant impact on the Company's held to maturity and available for sale securities portfolios.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". ASU No. 2016-02 includes a lessee accounting model that recognizes two types of leases, finance leases and operating leases, while lessor accounting will remain largely unchanged from the current GAAP. ASU No. 2016-02 requires, amongst other things, that a lessee recognize on the balance sheet a right-of-use asset and a lease liability for leases with terms of more than twelve months.

The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. In July 2018, the FASB issued ASU No. 2018-11 "Leases (Topic 842), Targeted Improvements." This update creates an additional transition method, and a lessor practical expedient to not separate lease and non-lease components if specified criteria are met. The new transition method allows companies to use the effective date of the new leases standard as the date of initial application transition. Companies that elect this transition option will not adjust their comparative period financial information for the effect of ASC Topic 842, nor will they make the new required lease disclosure for periods before the effective date. In addition, these companies will carry forward their ASC Topic 840 disclosures for comparative periods. The practical expedient permits lessors to make an accounting policy election by class of underlying asset to not separate lease and non-lease components if specified criteria are met. In July 2018, the FASB issued ASU No. 2018-10 "Codification Improvements to ASC Topic 842, Leases." This update includes narrow amendments to clarify how to apply certain aspects of the new leases standard. The amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. ASU 2018-10 does not make any substantive changes to the core provisions or principals of the new leases standard. United adopted the standard using the modified retrospective transition method on January 1, 2019. The Company evaluated and elected the package of practical expedients, which allows for existing leases to be accounted for consistent with current guidance, with the exception of the balance sheet recognition for lessees. The Company has also elected the practical expedient on not separating lease and nonlease components and instead treating them as a single lease component. Adoption of the standard resulted in the recognition of additional net lease assets and lease liabilities of $67,040 and $70,692, respectively, as of January 1, 2019. Of the differenc e between these two amounts, $1,049 was recorded as an adjustment to retained earnings.

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 ("Crescent Mortgage"), which is based in Atlanta, Georgia. As a result of the Bank Merger, Crescent Mortgage Company is now a wholly-owned subsidiary of United Bank.

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. As of the Acquisition Date, Carolina Financial had $5,004,542 in total assets, $3,292,635 in loans and leases, net of unearned income and $3,873,183 in deposits. Carolina Financial had banking locations in North Carolina and South Carolina.

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 Mortgage trade name intangible of $316,872, $3,037 and $196, respectively. The core deposit intangible is expected to be amortized on an accelerated basis over ten years. The Crescent Mortgage trade name provides a source of market recognition to attract potential clients and retain existing relationships. United believes the Crescent Mortgage 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 $8,848 on buildings acquired, $4,960 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 over each asset's or liability's estimated remaining life at the time of acquisition. At September 30, 2020, the discounts on subordinated debt and trust preferred issuances had an average estimated remaining life of 6.50 years and 16.58 years, respectively, and the premiums on the buildings, interest-bearing deposits and the FHLB advances each had an average estimated remaining life of 31.25 years, 4.85 years and 0.33 years, respectively. The estimated fair values of the acquired assets and assumed liabilities, including identifiable intangible assets are preliminary as of September 30, 2020 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 expected credit losses, 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.

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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 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	$1,049,378

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	817,877
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	82,670
Operating lease right-of-use asset	9,861
Crescent Mortgage trade name intangible	196
Core deposit intangible	3,037
Mortgage servicing rights	20,123
Other assets	165,198
Total identifiable assets	$4,803,727
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	4,302,722
Preliminary fair value of net assets acquired including identifiable intangible assets	501,005
Preliminary resulting goodwill	$ 316,872

The operating results of United for the nine months ended September 30, 2020 include operating results of acquired assets and assumed liabilities subsequent to the Carolina Financial Acquisition Date. The operations of United's North Carolina and South Carolina geographic area, which includes the acquired operations of Carolina Financial, and Crescent Mortgage provided $102,766 in total revenues (net interest income plus other income), and $55,922 in net income from the period from the Carolina Financial Acquisition Date to September 30, 2020. These amounts are included in United's consolidated financial statements as of and for the nine months ended September 30, 2020. Carolina Financial's results of operations prior to the Carolina Financial Acquisition Date are not included in United's consolidated results of operations.

The following table presents certain unaudited pro forma information for the results of operations for the nine months ended September 30, 2020 and 2019, as if the Carolina Financial merger had occurred on January 1, 2020 and 2019, respectively. 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 2020 and 2019 that may not have been necessary had the acquired loans and leases been recorded at fair value as of the beginning of 2020 and 2019. 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 Nine Months Ended September 30	
	2020	2019
Total Revenues [(1)]	$810,476	$706,872
Net Income	177,275	258,638

(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 and estimated fair values of securities available for sale are summarized as follows.

	September 30, 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	$ 65,856	$ 657	$ 3	$ 0	$ 66,510
State and political subdivisions	513,380	23,104	329	0	536,155
Residential mortgage-backed securities					
Agency	777,157	27,190	15	0	804,332
Non-agency	41,945	395	0	0	42,340
Commercial mortgage-backed securities					
Agency	618,901	32,321	236	0	650,986
Asset-backed securities	291,690	19	8,120	0	283,589
Single issue trust preferred securities	18,221	170	1,643	0	16,748
Other corporate securities	370,398	7,036	292	0	377,142
Total	$ 2,697,548	$ 90,892	$ 10,638	$ 0	$ 2,777,802

	December 31, 2019				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cumulative OTTI in AOCI (1)
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 58,127	$ 555	$ 6	$ 58,676	$ 0
State and political subdivisions	272,014	3,644	3,296	272,362	0
Residential mortgage-backed securities					
Agency	826,857	10,923	1,246	836,534	0
Non-agency	3,429	404	0	3,833	86
Commercial mortgage-backed securities					
Agency	609,461	8,319	2,807	614,973	0
Asset-backed securities	284,390	0	8,251	276,139	0
Trust preferred collateralized debt obligations	6,045	0	1,342	4,703	842
Single issue trust preferred securities	18,196	170	1,592	16,774	0
Other corporate securities	348,405	4,897	0	353,302	0
Total	$2,426,924	$ 28,912	$ 18,540	$2,437,296	$ 928

(1) Non-credit related other-than-temporary impairment in accumulated other comprehensive income. Amounts are before-tax.

United has 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 $9,975 and $9,890 at September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2020						
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 329	$ 3	$ 0	$ 0	$ 329	$ 3
State and political subdivisions	32,544	329	0	0	32,544	329
Residential mortgage-backed securities						
Agency	2,782	7	4,057	8	6,839	15
Non-agency	0	0	0	0	0	0
Commercial mortgage-backed securities						
Agency	48,410	236	0	0	48,410	236
Asset-backed securities	0	0	271,974	8,120	271,974	8,120
Trust preferred collateralized debt obligations	0	0	0	0	0	0
Single issue trust preferred securities	0	0	13,525	1,643	13,525	1,643
Other corporate securities	33,783	292	0	0	33,783	292
Total	$117,848	$ 867	$289,556	$ 9,771	$407,404	$ 10,638

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2019						
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 1,415	$ 6	$ 0	$ 0	$ 1,415	$ 6
State and political subdivisions	144,307	3,291	885	5	145,192	3,296
Residential mortgage-backed securities						
Agency	108,072	502	71,736	744	179,808	1,246
Non-agency	0	0	0	0	0	0
Commercial mortgage-backed securities						
Agency	173,039	2,676	45,251	131	218,290	2,807
Asset-backed securities	135,174	3,252	140,965	4,999	276,139	8,251
Trust preferred collateralized debt obligations	2,703	842	2,000	500	4,703	1,342
Single issue trust preferred securities	0	0	13,562	1,592	13,562	1,592
Other corporate securities	0	0	0	0	0	0
Total	$564,710	$ 10,569	$274,399	$ 7,971	$839,109	$ 18,540

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. The realized losses relate to sales of securities within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers and its subsidiaries.

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Proceeds from sales and calls	$149,193	$188,911	$562,899	$573,674
Gross realized gains	2.800	412	4,618	1,166
Gross realized losses	(1,939)	(346)	(2,116)	(1,318)

At September 30, 2020, gross unrealized losses on available for sale securities were $10,638 on 64 securities of a total portfolio of 966 available for sale securities. Securities with the most significant gross unrealized losses at September 30, 2020 consisted primarily of asset-backed securities and single issue trust preferred securities. The asset-backed securities relate mainly 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. The single issue trust preferred securities relate to securities of financial institutions.

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 $513,380 at September 30, 2020. As of September 30, 2020, 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 September 30, 2020. In addition to monitoring the credit ratings of these securities, management also evaluates the financial performance of the underlying issuers on an ongoing basis. Based upon management's analysis and judgment, it was determined that none of the state and political subdivision securities were impaired at September 30, 2020.

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 $1,396,058 at September 30, 2020. Of the $1,396,058 amount, $618,901 was related to agency commercial mortgage-backed securities and $777,157 was related to agency residential mortgage-backed securities. Each of the agency mortgage-backed securities provides a guarantee of full and timely payments of principal and interest by the issuing agency. Based upon management's analysis and judgment, it was determined that none of the agency mortgage-backed securities were impaired at September 30, 2020.

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 $41,945 at September 30, 2020. Of the $41,945, 93% was rated AAA and 7% was unrated. As of September 30, 2020, none of the non-agency residential mortgage-backed securities were in an unrealized loss position and were therefore not considered to be impaired.

Asset-backed securities

As of September 30, 2020, United's asset-backed securities portfolio had a total amortized cost balance of $291,690. Of the $291,690, 96% was rated AA+ or better and 4% was unrated. The majority 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. Upon reviewing this portfolio for the third quarter of 2020, it was determined that none of the asset-backed securities were impaired.

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 September 30, 2020 consisted of $11,498 in investment grade bonds, $978 in split rated bonds, and $5,745 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 third quarter of 2020, it was determined that none of the single issue trust preferred securities were impaired.

Corporate securities

As of September 30, 2020, United's Corporate securities portfolio had a total amortized cost balance of $370,398. The majority of the portfolio consisted of debt issuances of corporations representing a variety of industries, including financial institutions. Of the $370,398, 87% was investment grade rated and 13% 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 were impaired at September 30, 2020.

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The amortized cost and estimated fair value of securities available for sale at September 30, 2020 and December 31, 2019 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.

	September 30, 2020		December 31, 2019	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 144,830	$ 146,326	$ 92,422	$ 92,473
Due after one year through five years	497,634	516,743	583,715	592,850
Due after five years through ten years	664,075	689,410	564,922	568,241
Due after ten years	1,391,009	1,425,323	1,185,865	1,183,732
Total	$2,697,548	$2,777,802	$2,426,924	$2,437,296

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 $10,255 at September 30, 2020 and $8,894 at December 31, 2019.

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net (losses) gains recognized during the period	$ 0	$ 59	$ 65	$ 302
Net gains recognized during the period on equity securities sold	2	(1)	9	133
Unrealized gains recognized during the period on equity securities still held at period end	0	60	114	181
Unrealized losses recognized during the period on equity securities still held at period end	(2)	0	(58)	(12)

Other investment securities

During the third quarter of 2020, United evaluated all of its cost method investments to determine if certain events or changes in circumstances during the third quarter of 2020 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 third quarter. There were no other events or changes in circumstances during the third 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 $1,976,740 and $1,540,717 at September 30, 2020 and December 31, 2019, respectively.

4. LOANS & LEASES

Major classes of loans and leases are as follows:

	September 30, 2020	December 31, 2019
Commercial, financial and agricultural:		
Owner-occupied commercial real estate	$ 1,616,380	$ 1,201,652
Nonowner-occupied commercial real estate	5,029,867	3,965,960
Other commercial loans and leases	4,211,490	2,285,037
Total commercial, financial & agricultural	10,857,737	7,452,649
Residential real estate	4,070,507	3,686,401
Construction & land development	1,824,303	1,408,205
Consumer:		
Bankcard	8,373	10,074
Other consumer	1,206,600	1,156,219
Total gross loans and leases	$17,967,520	$13,713,548

Included in "Other commercial loans and leases" at September 30, 2020 are leases in the amount of $9,149. These leases, acquired by United in the Carolina Financial merger, are primarily on equipment utilized for business purposes with terms generally ranging from 12 to 60 months and include option to purchase the leased equipment at the end of the lease. The table above does not include loans held for sale of $812,084 and $387,514 at September 30, 2020 and December 31, 2019, 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 $36,082 and $38,558 at September 30, 2020 and December 31, 2019, 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.

A loan is categorized as a troubled debt restructuring ("TDR") if a concession is granted and there is deterioration in the financial condition of the borrower. TDRs can take the form of a reduction of the stated interest rate, splitting a loan into separate loans 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, 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 December 31, 2020 or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak declared by President Trump terminates. As provided for under the CARES Act, these loan modifications are exempt by law from classification as a TDR as defined by GAAP.

As of September 30, 2020, United had TDRs of $68,381 as compared to $58,369 as of December 31, 2019. Of the $68,381 aggregate balance of TDRs at September 30, 2020, $53,665 was on nonaccrual and $149 was 30-89 days past due. Of the $58,369 aggregate balance of TDRs at December 31, 2019, $48,387 was on nonaccrual and $902 was 30-89 days past due. All these amounts are included in the appropriate categories in the "Age Analysis of Past Due Loans and Leases" table on a subsequent page. As of September 30, 2020, there was a commitment to lend additional funds of $61 to a debtor owing a receivable whose terms have been modified in a TDR. During the third quarter and first nine months of 2020, $62 and $173, respectively, were advanced to this debtor under a loan that had been previously modified.

The following tables sets for th the balances of TDRs at September 30, 2020 and December 31, 2019 and the reasons for modification:

Reason for modification	September 30, 2020	December 31, 2019
Interest rate reduction	$ 11,415	$ 1,685
Interest rate reduction and change in terms	2,890	1,733
Forgiveness of principal	241	0
Transfer of asset	0	0
Concession of principal and term	23	0
Extended maturity	4,536	0
Change in terms	49,276	54,951
Total	$ 68,381	$ 58,369

The following table sets forth United's troubled debt restructurings that have been restructured during the three months ended September 30, 2020 and 2019, segregated by class of loans and leases:

	Troubled Debt Restructurings For the Three Months Ended					
	September 30, 2020			September 30, 2019		
	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	0	$ 0	$ 0	1	$ 1,030	$ 1,030
Nonowner-occupied	0	0	0	0	0	0
Other commercial	1	39	38	1	5,137	5,076
Residential real estate	3	381	381	0	0	0
Construction & land development	0	0	0	0	0	0
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	0	0	0
Total	4	$ 420	$ 419	2	$ 6,167	$ 6,106

The following table sets forth United's troubled debt restructurings that have been restructured during the nine months ended September 30, 2020 and 2019, segregated by class of loans and leases:

	Troubled Debt Restructurings For the Nine Months Ended					
	September 30, 2020			September 30, 2019		
	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	21	$ 18,579	$ 17,210	2	$ 1,179	$ 1,179
Nonowner-occupied	6	2,258	2,225	0	0	0
Other commercial	19	3,706	2,873	3	5,962	5,849
Residential real estate	22	4,271	3,495	3	2,258	2,022
Construction & land development	12	4,607	4,392	3	2,266	2,214
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	3	69	21	0	0	0
Total	83	$ 33,490	$ 30,216	11	$ 11,665	$ 11,264

The following table sets forth United's troubled debt restructurings, based on their post-modification outstanding recorded balance, that have been restructured during the three and nine months ended September 30, 2020 and 2019, segregated by the reason for modification:

	Three Months Ended		Nine Months Ended	
Reason for modification	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Interest rate reduction	$ 0	$ 0	$ 9,856	$ 246
Interest rate reduction and change in terms	0	0	1,201	0
Forgiveness of principal	0	0	241	0
Transfer of asset	0	0	0	0
Concession of principal and term	0	0	23	0
Extended maturity	0	0	4,536	0
Change in terms	419	6,106	14,359	11,018
Total	$ 419	$ 6,106	$ 30,216	$ 11,264

The loans and leases were evaluated individually for allocation within United's allowance for loan losses. The modifications had an immaterial impact on the financial condition and results of operations for United.

The following table presents troubled debt restructurings, by class of loan, that were restructured during the twelve-month period ended September 30, 2020 and had charge-offs during the three and nine months ended September 30, 2020.

	Three Months Ended September 30, 2020		Nine Months Ended September 30, 2020	
Troubled Debt Restructurings	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Commercial real estate:				
Owner-occupied	0	$ 0	0	$ 0
Nonowner-occupied	0	0	0	0
Other commercial	2	86	2	86
Residential real estate	0	0	0	0
Construction & land development	0	0	1	690
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	0
Total	2	$ 86	3	$ 776

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The following table presents troubled debt restructurings, by class of loan, that were restructured during the twelve-month period ended September 30, 2019 and had charge-offs during the three and nine months ended September 30, 2019.

Troubled Debt Restructurings	Three Months Ended September 30, 2019 Number of Contracts	Three Months Ended September 30, 2019 Recorded Investment	Nine Months Ended September 30, 2019 Number of Contracts	Nine Months Ended September 30, 2019 Recorded Investment
Commercial real estate:				
Owner-occupied	0	$ 0	0	$ 0
Nonowner-occupied	0	0	0	0
Other commercial	1	534	2	1,477
Residential real estate	0	0	0	0
Construction & land development	0	0	0	0
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	0
Total	1	$ 534	2	$ 1,477

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

Age Analysis of Past Due Loans and Leases
As of September 30, 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	$ 5,643	$ 30,421	$ 36,064	$ 1,580,316	$ 1,616,380	$ 1,898
Nonowner-occupied	37,201	30,395	67,596	4,962,271	5,029,867	1,198
Other commercial	9,829	39,712	49,541	4,161,949	4,211,490	830
Residential real estate	28,107	29,494	57,601	4,012,906	4,070,507	7,411
Construction & land development	10,711	6,209	16,920	1,807,383	1,824,303	27
Consumer:						
Bankcard	252	70	322	8,051	8,373	70
Other consumer	7,870	1,259	9,129	1,197,471	1,206,600	1,149
Total	$99,613	$137,560	$237,173	$17,730,347	$17,967,520	$ 12,583

Age Analysis of Past Due Loans and Leases
As of December 31, 2019

	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current & Other (1)	Total Financing Receivables	90 Days or More Past Due & Accruing
Commercial real estate:						
Owner-occupied	$ 8,878	$ 11,209	$ 20,087	$ 1,181,565	$ 1,201,652	$ 544
Nonowner-occupied	6,318	16,129	22,447	3,943,513	3,965,960	471
Other commercial	5,238	51,541	56,779	2,228,258	2,285,037	668
Residential real estate	31,727	24,343	56,070	3,630,331	3,686,401	6,256
Construction & land development	2,219	16,043	18,262	1,389,943	1,408,205	0
Consumer:						
Bankcard	445	218	663	9,411	10,074	218
Other consumer	10,991	1,607	12,598	1,143,621	1,156,219	1,337
Total	$65,816	$121,090	$186,906	$13,526,642	$13,713,548	$ 9,494

(1) Other includes loans with a recorded investment of $96,004 acquired and accounted for under ASC Topic 310-30 "Loans and Debt Securities Acquired with Deteriorated Credit Quality".

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

	At September 30, 2020			At December 31, 2019	Interest Income Recognized	
	Nonaccruals	With No Related Allowance for Credit Losses	90 Days or More Past Due & Accruing	Nonaccruals	For The Three Months Ended September 30, 2020	For The Nine Months Ended September 30, 2020
Commercial Real Estate:						
Owner-occupied	$ 28,523	$ 26,562	$ 1,898	$ 10,665	$ 0	$ 32
Nonowner-occupied	29,197	18,686	1,198	15,658	59	61
Other Commercial	38,882	13,015	830	50,873	16	16
Residential Real Estate	22,083	20,202	7,411	18,087	0	3
Construction	6,182	4,100	27	16,043	0	0
Consumer:						
Bankcard	0	0	70	0	0	0
Other consumer	110	110	1,149	270	0	0
Total	$ 124,977	$ 82,675	$ 12,583	$ 111,596	$ 75	$ 112

For the adoption of ASU 2016-13, 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 September 30, 2020:

	Collateral Dependent Loans and Leases At September 30, 2020					
	Residential Property	Business Assets	Land	Commercial Property	Other	Total
Commercial real estate:						
Owner-occupied	$ 1,533	$ 148	$ 0	$ 18,523	$27,790	$ 47,994
Nonowner-occupied	8,851	0	2,936	15,639	19,203	46,629
Other commercial	5,424	33,272	0	270	2,638	41,604
Residential real estate	27,555	229	36	0	808	28,628
Construction & land development	9,938	0	8,183	0	746	18,867
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	0	5	5
Total	$ 53,301	$33,649	$11,155	$ 34,432	$51,190	$183,727

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.

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

Commercial Real Estate – Owner-occupied

As of September 30, 2020	Term Loans Origination Year 2020	2019	2018	2017	2016	Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
Internal Risk Grade:									
Pass	$ 218,978	$ 152,647	$ 156,778	$ 229,875	$ 286,193	$ 459,311	$ 23,868	$ 0	$1,527,650
Special Mention	0	1,216	3,922	770	2,048	23,386	0	466	31,808
Substandard	1,965	68	0	1,160	3,698	48,676	864	149	56,580
Doubtful	0	0	0	0	0	342	0	0	342
Total	$ 220,943	$ 153,931	$ 160,700	$ 231,805	$ 291,939	$ 531,715	$ 24,732	$ 615	$1,616,380
YTD charge-offs	0	0	0	0	0	(2,162)	0	0	(2,162)
YTD recoveries	0	0	0	0	0	374	0	0	374
YTD net charge-offs	$ 0	$ 0	$ 0	$ 0	$ 0	$ (1,788)	$ 0	$ 0	$ (1,788)

Commercial Real Estate – Nonowner-occupied

As of September 30, 2020	Term Loans Origination Year 2020	2019	2018	2017	2016	Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
Internal Risk Grade:									
Pass	$ 667,054	$ 606,862	$ 665,234	$ 526,479	$ 536,583	$ 1,714,920	$ 108,539	$ 2,129	$ 4,827,800
Special Mention	0	118,823	0	395	3,343	20,973	0	0	143,534
Substandard	73	1,120	8,637	1,693	13,374	33,636	0	0	58,533
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 667,127	$ 726,805	$ 673,871	$ 528,567	$ 553,300	$ 1,769,529	$ 108,539	$ 2,129	$ 5,029,867
YTD charge-offs	(38)	0	0	0	(1,161)	(1,683)	0	0	(2,882)
YTD recoveries	0	0	0	0	0	747	0	0	747
YTD net charge-offs	$ (38)	$ 0	$ 0	$ 0	$ (1,161)	$ (936)	$ 0	$ 0	$ (2,135)

Other commercial

As of September 30, 2020	Term Loans and leases Origination Year 2020	2019	2018	2017	2016	Prior	Revolving loans and leases amortized cost basis	Revolving loans and leases converted to term loans	Total
Internal Risk Grade:									
Pass	$1,216,780	$411,925	$220,230	$141,490	$136,961	$286,612	$1,652,999	$ 2,948	$4,069,945
Special Mention	91	224	3,232	1,327	184	58,774	3,399	94	67,325
Substandard	103	879	2,372	2,810	6,671	44,913	15,884	397	74,029
Doubtful	0	0	0	0	38	153	0	0	191
Total	$1,216,974	$413,028	$225,834	$145,627	$143,854	$390,452	$1,672,282	$ 3,439	$4,211,490
YTD charge-offs	0	0	(834)	(12)	(3,505)	(7,109)	0	0	(11,460)
YTD recoveries	0	864	18	6	116	1,507	0	0	2,511
YTD net charge-offs	$ 0	$ 864	$ (816)	$ (6)	$ (3,389)	$ (5,602)	$ 0	$ 0	$ (8,949)

Residential Real Estate

As of September 30, 2020	Term Loans Origination Year 2020	2019	2018	2017	2016	Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
Internal Risk Grade:									
Pass	$ 428,397	$ 670,300	$ 746,727	$ 336,210	$ 318,886	$ 1,061,352	$ 457,605	$ 4,291	$ 4,023,768
Special Mention	0	269	0	220	2,338	6,304	827	0	9,958
Substandard	0	220	444	3,728	5,033	26,381	465	231	36,502
Doubtful	0	0	0	0	0	279	0	0	279
Total	$ 428,397	$ 670,789	$ 747,171	$ 340,158	$ 326,257	$ 1,094,316	$ 458,897	$ 4,522	$ 4,070,507
YTD charge-offs	0	0	0	0	(1)	(1,379)	0	0	(1,380)
YTD recoveries	0	0	0	101	0	649	0	0	750
YTD net charge-offs	$ 0	$ 0	$ 0	$ 101	$ (1)	$ (730)	$ 0	$ 0	$ (630)

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Construction and Land Development

As of September 30, 2020	Term Loans Origination Year 2020	2019	2018	2017	2016	Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
Internal Risk Grade:									
Pass	$ 275,238	$ 711,704	$ 339,542	$ 145,216	$ 119,650	$ 61,975	$ 141,784	$ 140	$1,795,249
Special Mention	0	0	4,128	0	0	2,871	996	0	7,995
Substandard	0	207	1,543	0	216	18,347	746	0	21,059
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 275,238	$ 711,911	$ 345,213	$ 145,216	$ 119,866	$ 83,193	$ 143,526	$ 140	$1,824,303
YTD charge-offs	0	0	0	0	0	(1,998)	0	0	(1,998)
YTD recoveries	0	0	0	0	0	1,429	0	0	1,429
YTD net charge-offs	$ 0	$ 0	$ 0	$ 0	$ 0	$ (569)	$ 0	$ 0	$ (569)

Bankcard

As of September 30, 2020	Term Loans Origination Year 2020	2019	2018	2017	2016	Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
Internal Risk Grade:									
Pass	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 8,051	$ 0	$ 8,051
Special Mention	0	0	0	0	0	0	252	0	252
Substandard	0	0	0	0	0	0	70	0	70
Doubtful	0	0	0	0	0	0	0	0	0
Total	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 8,373	$ 0	$ 8,373
YTD charge-offs	0	0	0	0	0	0	(187)	0	(187)
YTD recoveries	0	0	0	0	0	0	34	0	34
YTD net charge-offs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ (153)	$ 0	$ (153)

Other Consumer

As of September 30, 2020	Term Loans Origination Year 2020	2019	2018	2017	2016	Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
Internal Risk Grade:									
Pass	$ 351,396	$ 446,270	$ 263,145	$ 88,080	$ 43,680	$ 5,523	$ 8,480	$ 0	$1,206,574
Special Mention	0	0	0	0	0	7	6	0	13
Substandard	3	0	0	0	0	5	0	0	8
Doubtful	0	0	0	0	0	5	0	0	5
Total	$ 351,399	$ 446,270	$ 263,145	$ 88,080	$ 43,680	$ 5,540	$ 8,486	$ 0	$1,206,600
YTD charge-offs	(43)	(820)	(922)	(337)	(207)	(463)	(2)	0	(2,794)
YTD recoveries	0	63	42	25	23	185	0	0	338
YTD net charge-offs	$ (43)	$ (757)	$ (880)	$ (312)	$ (184)	$ (278)	$ (2)	$ 0	$ (2,456)

The following tables set forth United's credit quality indicators information, by class of loans, as of December 31, 2019:

Credit Quality Indicators

Corporate Credit Exposure

As of December 31, 2019

	Commercial Real Estate Owner-occupied	Commercial Real Estate Nonowner-occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	$1,136,589	$3,850,886	$2,136,266	$1,334,950
Special mention	14,449	44,134	75,511	4,614
Substandard	50,346	70,940	72,451	68,641
Doubtful	268	0	809	0
Total	$1,201,652	$3,965,960	$2,285,037	$1,408,205

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Credit Quality Indicators

Consumer Credit Exposure

As of December 31, 2019

	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	$3,645,654	$ 9,411	$1,143,608
Special mention	12,038	445	10,993
Substandard	28,572	218	1,618
Doubtful	137	0	0
Total	$3,686,401	$10,074	$1,156,219

At September 30, 2020 and December 31, 2019, other real estate owned ("OREO") included in other assets in the Consolidated Balance Sheets was $25,696 and $15,515, 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 September 30, 2020 and December 31, 2019, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was $266 and $890, respectively.

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 and nine months ended September 30, 2020 are presented in accordance with ASC 326. The Company did not recast comparative financial periods and has presented those disclosures under previously applicable GAAP.

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 $54,716 (net of an allowance for credit losses of $435) and $48,130 at September 30, 2020 and December 31, 2019, respectively, related to loans and leases 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 $435 for accrued interest receivables not expected to be collected as of September 30, 2020. 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 September 30, 2020 and the accrued interest receivables written off by reversing interest income as of September 30, 2020:

	Accrued Interest Receivable	Accrued Interest Receivables Written Off by Reversing Interest Income	
	At September 30, 2020	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2020
Commercial Real Estate:			
Owner-occupied	$ 4,388	$ 16	$ 116
Nonowner-occupied	14,745	30	75
Other Commercial	13,221	40	85
Residential Real Estate	13,225	31	165
Construction	6,887	508	508
Consumer:			
Bankcard	0	0	0
Other consumer	2,685	29	96
	$ 55,151	$ 654	$ 1,045
Less: Allowance for credit losses	(435)		
Total	$ 54,716		

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
  - 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, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

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 United’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 deferred fee 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.

For allowance for credit losses under ASC Topic 326 calculation purposes, all acquired loans and leases will be included in their relevant pool and subject to legacy loss rates for that applicable pool unless they meet the criteria for specific review.

For loans and leases acquired after the adoption of ASC Topic 326, United will likely take several factors into consideration when determining if loans and leases meet the definition of PCD. ASC Topic 326 lists some, but not all, factors for consideration in the bifurcation of PCD versus non-PCD assets:

- Financial assets that are delinquent as of the acquisition date
- Financial assets that have been downgraded since origination
- Financial assets that have been placed on nonaccrual status
- Financial assets for which, after origination, credit spreads have widened beyond the threshold specified in its policy

United maintains an allowance for loan losses and a reserve for lending-related commitments such as unfunded loan commitments and letters of credit. United estimates expected credit losses over the contractual period in which United is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by United. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Methodology is based on a loss rate approach that starts with the probability of funding based on historical experience. Similar to methodology discussed above related to the loans and leases receivable portfolio, adjustments are made to the historical losses for current conditions and reasonable and supportable forecast. Adjustments to the reserve for lending-related commitments on off-balance sheet credit exposures is recorded as other expense in the income statement. The reserve for lending-related commitments of $15,960 and $1,733 at September 30, 2020 and December 31, 2019, 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.

For the nine months ended September 30, 2020 the allowance for credit losses increased significantly from the year ended December 31, 2019 primarily due to the adoption of the current expected credit loss (CECL) model under ASC 326 on January 1, 2020 and the macroeconomic factors surrounding the COVID-19 pandemic considered in the determination of the allowance for loan and lease losses at September 30, 2020. Reserves are initially determined based on losses identified from the PD/LGD and Cohort models which utilize the Company's historical information. Then qualitative adjustments are applied which include analyses of the following for the first nine months of 2020:

- 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 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 collateral values and past due loans and leases, and the reasonable and supportable forecast. This is in contrast with the CECL adoption date (January 1, 2020) estimate as neither of these items were relevant for United's footprint at the beginning of the year. Additional considerations were made for the Carolina Financial acquisition, such as the experience of lending management and staff and the nature and volume of the portfolio.
- 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 third quarter as compared to the second.
  - The forecast is less severe than second quarter; however, projections show a more gradual recovery pace over a longer period compared to the second quarter.
  - 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 and Lease Losses and Carrying Amount of Loans and Leases
For the Three Months Ended September 30, 2020

	Commercial Real Estate								
	Owner-occupied	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	$22,738	$ 25,777	$ 79,404	$ 38,883	$ 32,303	$ 280	$ 15,736	$ 0	$215,121
Initial allowance for PCD loans (acquired during the period)	0	0	0	0	0	0	0	0	0
Charge-offs	(1,627)	(945)	(4,432)	(490)	(29)	(59)	(886)	0	(8,468)
Recoveries	64	25	2,065	448	68	22	128	0	2,820
Provision	2,570	9,841	1,994	(2,108)	2,699	40	1,303	0	16,339
Ending balance	$23,745	$ 34,698	$ 79,031	$ 36,733	$ 35,041	$ 283	$ 16,281	$ 0	$225,812

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Allowance for Loan and Lease Losses and Carrying Amount of Loans and Leases
For the Nine Months Ended September 30, 2020

	Commercial Real Estate								
	Owner-occupied	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	(2,162)	(2,882)	(11,460)	(1,380)	(1,998)	(187)	(2,794)	0	(22,863)
Recoveries	374	747	2,511	750	1,429	34	338	0	6,183
Provision	6,444	12,747	37,514	14,443	12,825	334	5,051	0	89,358
Ending balance	$23,745	$ 34,698	$ 79,031	$ 36,733	$ 35,041	$ 283	$ 16,281	$ 0	$225,812

Allowance for Loan Losses and Carrying Amount of Loans
For the Year Ended December 31, 2019

	Commercial Real Estate							
	Owner-occupied	Nonowner-occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
Allowance for Loan Losses:								
Beginning balance	$ 5,063	$ 6,919	$ 41,341	$ 12,448	$ 7,992	$ 2,695	$ 245	$ 76,703
Charge-offs	(7,905)	(1,093)	(12,975)	(2,967)	(1,303)	(2,867)	0	(29,110)
Recoveries	3,733	80	2,599	858	175	706	0	8,151
Provision	4,663	2,618	16,360	(1,342)	(3,511)	2,473	52	21,313
Ending balance	$ 5,554	$ 8,524	$ 47,325	$ 8,997	$ 3,353	$ 3,007	$ 297	$ 77,057
Ending Balance: individually evaluated for impairment	$ 973	$ 2,979	$ 11,931	$ 354	$ 262	$ 0	$ 0	$ 16,499
Ending Balance: collectively evaluated for impairment	$ 4,581	$ 5,545	$ 35,394	$ 8,643	$ 3,091	$ 3,007	$ 297	$ 60,558
Ending Balance: loans acquired with deteriorated credit quality	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financing receivables:								
Ending balance	$1,201,652	$3,965,960	$2,285,037	$3,686,401	$1,408,205	$1,166,293	$ 0	$13,713,548
Ending Balance: individually evaluated for impairment	$ 16,703	$ 27,121	$ 54,108	$ 11,526	$ 14,047	$ 0	$ 0	$ 123,505
Ending Balance: collectively evaluated for impairment	$1,160,556	$3,925,249	$2,194,432	$3,665,140	$1,382,369	$1,166,293	$ 0	$13,494,039
Ending Balance: loans acquired with deteriorated credit quality	$ 24,393	$ 13,590	$ 36,497	$ 9,735	$ 11,789	$ 0	$ 0	$ 96,004

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7. INTANGIBLE ASSETS

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

	September 30, 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	$ 101,396	$ (74,429)	$ 0	$ 0	$ 101,396	$ (74,429)
Non-amortized intangible assets:						
George Mason trade name	$ 0		$ 1,080		$ 1,080	
Crescent Mortgage trade name	0		196		196	
Total	$ 0		$ 1,276		$ 1,276	
Goodwill not subject to amortization	$1,789,571		$ 5,315		$1,794,886	

	December 31, 2019					
	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	$ 98,359	$ (69,508)	$ 0	$ 0	$ 98,359	$ (69,508)
Non-amortized intangible assets:						
George Mason trade name	$ 0		$ 1,080		$ 1,080	
Goodwill not subject to amortization	$1,472,699		$ 5,315		$1,478,014	

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The following table provides a reconciliation of goodwill:

	Community Banking	Mortgage Banking	Total
Goodwill at December 31, 2019	$1,472,699	$ 5,315	$1,478,014
Preliminary addition to goodwill from Carolina Financial acquisition	316,872	0	316,872
Goodwill at September 30, 2020	$1,789,571	$ 5,315	$1,794,886

United incurred amortization expense of $1,691 and $4,914 for the three and nine months ended September 30, 2020 as compared to $1,754 and $5,262 for the three and nine months ended September 30, 2019, respectively.

The following table sets forth the anticipated amortization expense for intangible assets for the years subsequent to 2019:

Year	Amount
2020	$6,612
2021	5,780
2022	4,939
2023	4,641
2024 and thereafter	9,916

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 at fair value. For subsequent measurement purposes, the Company measures servicing assets and liabilities based on the lower of cost or market using the amortization method. Mortgage servicing rights are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of the mortgage servicing rights is analyzed periodically and is adjusted to reflect changes in prepayment rates and other estimates.

The Company evaluates potential impairment of mortgage servicing rights based on the difference between the carrying amount and current estimated fair value of the servicing rights. The valuation of mortgage servicing rights, and the determination of any potential impairment, is performed by aggregating all servicing rights and stratifying them into tranches based on predominant risk characteristics. Generally, loan servicing becomes more valuable when interest rates rise (as prepayments typically decrease) and less valuable when interest rates decline (as prepayments typically increase).

If impairment exists, a valuation allowance is 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 mortgage servicing rights and mortgage servicing costs are charged to expense when incurred.

The unpaid principal balances of loans serviced for others were approximately $3,551,157 at September 30, 2020.

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The estimated fair value of the mortgage servicing rights was $20,413 at September 30, 2020. The estimated fair value of servicing rights at September 30, 2020 was determined using a net servicing fee of 0.26%, average discount rates ranging from 9.50% to 13.93% with a weighted average discount rate of 10.62%, average constant prepayment rates ("CPR") ranging from 7.59% to 17.80% with a weighted average prepayment rate of 15.08%, depending upon the stratification of the specific servicing right, and a delinquency rate, including loans on forbearance of 3.75%. Please refer to Note 14 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 and nine months ended September 30, 2020:

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
MSRs beginning balance	$ 20,910	$ 0
Addition from acquisition of subsidiary	0	20,123
Amount capitalized	2,500	4,391
Purchased servicing	0	0
Amount amortized	(1,887)	(2,991)
MSRs ending balance	$ 21,523	$ 21,523
MSRs valuation allowance beginning balance	$ (710)	$ 0
MSRs impairment	(400)	(1,110)
MSRs valuation allowance ending balance	$ (1,110)	$ (1,110)
MSRs, net of valuation allowance	$ 20,413	$ 20,413

The Company recorded temporary impairments of $400 and $1,110 on mortgage servicing rights for the three months and nine months ended September 30, 2020. 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 the MSR asset.

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.

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.

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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 September 30, 2020	Three Months Ended September 30, 2019
Operating lease cost	Net occupancy expense	$ 5,704	$ 4,864
Sublease income	Net occupancy expense	(102)	(197)
Net lease cost		$ 5,602	$ 4,667

	Classification	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating lease cost	Net occupancy expense	$ 16,665	$ 14,571
Sublease income	Net occupancy expense	(496)	(671)
Net lease cost		$ 16,169	$ 13,900

Supplemental balance sheet information related to leases was as follows:

	Classification	September 30, 2020	December 31, 2019
Operating lease right-of-use assets	Operating lease right-of-use assets	$ 72,789	$ 57,783
Operating lease liabilities	Operating lease liabilities	$ 76,604	$ 61,342

Other information related to leases was as follows:

	September 30, 2020
Weighted-average remaining lease term:	
Operating leases	5.72 years
Weighted-average discount rate:	
Operating leases	2.53%

Supplemental cash flow information related to leases was as follows:

	Three Months Ended	
	September 30, 2020	September 30, 2019
Cash paid for amounts in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 5,854	$ 4,903
ROU assets obtained in the exchange for lease liabilities	7,148	1,537

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Cash paid for amounts in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 16,593	$ 14,552
ROU assets obtained in the exchange for lease liabilities	19,480	5,953

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, 2019, consists of the following as of September 30, 2020 and December 31, 2019:

	Amount	
Year	As of September 30, 2020	As of December 31, 2019
2020	$ 5,467	$ 17,725
2021	19,994	15,180
2022	15,706	11,522
2023	12,224	8,751
2024	8,010	5,127
Thereafter	20,607	8,190
Total lease payments	82,008	66,495
Less: imputed interest	(5,404)	(5,153)
Total	$ 76,604	$ 61,342

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 September 30, 2020, United did not have any federal funds purchased while total securities sold under agreements to repurchase ("REPOs") were $148,357. 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 September 30, 2020, 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 September 30, 2020, United had an unused borrowing amount of approximately $6,685,985 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 September 30, 2020, $645,249 of FHLB advances with a weighted-average interest rate of 0.65% are scheduled to mature within the next five years.

The scheduled maturities of these FHLB borrowings are as follows:

Year	Amount
2020	$561,003
2021	52,429
2022	20,869
2023	0
2024 and thereafter	10,948
Total	$645,249

At September 30, 2020, 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. United also assumed $10,000 in aggregate principal amount of fixed-to-floating rate subordinated notes in the Carolina Financial acquisition. At September 30, 2020, the outstanding balance of the Debentures and the assumed subordinated notes was $279,425 and the outstanding balance of the Debentures was $236,164 at December 31, 2019. These amounts 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 as Tier 1 capital, but rather the Capital Securities are included as a component of United's Tier 2 capital. United can include the Capital Securities 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 $5,800,813 and $3,610,777 of loan commitments outstanding as of September 30, 2020 and December 31, 2019, respectively, approximately 35% of which contractually expire within one year. Included in the September 30, 2020 amount are commitments to extend credit of $293,229 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. As of September 30, 2020 and December 31, 2019, United had $5,092 of commercial letters of credit outstanding. 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 $136,275 and $145,105 as of September 30, 2020 and December 31, 2019, 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.

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 has a reserve of $1,230 as of September 30, 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 uses derivative instruments to help aid against adverse price changes or interest rate movements on the value of certain assets or liabilities and on future cash flows. These derivatives may consist of interest rate swaps, caps, floors, collars, futures, forward contracts, written and purchased options. United also executes derivative instruments with its commercial banking customers to facilitate its risk management strategies.

United accounts for its derivative financial instruments in accordance with 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.

For a fair value hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to the hedged financial instrument. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a fair value hedge are offset in current period earnings. For a cash flow hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to 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.

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 September 30, 2020, 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 the forecasted transactions became probable of not occurring. United estimates that $1,262 will be reclassified from AOCI as an increase to interest expense over the next 12-months following September 30, 2020 related to the cash flow hedges. As of September 30, 2020, the maximum length of time over which forecasted transactions are hedged is ten 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. The portion of a hedge that is ineffective is recognized immediately in earnings.

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 liability derivatives as of September 30, 2020. The related fair value on a net basis approximate zero.

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

The 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 September 30, 2020 and December 31, 2019.

	Asset Derivatives					
	September 30, 2020			December 31, 2019		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Derivatives not designated as hedging instruments						
Forward loan sales commitments	Other assets	$ 75,431	$ 1,990	Other assets	$ 27,260	$ 9
TBA mortgage-backed securities	Other assets	229,000	95	Other assets	0	0
Interest rate lock commitments	Other assets	1,399,936	49,810	Other assets	117,252	4,518
Total derivatives not designated as hedging instruments		$1,704,367	$51,895		$144,512	$4,527
Total asset derivatives		$1,704,367	$51,895		$144,512	$4,527

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	Liability Derivatives					
	September 30, 2020			December 31, 2019		
	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	$ 78,126	$ 7,878	Other liabilities	$ 82,243	$2,394
Total Fair Value Hedges		$ 78,126	$ 7,878		$ 82,243	$2,394
Cash Flow Hedge:						
Interest rate swap contract (hedging FHLB borrowing)	Other liabilities	$ 500,000	$ 775	Other liabilities	$ 0	$ 0
Total Cash Flow Hedge		$ 500,000	$ 775		$ 0	$ 0
Total derivatives designated as hedging instruments		$ 578,126	$ 8,653		$ 82,243	$2,394
Derivatives not designated as hedging instruments						
TBA mortgage-backed securities	Other liabilities	$ 775,000	$ 2,713	Other liabilities	$274,000	$ 671
Total derivatives not designated as hedging instruments		$ 775,000	$ 2,713		$274,000	$ 671
Total liability derivatives		$1,353,126	$11,366		$356,243	$3,065

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 September 30, 2020 and December 31, 2019.

		September 30, 2020		
Derivatives in Fair Value Hedging Relationships	Location in the Statement of Condition	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 and leases, net of unearned income	$ 78,937	$ (7,878)	$ 0

		December 31, 2019		
Derivatives in Fair Value Hedging Relationships	Location in the Statement of Condition	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 and leases, net of unearned income	$ 81,397	$ (2,394)	$ 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.

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The effect of United's derivative financial instruments on its unaudited Consolidated Statements of Income for the three and nine months ended September 30, 2020 and 2019 are presented as follows:

	Income Statement Location	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Derivatives in hedging relationships			
Fair Value Hedges:			
Interest rate swap contracts	Interest and fees on loans and leases	$ (409)	$ (187)
Total derivatives in hedging relationships		$ (409)	$ (187)
Derivatives not designated as hedging instruments			
Forward loan sales commitments	Income from Mortgage Banking Activities	246	44
TBA mortgage-backed securities	Income from Mortgage Banking Activities	1,604	2,641
Interest rate lock commitments	Income from Mortgage Banking Activities	20,915	602
Total derivatives not designated as hedging instruments		$ 22,765	$ 3,287
Total derivatives		$ 22,356	$ 3,100

	Income Statement Location	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Derivatives in fair value hedging relationships			
Fair Value Hedges:			
Interest rate swap contracts	Interest and fees on loans and leases	$ (1,129)	$ (285)
Total derivatives in hedging relationships		$ (1,129)	$ (285)
Derivatives not designated as hedging instruments			
Forward loan sales commitments	Income from Mortgage Banking Activities	(315)	916
TBA mortgage-backed securities	Income from Mortgage Banking Activities	(167)	2,167
Interest rate lock commitments	Income from Mortgage Banking Activities	33,084	6,472
Total derivatives not designated as hedging instruments		$ 32,602	$ 9,555
Total derivatives		$ 31,473	$ 9,270

14. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Securities available for sale and equity securities : Securities available for sale and equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Using a market approach valuation methodology, third party vendors compile prices 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 September 30, 2020, 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 September 30, 2020. 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 September 30, 2020, the range of historical sales prices increased the investor's indicated pricing by a range of 0.02% to 0.27% with a weighted average increase of 0.17%.

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 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.

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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 September 30, 2020, the range of historical sales prices increased the investor's indicated pricing by a range of 0.02% to 0.27% with a weighted average increase of 0.17%.

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 September 30, 2020 and December 31, 2019, segregated by the level of the valuation inputs within the fair value hierarchy.

		Fair Value at September 30, 2020 Using		
Description	Balance as of September 30, 2020	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	$ 66,510	$ 0	$ 66,510	$ 0
State and political subdivisions	536,155	0	536,155	0
Residential mortgage-backed securities Agency	804,332	0	804,332	0
Non-agency	42,340	0	42,340	0
Commercial mortgage-backed securities Agency	650,986	0	650,986	0
Asset-backed securities	283,589	0	283,589	0
Trust preferred collateralized debt obligations	0	0	0	0
Single issue trust preferred securities	16,748	0	16,748	0
Other corporate securities	377,142	6,282	370,860	0
Total available for sale securities	2,777,802	6,282	2,771,520	0
Equity securities:				
Financial services industry	100	100	0	0
Equity mutual funds (1)	4,160	4,160	0	0
Other equity securities	5,995	5,995	0	0
Total equity securities	10,255	10,255	0	0
Loans held for sale	784,457	0	59,663	724,794
Derivative financial assets:				
Forward sales commitments	1,990	0	1,990	0
TBA mortgage-backed securities	95	0	95	0
Interest rate lock commitments	49,810	0	9,936	39,874
Total derivative financial assets	51,895	0	12,021	39,874
Liabilities				
Derivative financial liabilities:				
Interest rate swap contracts	8,653	0	8,653	0
TBA mortgage-backed securities	2,713	0	2,713	0
Total derivative financial liabilities	11,366	0	11,366	0

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

Description	Balance as of December 31, 2019	Fair Value at December 31, 2019 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	$ 58,676	$ 0	$ 58,676	$ 0
State and political subdivisions	272,362	0	272,362	0
Residential mortgage-backed securities Agency	836,534	0	836,534	0
Non-agency	3,833	0	3,833	0
Commercial mortgage-backed securities Agency	614,973	0	614,973	0
Asset-backed securities	276,139	0	276,139	0
Trust preferred collateralized debt obligations	4,703	0	0	4,703
Single issue trust preferred securities	16,774	0	16,774	0
Other corporate securities	353,302	6,586	346,716	0
Total available for sale securities	2,437,296	6,586	2,426,007	4,703
Equity securities:				
Financial services industry	154	154	0	0
Equity mutual funds (1)	3,971	3,971	0	0
Other equity securities	4,769	4,769	0	0
Total equity securities	8,894	8,894	0	0
Loans held for sale	384,375	0	0	384,375
Derivative financial assets:				
Interest rate swap contracts	9	0	9	0
Forward sales commitments	4,518	0	0	4,518
Total derivative financial assets	4,527	0	9	4,518
Liabilities				
Derivative financial liabilities:	2,394	0	2,394	0
TBA mortgage-backed securities	671	0	671	0
Total derivative financial liabilities	3,065	0	3,065	0

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

There were no transfers between Level 1 and Level 2 for financial assets and liabilities measured at fair value on a recurring basis during the nine months ended September 30, 2020 and the year ended December 31, 2019.

The following table presents additional information about financial assets and liabilities measured at fair value at September 30, 2020 and December 31, 2019 on a recurring basis and for which United has utilized Level 3 inputs to determine fair value:

	Available for sale Securities Trust preferred collateralized debt obligations	
	September 30, 2020	December 31, 2019
Balance, beginning of period	$ 4,703	$ 5,917
Total gains or losses (realized/unrealized):		
Included in earnings (or changes in net assets)	309	(155)
Included in other comprehensive income	0	(1,059)
Sales	(5,012)	0
Balance, end of period	$ 0	$ 4,703
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

	Loans held for sale	
	September 30, 2020	December 31, 2019
Balance, beginning of period	$ 384,375	$ 247,104
Originations	4,088,247	2,941,722
Sales	(3,915,328)	(2,888,257)
Total gains or losses during the period recognized in earnings	167,500	83,806
Balance, end of period	$ 724,794	$ 384,375
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	
	September 30, 2020	December 31, 2019
Balance, beginning of period	$ 4,518	$ 4,103
Transfers other	35,356	415
Balance, end of period	$ 39,874	$ 4,518
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date	$ 0	$ 0

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

Fair Value Option

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

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

Description	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Assets		
Loans held for sale		
Income from mortgage banking activities	$ 7,807	$ (1,304)

Description	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Assets		
Loans held for sale		
Income from mortgage banking activities	$ 18,278	$ 5,238

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:

	September 30, 2020			December 31, 2019		
Description	Unpaid Principal Balance	Fair Value	Fair Value Over/ (Under) Unpaid Principal Balance	Unpaid Principal Balance	Fair Value	Fair Value Over/ (Under) Unpaid Principal Balance
Assets						
Loans held for sale	$759,737	$784,457	$ 24,720	$375,274	$384,375	$ 9,101

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

Loans held for sale : Loans held for sale within the community banking segment that are delivered on a best efforts basis are carried at the lower of cost or fair value. The fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, United records any fair value adjustments for these loans held for sale on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale during the three months ended September 30, 2020. Gains and losses on sale of loans are 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 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 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. Other than those intangible assets recorded in the acquisition of Carolina Financial in the second quarter of 2020, no other fair value measurement of intangible assets was made during the first nine months of 2020 and 2019.

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 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 September 30, 2020, the average range of discount rates was 9.50% to 13.93% with a weighted average discount rate of 10.62%; the average range of constant prepayment rates was 7.59% to 17.80% with a weighted average prepayment rate of 15.08%; the net servicing fee was 0.26%; and the delinquency rate, including loans on forbearance was 3.75%.

The Company recorded a $400 temporary impairment of mortgage servicing rights in the quarter ended September 30, 2020. 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 MSRs asset.

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 September 30, 2020	Carrying value at September 30, 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	$ 27,627	$ 0	$ 27,627	$ 0	$ (5)
Individually assessed loans	52,921	0	40,285	12,636	1,242
OREO	25,696	0	25,645	51	(445)
Mortgage servicing rights	20,413	0	0	20,413	(1,110)

Description	Balance as of December 31, 2019	Carrying value at December 31, 2019			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	$ 3,139	$ 0	$ 3,139	$ 0	$ (4)
Impaired Loans	68,213	0	55,792	12,421	1,831
OREO	15,515	0	15,495	20	(785)

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.

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:

			Fair Value Measurements		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2020					
Cash and cash equivalents	$ 1,656,533	$ 1,656,533	$ 0	$ 1,656,533	$ 0
Securities available for sale	2,777,802	2,777,802	6,282	2,771,520	0
Securities held to maturity	1,214	1,213	0	194	1,019
Equity securities	10,255	10,255	10,255	0	0
Other securities	217,992	207,093	0	0	207,093
Loans held for sale	812,084	812,084	0	87,290	724,794
Net loans and leases	17,704,419	16,925,002	0	0	16,925,002
Derivative financial assets	51,895	51,895	0	12,021	39,874
Mortgage servicing rights	20,413	20,413	0	0	20,413
Deposits	20,251,539	20,248,507	0	20,248,507	0
Short-term borrowings	148,357	148,357	0	148,357	0
Long-term borrowings	924,674	875,217	0	875,217	0
Derivative financial liabilities	11,366	11,366	0	11,366	0
December 31, 2019					
Cash and cash equivalents	$ 837,493	$ 837,493	$ 0	$ 837,493	$ 0
Securities available for sale	2,437,296	2,437,296	6,586	2,426,007	4,703
Securities held to maturity	1,446	1,447	0	427	1,020
Equity securities	8,894	8,894	8,894	0	0
Other securities	222,161	211,053	0	0	211,053
Loans held for sale	387,514	387,514	0	3,139	384,375
Net loans	13,635,072	13,185,955	0	0	13,185,955
Derivative financial assets	4,527	4,527	0	9	4,518
Deposits	13,852,421	13,843,077	0	13,843,077	0
Short-term borrowings	374,654	374,654	0	374,654	0
Long-term borrowings	1,838,029	1,820,297	0	1,820,297	0
Derivative financial liabilities	3,065	3,065	0	3,065	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 50,000 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 $1,369 and $3,991 related to the nonvested awards under United's Long-Term Incentive Plans was incurred for the third quarter and first nine months of 2020, respectively, as compared to the compensation expense of $1,194 and $3,505 related to the nonvested awards under United's Long-Term Incentive Plans incurred for the third quarter and first nine months of 2019, respectively. Compensation expense was included in employee compensation in the unaudited Consolidated Statements of Income.

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.

A summary of activity under United's stock option plans as of September 30, 2020, and the changes during the first nine months of 2020 are presented below:

	Nine Months Ended September 30, 2020			
			Weighted Average	
	Shares	Aggregate Intrinsic Value	Remaining Contractual Term (Yrs.)	Exercise Price
Outstanding at January 1, 2020	1,715,316			$34.49
Assumed in Carolina Financial merger	117,116			12.14
Granted	183,551			32.51
Exercised	(14,994)			20.48
Forfeited or expired	(8,915)			28.47
Outstanding at September 30, 2020	1,992,074	$ 1,182	5.3	$33.13
Exercisable at September 30, 2020	1,446,719	$ 1,182	4.1	$31.67

The following table summarizes the status of United's nonvested stock option awards during the first nine months of 2020:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2020	589,737	$ 7.62
Granted	183,551	5.65
Vested	(225,582)	7.68
Forfeited or expired	(2,351)	7.32
Nonvested at September 30, 2020	545,355	$ 6.93

During the nine months ended September 30, 2020 and 2019, 14,994 and 98,613 shares, respectively, were issued in connection with stock option exercises. All shares issued in connection with stock option exercises for the nine months ended September 30, 2020 and 2019 were issued from authorized and unissued stock. The total intrinsic value of options exercised under the Plans during the nine months ended September 30, 2020 and 2019 was $249 and $1,463 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 restricted common shares for the period ended September 30, 2020:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at January 1, 2020	247,896	$ 39.20
Granted	182,425	32.19
Vested	(88,671)	39.32
Forfeited	(946)	36.58
Outstanding at September 30, 2020	340,704	$ 35.42

16. EMPLOYEE BENEFIT PLANS

United has a defined benefit retirement plan covering qualified employees. 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. United made a discretionary contribution of $20,000 during the first nine months of 2020. No discretionary contribution was made during the first nine months of 2019.

In September of 2007, after a recommendation by United's Pension Committee and approval by United's Board of Directors, the United Bankshares, Inc. Pension Plan (the "Plan") was amended to change the participation rules. The decision to change the participation rules for the Plan followed current industry trends, as many large and medium size companies had taken similar steps. The amendment provides that employees hired on or after October 1, 2007, will not be eligible to participate in the Plan. However, new employees will be eligible to participate in United's Savings and Stock Investment 401(k) plan. This change had no impact on current employees hired prior to October 1, 2007 as they will continue to participate in the Plan, with no change in benefit provisions, and will continue to be eligible to participate in United's Savings and Stock Investment 401(k) plan.

Included in accumulated other comprehensive income at December 31, 2019 are unrecognized actuarial losses of $60,894 ($46,706 net of tax) that have not yet been recognized in net periodic pension cost. The amortization of this item expected to be recognized in net periodic pension cost during the fiscal year ended December 31, 2020 is $5,802 ($4,450 net of tax).

Net periodic pension cost for the three and nine months ended September 30, 2020 and 2019 included the following components:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Service cost	$ 722	$ 567	$ 2,152	$ 1,683
Interest cost	1,301	1,474	3,874	4,375
Expected return on plan assets	(2,658)	(2,382)	(7,917)	(7,068)
Recognized net actuarial loss	1,458	1,198	4,342	3,553
Net periodic pension cost	$ 823	$ 857	$ 2,451	$ 2,543
Weighted-Average Assumptions:				
Discount rate	3.42%	4.52%	3.42%	4.52%
Expected return on assets	6.75%	7.00%	6.75%	7.00%
Rate of compensation increase (prior to age 40)	5.00%	n/a	5.00%	n/a
Rate of compensation increase (ages 40-54)	4.00%	n/a	4.00%	n/a
Rate of compensation increase (prior to age 45)	n/a	3.50%	n/a	3.50%
Rate of compensation increase (otherwise)	3.50%	3.00%	3.50%	3.00%

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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 September 30, 2020 and 2019, the total amount of accrued interest related to uncertain tax positions was $931 and $641, 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, 2016, 2017 and 2018 and certain State Taxing authorities for the years ended December 31, 2016 through 2018.

United's effective tax rate was 21.82% and 20.23% for the third quarter and first nine months of 2020 and 20.50% and 20.86% for the third quarter and first nine months of 2019.

18. COMPREHENSIVE INCOME

The components of total comprehensive income for the three and nine months ended September 30, 2020 and 2019 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net Income	**$103,784**	**$65,965**	**$196,653**	**$196,814**
Available for sale ("AFS") securities:				
AFS securities with OTTI charges during the period	0	(272)	0	(347)
Related income tax effect	0	64	0	81
Less: OTTI charges recognized in net income	0	9	0	84
Related income tax benefit	0	(3)	0	(20)
Reclassification of previous noncredit OTTI to credit OTTI	0	0	0	2,188
Related income tax benefit	0	0	0	(510)
Net unrealized (losses) gains on AFS securities with OTTI	0	(202)	0	1,476
AFS securities – all other:				
Change in net unrealized gain on AFS securities arising during the period	11,526	5,070	72,385	48,014
Related income tax effect	(2,686)	(1,181)	(16,866)	(11,187)
Net reclassification adjustment for (gains) losses included in net income	(861)	(66)	(2,502)	152
Related income tax expense (benefit)	201	16	583	(35)
	8,180	3,839	53,600	36,944
Net effect of AFS securities on other comprehensive income	**8,180**	**3,637**	**53,600**	**38,420**
Cash flow hedge derivatives:				
Unrealized gain (loss) on cash flow hedge	884	0	(775)	0
Related income tax effect	(206)	0	181	0
Net effect of cash flow hedge derivatives on other comprehensive income	**678**	**0**	**(594)**	**0**
Pension plan:				
Recognized net actuarial loss	1,458	1,198	4,342	3,553
Related income tax benefit	(470)	(249)	(1,129)	(785)
Net effect of change in pension plan asset on other comprehensive income	**988**	**949**	**3,213**	**2,768**
Total change in other comprehensive income	**9,846**	**4,586**	**56,219**	**41,188**
Total Comprehensive Income	**$113,630**	**$70,551**	**$252,872**	**$238,002**

The components of accumulated other comprehensive income for the nine months ended September 30, 2020 are as follows:

Changes in Accumulated Other Comprehensive Income (AOCI) by Component (a)
For the Nine Months Ended September 30, 2020

	Unrealized Gains/Losses on AFS Securities	Unrealized Gains/Losses on Cash Flow Hedge	Defined Benefit Pension Items	Total
Balance at January 1, 2020	$ 7,956	$ 0	$(42,825)	$(34,869)
Other comprehensive income before reclassification	55,519	(594)	0	54,925
Amounts reclassified from accumulated other comprehensive income	(1,919)	0	3,213	1,294
Net current-period other comprehensive income, net of tax	53,600	(594)	3,213	56,219
Balance at September 30, 2020	$ 61,556	$ (594)	$(39,612)	$ 21,350

Reclassifications out of Accumulated Other Comprehensive Income (AOCI)
For the Nine Months Ended September 30, 2020

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 losses (gains) included in net income	$ (2,502)	Net investment securities losses
	(2,502)	Total before tax
Related income tax effect	583	Tax expense
	(1,919)	Net of tax
Cash flow hedge:		
Net reclassification adjustment for losses (gains) included in net income	$ 0	Interest expense
	0	Total before tax
Related income tax effect	0	Tax expense
Pension plan:		
Recognized net actuarial loss	4,342(a)	
	4,342	Total before tax
Related income tax effect	(1,129)	Tax expense
	3,213	Net of tax
Total reclassifications for the period	$ 1,294	

(a) This AOCI component is included in the computation of net periodic pension cost (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 September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Distributed earnings allocated to common stock	$ 45,295	$ 34,434	$ 126,080	$ 103,711
Undistributed earnings allocated to common stock	58,229	31,378	70,064	92,654
Net earnings allocated to common shareholders	$ 103,524	$ 65,812	$ 196,144	$ 196,365
Average common shares outstanding	129,373,154	101,432,243	116,876,402	101,698,530
Equivalents from stock options	81,812	279,497	68,192	268,605
Average diluted shares outstanding	129,454,966	101,711,740	116,944,594	101,967,135
Earnings per basic common share	$ 0.80	$ 0.65	$ 1.68	$ 1.93
Earnings per diluted common share	$ 0.80	$ 0.65	$ 1.68	$ 1.93

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
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 September 30, 2020			As of December 31, 2019		
	Aggregate Assets	Aggregate Liabilities	Risk Of Loss (1)	Aggregate Assets	Aggregate Liabilities	Risk Of Loss (1)
Trust preferred securities	$295,581	$284,939	$10,642	$257,941	$248,680	$9,261

(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 though United's mortgage banking subsidiaries, George Mason and Crescent Mortgage. Crescent Mortgage 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.

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The community banking segment provides the mortgage banking segment (George Mason and Crescent Mortgage) 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.

Information about the reportable segments and reconciliation of this information to the consolidated financial statements at and for the three and nine months ended September 30, 2020 and 2019 is as follows:

	At and For the Three Months Ended September 30, 2020				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
Net interest income	$ 182,187	$ 2,740	$ (2,241)	$ 2,978	$ 185,664
Provision for loans losses	16,781	0	0	0	16,781
Other income	26,615	110,900	33	(2,080)	135,468
Other expense	125,681	43,417	1,597	898	171,593
Income taxes	15,053	14,823	(902)	0	28,974
Net income (loss)	$ 51,287	$ 55,400	$ (2,903)	$ 0	$ 103,784
Total assets (liabilities)	$ 25,620,814	$ 953,531	$ 27,841	$ (670,878)	$ 25,931,308
Average assets (liabilities)	26,148,305	763,170	22,239	(518,091)	26,415,623

	At and For the Three Months Ended September 30, 2019				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
Net interest income	$ 143,615	$ 203	$ (3,052)	$ 1,152	$ 141,918
Provision for loans losses	5,033	0	0	0	5,033
Other income	18,696	24,331	87	(890)	42,224
Other expense	77,312	20,256	(1,696)	262	96,134
Income taxes	16,393	877	(260)	0	17,010
Net income (loss)	$ 63,573	$ 3,401	$ (1,009)	$ 0	$ 65,965
Total assets (liabilities)	$ 19,593,009	$ 491,832	$ 17,120	$ (350,500)	$ 19,751,461
Average assets (liabilities)	19,579,180	398,880	16,925	(328,377)	19,666,608

	At and For the Nine Months Ended September 30, 2020				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
Net interest income	$ 490,311	$ 5,935	$ (7,487)	$ 9,025	$ 497,784
Provision for loans losses	89,811	0	0	0	89,811
Other income	66,483	203,103	89	(9,011)	260,664
Other expense	312,621	99,435	10,030	14	422,100
Income taxes	31,245	22,042	(3,403)	0	49,884
Net income (loss)	$ 123,117	$ 87,561	$ (14,025)	$ 0	$ 196,653
Total assets (liabilities)	$ 25,620,814	$ 953,531	$ 27,841	$ (670,878)	$ 25,931,308
Average assets (liabilities)	23,294,069	597,057	4,101	(422,920)	23,472,307

	At and For the Nine Months Ended September 30, 2019				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
Net interest income	$ 442,022	$ 369	$ (9,584)	$ 3,832	$ 436,639
Provision for loans losses	15,446	0	0	0	15,446
Other income	54,746	63,938	342	(5,784)	113,242
Other expense	235,610	53,869	(1,773)	(1,952)	285,754
Income taxes	51,266	2,163	(1,562)	0	51,867
Net income (loss)	$ 194,446	$ 8,275	$ (5,907)	$ 0	$ 196,814
Total assets (liabilities)	$ 19,593,009	$ 491,832	$ 17,120	$ (350,500)	$ 19,751,461
Average assets (liabilities)	19,410,636	330,668	6,926	(269,306)	19,478,924

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 harbor 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

As of December 31, 2019, there were reported cases of a "pneumonia of unknown cause" that were limited to one region of the world. By January 7, 2020, the exact strain, a new type of coronavirus, was identified, and initially named 2019-nCoV. On January 21, 2020 the first case of the new coronavirus was reported in the U.S. On January 30, 2020, the World Health Organization ("WHO") declared the outbreak a "Public Health Emergency of International Concern." In February of 2020, the WHO officially began calling the disease COVID-19. On March 11, 2020, the WHO characterized the COVID-19 outbreak as a pandemic. In the U.S., President Trump declared the COVID-19 pandemic a national emergency on March 13, 2020.

The COVID-19 pandemic has 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 has caused downturns and increased uncertainty and volatility in financial markets. Individual state governmental responses to the pandemic have 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, have resulted in rapid decreases in commercial and consumer activity, temporary closures of many businesses that have 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.

On March 29, 2020, President 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 have been affected by events related to COVID-19. The CARES Act includes 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 are intended to guarantee eight weeks of payroll and other costs to help those businesses remain viable and allow their workers to pay their bills. The CARES Act marked the third federal legislative response to the ongoing coronavirus outbreak, following the enactment on March 6, 2020 of supplemental appropriations in the "Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020" and the enactment on March 18, 2020 of provisions relating to, among other things, paid sick leave and COVID-19 testing in the "Families First Coronavirus Response Act."

On April 16, 2020, the Small Business Administration ("SBA") announced that all available funds under the PPP had been exhausted and applications were no longer being accepted. In response, President Trump signed into law the "Paycheck Protection Program and Health Care Enhancement Act" on April 24, 2020. This legislation provides additional fiscal year ("FY") 2020 emergency supplemental funding to increase by $310 billion, the amount authorized and appropriated for commitments for the PPP authorized under section 7(a) of the Small Business Act, economic injury disaster loans and emergency grants under the CARES Act, to fund hospital and provider recovery and testing, and for other purposes. On June 5, 2020, President Trump signed into law the "Paycheck Protection Program Flexibility Act of 2020 (PPPFA)," which amends the PPP to give borrowers more freedom in how and when loan funds are spent while retaining the possibility of full forgiveness. Key components of the PPPFA are summarized below:

- The PPPFA amends the PPP to give borrowers more time to spend loan funds and still obtain forgiveness.
- Borrowers now have 24 weeks to spend loan proceeds, up from 8 weeks.
- The Act also reduces mandatory payroll spending from 75% to 60%.
- Two new exceptions let borrowers obtain full forgiveness even without fully restoring their workforce.
- Changes made by the PPPFA have been incorporated in new forgiveness applications released by the SBA.
- Time to pay off the loan has been extended to five years from the original two.
- The Act now allows businesses to delay paying payroll taxes even if they took a PPP loan.

New legislation signed by the President July 4, 2020, extends the deadline to apply for a PPP loan through August 8, 2020. The original application deadline was June 30, 2020. The new legislation involves $134 billion in unspent PPP funds when the application process shut down at the end of June. Those funds were once again available giving Congress time to decide how to re-appropriate anything left after August 8.

Loans covered by the PPP may be eligible for loan forgiveness for certain costs incurred related to payroll, group health care benefit costs and qualifying mortgage, rent and utility payments. On October 8, 2020, the SBA released a simpler loan forgiveness application for PPP loans of $50,000 or less to streamline the PPP forgiveness process. The remaining loan balance after forgiveness of any amounts is still fully guaranteed by the SBA.

In return for processing and booking the loan, the 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). As of September 30, 2020, United had processed almost 9,000 loans totaling over $1.29 billion under the PPP and recognized $5.3 million and $10.1 million of fee income during the third quarter and first nine months of 2020, respectively, related to the PPP loans.

Impact on our Operations . In the states where United operates, many jurisdictions have declared health emergencies. The resulting closures of non-essential businesses and related economic disruption has 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.
- 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.

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 . Significant uncertainties as to future economic conditions exist. While some industries have been impacted more severely than others, all businesses have been impacted to some degree. For the first nine months of 2020, the economic pressures, existing and forecasted, as of end of the first, second and third quarters, 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 first nine months. 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.

In addition, the economic pressures and uncertainties arising from the COVID-19 pandemic may result in specific changes in consumer and business spending and borrowing and saving habits, affecting the demand for loans and other products and services United offers. Consumers affected by COVID-19 may continue to demonstrate changed behavior even after the crisis is over. For example, consumers may decrease discretionary spending on a permanent or long-term basis, certain industries may take longer to recover (particularly those that rely on travel or large gatherings) as consumers may be hesitant to return to full social interaction, United lends to customers operating in such industries including energy, restaurants, hotels/lodging, aviation, entertainment, retail and commercial real estate, among others, that have been significantly impacted by COVID-19 and we are continuing to monitor these customers closely. In response to the COVID-19 pandemic, United has taken deliberate actions to increase on-balance sheet liquidity and increase capital ratio levels. In keeping with guidance from regulators, United is also actively working with COVID-19 affected customers to waive fees from a variety of sources (overdraft fees, ATM fees, account maintenance fees, etc.) as well as affected borrowers to defer their payments, interest, and fees. These measures are thought, at this time, to be temporary in conjunction with the length of the expected COVID-19 pandemic related economic crisis. Through September 30, 2020, United has made 5,910 eligible loan modifications on approximately $3.30 billion of loans outstanding under section 4013, "Temporary Relief from Troubled Debt Restructurings", of the CARES Act. Of those amounts made, 1,433 of eligible loan modifications remain on approximately $1.19 billion of loans outstanding as of September 30, 2020. The Company continues to monitor the impact of the COVID-19 pandemic closely, as well as any effects that may result from the CARES Act and any subsequent legislation; however, the extent to which the COVID-19 pandemic will impact United's operations and financial results during the remainder of 2020 is highly uncertain.

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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").

ADOPTION OF THE CURRENT EXPECTED CREDIT LOSSES STANDARD

The Company has adopted Accounting Standards Update ("ASU") 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," as amended, on January 1, 2020, as required by the Financial Accounting Standards Board ("FASB"). ASU No. 2016-13 was adopted by United using a modified retrospective approach. At the January 1, 2020 date of adoption, based on forecasts of macroeconomic conditions and exposures at that time, the aggregate impact to United was a net increase to the allowance for credit losses of $57.44 million and a decrease to retained earnings of $44.33 million, with the difference being an adjustment to deferred tax assets. United has elected to phase-in the impact to retained earnings using 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 ASU No. 2016-13 on regulatory capital, followed by a three-year transition period. The adoption of ASU No. 2016-13 had an insignificant impact on the Company's held to maturity and available for sale securities portfolios.

ASU 2016-13 requires entities to report "expected" credit losses on financial instruments measured at amortized cost and other commitments to extend credit rather than the prior "incurred loss" model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. Based on poor economic conditions at September 30, 2020, June 30, 2020 and March 31, 2020, management recorded $16.34 million, $27.12 million and $16.96 million in provision for credit losses related to United's loan portfolio for the third quarter, second quarter and first quarter of 2020, respectively. In addition, United recorded a provision for loan losses of $28.95 million during the second quarter of 2020 on purchased non-credit deteriorated ("non-PCD") loans and leases from the Carolina Financial acquisition. For a further discussion, see the "Provision for Credit Losses" section in this Management's Discussion and Analysis of Financial Condition and Results of Operations."

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, which is based in Atlanta. Crescent Mortgage Company is approved to originate loans in 48 states partnering with community banks, credit unions and mortgage brokers. As a result of the merger, Crescent Mortgage 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.

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 third quarter and first nine months of 2020 were impacted by increased levels of average balances, income, and expense as compared to the third quarter and first nine months of 2019. In addition, the third quarter and first nine months of 2020 included $5.67 million and $53.68 million, respectively, 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. 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 September 30, 2020, 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. These policies, along with the disclosures presented in the financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses and the calculation of the income tax provision to be the accounting areas that require the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

Allowance for Loan Losses

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). Determining the allowance for loan losses requires management to make estimates of expected credit losses that are highly uncertain and require a high degree of judgment.

At September 30, 2020, the allowance for loan losses was $225.81 million and is subject to periodic adjustment based on management's assessment of expected credit losses in the loan portfolio. Such adjustment from period to period can have a significant impact on United's consolidated financial statements. To illustrate the potential effect on the financial statements of our estimates of the allowance for loan losses, a 10% increase in the allowance for loan losses would have required $22.58 million in additional allowance (funded by additional provision for loan losses), which would have negatively impacted the first nine months of 2020 net income by approximately $17.84 million, after-tax or $0.15 diluted per common share. Management's evaluation of the adequacy of the allowance for loan losses and the appropriate provision for loan losses is based upon a quarterly evaluation of the loan portfolio. This evaluation is inherently subjective and requires significant estimates, including estimates related to the amounts and timing of future cash flows, value of collateral, losses on pools of homogeneous loans and leases based on historical loss experience, and consideration of qualitative factors such as current economic trends, all of which are susceptible to constant and significant change. The allowance allocated to specific credits and loan pools grouped by similar risk characteristics is reviewed on a quarterly basis and adjusted as necessary based upon subsequent changes in circumstances. In determining the components of the allowance for loan losses, management considers the risk arising in part from, but not limited to, qualitative factors which include charge-off and delinquency trends, current business conditions and reasonable and supportable economic forecasts, lending policies and procedures, the size and risk characteristics of the loan portfolio, concentrations of credit, and other various factors. The methodology used to determine the allowance for loan losses is described in Note 6, Notes to Consolidated Financial Statements. A discussion of the factors leading to changes in the amount of the allowance for loan losses is included in the Provision for Credit Losses section of this MD&A.

Income Taxes

United's calculation of income tax provision is inherently complex due to the various different tax laws and jurisdictions in which we operate and requires management's use of estimates and judgments in its determination. The current income tax liability also includes income tax expense related to our uncertain tax positions as required in ASC Topic 740, "Income Taxes." Changes to the estimated accrued taxes can occur due to changes in tax rates, implementation of new business strategies, resolution of issues with taxing authorities and recently enacted statutory, judicial and regulatory guidance. These changes can be material to the Company's operating results for any particular reporting period. The analysis of the income tax provision requires the assessments of the relative risks and merits of the appropriate tax treatment of transactions, filing positions, filing methods and taxable income calculations after considering statutes, regulations, judicial precedent and other information. United strives to keep abreast of changes in the tax laws and the issuance of regulations which may impact tax reporting and provisions for income tax expense. United is also subject to audit by federal and state authorities. Because the application of tax laws is subject to varying interpretations, results of these audits may produce indicated liabilities which differ from United's estimates and provisions. United continually evaluates its exposure to possible tax assessments arising from audits and records its estimate of probable exposure based on current facts and circumstances. The potential impact to United's operating results for any of the changes cannot be reasonably estimated. See Note 17, Notes to Consolidated Financial Statements for information regarding United's ASC Topic 740 disclosures.

Use of Fair Value Measurements

United determines the fair value of its financial instruments based on the fair value hierarchy established in ASC Topic 820, whereby the 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 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs in the methodology for determining fair value are observable or unobservable.

Observable inputs reflect market-based information obtained from independent sources (Level 1 or Level 2), while unobservable inputs reflect management's estimate of market data (Level 3). For assets and liabilities that are actively traded and have quoted prices or observable market data, a minimal amount of subjectivity concerning fair value is needed. Prices and values obtained from third party vendors that do not reflect forced liquidation or distressed sales are not adjusted by management. When quoted prices or observable market data are not available, management's judgment is necessary to estimate fair value.

At September 30, 2020, approximately 14.47% of total assets, or $3.75 billion, consisted of financial instruments recorded at fair value. Of this total, approximately 78.73% or $2.95 billion of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately 21.27% or $797.77 million of these financial instruments were valued using unobservable market information or Level 3 measurements. Most of these financial instruments valued using unobservable market information were loans held for sale at our mortgage banking segment. At September 30, 2020, only $11.37 million or less than 1% of total liabilities were recorded at fair value. This entire amount was valued using methodologies involving observable market data. United does not believe that any changes in the unobservable inputs used to value the financial instruments mentioned above would have a material impact on United's results of operations, liquidity, or capital resources. See Note 14 for additional information regarding ASC Topic 820 and its impact on United's financial statements.

Any material effect on the financial statements related to these critical accounting areas is further discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL CONDITION

United's total assets as of September 30, 2020 were $25.93 billion, which was an increase of $6.27 billion or 31.88% from December 31, 2019, primarily the result of the acquisition of Carolina Financial on May 1, 2020 and PPP loans. Portfolio loans and leases increased $4.22 billion or 30.76%, cash and cash equivalents increased $819.04 million or 97.80%, investment securities increased $337.47 million or 12.64%, loans held for sale increased $424.57 million or 109.56%, goodwill increased $316.87 million or 21.44%, other assets increased $175.40 million or 39.69%, bank premises and equipment increased $83.81 million or 86.72% and interest receivable increased $7.06 million or 12.15% due primarily to the Carolina Financial merger. Total liabilities increased $5.37 billion or 32.92% from year-end 2019. This increase in total liabilities was due mainly to increases of $6.40 billion or 46.19% and $76.42 million or 44.87% in deposits and accrued and other liabilities, respectively, mainly due to the Carolina Financial acquisition. Partially offsetting these increases was a decrease of $1.14 billion or 51.51% in borrowings. Shareholders' equity increased $903.61 million or 26.86% from year-end 2019 due primarily to the acquisition of Carolina Financial.

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

Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2020 increased $819.04 million or 97.80% from year-end 2019. In particular, interest-bearing deposits with other banks increased $727.04 million or 111.61% as United increased its liquidity due to the COVID-19 pandemic by placing excess cash in an interest-bearing account with the Federal Reserve. In addition, cash and due from banks increased $91.99 million or 49.66% due to increases of $45.64 million in cash and $18.69 million in process with the Federal Reserve. Federal funds sold were flat, increasing $3 thousand or less than 1%. During the first nine months of 2020, net cash of $889.01 million was provided by financing activities while net cash of $45.34 million and $24.64 million were used in operating and investing activities, respectively. 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 nine months of 2020 and 2019.

Securities

Total investment securities at September 30, 2020 increased $337.47 million or 12.64% from year-end 2019. Carolina Financial added $580.79 million in investment securities, including purchase accounting amounts, upon consummation of the acquisition. Securities available for sale increased $340.51 million or 13.97%. This change in securities available for sale reflects $559.29 million acquired from Carolina Financial, $560.40 million in sales, maturities and calls of securities, $278.08 million in purchases, and an increase of $69.88 million in market value. Securities held to maturity declined $232 thousand or 16.04% from year-end 2019 due to maturities and calls of securities. Equity securities were $10.26 million at September 30, 2020, an increase of $1.36 million or 15.30% due mainly to net purchases and a change in value. Other investment securities decreased $4.17 million or 1.88% from year-end 2019 due to a decrease in Federal Home Loan Bank (FHLB) stock. Partially offsetting this decrease in FHLB stock were purchases of Federal Reserve Bank (FRB) stock and investment tax credits.

The following table summarizes the changes in the available for sale securities since year-end 2019:

(Dollars in thousands)	September 30 2020	December 31 2019	$ Change	% Change
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 66,510	$ 58,676	$ 7,834	13.35%
State and political subdivisions	536,155	272,362	263,793	96.85%
Mortgage-backed securities	1,497,658	1,455,340	42,318	2.91%
Asset-backed securities	283,589	276,139	7,450	2.70%
Trust preferred collateralized debt obligations	0	4,703	(4,703)	(100.00%)
Single issue trust preferred securities	16,748	16,774	(26)	(0.16%)
Other corporate securities	377,142	353,302	23,840	6.75%
Total available for sale securities, at fair value	$2,777,802	$2,437,296	$340,506	13.97%

The following table summarizes the changes in the held to maturity securities since year-end 2019:

(Dollars in thousands)	September 30 2020	December 31 2019	$ Change	% Change
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 0	$ 0	$ 0	0.00%
State and political subdivisions	1,194(1)	1,426	(232)	(16.27%)
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	$ 1,214(1)	$ 1,446	$ (232)	(16.04%)

Note : (1) net of allowance for credit losses of $21 thousand.

At September 30, 2020, gross unrealized losses on available for sale securities were $10.64 million. Securities with the most significant gross unrealized losses at September 30, 2020 consisted primarily of asset-backed securities and single issue trust preferred securities. The asset-backed securities relate mainly 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. The single issue trust preferred securities relate to securities of financial institutions.

As of September 30, 2020, United's available for sale mortgage-backed securities had an amortized cost of $1.44 billion, with an estimated fair value of $1.50 billion. The portfolio consisted primarily of $777.16 million in agency residential mortgage-backed securities with a fair value of $804.33 million, $41.95 million in non-agency residential mortgage-backed securities with an estimated fair value of $42.34 million, and $618.90 million in commercial agency mortgage-backed securities with an estimated fair value of $650.99 million.

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As of September 30, 2020, United's available for sale corporate securities had an amortized cost of $680.33 million, with an estimated fair value of $677.48 million. The portfolio consisted of $18.22 million in single issue trust preferred securities with an estimated fair value of $16.75 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 $291.69 million and a fair value of $283.59 million and other corporate securities, with an amortized cost of $370.40 million and a fair value of $377.14 million.

United's available for sale single-issue trust preferred securities had a fair value of $16.75 million as of September 30, 2020. Of the $16.75 million, $10.99 million or 65.62% were investment grade; $0.89 million or 5.28% were split rated; and $4.87 million or 29.10% were unrated. The two largest exposures accounted for 70.63% of the $16.75 million. These included Truist Bank at $6.96 million and Emigrant Bank at $4.87 million. All single-issue trust preferred securities are currently receiving full scheduled principal and interest payments.

The following is a summary of available for sale single-issue trust preferred securities as of September 30, 2020:

Security	Moodys	S&P	Fitch	Amortized Cost	Fair Value	Unrealized Loss/ (Gain)
				(Dollars in thousands)		
Emigrant Bank	NR	NR	WD	$ 5,744	$ 4,874	$ 870
Truist Bank	Baa1	NR	BBB	4,964	4,620	344
M&T Bank	NR	BBB-	BBB-	3,053	3,223	(170)
Truist Bank	NR	BBB-	BBB	2,482	2,336	146
HSBC	Baa2	BBB	NR	1,000	811	189
Royal Bank of Scotland	Baa3	BB+	BBB	978	884	94
				$ 18,221	$16,748	$ 1,473

During the third quarter of 2020, United did not recognize any impairment on its available for sale investment securities. Management does not believe that any individual security with an unrealized loss as of September 30, 2020 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 September 30, 2020, 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 $424.57 million or 109.56% from year-end 2019 due mainly to the acquisition of Carolina Financial and its mortgage banking subsidiary, Crescent Mortgage, and increased production. Carolina Financial added $65.76 million in loans held for sale. In addition, loan originations exceeded loan sales in the secondary market during the first nine months of 2020. Loan originations for the first nine months of 2020 were $4.52 billion while loans sales were $4.16 billion. Loans held for sale were $812.08 million at September 30, 2020 as compared to $387.51 million at year-end 2019.

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Portfolio Loans & Leases

Loans and leases, net of unearned income, increased $4.22 billion or 30.76% from year-end 2019 mainly as a result of the Carolina Financial acquisition which added $3.29 billion, including purchase accounting amounts, in portfolio loans and leases and the issuance of PPP loans. Since year-end 2019, commercial, financial and agricultural loans and leases increased $3.41 billion or 45.69% as commercial loans and leases (not secured by real estate) increased $1.93 billion or 84.31%, including $1.29 billion in PPP loans, while commercial real estate loans increased $1.48 billion or 28.61%. Consumer loans increased $48.68 million or 4.17% due to an increase in indirect automobile financing in addition to the loans acquired from Carolina Financial. In addition, construction and land development loans increased $416.10 million or 29.55% while residential real estate loans increased $384.11 million or 10.42%. These increases were due primarily to the Carolina Financial acquisition. Otherwise, portfolio loans and leases, net of unearned income, increased $957.03 million from year-end 2019. Unearned income on loans and leases increased $35.87 million from year-end 2019 due mainly to the deferred loan fees on the PPP loans.

The following table summarizes the changes in the major loan classes since year-end 2019:

(Dollars in thousands)	September 30 2020	December 31 2019	$ Change	% Change
Loans held for sale	$ 812,084	$ 387,514	$ 424,570	109.56%
Commercial, financial, and agricultural:				
Owner-occupied commercial real estate	$ 1,616,380	$ 1,201,652	$ 414,728	34.51%
Nonowner-occupied commercial real estate	5,029,867	3,965,960	1,063,907	26.83%
Other commercial loans and leases	4,211,490	2,285,037	1,926,453	84.31%
Total commercial, financial, and agricultural	$10,857,737	$ 7,452,649	$3,405,088	45.69%
Residential real estate	4,070,507	3,686,401	384,106	10.42%
Construction & land development	1,824,303	1,408,205	416,098	29.55%
Consumer:				
Bankcard	8,373	10,074	(1,701)	(16.89%)
Other consumer	1,206,600	1,156,219	50,381	4.36%
Total gross loans and leases	$17,967,520	$13,713,548	$4,253,972	31.02%
Less: Unearned income	(37,289)	(1,419)	(35,870)	2,527.84%
Total loans and leases, net of unearned income	$17,930,231	$13,712,129	$4,218,102	30.76%

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

Other Assets

Other assets increased $175.40 million or 39.69% from year-end 2019. The Carolina Financial acquisition added $155.10 million in other assets plus an additional $3.04 million in core deposit intangibles and $196 thousand for the Crescent Mortgage trade name intangible. The cash surrender value of bank-owned life insurance policies increased $74.07 million, of which $71.88 million was acquired from Carolina Financial while the remaining increase was due to an increase in the cash surrender value. Deferred tax assets increased $7.63 million due mainly to the deferred taxes recorded on the purchase accounting adjustments in the Carolina Financial acquisition while income tax receivable increased $25.52 million. The remainder of the increase in other assets is the result of an increase of $46.60 million in derivative assets from Carolina Financial and an increase of $10.18 million in OREO.

Deposits

Deposits represent United's primary source of funding. Total deposits at September 30, 2020 increased $6.40 billion or 46.19% as the result of the Carolina Financial acquisition. Carolina Financial added $3.88 billion in deposits, including purchase accounting amounts. In terms of composition, noninterest-bearing deposits increased $2.68 billion or 58.06% ($893.07 million added from Carolina Financial acquisition) while interest-bearing deposits increased $3.72 billion or 40.25% ($2.99 billion added from Carolina Financial acquisition) from December 31, 2019. Organically, deposits grew $2.52 billion from year-end 2019.

Noninterest-bearing deposits consist of demand deposit and noninterest bearing money market ("MMDA") account balances. The $2.68 billion increase in noninterest-bearing deposits was due mainly to increases in commercial noninterest-bearing deposits of $1.51 billion or 62.79% and personal noninterest-bearing deposits of $260.23 million or 35.00% as the result of the Carolina Financial acquisition. In addition, sweep activity to noninterest bearing MMDAs increased $869.12 million or 70.12%.

Interest-bearing deposits consist of interest-bearing checking ("NOW"), regular savings, interest-bearing MMDA, and time deposit account balances. All major categories of interest-bearing deposits increased from year-end 2019 as the result of the Carolina Financial acquisition. In particular, interest-bearing MMDAs increased $2.12 billion or 37.59% since year-end 2019 as commercial MMDAs increased $1.02 billion, personal MMDAs increased $731.95 million, and public funds MMDAs increased $391.01 million. Brokered MMDAs decreased $18.14 million. NOW accounts increased $385.39 million or 103.55% since year-end 2019. Excluding sweep activity from NOW accounts to interest-bearing MMDAs to reduce United's reserve requirement at its Federal Reserve Bank, NOW accounts increased $1.22 billion or 66.78% due to a $634.40 million increase in personal NOW accounts, a $322.79 million increase in public NOW accounts, and a $258.34 million increase in commercial NOW accounts.

Regular savings increased $363.09 million or 41.13% from year-end 2019 due to a $324.00 million increase in personal savings accounts and a $39.00 million increase in commercial savings accounts as the result of the Carolina Financial acquisition.

Time deposits under $100,000 increased $322.36 million or 44.53% from year-end 2019 due mainly to an increase in fixed rate certificates of deposits (CDs) of $243.91 million due to the Carolina Financial acquisition. Time deposits over $100,000 increased $520.52 million or 32.54% as brokered deposits increased $102.65 million, fixed rate CDs over $100,000 increased $499.74 million, and public funds CDs over $100,000 increased $18.24 million, all as a result of the Carolina Financial acquisition. Partially offsetting these increases in time deposits over $100,000 was a $102.40 million decrease in Certificate of Deposit Account Registry Service ("CDARS") balances.

The table below summarizes the changes by deposit category since year-end 2019:

(Dollars in thousands)	September 30 2020	December 31 2019	$ Change	% Change
Demand deposits	$ 5,196,127	$ 3,381,866	$1,814,261	53.65%
Interest-bearing checking	757,563	372,175	385,388	103.55%
Regular savings	1,245,983	882,889	363,094	41.13%
Money market accounts	9,885,198	6,891,696	2,993,502	43.44%
Time deposits under $100,000	1,046,299	723,941	322,358	44.53%
Time deposits over $100,000 (1)	2,120,369	1,599,854	520,515	32.54%
Total deposits	$20,251,539	$13,852,421	$6,399,118	46.19%

(1) Includes time deposits of $250,000 or more of $969,917 and $803,414 at September 30, 2020 and December 31, 2019, respectively.

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Borrowings

Total borrowings at September 30, 2020 decreased $1.14 billion or 51.51% since year-end 2019. Carolina Financial added $374.74 million, including purchase accounting amounts, upon consummation of the acquisition. During the first nine months of 2020, short-term borrowings decreased $226.30 million or 60.40% due to a $250.00 million decrease in short term FHLB advances while securities sold under agreements to repurchase increased $23.70 million. Carolina Financial added $332.00 million in short-term borrowings, most of which was repaid prior to June 30, 2020. Long-term borrowings decreased $913.36 million or 49.69% from year-end 2019 as long-term FHLB advances decreased $956.62 million as a result of early payoff of long-term FHLB advances while issuances of trust preferred capital securities increased $33.40 million. Including purchase accounting amounts, Carolina Financial added $42.74 million in long-term borrowings, which included subordinated debt of $9.87 million.

The table below summarizes the change in the borrowing categories since year-end 2019:

(Dollars in thousands)	September 30 2020	December 31 2019	$ Change	% Change
Federal funds purchased	$ 0	$ 0	$ 0	0.00%
Short-term securities sold under agreements to repurchase	148,357	124,654	23,703	19.02%
Short-term FHLB advances	0	250,000	(250,000)	(100.00%)
Long-term FHLB advances	645,249	1,601,865	(956,616)	(59.72%)
Subordinated debt	9,865	0	9,865	100.00%
Issuances of trust preferred capital securities	269,560	236,164	33,396	14.14%
Total borrowings	$1,073,031	$2,212,683	$(1,139,652)	(51.51%)

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 September 30, 2020 increased $76.42 million or 44.87% from year-end 2019. Carolina Financial added $33.15 million. In particular, accounts payable associated with George Mason increased $35.86 million due to timing differences and derivative liabilities increased $8.49 million. In addition, accrued mortgage escrow liabilities increased $13.53 million and accrued employee expenses increased $17.26 million. Partially offsetting these increases was a decrease of $14.22 million in the pension liability due to a $20 million contribution in the third quarter of 2020.

Shareholders' Equity

Shareholders' equity at September 30, 2020 was $4.27 billion, which was an increase of $903.61 million or 26.86% from year-end 2019 mainly as the result of the Carolina Financial acquisition. The Carolina Financial transaction added approximately $817.83 million in shareholders' equity as 28,031,501 shares were issued from United's authorized but unissued shares for the merger at a cost of approximately $816.00 million.

Retained earnings decreased $25.89 million or 2.29% from year-end 2019. Earnings net of dividends for the first nine months of 2020 were $70.22 million. Amount recognized for the adoption of ASU No. 2016-13 was a reduction of $44.33 million in retained earnings.

Accumulated other comprehensive income increased $56.22 million or 161.23% from year-end 2019 due mainly to an increase of $52.89 million in United's available for sale investment portfolio, net of deferred income taxes. The after-tax accretion of pension costs was $3.21 million for the first nine months of 2020. During the first nine months of 2020, United recognized a downward fair value adjustment of $594 thousand on a new cash flow hedge.

RESULTS OF OPERATIONS

Overview

Net income for the third quarter of 2020 was $103.78 million or $0.80 per diluted share, as compared to $65.97 million or $0.65 per diluted share for the prior year third quarter. Net income for the first nine months of 2020 was $196.65 million or $1.68 per diluted share compared to $196.81 million or $1.93 per share for the first nine months of 2019.

Higher net income in the third quarter of 2020 compared to the third quarter of 2019 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, as well as the impact from the Carolina Financial acquisition. Partially offsetting the increase in net income were merger-related expenses from the Carolina Financial acquisition, $10.39 million in prepayment penalties on the early payoff of three long-term FHLB advances and higher provision for credit losses resulting from an adverse future macroeconomic forecast as a result of the COVID-19 pandemic under the CECL accounting standard.

The slightly lower amount of net income for the first nine months of 2020 compared to the first nine months of 2019 was driven primarily by significant merger-related expenses from the Carolina Financial acquisition, a higher provision for loan losses resulting from an adverse future macroeconomic forecast as a result of the COVID-19 pandemic under the new CECL accounting standard and the prepayment penalties on the early payoff of the FHLB advances mentioned above. Mostly offsetting the decreases to net income was higher income from mortgage banking activities as well as the impact from the Carolina Financial acquisition.

As previously mentioned, United completed its acquisition of Carolina Financial on May 1, 2020. The financial results of Carolina Financial are included in United's results from the acquisition date. As a result of the acquisition, the third quarter and first nine months of 2020 were impacted by increased levels of average balances, income, and expense, including merger-related expense of $5.67 million and $53.68 million for the third quarter and first nine months of 2020, respectively, as compared to the third quarter and first nine months and of 2019. In addition, the second quarter of 2020 would not have been fully impacted by the acquisition.

For the third quarter of 2020, United's annualized return on average assets was 1.56% and return on average shareholders' equity was 9.68% as compared to 1.33% and 7.79% for the third quarter of 2019. United's annualized return on average assets for the first nine months of 2020 was 1.12% and return on average shareholders' equity was 6.85% as compared to 1.35% and 7.93% for the first nine months of 2019. For the third quarter and first nine months of 2020, United's annualized return on average tangible equity was 16.94% and 12.19%, respectively, as compared to 14.16% and 14.56% for the third quarter and first nine months of 2019, respectively.

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Return on Average Tangible Equity:				
(a) Net Income (GAAP)	$ 103,784	$ 65,965	$ 196,653	$ 196,814
(b) Number of days	92	92	274	273
Average Total Shareholders' Equity (GAAP)	$ 4,263,111	$ 3,359,437	$ 3,835,617	$ 3,319,420
Less: Average Total Intangibles	(1,826,057)	(1,510,653)	(1,681,202)	(1,512,394)
(c) Average Tangible Equity (non-GAAP)	$ 2,437,054	$ 1,848,784	$ 2,154,415	$ 1,807,026
Return on Tangible Equity (non-GAAP) [(a) / (b)] x 366 or 365/ (c)	16.94%	14.16%	12.19%	14.56%

Net interest income for the third quarter of 2020 was $185.66 million which was an increase of $43.75 million or 30.82% from the third quarter of 2019. The increase in net interest income occurred because total interest income increased $19.92 million while total interest expense decreased $23.83 million from the third quarter of 2019. Net interest income for the first nine months of 2020 was $497.78 million, an increase of $61.15 million or 14.00% from the first nine months of 2019. The increase in net interest income occurred because total interest income increased $10.78 million while total interest expense decreased $50.37 million from the first nine months of 2019.

The provision for credit losses was $16.78 million and $89.81 million for the third quarter and first nine months of 2020, respectively, as compared to $5.03 million and $15.45 million for the third quarter and first nine months of 2019, respectively. The higher amount of provision expense for 2020 compared to 2019 was due mainly to the reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses adversely impacted by the COVID-19 pandemic under the new CECL accounting standard adopted by United on January 1, 2020 . In addition, for the first nine months of 2020, a provision for loan losses of $28.95 million was recorded on purchased non-PCD loans and leases from Carolina Financial. For the third quarter of 2020, noninterest income was $135.47 million, which was an increase of $93.24 million or 220.83% from the third quarter of 2019. Noninterest income for the first nine months of 2020 was $260.66 million which was an increase of $147.42 million or 130.18% from the first nine months of 2019. For the third quarter of 2020, noninterest expense increased $75.46 million or 78.49% from the third quarter of 2019. For the first nine months of 2020, noninterest expense increased $136.35 million or 47.71% from the first nine months of 2019.

Income taxes for the third quarter of 2020 were $28.97 million as compared to $17.01 million for the third quarter of 2019. For the first nine months of 2020 and 2019, income tax expense was $49.88 million and $51.87 million, respectively. For the quarters ended September 30, 2020 and 2019, United's effective tax rate was 21.82% and 20.50%, respectively. The effective tax rate for the first nine months of 2020 and 2019 was 20.23% and 20.86%, respectively.

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

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 third quarter of 2020 was $51.29 million compared to net income of $63.57 million for the third quarter of 2019. Net income attributable to the community banking segment for the first nine months of 2020 was $123.12 million compared to net income of $194.45 million for the first nine months of 2019. As previously mentioned, the lower amount of net income in 2020 was driven primarily by merger-related expenses from the Carolina Financial acquisition, prepayment penalties on the early payoff of three long-term FHLB advances and a higher provision for loan losses resulting from an adverse future macroeconomic forecast as a result of the COVID-19 pandemic under the new CECL accounting standard adopted by United on January 1, 2020. In addition, for the first nine months of 2020, the community banking segment included the provision for loan losses of $28.95 million recorded on purchased non-PCD loans and leases from Carolina Financial.

Net interest income increased $38.57 million to $182.19 million for the third quarter of 2020, compared to $143.62 million for the same period of 2019. Net interest income increased $48.29 million to $490.31 million for the first nine months of 2020, compared to $442.02 million for the same period of 2019. Net interest income for the third quarter and first nine months of 2020 increased from the third quarter and first nine months of 2019 due mainly to an increase in average earning assets as a result of the Carolina Financial acquisition.

Provision for credit losses was $16.78 million for the three months ended September 30, 2020 compared to a provision of $5.03 million for the same period of 2019. Provision for credit losses was $89.81 million for the nine months ended September 30, 2020 compared to a provision of $15.45 million for the same period of 2019. The increases for the third quarter and first nine months of 2020 were due mainly to the impact from the reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses adversely impacted by the COVID-19 pandemic. As previously mentioned, the first nine months of 2020 also included the provision for credit losses of $28.95 million recorded on purchased non-PCD loans and leases from Carolina Financial.

Noninterest income increased $7.92 million for the third quarter of 2020 to $26.62 million as compared to $18.70 million for the third quarter of 2019. Noninterest income for the first nine months of 2020 increased $11.74 million to $66.48 million as compared to $54.75 million for the first nine months of 2019. The increases in 2020 were due mainly to increased fees from brokerage services, income from bank owned-owned life insurance due to death benefits, mortgage loan servicing income and a net gain of $2.23 million on the sale and subsequent leaseback of a bank premises.

Noninterest expense was $125.68 million for the third quarter of 2020, compared to $77.31 million for the same period of 2019. Noninterest expense was $312.62 million for the nine months ended September 30, 2020, compared to $235.61 million for the same period of 2019. The increases in noninterest expense in 2020 were primarily attributable to the additional employees and branch offices from the Carolina Financial acquisition as most major categories of noninterest expense showed increases as well as mortgage loan servicing expense and impairment and an increase in prepayment penalties on the early payoff of long-term FHLB advances.

Mortgage Banking

The mortgage banking segment reported net income of $55.40 million and $87.56 million for the third quarter and the first nine months of 2020, respectively, as compared to net income of $3.40 million and $8.28 million for the third quarter and first nine months of 2019. Noninterest income, which consists mainly of realized and unrealized gains associated with the fair value of commitments and loans held for sale, was $110.90 million and $203.10 million for the third quarter and first nine months of 2020 as compared to $24.33 million and $63.94 million for the third quarter and first nine months of 2019. The increases in 2020 were 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 $43.42 million and $99.44 million for the third quarter and first nine months of 2020 as compared $20.26 million and $53.87 million for the third quarter and first nine months of 2019. Noninterest expense consists mainly of salaries, commissions and benefits of mortgage segment employees. The increases in 2020 were due mainly to higher employee incentives and commissions related to the increased mortgage banking production as well as the additional expense associated with the employees added from the Carolina Financial acquisition.

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 2020 and 2019, are presented below.

Net interest income for the third quarter of 2020 was $185.66 million, which was an increase of $43.75 million or 30.82% from the third quarter of 2019. The $43.75 million increase in net interest income occurred because total interest income increased $19.92 million while total interest expense decreased $23.83 million from the third quarter of 2019. Net interest income for the first nine months of 2020 was $497.78 million, which was an increase of $61.15 million or 14.00% from the first nine months of 2019. The $61.15 million increase in net interest income occurred because total interest income increased $10.78 million while total interest expense decreased $50.37 million from the first nine months of 2019. On a linked-quarter basis, net interest income for the third quarter of 2020 increased $15.06 million or 8.83% from the second quarter of 2020. The $15.06 million increase in net interest income occurred because total interest income increased $11.55 million while total interest expense decreased $3.51 million from the second quarter of 2020.

Generally, interest income for the third quarter and first nine months of 2020 increased from the third quarter and first nine months of 2019 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 third quarter of 2020 was $186.71 million, an increase of $43.88 million or 30.72% from the third quarter of 2019. Average earning assets for the third quarter of 2020 increased $6.07 billion or 34.97% from the third quarter of 2019 due to a $4.56 billion or 32.90% increase in average net loans, including loans held for sale, a $1.14 billion or 136.94% increase in average short-term investments and a $366.65 million or 13.84% increase in average investment securities. The net interest spread for the third quarter of 2020 increased 19 basis points from the third quarter of 2019 due to a 98 basis point decrease in the average cost of funds primarily due to the impact of declines in interest rates from the third quarter of 2019 partially offset by a 79 basis point decrease in the average yield on earning assets from the third quarter of 2019 due to the decline in market interest rates and the lower yield on PPP loans. In addition, loan accretion on acquired loans and leases was $11.74 million and $7.17 million for the third quarter of 2020 and 2019, respectively, an increase of $4.57 million, primarily driven by the accretion on loans and leases acquired from the Carolina Financial acquisition. The net interest margin of 3.18% for the third quarter of 2020 was a decrease of 9 basis points from the net interest margin of 3.27% for the third quarter of 2019.

Tax-equivalent net interest income for the first nine months of 2020 was $500.63 million, an increase of $61.11 million or 13.90% from the first nine months of 2019. Average earning assets for the first nine months of 2020 increased $3.64 billion or 21.21% from the first nine months of 2019 due to a $2.75 billion or 19.96% increase in average net loans and leases, including loans held for sale, a $632.03 million or 80.99% increase in average short-term investments and a $259.08 million or 9.95% increase in average investment securities. The net interest spread for the first nine months of 2020 decreased 2 basis points from the first nine months of 2019 due to a 73 basis point decrease in the average yield on earning assets partially offset by a 71 basis point decrease in the average cost of funds. Loan accretion on acquired loans and leases was $30.84 million and $30.16 million for the first nine months of 2020 and 2019, respectively, an increase of $676 thousand. The net interest margin of 3.21% for the first nine months of 2020 was a decrease of 21 basis points from the net interest margin of 3.42% for the first nine months of 2019.

On a linked-quarter basis, United's tax-equivalent net interest income for the third quarter of 2020 increased $15.09 million or 8.79% from the second quarter of 2020. Average earning assets increased $1.77 billion or 8.18% from the second quarter of 2020, due to the full quarter impact of assets acquired in the Carolina Financial acquisition and PPP loan activity. Average net loans and leases, including loans held for sale, increased $1.27 billion or 7.37% and average short-term investments increased $419.03 million or 27.06%. The net interest spread for the third quarter of 2020 increased 5 basis points from the second quarter of 2020 due to a 16 basis point decrease in the average cost of funds partially offset by a 11 basis point decrease in the average yield on earning assets. Loan accretion on acquired loans and leases increased $2.19 million from the second quarter of 2020 primarily driven by the accretion on loans and leases acquired from Carolina Financial. The net interest margin remained flat at 3.18% for the third quarter of 2020 from the second 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 September 30, 2020, September 30, 2019 and June 30, 2020 and the nine months ended September 30, 2020 and September 30, 2019:

	Three Months Ended		
(Dollars in thousands)	September 30 2020	September 30 2019	June 30 2020
Loan accretion	$ 11,743	$ 7,167	$ 9,549
Certificates of deposit	3,028	198	2,611
Long-term borrowings	217	269	488
Total	$ 14,988	$ 7,634	$12,648

	Nine Months Ended	
(Dollars in thousands)	September 30 2020	September 30 2019
Loan accretion	$ 30,838	$ 30,162
Certificates of deposit	5,780	593
Long-term borrowings	973	806
Tax-equivalent net interest income	$ 37,591	$ 31,561

The following tables reconcile the difference between net interest income and tax-equivalent net interest income for the three months ended September 30, 2020, September 30, 2019 and June 30, 2020 and the nine months ended September 30, 2020 and September 30, 2019.

	Three Months Ended		
(Dollars in thousands)	September 30 2020	September 30 2019	June 30 2020
Net interest income, GAAP basis	$ 185,664	$ 141,918	$170,602
Tax-equivalent adjustment (1)	1,046	914	1,018
Tax-equivalent net interest income	$ 186,710	$ 142,832	$171,620

	Nine Months Ended	
(Dollars in thousands)	September 30 2020	September 30 2019
Net interest income, GAAP basis	$ 497,784	$ 436,639
Tax-equivalent adjustment (1)	2,846	2,884
Tax-equivalent net interest income	$ 500,630	$ 439,523

(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 and nine months ended September 30, 2020 and 2019 and the three months ended June 30, 2020. All interest income on loans and leases and investment securities was subject to state income taxes.

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The following tables show the unaudited consolidated daily average balance of major categories of assets and liabilities for the three-month and nine-month periods ended September 30, 2020 and 2019, 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 and nine-month period ended September 30, 2020 and 2019. Interest income on all loans and leases and investment securities was subject to state income taxes.

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
(Dollars in thousands)	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1)	Avg. Rate (1)
ASSETS						
Earning Assets:						
Federal funds sold and securities purchased under agreements to resell and other short-term investments	$ 1,967,791	$ 2,060	0.42%	$ 830,502	$ 6,236	2.98%
Investment Securities:						
Taxable	2,749,114	14,448	2.10%	2,525,682	18,168	2.88%
Tax-exempt	267,355	1,893	2.83%	124,141	1,011	3.26%
Total Securities	3,016,469	16,341	2.17%	2,649,823	19,179	2.90%
Loans and leases, net of unearned income (2)	18,655,500	192,914	4.12%	13,952,287	165,850	4.72%
Allowance for loan losses	(214,870)			(76,408)		
Net loans	18,440,630		4.17%	13,875,879		4.75%
Total earning assets	23,424,890	$211,315	3.59%	17,356,204	$191,265	4.38%
Other assets	2,990,733			2,310,404		
TOTAL ASSETS	$26,415,623			$19,666,608		
LIABILITIES						
Interest-Bearing Funds:						
Interest-bearing deposits	$12,951,290	$ 17,726	0.54%	$ 9,692,296	$ 36,368	1.49%
Short-term borrowings	156,502	172	0.44%	120,155	539	1.78%
Long-term borrowings	1,616,647	6,707	1.65%	1,870,944	11,526	2.44%
Total Interest-Bearing Funds	14,724,439	24,605	0.66%	11,683,395	48,433	1.64%
Noninterest-bearing deposits	7,178,769			4,440,399		
Accrued expenses and other liabilities	249,304			183,377		
TOTAL LIABILITIES	22,152,512			16,307,171		
SHAREHOLDERS' EQUITY	4,263,111			3,359,437		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$26,415,623			$19,666,608		
NET INTEREST INCOME		$186,710			$142,832	
INTEREST SPREAD			2.93%			2.74%
NET INTEREST MARGIN			3.18%			3.27%

(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 and leases are included in the daily average loan amounts outstanding.

(Dollars in thousands)	Nine Months Ended September 30, 2020 Average Balance	Interest (1)	Avg. Rate (1)	Nine Months Ended September 30, 2019 Average Balance	Interest (1)	Avg. Rate (1)
ASSETS						
Earning Assets:						
Federal funds sold and securities repurchased under agreements to resell and other short-term investments	$ 1,412,386	$ 7,893	0.75%	$ 780,355	$ 17,478	2.99%
Investment Securities:						
Taxable	2,663,754	47,658	2.39%	2,455,085	53,279	2.89%
Tax-exempt	200,371	4,413	2.94%	149,956	3,527	3.14%
Total Securities	2,864,125	52,071	2.42%	2,605,041	56,806	2.91%
Loans and leases, net of unearned income (2)	16,698,013	532,350	4.26%	13,851,974	507,293	4.89%
Allowance for loan losses	(173,452)			(76,616)		
Net loans	16,524,561		4.30%	13,775,358		4.92%
Total earning assets	20,801,072	$592,314	3.80%	17,160,754	$581,577	4.53%
Other assets	2,671,235			2,318,170		
TOTAL ASSETS	$23,472,307			$19,478,924		
LIABILITIES						
Interest-Bearing Funds:						
Interest-bearing deposits	$11,282,883	$ 64,452	0.76%	$ 9,713,567	$104,461	1.44%
Short-term borrowings	146,302	826	0.75%	143,132	1,838	1.72%
Long-term borrowings	1,895,635	26,406	1.86%	1,816,476	35,755	2.63%
Total Interest-Bearing Funds	13,324,820	91,684	0.92%	11,673,175	142,054	1.63%
Non-interest bearing deposits	6,076,683			4,301,300		
Accrued expenses and other liabilities	235,187			185,029		
TOTAL LIABILITIES	19,636,690			16,159,504		
SHAREHOLDERS' EQUITY	3,835,617			3,319,420		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$23,472,307			$19,478,924		
NET INTEREST INCOME		$500,630			$439,523	
INTEREST SPREAD			2.88%			2.90%
NET INTEREST MARGIN			3.21%			3.42%

(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 and leases are included in the daily average loan amounts outstanding.

Provision for Credit Losses

For the quarters ended September 30, 2020 and 2019, the provision for loan and lease losses was $16.34 million and $5.03 million, respectively. The provision for loan and lease losses for the first nine months of 2020 and 2019 was $89.36 million and $15.45 million, respectively. Net charge-offs were $5.65 million for the third quarter of 2020 as compared to net charge-offs of $4.34 million for the same quarter in 2019. Net charge-offs for the first nine months of 2020 were $16.68 million as compared to $15.05 million for the first nine months of 2019. The higher amount of provision expense for 2020 compared to 2019 was due mainly to a provision for loan losses of $28.95 million recorded on purchased non-PCD loans and leases from Carolina Financial and the reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of current expected credit losses adversely impacted by the COVID-19 pandemic and future economic uncertainty.

On a linked-quarter basis, the provision for loan losses decreased $29.57 million due primarily to the provision expense of $28.95 million recorded on the non-PCD loans and leases acquired from Carolina Financial in the second quarter of 2020 while net charge-offs increased $1.30 million from the second quarter of 2020. Annualized net charge-offs as a percentage of average loans and leases was 0.13% and 0.14% for the third quarter and first nine months of 2020, respectively.

As of September 30, 2020, nonperforming loans and leases were $152.28 million or 0.85% of loans and leases, net of unearned income as compared to nonperforming loans of $131.07 million or 0.96% of loans, net of unearned income at December 31, 2019. Nonperforming loans and leases at September 30, 2020 included $46.64 million of nonperforming loans and leases from the Carolina Financial acquisition. 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 and leases past due 90 days or more were $12.58 million at September 30, 2020, an increase of $3.09 million or 32.53% from $9.49 million at year-end 2019. This increase was primarily due to loans and leases that had matured at quarter-end and were in the process of renewal. At September 30, 2020, nonaccrual loans and leases were $71.31 million, which was an increase of $8.10 million or 12.82% from $63.21 million at year-end 2019. This increase was primarily due to nonaccrual loans and leases added from the Carolina Financial acquisition. Restructured loans were $68.38 million at September 30, 2020, an increase of $10.01 million or 17.15% from $58.37 million at year-end 2019. This increase was primarily due to restructured loans added from the Carolina Financial acquisition and loans being classified as restructured due to payment deferrals partially offset by repayments and charge-offs of previously recognized impairments and repayment of several restructured loans. 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 leases and real estate acquired in foreclosure or other settlement of loans ("OREO"). Total nonperforming assets of $177.97 million, including OREO of $25.70 million at September 30, 2020, represented 0.69% of total assets.

United maintains an allowance for loan and lease losses and a reserve for lending-related commitments. The combined allowance for loan and lease losses and reserve for lending-related commitments is considered the allowance for credit losses. At September 30, 2020, the allowance for credit losses was $241.77 million as compared to $78.79 million at December 31, 2019.

At September 30, 2020, the allowance for loan and lease losses was $225.81 million as compared to $77.06 million at December 31, 2019. The increase in the allowance for loan and lease losses was due to the adoption of CECL, the impact of COVID-19 and the loans and leases acquired from Carolina Financial. As a percentage of loans and leases, net of unearned income, the allowance for loan losses was 1.26% at September 30, 2020 and 0.56% at December 31, 2019. The ratio of the allowance for loan losses to nonperforming loans and leases or coverage ratio was 148.29% and 58.79% at September 30, 2020 and December 31, 2019, respectively. The increase in these ratios was due mainly to the adoption of CECL which caused a change in the Company's methodology for determining the allowance for loan losses as well as the adverse impact of the COVID-19 pandemic on the reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of current expected credit losses and the allowance for loan losses recorded on loans and leases acquired from Carolina Financial.

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 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.

The first nine months of 2020 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 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 collateral values and past due loans and leases, and the reasonable and supportable forecast. This is in contrast with the CECL adoption date (January 1, 2020) estimate as neither of these items were relevant for United's footprint at the beginning of the year. Additional considerations were made for the Carolina Financial acquisition, such as the experience of lending management and staff and the nature and volume of the portfolio.
- 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 third quarter as compared to the second.
  - The forecast is less severe than second quarter; however, projections show a more gradual recovery pace over a longer period compared to the second quarter.
  - 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 collectibility. 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 September 30, 2020 produced increased allocations in each of the four loan categories, primarily due to implementation of CECL and the adverse impact of the COVID-19 pandemic on reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses. The allocation related to the commercial, financial & agricultural loan pool increased $76.07 million. The residential real estate allocation increased $27.74 million. The real estate construction and development loan pool allocation increased $31.69 million. The consumer loan pool experienced an increase of $13.56 million.

An allowance is established for estimated lifetime losses for loans that are individually assessed. Nonperforming commercial loans and leases are regularly reviewed to identify probable credit losses. A loan is individually assessed for expected credit losses when, based on current information and events, it is probable that the Company will not be able to collect all amounts contractually due. 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 $11.87 million at September 30, 2020 and $16.50 million at December 31, 2019. In comparison to the prior year-end, this element of the allowance decreased by $4.63 million primarily due to charge-off of previously recognized allocations for probable credit losses on individually assessed loans.

Management believes that the allowance for credit losses of $241.77 million at September 30, 2020 is adequate to provide for probable 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 and available for sale investment securities for the third quarter and first nine months of 2020 was immaterial. There was no provision for credit losses related to held to maturity and available for sale investment securities for the first nine months of 2019. 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 during the third quarter of 2020. As a result of this assessment, United recorded a provision for credit losses and an allowance for credit losses of $435 thousand for accrued interest receivables not expected to be collected as of September 30, 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 third quarter of 2020 was $135.47 million, an increase of $93.24 million or 220.83% from the third quarter of 2019. Noninterest income for the first nine months of 2020 was $260.66 million, which was an increase of $147.42 million or 130.18% from the first nine months of 2019.

Income from mortgage banking activities totaled $109.46 million for the third quarter of 2020 compared to $24.02 million for the same period of 2019. For the first nine months of 2020 and 2019, income from mortgage banking activities was $195.30 million and $59.40 million, respectively. The increases for 2020 were the result of increased production and sales of mortgage loans in the secondary market and the acquisition of Carolina Financial and, in particular, the acquisition of its mortgage banking subsidiary, Crescent Mortgage. In addition, the fair value on interest rate lock commitments for the third quarter and first nine months of 2020 increased $28.65 million and $41.75 million, respectively, from the third quarter and first nine months of 2019 due to a higher locked pipeline. For the three months ended September 30, 2020 and 2019, mortgage loan sales were $1.95 billion and $821.03 million, respectively. For the nine months ended September 30, 2020 and 2019, mortgage loan sales were $4.16 billion and $1.76 billion, respectively.

Mortgage loan servicing income of $2.35 million and $3.88 million was added in the third quarter and first nine months of 2020, respectively, due to the acquisition of Carolina Financial and Crescent Mortgage.

Net investment securities' gains were $860 thousand and $2.57 million for the third quarter and first nine months of 2020, respectively, as compared to a net gains of $116 thousand and $66 thousand for the third quarter and first nine months of 2019, respectively.

Fees from brokerage services for the third quarter and first nine months of 2020 increased $688 thousand and $965 thousand, respectively, from the same time periods in 2019. The increases were primarily due to increased volume.

Fees from deposit services for the third quarter of 2020 increased $618 thousand from the third quarter of 2019. 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 as a result of the COVID-19 pandemic.

Income from bank-owned life insurance (BOLI) for the third quarter and first nine months of 2020 increased $779 thousand and $1.31 million, respectively, from the third quarter and first nine months of 2019 due to an increase in death benefits. For the third quarter and first nine months of 2020, United recognized death benefits from BOLI of $529 thousand and $1.72 million as compared to death benefits of $600 thousand for the first nine months of 2019. No death benefits were recognized in the third quarter of 2019.

On a linked-quarter basis, noninterest income for the third quarter of 2020 increased $47.08 million or 53.26% from the second quarter of 2020 primarily due to an increase of $41.24 million in income from mortgage banking activities, a $2.23 million gain on the sale and subsequent leaseback of bank premises, and an increase in fees from deposit services of $1.27 million.

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 increased $75.46 million or 78.49% for the third quarter of 2020 compared to the same period in 2019. For the first nine months of 2020, noninterest expense increased $136.35 million or 47.71% from the first nine months of 2019. Generally, these increases in 2020 from 2019 were the result of additional general operating expenses and increased merger-related charges from the Carolina Financial acquisition and an increase in prepayment penalties on long-term FHLB advances which were recognized during the third quarter of 2020 and the second quarter of 2019.

Employee compensation for the third quarter and first nine months of 2020 increased $38.14 million or 82.36% and $68.10 million or 52.56% from the third quarter and first nine months of 2019. Base salaries for the third quarter and first nine months of 2020 increased $18.83 million or 61.62% and $32.53 million or 36.05%, respectively, from the same time periods in 2019 due mainly to additional employees from the Carolina Financial acquisition. The remainder of the increase in employee compensation for the third quarter and first nine months of 2020 was due mainly to higher employee incentives and commissions expense primarily related to the increased mortgage banking production.

Employee benefits expense for the third quarter of 2020 increased $4.59 million or 53.24% from the third quarter of 2019. Employee benefits expense for the first nine months of 2020 increased $10.14 million or 38.10% as compared to the first nine months of 2019. The increases for third quarter and first nine months of 2020 were due in large part to additional health insurance expense of $1.74 million and $3.84 million, respectively, from the same time periods last year due to higher premiums and additional employees from the Carolina Financial acquisition. In addition, Federal Insurance Contributions Act (FICA) expense for third quarter and first nine months of 2020 increased $1.58 million and $3.18 million, respectively, from the third quarter and first nine months of 2019 due mainly to the additional employees from the Carolina Financial acquisition as well as the higher commissions expense.

Net occupancy expense increased $2.25 million or 25.82% and $4.21 million or 16.11% for the third quarter and first nine months of 2020, respectively, as compared to the same periods in the prior year. The increases were due mainly to increases in building rental expense and depreciation due mainly to the offices added in the Carolina Financial acquisition.

Equipment expense increased $1.92 million or 51.87% and $3.78 million or 35.34% for the third quarter and first nine months of 2020, respectively, as compared to the same periods in 2019. The increases were due mainly to increases in equipment maintenance and depreciation due mainly to the Carolina Financial acquisition.

Data processing expense increased $932 thousand or 16.14% and $11.64 million or 70.49% for the third quarter and first nine months of 2020, respectively, as compared to the third quarter and first nine months of 2019 due to additional processing as a result of the Carolina Financial acquisition. In addition, the increase for the first nine months of 2020 was due to a $9.66 million penalty to terminate the contract with Carolina Financial's data processor.

Federal Deposit Insurance Corporation ("FDIC") insurance expense for the third quarter and first nine months of 2020 increased $2.24 million and $817 thousand, respectively, from the same periods in 2019 due to a Small Bank Assessment Credit in the third quarter of 2019 partially offset by the exclusion of a surcharge in 2020.

Mortgage loan servicing expense and impairment for the third quarter and first nine months of 2020 increased $3.19 million and $5.65 million, respectively, from the same time periods in 2019. The increases were due to the acquisition of Carolina Financial and Crescent Mortgage. In addition, United recorded a $400 thousand and $1.11 million temporary impairment charge on its mortgage servicing rights during the third quarter and first nine months of 2020, respectively.

During the third quarter and first nine months of 2020, United incurred penalties of $10.39 million to prepay three long-term FHLB advances. United incurred similar penalties of $5.11 million to prepay certain long-term FHLB advances during the first nine months of 2019.

Other expense for the third quarter and first nine months of 2020 increased $12.52 million or 62.11% and $28.03 million or 47.92% from the third quarter and first nine months of 2019, respectively. Included in other expense for the third quarter and first nine months of 2020 were merger-related expenses of $5.67 million and $53.68 million, respectively, for the Carolina Financial acquisition. No merger-related expenses were incurred in the third quarter and first nine months of 2019. The expense for the reserve for unfunded commitments for the third quarter and first nine months of 2020 increased $3.99 million and $7.64 million, respectively, from the same time periods in 2019. The increase for the first nine months of 2020 included $1.82 million of expense related to the reserve for acquired unfunded commitments from Carolina Financial. In addition, the amortization of income tax credits, which reduces the effective tax rate, for the third quarter and first nine months of 2020 increased $1.39 million and $3.79 million, respectively, from the third quarter and first nine months of 2020.

On a linked-quarter basis, noninterest expense for the third quarter of 2020 increased $22.22 million or 14.87% from the second quarter of 2020 due primarily to added employee and branch office related expenses of $16.84 million from the Carolina Financial acquisition as well as higher employee incentives and commissions expense mainly related to higher mortgage banking production. Noninterest expense for the third quarter also included the previously mentioned $10.39 million in prepayment penalties on the early payoff of three long-term FHLB advances. Partially offsetting the increases to noninterest expense were decreases of $9.22 million in data processing expense due to the $9.66 million contract termination penalty recorded in the second quarter of 2020.

Income Taxes

For the third quarter and first nine months of 2020, income tax expense was $28.97 million and $49.88 million as compared to $17.01 million and $51.87 million, respectively, for the third quarter and first nine months of 2019. The increase in the third quarter of 2020 from the third quarter of 2019 was due to overall higher earnings and a higher effective tax rate while the decrease for the first nine months of 2020 from the first nine months of 2019 was due mainly to slightly lower earnings. On a linked-quarter basis, income tax expense increased $17.95 million also due to higher earnings. United's effective tax rate was 21.82% for the third quarter of 2020, 20.50% for the third quarter of 2019 and 17.30% for the second quarter of 2020. For the first nine months of 2020 and 2019, United's effective tax rate was 20.23% and 20.86%, respectively, reflecting higher amortization of income tax credits in 2020. For further details related to income taxes, see Note 17 of the unaudited Notes to Consolidated Financial Statements contained within this document.

Contractual Obligations, Commitments, Contingent Liabilities and Off-Balance Sheet Arrangements

United has various financial obligations, including contractual obligations and commitments, that may require future cash payments. Please refer to United's Annual Report on Form 10-K for the year ended December 31, 2019 for disclosures with respect to United's fixed and determinable contractual obligations. As previously mentioned, United completed its acquisition of Carolina Financial during the second quarter of 2020. As such, United assumed the financial obligations of Carolina Financial, including contractual obligations and commitments, which also may require future payments. For a discussion of the Carolina Financial's contractual obligations and commitments, please refer to the Carolina Financial 2019 Annual Report on Form 10-K. Otherwise, there have been no material changes outside the ordinary course of business since year-end 2019 in the specified contractual obligations disclosed in United's Annual Report on Form 10-K.

United also enters into derivative contracts, mainly to protect against adverse interest rate movements on the value of certain assets or liabilities, under which it is required to either pay cash to or receive cash from counterparties depending on changes in interest rates. Derivative contracts are carried at fair value and not notional value on the consolidated balance sheet. Because the derivative contracts recorded on the balance sheet at September 30, 2020 do not present the amounts that may ultimately be paid under these contracts, they are excluded from the contractual obligations table in the 2019 Form 10-K report. Further discussion of derivative instruments is presented in Note 13 to the unaudited Notes to Consolidated Financial Statements.

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. These financial instruments include loan commitments and standby letters of credit. 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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Further discussion of off-balance sheet commitments is included in Note 12 to the unaudited Notes to Consolidated Financial Statements.

Liquidity

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 nine months ended September 30, 2020, cash of $45.38 million was used in operating activities due mainly to net originations of $358.81 million in mortgage loans held for sale partially offset by net income of $196.65 million. In addition, an increase of $42.53 million in accrued expenses and $89.81 million in the provision for credit losses added cash to the net income amount. Net cash of $24.64 million was used in investing activities which was primarily due to loan growth of $957.03 million, mainly from the PPP loans which was partially offset by net cash of $629.11 million provided in the acquisition of Carolina Financial and $302.62 million of proceeds from sales of investment securities over purchases. During the first nine months of 2020, net cash of $889.01 million was provided by financing activities due primarily to net growth of $2.52 billion in deposits. These funding activities were partially offset by net repayment of $250.00 million in overnight FHLB advances, net repayment of $1.29 billion in long-term FHLB advances and cash dividends paid of $117.29 million for the first nine months of 2020. The net effect of the cash flow activities was an increase in cash and cash equivalents of $819.04 million for the first nine months of 2020.

United anticipates it can meet its obligations over the next 12 months and has no material commitments for capital expenditures. There are no known trends, demands, commitments, or events that will result in or that are reasonably likely to result in United's liquidity increasing or decreasing in any material way. 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.

Capital Resources

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 15.14% at September 30, 2020 while its Common Equity Tier 1 capital, Tier 1 capital and leverage ratios are 12.89%, 12.89% and 10.08%, respectively. The September 30, 2020 ratios reflects 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 $4.27 billion at September 30, 2020, increasing $903.61 million or 26.86% as a result of the Carolina Financial acquisition. In addition, a cumulative effective adjustment of $44.33 million was recognized in retained earnings for the adoption of ASU 2016-13 by United on January 1, 2020 partially offset by the retention of $70.22 million in net earnings. Accumulated other comprehensive income increased $56.22 million due mainly to an after-tax increase in the fair value of available for sale securities.

United's equity to assets ratio was 16.46% at September 30, 2020 as compared to 17.11% at December 31, 2019. The primary capital ratio, capital and reserves to total assets and reserves, was 17.23% at September 30, 2020 as compared to 17.44% at December 31, 2019. United's average equity to average asset ratio was 16.14% for the third quarter of 2020 as compared to 17.08% the third quarter of 2019. United's average equity to average asset ratio was 16.34% for the first nine months of 2020 as compared to 17.04% for the first nine months of 2019. All of these financial measurements reflect a financially sound position.

During the third quarter of 2020, United's Board of Directors declared a cash dividend of $0.35 per share. Cash dividends were $1.05 per common share for the first nine months of 2020. Total cash dividends declared were $45.41 million for the third quarter of 2020 and $126.43 million for the first nine months of 2020 as compared to $34.52 million for the third quarter of 2019 and $103.97 million for the first nine months of 2019.

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.

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 September 30, 2020 and December 31, 2019:

	Percentage Change in Net Interest Income	
Change in Interest Rates (basis points)	September 30, 2020	December 31, 2019
+200	(2.90%)	(2.37%)
+100	(1.80%)	(1.09%)
-100	0.50%	0.86%
-200	0.40%	(1.34%)

At September 30, 2020, 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 1.80% over one year as compared to a decrease of 1.09% at December 31, 2019. A 200 basis point immediate, sustained upward shock in the yield curve would decrease net interest income by an estimated 2.90% over one year as of September 30, 2020, as compared to a decrease of 2.37% as of December 31, 2019. A 100 basis point immediate, sustained downward shock in the yield curve would increase net interest income by an estimated 0.50% over one year as of September 30, 2020 as compared to an increase of 0.86%, over one year as of December 31, 2019. A 200 basis point immediate, sustained downward shock in the yield curve would increase net interest income by an estimated 0.40% over one year as of September 30, 2020 as compared to a decrease of 1.34% over one year as of December 31, 2019.

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 1.20% in year two as of September 30, 2020. A 200 basis point immediate, sustained upward shock in the yield curve would increase net interest income by an estimated 2.40% in year two as of September 30, 2020. A 100 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 1.10% in year two as of September 30, 2020. A 200 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 1.40% in year two as of September 30, 2020.

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 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 September 30, 2020, United's mortgage related securities portfolio had an amortized cost of $1.4 billion, of which approximately $584.5 million or 41% 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 2 years and a weighted average yield of 2.47%, under current projected prepayment assumptions. These securities are expected to have very little extension risk in a rising rate environment. Current models show that that an immediate, sustained upward shock of 300 basis points, the average life of these securities would only extend to 3.4 years. The projected price decline of the fixed rate CMO portfolio in rates up 300 basis points would be 5.5%, or less than the price decline of a 2- year treasury note. By comparison, the price decline of a 30-year current coupon mortgage backed security (MBS) in rates higher by 300 basis points would be approximately 16.3%.

United had approximately $563.4 million in fixed rate balloon and Commercial Mortgage Backed Securities with a projected yield of 2.34% and a projected average life of 4.6 years on September 30, 2020. 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 7.8 years.

United had approximately $24.9 million in 15-year mortgage backed securities with a projected yield of 2.00% and a projected average life of 2.5 years as of September 30, 2020. This portfolio consisted of seasoned 15-year mortgage paper with a weighted average loan age (WALA) of 7.5 years and a weighted average maturity (WAM) of 8.4 years.

United had approximately $65.0 million in 20-year mortgage backed securities with a projected yield of 1.87% and a projected average life of 3.1 years on September 30, 2020. This portfolio consisted of seasoned 20-year mortgage paper with a weighted average loan age (WALA) of 3.8 years and a weighted average maturity (WAM) of 15.9 years.

United had approximately $130.1 million in 30-year mortgage backed securities with a projected yield of 2.38% and a projected average life of 3.6 years on September 30, 2020. This portfolio consisted of seasoned 30-year mortgage paper with a weighted average loan age (WALA) of 5 years and a weighted average maturity (WAM) of 22 years.

The remaining 5% of the mortgage related securities portfolio on September 30, 2020, 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 September 30, 2020, 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 September 30, 2020 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 September 30, 2020, or in other factors that have materially affected or are reasonably likely to materially affect United's internal control over financial reporting.

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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, 2019 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.

The following risk factor supplements the "Risk Factors" section in Item 1A of United's Annual Report on Form 10-K for the year ended December 31, 2019:

United's business, financial condition, liquidity and results of operations have been, and will likely continue to be, adversely affected by the COVID-19 pandemic .

The COVID-19 pandemic has created economic and financial disruptions that have adversely affected, and are likely to continue to adversely affect, United's business, financial condition, liquidity and results of operations. The extent to which the COVID-19 pandemic will continue to negatively affect United's business, financial condition, liquidity and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the continued effectiveness of United's business continuity plan, the direct and indirect impact of the pandemic on United's employees, customers, clients, counterparties and service providers, as well as other market participants, and actions taken by governmental authorities and other third parties in response to the pandemic.

The COVID-19 pandemic has contributed to:

- Increased unemployment and decreased consumer confidence and business generally, leading to an increased risk of delinquencies, defaults and foreclosures.
- Ratings downgrades, credit deterioration and defaults in many industries, including natural resources, hospitality, transportation and commercial real estate.
- A sudden and significant reduction in the valuation of the equity, fixed-income and commodity markets and the significant increase in the volatility of those markets.
- A decrease in the rates and yields on U.S. Treasury securities, which may lead to decreased net interest income.
- Increased demands on capital and liquidity.
- A reduction in the value of the assets that the Company manages or otherwise administers or services for others, affecting related fee income and demand for the Company's services.
- Heightened cybersecurity, information security and operational risks as a result of work-from-home arrangements.

Governmental authorities have taken unprecedented measures to provide economic assistance to individual households and businesses, stabilize the markets and support economic growth. The success of these measures is unknown and they may not be sufficient to fully mitigate the negative impact of the COVID-19 pandemic. Additionally, some measures, such as a suspension of mortgage and other loan payments and foreclosures, may have a negative impact on United's business, financial condition, liquidity and results of operations. United also faces an increased risk of litigation and governmental and regulatory scrutiny as a result of the effects of COVID-19 on market and economic conditions and actions governmental authorities take in response to those conditions.

The length of the pandemic and the efficacy of the extraordinary measures being put in place to address it are unknown. Until the pandemic subsides, the Company expects continued draws on lines of credit, reduced revenues in our trust operations and other businesses and increased customer and client defaults, including defaults in unsecured loans.

Even after the pandemic subsides, the U.S. economy may experience a recession, and United anticipates the Company's businesses would be materially and adversely affected by a prolonged recession. To the extent the pandemic adversely affects United's business, financial condition, liquidity or results of operations, it may also have the effect of heightening many of the other risks described in the section entitled "Risk Factors" in United's Annual Report on Form 10-K for the year ended December 31, 2019 and any subsequent Quarterly Reports on Form 10-Q.

United may be terminated as a servicer of mortgage loans, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions .

United, through its mortgage banking subsidiary, Crescent Mortgage, acts as servicer for approximately $3.6 billion of mortgage loans owned by third parties as of September 30, 2020. As a servicer for those loans, United has certain contractual obligations, including foreclosing on defaulted mortgage loans or, to the extent applicable, considering alternatives to foreclosure such as loan modifications or short sales. If United commits a material breach of its obligations as servicer, United may be subject to termination as servicer if the breach is not cured within a specified period of time following notice, causing United to lose servicing income.

In some cases, United may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If United has increased repurchase obligations because of claims that United did not satisfy our obligations as a servicer, or increased loss severity on such repurchases, United may have a significant reduction to net servicing income within its mortgage banking noninterest income. United may incur costs if United is required to, or if United elects to, re-execute or re-file documents or take other action in its capacity as a servicer in connection with pending or completed foreclosures. United may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, United may have liability to the borrower and/or to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to United. In addition, if certain documents required for a foreclosure action are missing or defective, United could be obligated to cure the defect or repurchase the loan. United may incur liability to securitization investors relating to delays or deficiencies in its processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of United's mortgage servicing rights may be negatively affected to the extent our servicing costs increase because of higher foreclosure costs. United may be subject to fines and other sanctions imposed by federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm United's reputation or negatively affect its home lending or servicing business.

United may be required to repurchase mortgage loans or indemnify buyers against losses in some circumstances, which could harm liquidity, results of operations and financial condition .

When mortgage loans are sold, whether as whole loans or pursuant to a securitization, United is required to make customary representations and warranties to purchasers, guarantors and insurers, including the government sponsored enterprises, about the mortgage loans and the manner in which they were originated. Whole loan sale agreements require repurchase or substitute mortgage loans, or indemnification of buyers against losses, in the event United breaches these representations or warranties. In addition, United may be required to repurchase mortgage loans as a result of early payment default of the borrower on a mortgage loan. With respect to loans that are originated through United's broker or correspondent channels, the remedies available against the originating broker or correspondent, if any, may not be as broad as the remedies available to purchasers, guarantors and insurers of mortgage loans against United. United faces further risk that the originating broker or correspondent, if any, may not have financial capacity to perform remedies that otherwise may be available. Therefore, if a purchaser, guarantor or insurer enforces its remedies against United, it may not be able to recover losses from the originating broker or correspondent. If repurchase and indemnity demands increase and such demands are valid claims and are in excess of United's provision for potential losses, its liquidity, results of operations and financial condition may be adversely affected.

As a participating lender in the PPP, United and United Bank are subject to additional risks of litigation from United Bank's customers or other parties regarding United Bank's processing of loans for the PPP and risks that the SBA may not fund some or all PPP loan guaranties.

Under the PPP, small businesses and other entities and individuals can apply for loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria. United Bank is participating as a lender in the PPP. The PPP opened on April 3, 2020; however, because of the short timeframe between the passing of the CARES Act and the opening of the PPP, there was some ambiguity in the laws, rules and guidance regarding the operation of the PPP, which exposes United and United Bank to risks relating to noncompliance with the PPP. In addition, United Bank's participation in the PPP as a lender may adversely affect the Company's revenue and results of operations depending on the timing and amount of forgiveness, if any, to which borrowers are entitled.

Since the opening of the PPP, several other larger banks have been subject to litigation regarding the process and procedures that such banks used in processing applications for the PPP and claims related to agent fees. United and United Bank may be exposed to the risk of similar litigation, from both customers and non-customers that approached United Bank regarding PPP loans, regarding its process and procedures used in processing applications for the PPP, or litigation from agents with respect to agent fees. If any such litigation is filed against United or United Bank and is not resolved in a manner favorable to United or United Bank, it may result in significant financial liability or adversely affect their reputation. In addition, litigation can be costly, regardless of outcome. Any financial liability, litigation costs or reputational damage caused by PPP related litigation could have a material adverse impact on our business, financial condition and results of operations.

United Bank also has credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by United Bank, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced by United Bank, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from United Bank. Additionally, if a borrower under the PPP loan fails to qualify for loan forgiveness, United Bank is at the heightened risk of holding the loan at an unfavorable interest rate as compared to loans to customers that United Bank would have otherwise extended credit. Rules providing for forgiveness have been constantly evolving, including an automatic forgiveness if the amount of the PPP loan was not larger than a specified floor.

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

There have been no United equity securities sales during the quarter ended September 30, 2020 that were not registered. The table below includes certain information regarding United's purchase of its common shares during the quarter ended September 30, 2020:

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)
7/01 – 7/31/2020	0	$ 00.00	0	4,000,000
8/01 – 8/31/2020	6	$ 26.08	0	4,000,000
9/01 – 9/30/2020	0	$ 00.00	0	4,000,000
Total	6	$ 26.08	0	

(1) Includes shares exchanged in connection with the exercise of stock options and the vesting of restricted shares under United's long-term incentive plans. Shares are purchased or vested pursuant to the terms of the applicable plan and not pursuant to a publicly announced stock repurchase plan. No shares were exchanged by participants in United's long-term incentive plans for the quarter ended September 30, 2020.

(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 September 30, 2020, the following shares were purchased for the deferred compensation plan: August 2020 – 6 shares at an average price of $26.08.

(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.

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 the 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 (iXBRL) (filed herewith)
104	Cover Page (imbedded in iXBRL)

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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: November 9, 2020	/s/ Richard M. Adams Richard M. Adams, Chairman of the Board and Chief Executive Officer
Date: November 9, 2020	/s/ W. Mark Tatterson W. Mark Tatterson, Executive Vice President and Chief Financial Officer

Exhibit 31.1

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: November 9, 2020

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

Exhibit 31.2

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: November 9, 2020

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

Exhibit 32.1

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 September 30, 2020 (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: November 9, 2020

/s/ Richard M. Adams

Name: Richard M. Adams
Title: Chief Executive Officer

Exhibit 32.2

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 September 30, 2020 (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: November 9, 2020

/s/ W. Mark Tatterson
Name: W. Mark Tatterson
Title: Chief Financial Officer