UNITED BANKSHARES INC/WV
Form 10-K
March 03, 2014
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FORM 10-K

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the Fiscal Year Ended **December 31, 2013**

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: **0-13322**

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

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

300 United Center

500 Virginia Street, East

Charleston, West Virginia	**25301**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(304) 424-8704**

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

Common Stock, $2.50 Par Value	**NASDAQ Global Select Market**
(Title of class)	(Name of exchange on which registered)

Securities registered pursuant to 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes [X]** No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] **No [X]**

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 [X]** No [ ]

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [**X**] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **[ ]**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act:

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] **No [X]**

The aggregate market value of United Bankshares, Inc. common stock, representing all of its voting stock that was held by non-affiliates on June 30, 2013, was approximately **$1,213,705,516**.

As of January 31, 2014, United Bankshares, Inc. had **68,767,594** shares of common stock outstanding with a par value of **$2.50**.

Documents Incorporated By Reference

Definitive Proxy Statement dated April 4, 2014 for the 2014 Annual Shareholders Meeting to be held on May 21, 2014, portions of which are incorporated by reference in Part III of this Form 10-K.

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As of the date of filing this Annual report, neither the annual shareholders report for the year ended December 31, 2013, nor the proxy statement for the annual United shareholders meeting has been mailed to shareholders.

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UNITED BANKSHARES, INC.

FORM 10-K, PART I

Item 1. BUSINESS

Organizational History and Subsidiaries

United Bankshares, Inc. (United) is a West Virginia corporation registered as a bank holding company pursuant to the Bank Holding Company Act of 1956, as amended. United was incorporated on March 26, 1982, organized on September 9, 1982, and began conducting business on May 1, 1984 with the acquisition of three wholly-owned subsidiaries. Since its formation in 1982, United has acquired twenty-nine banking institutions including its recent acquisition of Virginia Commerce Bancorp, Inc. which closed after the close of business on January 31, 2014. As of December 31, 2013, United has two banking subsidiaries (the Banking Subsidiaries) doing business under the name of United Bank, one operating under the laws of West Virginia referred to as United Bank (WV) and the other operating under the laws of Virginia referred to as United Bank (VA). United s Banking Subsidiaries offer a full range of commercial and retail banking services and products. United also owns nonbank subsidiaries which engage in other community banking services such as asset management, real property title insurance, financial planning, and brokerage services.

Employees

As of December 31, 2013, United and its subsidiaries had approximately 1,528 full-time equivalent employees and officers. None of these employees are represented by a collective bargaining unit and management considers employee relations to be excellent.

Web Site Address

United s web site address is www.ubsi-inc.com . United makes available free of charge on its web site the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments thereto, as soon as reasonably practicable after United files such reports with the Securities and Exchange Commission (SEC). The reference to United s web site does not constitute incorporation by reference of the information contained in the web site and should not be considered part of this document. These reports are also available at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Business of United

As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, United s present business is community banking. As of December 31, 2013, United s consolidated assets approximated $8.7 billion and total shareholders equity approximated $1.04 billion.

United is permitted to acquire other banks and bank holding companies, as well as thrift institutions. United is also permitted to engage in certain non-banking activities which are closely related to banking under the provisions of the Bank Holding Company Act and the Federal Reserve Board s Regulation Y. Management continues to consider such opportunities as they arise, and in this regard, management from time to time makes inquiries, proposals, or expressions of interest as to potential opportunities, although no agreements or understandings to acquire other banks or bank holding companies or nonbank subsidiaries or to engage in other nonbanking activities, other than those identified herein, presently exist. See Note B Notes to Consolidated Financial Statements for a discussion of United s merger with Virginia Commerce Bancorp, Inc. completed after the close of business on January 31, 2014.

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Business of Banking Subsidiaries

United, through its subsidiaries, engages primarily in community banking and offers most banking products and services permitted by law and regulation. Included among the banking services offered are the acceptance of deposits in checking, savings, time and money market accounts; the making and servicing of personal, commercial, floor plan and student loans; and the making of construction and real estate loans. Also offered are individual retirement accounts, safe deposit boxes, wire transfers and other standard banking products and services. As part of their lending function, the Banking Subsidiaries offer credit card services.

United Bank (WV) and United Bank (VA) each maintain a trust department which acts as trustee under wills, trusts and pension and profit sharing plans, as executor and administrator of estates, and as guardian for estates of minors and incompetents, and in addition performs a variety of investment and security services. Trust services are available to customers of affiliate banks. United Bank (WV) provides services to its correspondent banks such as check clearing, safekeeping and the buying and selling of federal funds.

United Brokerage Services, Inc., a wholly-owned subsidiary of United Bank (WV), is a fully-disclosed broker/dealer and a registered Investment Advisor with the National Association of Securities Dealers, Inc., the Securities and Exchange Commission, and a member of the Securities Investor Protection Corporation. United Brokerage Services, Inc. offers a wide range of investment products as well as comprehensive financial planning and asset management services to the general public.

United Bank (WV) and United Bank (VA) are members of a network of automated teller machines known as the New York Currency Exchange (NYCE) ATM network. The NYCE is an interbank network connecting the ATMs of various financial institutions in the United States and Canada.

United through its Banking Subsidiaries offers an Internet banking service, Smart Touch Online Banking, which allows customers to perform various transactions using a computer from any location as long as they have access to the Internet and a secure browser. Specifically, customers can check personal account balances, receive information about transactions within their accounts, make transfers between accounts, stop payment on a check, and reorder checks. Customers may also pay bills online and can make payments to virtually any business or individual. Customers can set up recurring fixed payments, one-time future payments or a one-time immediate payment. Customers can also set up their own merchants, view and modify that merchant list, view pending transactions and view their bill payment history with approximately three (3) months of history.

United also offers an automated telephone banking system, Telebanc, which allows customers to access their personal account(s) or business account(s) information from a touch-tone telephone.

Lending Activities

United s loan portfolio, net of unearned income, increased $193.2 million to $6.7 billion in 2013. The loan portfolio is comprised of commercial, real estate and consumer loans including credit card and home equity loans. Commercial real estate loans and construction loans increased $103.4 million or 4.19% and $119.7 million or 21.73%, respectively. Commercial loans (not secured by real estate) decreased $38.73 million or 2.81%. Consumer loans increased $28.31 million or 10.02%. Residential real estate loans were relatively flat.

Commercial Loans

The commercial loan portfolio consists of loans to corporate borrowers primarily in small to mid-size industrial and commercial companies, as well as automobile dealers, service, retail and wholesale merchants. Collateral securing these loans includes equipment, machinery, inventory, receivables, vehicles and commercial real estate. Commercial loans are considered to contain a higher level of risk than other loan types although care is taken to minimize these risks. Numerous risk factors impact this portfolio including industry specific risks such as economy, new technology, labor rates and cyclicality, as well as customer specific factors, such as cash flow, financial structure, operating controls and asset quality. United diversifies risk within this portfolio by closely monitoring industry concentrations and portfolios to ensure that it does not exceed established lending guidelines. Diversification is intended to limit the risk of loss from any single unexpected economic event or trend. Underwriting standards require a comprehensive credit analysis and independent evaluation of virtually all larger balance commercial loans by the loan committee prior to approval.

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Real Estate Loans

Commercial real estate loans consist of commercial mortgages, which generally are secured by nonresidential and multi-family residential properties. Also included in this portfolio are loans that are secured by owner-occupied real estate, but made for purposes other than the construction or purchase of real estate. Commercial real estate loans are to many of the same customers and carry similar industry risks as the commercial loan portfolio. Real estate mortgage loans to consumers are secured primarily by a first lien deed of trust. These loans are traditional one-to-four family residential mortgages. The loans generally do not exceed an 80% loan to value ratio at the loan origination date and most are at a variable rate of interest. These loans are considered to be of normal risk. Also included in the category of real estate mortgage loans are home equity loans.

As of December 31, 2013, approximately $353.4 million or 5.3% of United s loan portfolio were real estate loans that met the regulatory definition of a high loan-to-value loan. A high loan-to-value real estate loan is defined as any loan, line of credit, or combination of credits secured by liens on or interests in real estate that equals or exceeds a certain percentage established by United s primary regulator of the real estate s appraised value, unless the loan has other appropriate credit support. The certain percentage varies depending on the loan type and collateral. Appropriate credit support may include mortgage insurance, readily marketable collateral, or other acceptable collateral that reduces the loan-to-value ratio below the certain percentage. Of the $353.4 million, $176.3 million is secured by first deeds of trust on residential real estate with $138.0 million of that total falling in a loan-to-value (LTV) range of 90% to 100% and $38.3 million above a LTV of 100%; $13.7 million is secured by subordinate deeds of trust on residential real estate with $5.9 million between a LTV of 90% to 100% and $7.8 million above a LTV of 100%; and $131.5 million is secured by commercial real estate generally ranging from the regulatory limit for the type of commercial real estate up to a LTV of 100%. Of the $131.5 million high loan to value commercial loans, $46.9 million are classified as Other Construction Loans and Land Loans, $31.1 million are Non-residential Secured, $15.2 million are Commercial Owner occupied properties, $19.5 million are 1-4 family Residential Secured properties, $9.9 million are Multi-family Residential Secured properties, $7.7 million are Residential Construction Loans and the remaining $1.2 million are secured by farmland.

Consumer Loans

Consumer loans are secured by automobiles, boats, recreational vehicles, and other personal property. Personal loans, student loans and unsecured credit card receivables are also included as consumer loans. United monitors the risk associated with these types of loans by monitoring such factors as portfolio growth, lending policies and economic conditions. Underwriting standards are continually evaluated and modified based upon these factors.

Underwriting Standards

United s loan underwriting guidelines and standards are updated periodically and are presented for approval by the respective Boards of Directors of each of its subsidiary banks. The purpose of the standards and guidelines is to grant loans on a sound and collectible basis; to invest available funds in a safe, profitable manner; to serve the legitimate credit needs of the communities of United s primary market area; and to ensure that all loan applicants receive fair and equal treatment in the lending process. It is the intent of the underwriting guidelines and standards to: minimize loan losses by carefully investigating the credit history of each applicant, verify the source of repayment and the ability of the applicant to repay, collateralize those loans in which collateral is deemed to be required, exercise care in the documentation of the application, review, approval, and origination process, and administer a comprehensive loan collection program.

United s underwriting standards and practices are designed to originate both fixed and variable rate loan products in a manner which is consistent with the prudent banking practices applicable to these exposures. Typically, both fixed and variable rate loan underwriting practices incorporate conservative methodology, including the use of stress testing for commercial loans, and other product appropriate measures designed to

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provide an adequate margin of safety for the full collection of both principal and interest within contractual terms. Consumer real estate secured loans are underwritten to the initial rate, and to a higher assumed rate commensurate with normal market conditions. Therefore, it is the intent of United s underwriting standards to insure that adequate primary repayment capacity exists to address both future increases in interest rates, and fluctuations in the underlying cash flows available for repayment. Historically, and at December 31, 2013, United has not offered teaser rate loans, and had no loan portfolio products which were specifically designed for sub-prime borrowers. Management defines sub-prime borrowers as consumer borrowers with a credit score of less than 660.

The above guidelines are adhered to and subject to the experience, background and personal judgment of the loan officer assigned to the loan application. A loan officer may grant, with justification, a loan with variances from the underwriting guidelines and standards. However, the loan officer may not exceed his or her respective lending authority without obtaining the prior, proper approval as outlined in United s loan policy from a superior, a regional supervisor or market president (dual approval per policy) or the Loan Committee, whichever is deemed appropriate for the nature of the variance.

Loan Concentrations

United has commercial loans, including real estate and owner-occupied, income-producing real estate and land development loans, of approximately $4.5 billion as of December 31, 2013. These loans are primarily secured by real estate located in West Virginia, southeastern Ohio, southwestern Pennsylvania, Virginia, Maryland and the District of Columbia. United categorizes these commercial loans by industry according to the North American Industry Classification System (NAICS) to monitor the portfolio for possible concentrations in one or more industries. As of the most recent fiscal year-end, United has one such industry classifications that exceeded 10% of total loans. As of December 31, 2013, approximately $2.2 billion or 33.1% of United s total loan portfolio were for the purpose of renting or leasing real estate. The loans were originated by United s subsidiary banks using underwriting standards as set forth by management. United s loan administration policies are focused on the risk characteristics of the loan portfolio, including commercial real estate loans, in terms of loan approval and credit quality. It is the opinion of management that these loans do not pose any unusual risks and that adequate consideration has been given to the above loans in establishing the allowance for loan losses.

Secondary Markets

United generally originates loans within the primary market area of its banking subsidiaries. United may from time to time make loans to borrowers and/or on properties outside of its primary market area as an accommodation to its customers. Processing of all loans is centralized in the Charleston, West Virginia office. As of December 31, 2013, the balance of mortgage loans being serviced by United for others was insignificant.

United Bank (WV) engages in the origination and acquisition of residential real estate loans for resale. These loans are for single-family, owner-occupied residences with either adjustable or fixed rate terms, with a variety of maturities tailored to effectively serve its markets. United Bank (WV) s originations are predominately in its West Virginia markets. Mortgage loan originations are generally intended to be sold in the secondary market on a best efforts basis.

During 2013, United originated $135.3 million of real estate loans for sale in the secondary market and sold $148.8 million of loans designated as held for sale in the secondary market. Net gains on the sales of these loans during 2013 were $2.57 million.

The principal sources of revenue from United s mortgage banking business are: (i) loan origination fees; (ii) gains or losses from the sale of loans; and (iii) interest earned on mortgage loans during the period that they are held by United pending sale, if any.

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Investment Activities

United s investment policy stresses the management of the investment securities portfolio, which includes both securities held to maturity and securities available for sale, to maximize return over the long-term in a manner that is consistent with good banking practices and relative safety of principal. United currently does not engage in trading account activity. The Asset/Liability Management Committee of United is responsible for the coordination and evaluation of the investment portfolio.

Sources of funds for investment activities include 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, securities sold under agreements to repurchase and FHLB borrowings. Repurchase agreements represent funds that are generally obtained as the result of a competitive bidding process.

United s investment portfolio is comprised of a significant amount of U.S. Treasury securities and obligations of U.S. Agencies and Corporations as well as mortgage-backed securities. Obligations of States and Political Subdivisions are comprised of primarily investment grade rated municipal securities. Interest and dividends on securities for the years of 2013, 2012, and 2011 were $19.5 million, $20.9 million, and $27.1 million, respectively. For the years of 2013, 2012 and 2011, United recognized net losses on securities of $5.8 million, $6.9 million and $18.8 million, respectively. In the year 2013, United recognized other-than-temporary impairment (OTTI) charges of $7.3 million consisting primarily of $7.2 million on pooled trust preferred collateralized debt obligations (TRUP CDOs) and $137 thousand on equity securities. In the year 2012, United recognized other-than-temporary impairment (OTTI) charges of $7.4 million consisting primarily of $6.0 million on pooled trust preferred collateralized debt obligations (TRUP CDOs) and $1.4 million on collateralized mortgage obligations (CMOs), which are not expected to be sold.

Competition

United faces a high degree of competition in all of the markets it serves. United considers all of West Virginia to be included in its market area. This area includes the five largest West Virginia Metropolitan Statistical Areas (MSA): the Parkersburg MSA, the Charleston MSA, the Huntington MSA, the Morgantown MSA and the Wheeling MSA. United serves the Ohio counties of Lawrence, Belmont, Jefferson and Washington and Fayette county in Pennsylvania primarily because of their close proximity to the Ohio and Pennsylvania borders and United banking offices located in those counties or in nearby West Virginia. United s Virginia markets include the Maryland, northern Virginia and Washington, D.C. MSA, the Winchester MSA, the Harrisonburg MSA, and the Charlottesville MSA. United considers all of the above locations to be the primary market area for the business of its banking subsidiaries.

With prior regulatory approval, West Virginia and Virginia banks are permitted unlimited branch banking throughout each state. In addition, interstate acquisitions of and by West Virginia and Virginia banks and bank holding companies are permissible on a reciprocal basis, as well as reciprocal interstate acquisitions by thrift institutions. These conditions serve to intensify competition within United s market.

As of December 31, 2013, there were 68 bank holding companies operating in the State of West Virginia registered with the Federal Reserve System and the West Virginia Board of Banking and Financial Institutions and 101 bank holding companies operating in the Commonwealth of Virginia registered with the Federal Reserve System and the Virginia Corporation Commission. These holding companies are headquartered in various states and control banks throughout West Virginia and Virginia, which compete for business as well as for the acquisition of additional banks.

Economic Characteristics of Primary Market Area

As of December 2013, West Virginia s seasonally adjusted unemployment rate was 5.9% according to information from West Virginia s Bureau of Employment Programs. The national unemployment rate was 6.7%. The number of unemployed state residents fell 1,300 to 46,700 for the month of December as compared to the month of November. Total unemployment was down 13,500 over the year of 2013. The state unemployment rate of 5.9% for December 2013 was a decrease from a rate of 6.0% for the month of November 2013 and a decline from 7.5% for December 2012. West Virginia s not seasonally adjusted unemployment rate was 5.6% in December 2013. According to the latest forecast from the West Virginia University College of Business and Economics, West Virginia s economy continues to improve, and the pace of improvement has exceeded that of the United States by several measures recently. The forecast calls for West Virginia s economic recovery to continue, although at a somewhat slower rate that will likely fall short of the national pace on several key dimensions in the near-term. Employment in West Virginia is estimated to increase 1% per year through 2018, compared to the expected growth at the national level of 1.6% annually. Construction sector employment is expected to increase at an annual rate of 2.3% over the next five years. The service-producing side of the economy is expected to experience the strongest rate of job growth during the outlook period. Education and health services payrolls are expected to expand at a rate of 2.1% annually for the next five years. West Virginia s unemployment is expected to continue to fall during the period, reaching a low of 4.5% by the end of 2018. However, this decline is attributable to not only job gains, but also to demographic trends, since a larger share of the state s workforce will be retiring and exiting the labor force.

United s Virginia subsidiary banking offices are located in markets that historically have reflected low unemployment rate levels. According to information available from the Virginia Employment Commission, Virginia s seasonally adjusted unemployment rate decreased 0.2 % for the month of December 2013 to 5.2%. After remaining unchanged in October, the drop in the unemployment rate in November and December continued the downward movement that began in September. As a result, the unemployment rate dropped to the April 2013 low of 5.2%. Virginia s seasonally adjusted unemployment rate continues below the December national rate of 6.7%, which was down 0.3% from November and down 1.2% from last December. The labor force expanded by 6,198 in December after contracting the two previous months, as 14,818 additional people reported working and the number of unemployed fall by 8,620. Virginia s not seasonally adjusted unemployment rate continues below the national unadjusted rate, which increased to 6.5% in December from 6.6% in November. Economists are predicting that in the near term, Virginia s job growth is expected to expand at a slightly slower rate due in part to the federal government s across-the-board budget cuts called sequestration. Employment growth is expected to accelerate to 1.1% in 2014; this projected rate, however, remains well below the 1.9% annualized growth rate Virginia posted from 1992-2007.

Regulation and Supervision

United, as a bank holding company, is subject to the restrictions of the Bank Holding Company Act of 1956, as amended, and is registered pursuant to its provisions. As such, United is subject to the reporting requirements of and examination by the Board of Governors of the Federal Reserve System (Board of Governors).

The Bank Holding Company Act prohibits the acquisition by a bank holding company of direct or indirect ownership of more than five percent of the voting shares of any bank within the United States without prior approval of the Board of Governors. With certain exceptions, a bank holding company also is prohibited from acquiring direct or indirect ownership or control of more than five percent of the voting shares of any company which is not a bank, and from engaging directly or indirectly in business unrelated to the business of banking, or managing or controlling banks.

The Board of Governors, in its Regulation Y, permits bank holding companies to engage in preapproved non-banking activities closely related to banking or managing or controlling banks. Approval of the Board of Governors is necessary to engage in certain other non-banking activities which are not preapproved or to make acquisitions of corporations engaging in these activities. In addition, on a case-by-case basis, the Board of Governors may approve other non-banking activities.

As a bank holding company doing business in West Virginia, United is also subject to regulation and examination by the West Virginia Board of Banking and Financial Institutions (the West Virginia Banking Board) and must submit annual reports to the West Virginia Banking Board. Further, any acquisition application that United must submit to the Board of Governors must also be submitted to the West Virginia Banking Board for approval.

The Board of Governors has broad authority to prohibit activities of bank holding companies and their non-banking subsidiaries that represent unsafe and unsound banking practices or which constitute violations of laws or regulations. The Board of Governors also can assess civil money penalties for certain activities conducted on a knowing and reckless basis, if those activities caused a substantial loss to a depository institution. The penalties can be as high as $1 million for each day the activity continues.

United Bank (WV) and United Bank (VA), as state member banks, are subject to supervision, examination and regulation by the Federal Reserve System, and as such, are subject to applicable provisions of the Federal Reserve Act and regulations issued thereunder. United Bank (WV) is subject to West Virginia banking statutes and regulations, and is primarily regulated by the West Virginia Division of Financial Institutions. United Bank (VA) is subject to the Virginia banking statutes and regulations, and is primarily regulated by the Virginia Bureau of Financial Institution. As members of the Federal Deposit Insurance Corporation (FDIC), United s Banking Subsidiaries deposits are insured as required by federal law. Bank regulatory authorities regularly examine revenues, loans, investments, management practices, and other aspects of United s Banking Subsidiaries. These examinations are conducted primarily to protect depositors and not shareholders. In addition to these regular examinations, United s Banking Subsidiaries must furnish to regulatory authorities quarterly reports containing full and accurate statements of its affairs.

United is also under the jurisdiction of the SEC and certain state securities commissions in regard to the offering and sale of its securities. Generally, United must file under the Securities Exchange Act of 1933, as amended, to issue additional shares of its common stock. United is also registered under and is subject to the regulatory and disclosure requirements of the Securities Exchange Act of 1934, as amended, as administered by the SEC. United is listed on the NASDAQ Global Select Market under the quotation symbol UBSI, and is subject to the rules of the NASDAQ for listed companies.

SEC regulations require us to disclose certain types of business and financial data on a regular basis to the SEC and to our shareholders. We are required to file annual, quarterly and current reports with the SEC. We prepare and file an annual report on Form 10-K with the SEC that contains detailed financial and operating information, as well as a management response to specific questions about the our operations. SEC regulations require that our annual reports to shareholders contain certified financial statements and other specific items such as management s discussion and analysis of the our financial condition and results of operations. We must also file quarterly reports with the SEC on Form 10-Q that contain detailed financial and operating information for the prior quarter and we must file current reports on Form 8-K to provide the pubic with information on recent material events.

In addition to periodic reporting to the SEC, we are subject to proxy rules and tender offer rules issued by the SEC. Our officers, directors and principal shareholders (holding 10% or more of our stock) must also submit reports to the SEC regarding their holdings of our stock and any changes to such holdings, and they are subject to short-swing profit liability.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), into law. The Dodd-Frank Act significantly changes regulation of financial institutions and the financial services industry. The Dodd-Frank Act includes, among other things, provisions creating a Financial Services Oversight Council to identify emerging systemic risks and improve interagency cooperation; centralizing the responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau, which is responsible for implementing, examining and enforcing compliance with federal consumer financial laws; permanently raising the current standard maximum deposit insurance amount to $250,000; establishing strengthened capital standards for banks, and disallowing trust preferred securities as qualifying for Tier 1 capital (subject to certain grandfather provisions for existing trust preferred securities); establishing new minimum mortgage underwriting standards; granting the Federal Reserve Board the power to regulate debit card interchange fees; and implementing corporate governance changes.

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On December 10, 2013, the banking agencies issued a final rule implementing Section 619 of the Dodd-Frank Act, commonly referred to as the Volcker Rule . The final rule requires banking entities to divest disallowed securities by July 21, 2015, unless, upon application, the Federal Reserve grants extensions to July 21, 2017. On January 14, 2014, the banking agencies approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities (Trup Cdos) from the prohibitions under the Volcker Rule.

Deposit Insurance

The deposits of United s Banking Subsidiaries are insured by the FDIC to the extent provided by law. Accordingly, these Banking Subsidiaries are also subject to regulation by the FDIC. The Banking Subsidiaries are subject to deposit insurance assessments to maintain the Deposit Insurance Fund (DIF) of the FDIC. The FDIC utilizes a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank s capital level and supervisory rating (CAMELS rating) and certain financial measures to assess an institution s ability to withstand asset-related stress and funding-related stress. The risk matrix utilizes four risk categories which are distinguished by capital levels and supervisory ratings.

In December 2008, the FDIC issued a final rule that raised assessment rates for the first quarter of 2009 by a uniform 7 basis points, resulting in a range between 12 and 50 basis points, depending upon the risk category. In March 2009, the FDIC issued final rules to further change the assessment system beginning in the second quarter of 2009. The changes commenced April 1, 2009 to ensure that riskier institutions bear a greater share of the increase in assessments, and are subsidized to a lesser degree by less risky institutions.

In May 2009, the FDIC issued a final rule which levied a special assessment applicable to all insured depository institutions totaling 5 basis points of each institution s total assets less Tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits. The special assessment was part of the FDIC s efforts to rebuild the DIF. United s deposit insurance expense during 2009 included $3.6 million recognized in the second quarter related to the special assessment.

In November 2009, the FDIC issued a rule that required all insured depository institutions, with limited exceptions, to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC also adopted a uniform three-basis point increase in assessment rates effective on January 1, 2011; however, as further discussed below, the FDIC has elected to forego this increase under a new DIF restoration plan adopted in October 2010.

In December 2009, United paid $36.4 million in prepaid risk-based assessments. During 2013 the FDIC refunded any remaining prepaid risk-based assessment.

In October 2010, the FDIC adopted a new DIF restoration plan to ensure that the fund reserve ratio reaches 1.35% by September 30, 2020, as required by the Dodd-Frank Act. Under the new restoration plan, the FDIC will update its loss and income projections at least semi-annually for the fund and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking if required.

In April 2011, the FDIC implemented rulemaking under the Dodd-Frank Act to reform the deposit insurance assessment system. The final rule redefined the assessment base used for calculating deposit insurance assessments. Specifically, the rule bases assessments on an institution s total assets less tangible capital, as opposed to total deposits. Since the new base is larger than the prior base, the FDIC also proposed lowering assessment rates so that the rules would not significantly alter the total amount of revenue collected from the industry. The new assessment scale ranges from 2.5 basis points for the least risky institutions to 45 basis points for the riskiest.

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United s FDIC insurance expense totaled $6.1 million, $6.1 million and $8.5 million in 2013, 2012 and 2011, respectively.

Capital Requirements

As a bank holding company, United is subject to consolidated regulatory capital requirements administered by the Federal Reserve Board. United s Banking Subsidiaries are also subject to the capital requirements administered by the Federal Reserve Board. The Federal Reserve Board s risk-based capital guidelines are based upon the 1988 capital accord (Basel I) of the Basel Committee on Banking Supervision (the Basel Committee). The requirements are intended to ensure that banking organizations have adequate capital given the risk levels of assets and off-balance sheet financial instruments. Under the requirements, banking organizations are required to maintain minimum ratios for Tier 1 capital and total capital to risk-weighted assets (including certain off-balance sheet items, such as letters of credit). For purposes of calculating the ratios, a banking organization s assets and some of its specified off-balance sheet commitments and obligations are assigned to various risk categories.

United and its Banking Subsidiaries are currently required to maintain Tier 1 capital and total capital (the sum of Tier 1 and Tier 2 capital) equal to at least 4.0% and 8.0%, respectively, of its total risk-weighted assets (including various off-balance-sheet items, such as letters of credit). In addition, for a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, its Tier 1 and total capital ratios must be at least 6.0% and 10.0% on a risk-adjusted basis, respectively. Bank holding companies and banks are also required to comply with minimum leverage ratio requirements. The leverage ratio is the ratio of a banking organization s Tier 1 capital to its total adjusted quarterly average assets (as defined for regulatory purposes). The requirements necessitate a minimum leverage ratio of 4.0% for United and its banking subsidiaries. In addition, for a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, its leverage ratio must be at least 5.0%.

In 2004, the Basel Committee published a new capital accord (Basel II) to replace Basel I. A definitive final rule for implementing the advanced approaches of Basel II in the United States, which applies only to certain large or internationally active banking organizations, or core banks defined as those with consolidated total assets of $250 billion or more or consolidated on-balance sheet foreign exposures of $10 billion or more, became effective as of April 1, 2008. United and its banking subsidiaries were not required to comply with the advanced approaches of Basel II.

On July 2, 2013, the Federal Reserve, United s and its banking subsidiaries primary federal regulator, published final rules (the Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee s December 2010 framework known as Basel III for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including United and its banking subsidiaries, compared to the current U.S. risk-based capital rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions regulatory capital ratios. The Basel III Capital Rules also address risk weights and other issues affecting the denominator in banking institutions regulatory capital ratios and replace the existing risk-weighting approach, which was derived from Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee s 2004 Basel II capital accords. The Basel III Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies rules. The Basel III Capital Rules are effective for United and its banking subsidiaries on January 1, 2015 (subject to a phase-in period).

The Basel III Capital Rules, among other things, (i) introduce a new capital measure called Common Equity Tier 1 (CET1), (ii) specify that Tier 1 capital consist of CET1 and Additional Tier 1 capital instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments from capital as compared to existing regulations.

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When fully phased in on January 1, 2019, the Basel III Capital Rules will require United and its banking subsidiaries to maintain (i) a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of Total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation) and (iv) a minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average assets (as compared to a current minimum leverage ratio of 3% for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority s risk-adjusted measure for market risk).

The Basel III Capital Rules also provide for a countercyclical capital buffer that is applicable to only certain covered institutions and is not expected to have any current applicability to United and its banking subsidiaries.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

Under the Basel III Capital Rules, the initial minimum capital ratios as of January 1, 2015 will be as follows:

4.5% CET1 to risk-weighted assets.

6.0% Tier 1 capital to risk-weighted assets.

8.0% Total capital to risk-weighted assets.

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Under current capital standards, the effects of accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive items are not excluded; however, non-advanced approaches banking organizations, including United and its banking subsidiaries, may make a one-time permanent election to continue to exclude these items. United and its banking subsidiaries expect to make this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of United s securities portfolio. The Basel III Capital Rules also preclude certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank holding companies, subject to phase-out. However, the Basel III Capital Rules grandfathers non-qualifying capital instruments in the Tier 1 capital of bank holding companies with total consolidated assets of less than $15 billion as of December 31, 2009 (subject to limits). Non-qualifying capital instruments under the final rule include trust preferred securities and cumulative perpetual preferred stock issued before May 19, 2010 that bank holding companies included in Tier 1 capital under the limitations for restricted capital elements in the general risk-based capital rules. As a result, beginning in 2015, United s and its banking subsidiaries trust preferred securities will be subject to a limit of 25 percent of Tier 1 capital elements excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments applied to Tier 1 capital, which is substantially similar to the limit in the general risk-based capital rules. Trust preferred securities no longer included in United s and its banking subsidiaries Tier 1 capital may be included as a component of Tier 2 capital on a permanent basis without phase-out.

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Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2015 and will be phased-in over a 4-year period (beginning at 40% in on January 1, 2015 and an additional 20% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

The Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. Specific changes to current rules impacting United s determination of risk-weighted assets include, among other things:

- Applying a 150% risk weight instead of a 100% risk weight for certain high volatility commercial real estate acquisition, development and construction loans.
- Assigning a 150% risk weight to exposures (other than residential mortgage exposures) that are 90 days past due.
- Providing for a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (currently set at 0%).
- Providing for a risk weight, generally not less than 20% with certain exceptions, for securities lending transactions based on the risk weight category of the underlying collateral securing the transaction.
- Providing for a 100% risk weight for claims on securities firms.
- Eliminating the current 50% cap on the risk weight for OTC derivatives.

In addition, the Basel III Capital Rules also provide more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increases the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

Management believes that, as of December 31, 2013, United and its banking subsidiaries would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis if such requirements were currently effective.

The Basel III Capital Rules adopted in July of 2013 do not address the proposed Liquidity Coverage Ratio Test and Net Stable Funding Ratio Test called for by the proposed Basel III framework.

Failure to meet statutorily mandated capital guidelines or more restrictive ratios separately established for a financial institution could subject United to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting or renewing brokered deposits, limitations on the rates of interest that the institution may pay on its deposits and other restrictions on its business. As described below, significant additional restrictions can be imposed on United if it would fail to meet applicable capital requirements.

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Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) establishes a new regulatory scheme, which ties the level of supervisory intervention by bank regulatory authorities primarily to a depository institution s capital category. Among other things, FDICIA authorizes regulatory authorities to take prompt corrective action with respect to depository institutions that do not meet minimum capital requirements. FDICIA establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

By regulation, an institution is well-capitalized if it has a total risk-based capital ratio of ten percent (10%) or greater, a Tier 1 risk-based capital ratio of six percent (6%) or greater and a Tier 1 leverage ratio of five percent (5%) or greater and is not subject to a regulatory order, agreement or directive to meet and maintain a specific capital level for any capital measure. United s Banking Subsidiaries were well capitalized institutions as of December 31, 2013. Well-capitalized institutions are permitted to engage in a wider range of banking activities, including among other things, the accepting of brokered deposits, and the offering of interest rates on deposits higher than the prevailing rate in their respective markets.

The Basel III Capital Rules revise the current prompt corrective action requirements effective January 1, 2015 by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category (other than critically undercapitalized), with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The Basel III Capital Rules do not change the total risk-based capital requirement for any prompt corrective action category.

Community Reinvestment Act

The Community Reinvestment Act of 1977 (CRA) requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practice. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to low- and moderate-income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned ratings. Banking regulators take into account CRA ratings when considering approval of a proposed transaction. Each of United s Banking Subsidiaries received a rating of satisfactory in their most recent CRA examination.

Deposit Acquisition Limitation

Under West Virginia banking law, an acquisition or merger is not permitted if the resulting depository institution or its holding company, including its affiliated depository institutions, would assume additional deposits to cause it to control deposits in the State of West Virginia in excess of twenty five percent (25%) of such total amount of all deposits held by insured depository institutions in West Virginia. This limitation may be waived by the Commissioner of Banking by showing good cause.

Consumer Laws and Regulations

In addition to the banking laws and regulations discussed above, bank subsidiaries are also subject to certain consumer laws and regulations that are designed to protect consumers in transactions with banks. Among the more prominent of such laws and regulations are the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, and the Fair Housing Act. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits or making loans to such customers. Bank subsidiaries must comply with the applicable provisions of these consumer protection laws and regulations as part of their ongoing customer relations.

As discussed above, the Dodd-Frank Act centralized responsibility for consumer financial protection by creating the CFPB, and giving it responsibility for implementing, examining and enforcing compliance with federal consumer protection laws. The CFPB has broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans, and credit cards. The CFPB s functions include investigating consumer complaints, rulemaking, supervising and examining banks consumer transactions, and enforcing rules related to consumer financial products and services. Banks with less than $10 billion in assets, such as United s Banking Subsidiaries, will be subject to these federal consumer financial laws, but will continue to be examined for compliance by the Federal Reserve, its primary federal banking regulator.

Item 1A. RISK FACTORS

United is subject to risks inherent to the Company s business. The material risks and uncertainties that management believes affect the Company are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair United s business operations. This report is qualified in its entirety by these risk factors.

RISKS RELATING TO UNITED S BUSINESS

United s business may be adversely affected by conditions in financial markets and economic conditions generally.

United s business is concentrated in the West Virginia, Northern Virginia and Shenandoah Valley Virginia market areas. As a result, its financial condition, results of operations and cash flows are subject to changes if there are changes in the economic conditions in these areas. A prolonged period of economic recession or other adverse economic conditions in these areas could have a negative impact on United Bankshares. A significant decline in general economic conditions nationally, caused by inflation, recession, acts of terrorism, outbreak of hostilities or other international or domestic occurrences, unemployment, changes in securities markets, declines in the housing market, a tightening credit environment or other factors could impact these local economic conditions and, in turn, have a material adverse effect on United s financial condition and results of operations which occurred during this past year.

The U.S. economy was in recession from December 2007 through June 2009. Business activity across a wide range of industries and regions in the U.S. was greatly reduced. Although economic conditions have improved, certain sectors, such as real estate and manufacturing, remain weak and unemployment remains high. Continued declines in real estate values, home sales volumes, and financial stress on borrowers as a result of the uncertain economic environment could have an adverse effect on United s borrowers or its customers, which could adversely affect United s financial condition and results of operations. In addition, local governments and many businesses are still experiencing difficulty due to lower consumer spending and decreased liquidity in the credit markets. Deterioration in local economic conditions, particularly within United s geographic regions and markets, could drive losses beyond that which is provided for in its allowance for loan losses. United may also face the following risks in connection with these events:

- Economic conditions that negatively affect housing prices and the job market have resulted, and may continue to result, in deterioration in credit quality of United s loan portfolios, and such deterioration in credit quality has had, and could continue to have, a negative impact on United s business.

- Market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates on loans and other credit facilities.

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The processes United uses to estimate allowance for loan losses and reserves may no longer be reliable because they rely on complex judgments that may no longer be capable of accurate estimation.

United s ability to assess the creditworthiness of its customers may be impaired if the models and approaches it uses to select, manage and underwrite its customers become less predictive of future charge-offs.

United expects to face increased regulation of its industry, and compliance with such regulation may increase its costs, limit its ability to pursue business opportunities, and increase compliance challenges.

As the above conditions or similar ones continue to exist or worsen, United could experience continuing or increased adverse effects on its financial condition and results of operations.

The value of certain investment securities is volatile and future declines or other-than-temporary impairments could have a materially adverse effect on future earnings and regulatory capital.

Continued volatility in the fair value for certain investment securities, whether caused by changes in market conditions, interest rates, credit risk of the issuer, the expected yield of the security, or actual defaults in the portfolio could result in significant fluctuations in the value of the securities as well as any regulatory rulemaking such as the Volcker Rule which could exclude or limit the holdings of certain investment securities. This could have a material adverse impact on United s accumulated other comprehensive income and shareholders equity depending on the direction of the fluctuations. Furthermore, future downgrades, defaults or prepayments, including the liquidation of the underlying collateral in certain securities, could result in future classifications as other-than-temporarily impaired. This could have a material impact on United s future earnings, although the impact on shareholders equity will be offset by any amount already included in other comprehensive income for securities that were temporarily impaired.

There are no assurances as to adequacy of the allowance for loan losses.

United believes that its allowance for loan losses is maintained at a level appropriate to absorb any probable losses in its loan portfolio given the current information known to management.

Management establishes the allowance based upon many factors, including, but not limited to:

historical loan loss experience;

industry diversification of the commercial loan portfolio;

the effect of changes in the local real estate market on collateral values;

the amount of nonperforming loans and related collateral security;

current economic conditions that may affect the borrower s ability to pay and value of collateral;

volume, growth and composition of the loan portfolio; and

other factors management believes are relevant.

These determinations are based upon estimates that are inherently subjective, and their accuracy depends on the outcome of future events, so ultimate losses may differ from current estimates. Changes in economic, operating and other conditions, including changes in interest rates, that are generally beyond United s control, can affect United s loan losses. Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of United s control, may require an increase in the allowance for credit losses. United can provide no assurance that its allowance is sufficient to cover actual loan losses should such losses differ substantially from our current estimates.

In addition, federal and state regulators, as an integral part of their respective supervisory functions, periodically review United s allowance for loan losses, and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. Furthermore, if charge-offs in future periods exceed the allowance for loan losses, United will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on United s business, financial condition and results of operations.

Changes in interest rates may adversely affect United s business.

United s earnings, like most financial institutions, are significantly dependent on its net interest income. Net interest income is the difference between the interest income United earns on loans and other assets which earn interest and the interest expense incurred to fund those assets, such as on savings deposits and borrowed money. Therefore, changes in general market interest rates, such as a change in the monetary policy of the Board of Governors of the Federal Reserve System or otherwise beyond those which are contemplated by United s interest rate risk model and policy, could have an effect on net interest income. For more information concerning United s interest rate risk model and policy, see the discussion under the caption Quantitative and Qualitative Disclosures About Market Risk under Item 7A.

United is subject to credit risk.

There are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. United seeks to mitigate the risk inherent in its loan portfolio by adhering to prudent loan approval practices. Although United believes that its loan approval criteria are appropriate for the various kinds of loans the Company makes, United may incur losses on loans that meet our loan approval criteria. Due to recent economic conditions affecting the real estate market, many lending institutions, including United, have experienced substantial declines in the performance of their loans, including construction, land development and land loans. The value of real estate collateral supporting many construction and land development loans, land loans, commercial and multi-family loans have declined and may continue to decline. United cannot assure that the economic conditions affecting customers and the quality of the loan portfolio will improve and thus, United s financial condition and results of operations could continue to be adversely affected.

Loss of United s Chief Executive Officer or other executive officers could adversely affect its business.

United s success is dependent upon the continued service and skills of its executive officers and senior management. If United loses the services of these key personnel, it could have a negative impact on United s business because of their skills, years of industry experience and the difficulty of promptly finding qualified replacement personnel. The services of Richard M. Adams, United s Chief Executive Officer, would be particularly difficult to replace. United and Mr. Adams are parties to an Employment Agreement providing for his continued employment by United through March 31, 2017.

United operates in a highly competitive market.

United faces a high degree of competition in all of the markets it serves. United considers all of West Virginia to be included in its market area. This area includes the five largest West Virginia Metropolitan Statistical Areas (MSA): the Parkersburg MSA, the Charleston MSA, the Huntington MSA, the Morgantown MSA and the Wheeling MSA. United serves the Ohio counties of Lawrence, Belmont, Jefferson and Washington and Fayette county in Pennsylvania primarily because of their close proximity to the Ohio and Pennsylvania borders and United banking offices located in those counties or in nearby West Virginia. United s Virginia markets include the Maryland, northern Virginia and Washington, D.C. MSA, the Winchester MSA, the Harrisonburg MSA, and the Charlottesville MSA. United considers all of the above locations to be the primary market area for the business of its banking subsidiaries.

There is a risk that aggressive competition could result in United controlling a smaller share of these markets. A decline in market share could lead to a decline in net income which would have a negative impact on stockholder value.

United may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. United has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, or other institutional clients. Recent defaults by financial services institutions, and even rumors or questions about a financial institution or the financial services industry in general, have led to marketwide liquidity problems and could lead to losses or defaults by United or other institutions. Any such losses could adversely affect United s financial condition or results of operations.

United is subject to extensive government regulation and supervision.

United is subject to extensive federal and state regulation, supervision and examination. Banking regulations are primarily intended to protect depositors funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect United s lending practices, capital structure, investment practices, dividend policy, operations and growth, among other things. These regulations also impose obligations to maintain appropriate policies, procedures and controls, among other things, to detect, prevent and report money laundering and terrorist financing and to verify the identities of United s customers. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. The Dodd-Frank Act, enacted in July 2010, instituted major changes to the banking and financial institutions regulatory regimes. Other changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect United in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products United may offer and/or increase the ability of nonbanks to offer competing financial services and products, among other things. United expends substantial effort and incurs costs to improve its systems, audit capabilities, staffing and training in order to satisfy regulatory requirements, but the regulatory authorities may determine that such efforts are insufficient. Failure to comply with relevant laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on United s business, financial condition and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

In the normal course of business, United and its subsidiaries are routinely subject to examinations and challenges from federal and state tax authorities regarding the amount of taxes due in connection with investments that the Company has made and the businesses in which United has engaged. Recently, federal and state taxing authorities have become increasingly aggressive in challenging tax positions taken by financial institutions. These tax positions may relate to tax compliance, sales and use, franchise, gross receipts, payroll, property and income tax issues, including tax base, apportionment and tax credit planning. The challenges made by tax authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. If any such challenges are made and are not resolved in the Company s favor, they could have a material adverse effect on United s financial condition and results of operations.

United may elect or be compelled to seek additional capital in the future, but capital may not be available when it is needed.

United is required by federal and state regulatory authorities to maintain adequate levels of capital to support the Company s operations. In addition, United may elect to raise additional capital to support the Company s business or to finance acquisitions, if any, or United may otherwise elect to raise additional capital. In that regard, a number of financial institutions have recently raised considerable amounts of capital as a result of deterioration in their results of operations and financial condition arising from the turmoil in the mortgage loan market, deteriorating economic conditions, declines in real estate values and other factors, which may diminish United s ability to raise additional capital.

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United s ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside the Company s control, and on United s financial performance. Accordingly, United cannot be assured of its ability to raise additional capital if needed or on terms acceptable to the Company. If United cannot raise additional capital when needed, it may have a material adverse effect on the Company s financial condition, results of operations and prospects.

United s information systems may experience an interruption or breach in security.

United relies heavily on communications and information systems to conduct its business. In addition, as part of its business, United collects, processes and retains sensitive and confidential client and customer information. United s facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company s customer relationship management, general ledger, deposit, loan and other systems. While United has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of the Company s information systems could damage United s reputation, result in a loss of customer business, subject United to additional regulatory scrutiny, or expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on United s financial condition and results of operations.

The rules effecting debit card interchange fees under the Durbin Amendment will negatively impact our electronic banking income.

The Durbin Amendment required the Federal Reserve to establish a cap on the rate merchants pay banks for electronic clearing of debit transactions (i.e. the interchange rate). The Federal Reserve issued final rules, effective October 1, 2011, for establishing standards, including a cap, for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. The final rule established standards for assessing whether debit card interchange fees received by debit card issuers were reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction, a 1 cent fraud prevention adjustment, and 5 basis points multiplied by the value of the transaction. As a result of the completion of the acquisition of Virginia Commerce Bancorp, Inc. which resulted in United having assets more than $10 billion, United is subject to the cap on the interchange fees under the Durbin Amendment which will result in lower debit card interchange fees.

United will be subject to higher regulatory capital requirements and failure to comply with these standards may impact dividend payments, equity repurchases and executive compensation.

On July 2, 2013, the Federal Reserve published final rules that substantially amend the regulatory risk-based capital rules applicable to United, United Bank (West Virginia) and United Bank (Virginia). The rules implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act, or the Basel III Capital Rules. The new rules are effective for United and its banking subsidiaries on January 1, 2015 (subject to a phase-in period for certain of the new rules).

The Basel III Capital Rules, among other things, (i) introduce a new capital measure called Common Equity Tier 1 , or CET1, (ii) specify that Tier 1 capital consists of CET1 and Additional Tier 1 Capital instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/ adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments from capital as compared to existing regulations, and particularly as applied to CET1.

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Under the Basel III Capital Rules, the initial minimum capital and leverage ratios as of January 1, 2015 will be as follows:

4.5% CET1 to risk-weighted assets.

6.0% Tier 1 capital to risk-weighted assets.

8.0% Total capital to risk-weighted assets.

4.0% Tier 1 capital to average assets.

In addition to raising minimum capital and leverage ratios, the Basel III Capital Rules also establish a capital conservation buffer that is designed to absorb losses during periods of economic stress. The capital conservation buffer will be phased in from January 1, 2016 to January 1, 2019 in equal annual installments, and when fully implemented the capital conservation buffer will effectively add 2.5% to each of the minimum capital ratios. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

With respect to United s banking subsidiaries, the Basel III Capital Rules also revise the prompt corrective action regulations pursuant to Section 38 of the Federal Deposit Insurance Act, by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The Basel III Capital Rules do not change the total risk-based capital requirement for any prompt corrective action category.

The Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. In particular, the Basel III Capital Rules increase risk weights that apply to past-due exposures and high volatility commercial real estate loans.

The Basel III changes will result in generally higher minimum capital ratios that require United and its subsidiaries to maintain capital buffers above minimum requirements to avoid restrictions on capital distributions and executive bonus payments. In addition, the application of more stringent capital requirements for United, United Bank (West Virginia) and United Bank (Virginia) could, among other things, result in lower returns on invested capital, require the raising of additional capital and result in additional regulatory actions if United were to be unable to comply with such requirements. Implementation of changes to asset risk weightings for risk based capital calculations, items included or deducted in calculating regulatory capital and/or additional capital conservation buffers could result in management modifying its business strategy and could limit United s ability to make distributions, including paying dividends.

In addition, in the current economic and regulatory environment, regulators of banks and bank holding companies have become more likely to impose capital requirements on bank holding companies and banks that are more stringent than those required by applicable existing regulations.

Failure to maintain effective internal controls over financial reporting in the future could impair United s ability to accurately and timely report its financial results or prevent fraud, resulting in loss of investor confidence and adversely affecting United s business and stock price.

Effective internal controls over financial reporting are necessary to provide reliable financial reports and prevent fraud. Management believes that United s internal controls over financial reporting are currently effective. Management will continually review and analyze the Company s internal controls over financial reporting for Sarbanes-Oxley Section 404 compliance. Any failure to maintain, in the future, an effective internal control environment could impact United s ability to report its financial results on an accurate and timely basis, which could result in regulatory actions, loss of investor confidence, and adversely impact United s business and stock price.

United could face unanticipated environmental liabilities or costs related to real property owned or acquired through foreclosure. Compliance with federal, state and local environmental laws and regulations, including those related to investigation and clean-up of contaminated sites, could have a negative effect on expenses and results of operations.

A significant portion of United s loan portfolio is secured by real property. During the ordinary course of business, United may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, United may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require United to incur substantial expenses and may materially reduce the affected property s value or limit United s ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase exposure to environmental liability. Although United has policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on results of operations.

The Standard & Poor s downgrade in the U.S. government s sovereign credit rating, and in the credit ratings of instruments issued, insured or guaranteed by certain related institutions, agencies and instrumentalities, creates risks to United s net income, capital levels, financial condition and liquidity and causes uncertainties in general economic conditions that may adversely impact it.

In August 2011, Standard & Poor s downgraded the United States long-term debt ratings and downgraded the credit ratings of certain long-term debt instruments issued by Fannie Mae and Freddie Mac and other U.S. government agencies linked to long-term U.S. debt. Instruments of this nature are key assets on the balance sheets of financial institutions, including United. These downgrades could adversely affect the market value of such instruments, and could adversely impact United s ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. In addition, these downgrades could materially affect financial markets and economic conditions, which may affect United s net income, financial condition and liquidity and result in future changes in capital requirements or United s investment portfolio in response to management s assessment of the related risk weightings. United cannot predict if, when or how these changes to the credit ratings will affect economic conditions. As a result, it is possible that these changes could result in a significant adverse impact to United, and could affect other risks to which it is subject.

New accounting or tax pronouncements or interpretations may be issued by the accounting profession, regulators or other government bodies which could change existing accounting methods. Changes in accounting methods could negatively impact United s results of operations and financial condition.

Current accounting and tax rules, standards, policies and interpretations influence the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies, and interpretations are constantly evolving and may change significantly over time. Events that may not have a direct impact on United, such as the bankruptcy of major U.S. companies, have resulted in legislators, regulators and authoritative bodies, such as the Financial Accounting Standards Board, the SEC, the Public Company Accounting Oversight Board, and various taxing authorities, responding by adopting and/or proposing substantive revision to laws, regulations, rules, standards, policies, and interpretations. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. A change in accounting standards may adversely affect reported financial condition and results of operations.

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United s business continuity plans or data security systems could prove to be inadequate, resulting in a material interruption in, or disruption to, its business and a negative impact on results of operations.

United relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems, whether due to severe weather, natural disasters, cyber attack, acts of war or terrorism, criminal activity or other factors, could result in failures or disruptions in general ledger, deposit, loan, customer relationship management and other systems. While United has disaster recovery and other policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of United s information systems could damage its reputation, result in a loss of customer business, subject it to additional regulatory scrutiny or expose it to civil litigation and possible financial liability, any of which could have a material adverse effect on results of operations.

The negative economic effects caused by terrorist attacks, including cyber attacks, potential attacks and other destabilizing events would likely contribute to the deterioration of the quality of United s loan portfolio and could reduce its customer base, level of deposits, and demand for its financial products such as loans.

High inflation, natural disasters, acts of terrorism, including cyber attacks, an escalation of hostilities or other international or domestic occurrences, and other factors could have a negative impact on the economy of the Mid-Atlantic regions in which United operates. An additional economic downturn in its markets would likely contribute to the deterioration of the quality of United s loan portfolio by impacting the ability of its customers to repay loans, the value of the collateral securing loans, and may reduce the level of deposits in its bank and the stability of its deposit funding sources. An additional economic downturn could also have a significant impact on the demand for United s products and services. The cumulative effect of these matters on United s results of operations and financial condition would likely be adverse and material.

United s vendors could fail to fulfill their contractual obligations, resulting in a material interruption in, or disruption to, its business and a negative impact on results of operations.

United has entered into subcontracts for the supply of current and future services, such as data processing, mortgage loan processing and servicing, and certain property management functions. These services must be available on a continuous and timely basis and be in compliance with any regulatory requirements. Failure to do so could substantially harm United s business.

United often purchases services from vendors under agreements that typically can be terminated on a periodic basis. There can be no assurance, however, that vendors will be able to meet their obligations under these agreements or that United will be able to compel them to do so. Risks of relying on vendors include the following:

- If an existing agreement expires or a certain service is discontinued by a vendor, then United may not be able to continue to offer its customers the same breadth of products and its operating results would likely suffer unless it is able to find an alternate supply of a similar service.

- Agreements United may negotiate in the future may commit it to certain minimum spending obligations. It is possible United will not be able to create the market demand to meet such obligations.

- If market demand for United s products increases suddenly, its current vendors might not be able to fulfill United s commercial needs, which would require it to seek new arrangements or new sources of supply, and may result in substantial delays in meeting market demand.

- United may not be able to control or adequately monitor the quality of services it receives from its vendors. Poor quality services could damage United s reputation with its customers.

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Potential problems with vendors such as those discussed above could have a significant adverse effect on United s business, lead to higher costs and damage its reputation with its customers and, in turn, have a material adverse effect on its financial condition and results of operations.

United s potential inability to integrate companies it may acquire in the future could have a negative effect on its expenses and results of operations.

On occasion, United may engage in a strategic acquisition when it believes there is an opportunity to strengthen and expand its business. To fully benefit from such acquisition, however, United must integrate the administrative, financial, sales, lending, collections and marketing functions of the acquired company. If United is unable to successfully integrate an acquired company, it may not realize the benefits of the acquisition, and its financial results may be negatively affected. A completed acquisition may adversely affect United s financial condition and results of operations, including its capital requirements and the accounting treatment of the acquisition. Completed acquisitions may also lead to significant unexpected liabilities after the consummation of these acquisitions.

RISKS ASSOCIATED WITH UNITED S COMMON STOCK

United s stock price can be volatile.

Stock price volatility may make it more difficult for United shareholders to resell their common stock when they want and at prices they find attractive. United s stock price can fluctuate significantly in response to a variety of factors, including, among other things:

- Actual or anticipated negative variations in quarterly results of operations;
- Negative recommendations by securities analysts;
- Poor operating and stock price performance of other companies that investors deem comparable to United;
- News reports relating to negative trends, concerns and other issues in the financial services industry or the economy in general;
- Negative perceptions in the marketplace regarding United and/or its competitors;
- New technology used, or services offered, by competitors;
- Adverse changes in interest rates or a lending environment with prolonged low interest rates;
- Adverse changes in the real estate market;
- Negative economic news;
- Failure to integrate acquisitions or realize anticipated benefits from acquisitions;

Adverse changes in government regulations; and

Geopolitical conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause United s stock price to decrease regardless of operating results.

Dividend payments by United s subsidiaries to United and by United to its shareholders can be restricted.

The declaration and payment of future cash dividends will depend on, among other things, United s earnings, the general economic and regulatory climate, United s liquidity and capital requirements, and other factors deemed relevant by United s board of directors. Federal Reserve Board policy limits the payment of cash dividends by bank holding companies, without regulatory approval, and requires that a holding company serve as a source of strength to its banking subsidiaries.

United s principal source of funds to pay dividends on its common stock is cash dividends from its subsidiaries. The payment of these dividends by its subsidiaries is also restricted by federal and state banking laws and regulations. As of December 31, 2013, an aggregate of approximately $32.5 million and $14.8 million was available for dividend payments from United Bank (WV) and United Bank (VA), respectively, to United without regulatory approval.

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An investment in United common stock is not an insured deposit.

United common stock is not a bank deposit and, therefore, is not insured against loss by the Federal Deposit Insurance Corporation, any other deposit insurance fund or by any other public or private entity. Investment in United common stock is inherently risky for the reasons described in this section and elsewhere in this prospectus and joint proxy statement and is subject to the same market forces that affect the price of common stock in any company. As a result, someone who acquires United common stock, could lose some or all of their investment.

Certain banking laws may have an anti-takeover effect.

Provisions of federal banking laws, including regulatory approval requirements, could make it more difficult to be acquired by a third party, even if perceived to be beneficial to United s shareholders. These provisions effectively inhibit a non-negotiated merger or other business combination, which could adversely affect the market price of United s common stock.

Item 1B. UNRESOLVED STAFF COMMENTS

None

Item 2. PROPERTIES

Offices

United is headquartered in the United Center at 500 Virginia Street, East, Charleston, West Virginia. United s executive offices are located in Parkersburg, West Virginia at Fifth and Avery Streets. United operates one hundred and thirteen (113) full service offices fifty-six (56) offices located throughout West Virginia, fifty-two (52) offices in the Shenandoah Valley region of Virginia and the Northern Virginia, Maryland and Washington, D.C. metropolitan area, four (4) in southwestern Pennsylvania and one (1) in southeastern Ohio. United owns all of its West Virginia facilities except for three in the Wheeling area, two in the Charleston area, two in the Beckley area, and one each in Morgantown, Parkersburg, Charles Town, Martinsburg and Clarksburg, all of which are leased under operating leases. United owns most of its facilities in the Shenandoah Valley region of Virginia except for ten offices, two in Winchester, one each in Charlottesville, Front Royal, Harrisonburg, Staunton, Waynesboro, Weyers Cave and Woodstock, all of which are leased under operating leases. United leases all of its facilities under operating lease agreements in the Northern Virginia, Maryland and Washington, D.C. areas except for four offices, one each in Fairfax, Alexandria, and Vienna, Virginia and one in Bethesda, Maryland, which are owned facilities. United owns all of its Pennsylvania facilities. In Ohio, United owns its one facility in Bellaire. United leases operations centers in the Charleston, West Virginia and Chantilly, Virginia areas.

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Item 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

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UNITED BANKSHARES, INC.

FORM 10-K, PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock

As of January 31, 2014, 100,000,000 shares of common stock, par value $2.50 per share, were authorized for United, of which 69,197,977 were issued, including 430,383 shares held as treasury shares. The outstanding shares are held by approximately 7,621 shareholders of record, as well as 19,992 shareholders in street name as of January 31, 2014. The numbers above include the shares issued to the former Virginia Commerce Bancorp, Inc. shareholders as a result of the acquisition. The unissued portion of United s authorized common stock (subject to registration approval by the SEC) and the treasury shares are available for issuance as the Board of Directors determines advisable. United offers its shareholders the opportunity to invest dividends in shares of United stock through its dividend reinvestment plan. United has also established stock option plans and a stock bonus plan as incentive for certain eligible officers. In addition to the above incentive plans, United is occasionally involved in certain mergers in which additional shares could be issued and recognizes that additional shares could be issued for other appropriate purposes.

In May of 2006, United s Board of Directors approved a new stock repurchase plan, whereby United could buy up to 1,700,000 shares of its common stock in the open market. During 2013 and 2012, no shares were repurchased under the plan.

The Board of Directors believes that the availability of authorized but unissued common stock of United is of considerable value if opportunities should arise for the acquisition of other businesses through the issuance of United s stock. Shareholders do not have preemptive rights, which allow United to issue additional authorized shares without first offering them to current shareholders.

Currently, United has only one voting class of stock issued and outstanding and all voting rights are vested in the holders of United s common stock. On all matters subject to a vote of shareholders, the shareholders of United will be entitled to one vote for each share of common stock owned. Shareholders of United have cumulative voting rights with regard to election of directors.

On December 23, 2008, the shareholders of United authorized the issuance of preferred stock up to 50,000,000 shares with a par value of $1.00 per share. The authorized preferred stock may be issued by the Company s Board of Directors in one or more series, from time to time, with each such series to consist of such number of shares and to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors. Currently, no shares of preferred stock have been issued.

The authorization of preferred stock will not have an immediate effect on the holders of the Company s common stock. The actual effect of the issuance of any shares of preferred stock upon the rights of the holders of common stock cannot be stated until the Board of Directors determines the specific rights of any shares of preferred stock. However, the effects might include, among other things, restricting dividends on common stock, diluting the voting power of common stock, reducing the market price of common stock or impairing the liquidation rights of the common stock without further action by the shareholders. Holders of the common stock will not have preemptive rights with respect to the preferred stock.

There are no preemptive or conversion rights or, redemption or sinking fund provisions with respect to United s stock. All of the issued and outstanding shares of United s stock are fully paid and non-assessable.

Dividends

The shareholders of United are entitled to receive dividends when and as declared by its Board of Directors. Dividends have been paid quarterly. Dividends were $1.25 per share in 2013, $1.24 per share in 2012 and $1.21 per share in 2011. See Market and Stock Prices of United for quarterly dividend information.

The payment of dividends is subject to the restrictions set forth in the West Virginia Corporation Act and the limitations imposed by the Federal Reserve Board. Payment of dividends by United is dependent upon receipt of dividends from its Banking Subsidiaries. Payment of dividends by United s state member Banking Subsidiaries is regulated by the Federal Reserve System and generally, the prior approval of the Federal Reserve Board (FRB) is required if the total dividends declared by a state member bank in any calendar year exceeds its net profits, as defined, for that year combined with its retained net profits for the preceding two years. Additionally, prior approval of the FRB is required when a state member bank has deficit retained earnings but has sufficient current year s net income, as defined, plus the retained net profits of the two preceding years. The FRB may prohibit dividends if it deems the payment to be an unsafe or unsound banking practice. The FRB has issued guidelines for dividend payments by state member banks emphasizing that proper dividend size depends on the bank s earnings and capital. See Note S, Notes to Consolidated Financial Statements.

Market and Stock Prices of United

United Bankshares, Inc. stock is traded over the counter on the National Association of Securities Dealers Automated Quotations System, Global Select Market (NASDAQ) under the trading symbol UBSI. The closing sale price reported for United s common stock on February 24, 2014, the last practicable date, was $28.89.

The high and low prices listed below are based upon information available to United s management from NASDAQ listings. No attempt has been made by United s management to ascertain the prices for every sale of its stock during the periods indicated. However, based on the information available, United s management believes that the prices fairly represent the amounts at which United s stock was traded during the periods reflected.

The following table presents the dividends and high and low prices of United s common stock during the periods set forth below:

2014	Dividends	High	Low
First Quarter through February 24, 2014	$ 0.32(1)	$ 31.57	$ 28.23
2013			
Fourth Quarter	$ 0.32	$ 32.71	$ 28.06
Third Quarter	$ 0.31	$ 29.45	$ 26.04
Second Quarter	$ 0.31	$ 26.84	$ 24.46
First Quarter	$ 0.31	$ 27.24	$ 24.80
2012			
Fourth Quarter	$ 0.31	$ 25.80	$ 23.02
Third Quarter	$ 0.31	$ 26.40	$ 22.54
Second Quarter	$ 0.31	$ 29.45	$ 23.87
First Quarter	$ 0.31	$ 30.91	$ 27.36

(1) On February 24, 2014, United declared a dividend of $0.32 per share, payable April 1, 2014, to shareholders of record as of March 14, 2014.

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Stock Performance Graph

The following Stock Performance Graph and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that United specifically incorporates it by reference into such filing.

The following graph compares United s cumulative total shareholder return (assuming reinvestment of dividends) on its common stock for the five-year period ending December 31, 2013, with the cumulative total return (assuming reinvestment of dividends) of the Standard and Poor s Midcap 400 Index and with the NASDAQ Bank Index. The cumulative total shareholder return assumes a $100 investment on December 31, 2008 in the common stock of United and each index and the cumulative return is measured as of each subsequent fiscal year-end. There is no assurance that United s common stock performance will continue in the future with the same or similar trends as depicted in the graph.

	Period Ending					
	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13
United Bankshares, Inc.	100.00	63.90	97.83	99.49	89.83	121.30
NASDAQ Bank Index	100.00	83.68	95.51	85.51	101.43	143.66
S&P Mid-Cap Index	100.00	137.26	173.77	170.79	201.15	268.36

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Issuer Repurchases

The table below includes certain information regarding United s purchase of its common shares during the three months ended December 31, 2013:

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)
10/01 10/31/2013	0	$ 00.00	0	322,200
11/01 11/30/2013	44	$ 29.45	0	322,200
12/01 12/31/2013	0	$ 00.00	0	322,200
Total	44	$ 29.45		

(1) Includes shares exchanged in connection with the exercise of stock options under United s stock option plans. Shares are purchased pursuant to the terms of the applicable stock option plan and not pursuant to a publicly announced stock repurchase plan. For the quarter ended December 31, 2013, no shares were exchanged by participants in United s stock option plans.

(2) Includes shares purchased in open market transactions by United for a rabbi trust to provide payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. For the quarter ended December 31, 2013, the following shares were purchased for the deferred compensation plan: November 2013 44 shares at an average price of $29.45.

(3) In May of 2006, United s Board of Directors approved a repurchase plan to repurchase up to 1,700,000 shares of United s common stock on the open market (the 2006 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.

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Item 6. SELECTED FINANCIAL DATA

The following consolidated selected financial data is derived from United s audited financial statements as of and for the five years ended December 31, 2013. The selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes contained elsewhere in this report.

	Five Year Summary				
(Dollars in thousands, except per share data)	**2013**	**2012**	**2011**	**2010**	**2009**
Summary of Operations:					
Total interest income	$ 306,154	$ 323,897	$ 316,522	$ 323,382	$ 365,845
Total interest expense	36,313	46,190	55,794	85,196	120,374
Net interest income	269,841	277,707	260,728	238,186	245,471
Provision for loan losses	19,267	17,862	17,141	13,773	46,065
Other income	67,828	66,292	50,837	62,203	53,970
Other expense	193,358	204,656	184,048	182,212	175,127
Income taxes	39,416	38,874	34,766	32,457	10,951
Net income	85,628	82,607	75,610	71,947	67,298
Cash dividends	62,981	62,351	56,827	52,300	50,837
Per common share:					
Net income:					
Basic	1.70	1.64	1.62	1.65	1.55
Diluted	1.70	1.64	1.61	1.65	1.55
Cash dividends	1.25	1.24	1.21	1.20	1.17
Book value per share	20.66	19.74	19.29	18.18	17.53
Selected Ratios:					
Return on average shareholders equity	8.43%	8.35%	8.50%	9.19%	8.81%
Return on average assets	1.02%	0.98%	0.97%	0.95%	0.85%
Dividend payout ratio	73.55%	75.48%	75.16%	72.69%	75.54%
Selected Balance Sheet Data:					
Average assets	$ 8,419,456	$ 8,399,513	$ 7,780,836	$ 7,533,974	$ 7,925,506
Investment securities	889,342	729,402	824,219	794,715	966,920
Loans held for sale	4,236	17,762	3,902	6,869	5,284
Total loans	6,704,583	6,511,416	6,230,777	5,260,326	5,736,809
Total assets	8,735,324	8,420,013	8,451,470	7,155,719	7,805,101
Total deposits	6,621,571	6,752,986	6,819,010	5,713,534	5,971,100
Long-term borrowings	575,697	284,926	345,366	386,458	771,935
Total liabilities	7,693,592	7,427,762	7,482,626	6,362,707	7,043,551
Shareholders equity	1,041,732	992,251	968,844	793,012	761,550

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

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

United desires to provide its shareholders with sound information about past performance and future trends. Consequently, any forward-looking statements contained in this report, in a report incorporated by reference to this report, or made by management of United in this report, in any other reports and filings, in press releases and in oral statements, involve numerous assumptions, risks and uncertainties. Actual results could differ materially from those contained in or implied by United s statements for a variety of factors including, but not limited to: changes in economic conditions; business conditions in the banking industry; movements in interest rates; competitive pressures on product pricing and services; success and timing of business strategies; the nature and extent of governmental actions and reforms; and rapidly changing technology and evolving banking industry standards.

SUBSEQUENT EVENT

After the close of business on January 31, 2014, United acquired 100% of the outstanding common stock of Virginia Commerce Bancorp, Inc. (Virginia Commerce), a Virginia corporation headquartered in Arlington, Virginia. The results of operations of Virginia Commerce will be included in the consolidated results of operations from the date of acquisition. The acquisition of Virginia Commerce enhances United s existing footprint in the Washington, D.C. MSA. Virginia Commerce was merged with and into George Mason Bankshares, Inc., a wholly-owned subsidiary of United (the Merger) in a transaction to be accounted for under the acquisition method of accounting. At consummation, Virginia Commerce had assets of approximately $2.77 billion, loans of $2.10 billion, and deposits of $2.02 billion. In addition, on February 20, 2014, United sold a former branch building for approximately $11.1 million and recognized a before-tax gain of approximately $8.9 million.

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 consolidated financial statements and the notes to 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 December 31, 2013, 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 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 these non-GAAP financial measures because it believes that these measures provide meaningful additional information to assist in the evaluation of United s results of operations or financial position. Presentation of these non-GAAP financial measures is consistent with how United s management evaluates its performance internally and these non-GAAP financial measures are frequently used by securities analysts, investors and other interested

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parties in the evaluation of companies in the banking industry. Specifically, this discussion contains certain references to financial measures identified as tax-equivalent net interest income and noninterest income excluding the results of the noncash, other-than-temporary impairment charges as well as net gains and losses from sales and calls of investment securities. Management believes these non-GAAP financial measures to be helpful in understanding United s results of operations or financial position. 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 non-GAAP financial measures are 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 these non-GAAP financial measures might not be comparable to similarly titled measures 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 credit losses, the valuation of investment securities and the related other-than-temporary impairment analysis, 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. The most significant accounting policies followed by United are presented in Note A, Notes to Consolidated Financial Statements.

Allowance for Loan Losses

The allowance for loan losses represents management s estimate of the probable credit losses inherent in the lending portfolio. Determining the allowance for loan losses requires management to make estimates of losses that are highly uncertain and require a high degree of judgment. At December 31, 2013, the allowance for loan losses was $74.2 million and is subject to periodic adjustment based on management s assessment of current probable 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 $7.4 million in additional allowance (funded by additional provision for credit losses), which would have negatively impacted the year of 2013 net income by approximately $4.8 million, after-tax or $0.10 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 based on historical loss experience, and consideration of 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, charge-off and delinquency trends, current economic and business conditions, 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 A, 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 Loan Losses section of this Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A). For a discussion of concentrations of credit risk, see Item 1, under the caption of Loan Concentrations in this Form 10-K.

Investment Securities

Accounting estimates are used in the presentation of the investment portfolio and these estimates impact the presentation of United s financial condition and results of operations. United classifies its investments in debt as either held to maturity or available for sale and its equity securities as available for sale. Securities held to maturity are accounted for using historical costs, adjusted for amortization of premiums and accretion of discounts. Securities available for sale are accounted for at fair value, with the net unrealized gains and losses, net of income tax effects, presented as a separate component of shareholders equity. When available, fair values of securities are based on quoted prices or prices obtained from third party vendors. 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. Prices obtained from third party vendors that do not reflect forced liquidation or distressed sales are not adjusted by management. Where prices reflect forced liquidation or distressed sales, as is the case with United s portfolio of trust preferred securities (Trup Cdos), management estimates fair value based on a discounted cash flow methodology using appropriately adjusted discount rates reflecting nonperformance and liquidity risks. Due to the subjective nature of this valuation process, it is possible that the actual fair values of these securities could differ from the estimated amounts, thereby affecting United s financial position, results of operations and cash flows. The potential impact to United s financial position, results of operations or cash flows for changes in the valuation process cannot be reasonably estimated.

If the estimated value of investments is less than the cost or amortized cost, the investment is considered impaired and management evaluates whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. If such an event or change has occurred, management must exercise judgment to determine the nature of the potential impairment (i.e., temporary or other-than-temporary) in order to apply the appropriate accounting treatment. If United intends to sell, or is more likely than not they will be required to sell an impaired debt security before recovery of its amortized cost basis less any current period credit loss, other-than-temporary impairment is recognized in earnings. The amount recognized in earnings is equal to the entire difference between the security s amortized cost basis and its fair value at the balance sheet date. If United does not intend to sell, and is not more likely than not they will be required to sell the impaired debt security prior to recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is separated into the following: 1) the amount representing the credit loss, which is recognized in earnings, and 2) the amount related to all other factors, which is recognized in other comprehensive income. Given the recent disruptions in the financial markets, the decision to recognize other-than-temporary impairment on investment securities has become more difficult as complete information is not always available and market conditions and other relevant factors are subject to rapid changes. Therefore, the other-than-temporary impairment assessment has become a critical accounting policy for United. For additional information on management s consideration of investment valuation and other-than-temporary impairment, see Note C and Note T, Notes to Consolidated Financial Statements.

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 L, Notes to Consolidated Financial Statements for information regarding United s ASC topic 740 disclosures.

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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 December 31, 2013, approximately 9.87% of total assets, or $862.58 million, consisted of financial instruments recorded at fair value. Of this total, approximately 91.15% or $786.25 million of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately 8.85% or $76.33 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 Trup Cdos classified as available-for-sale. At December 31, 2013, only $1.19 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 T 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.

2013 COMPARED TO 2012

FINANCIAL CONDITION SUMMARY

United s total assets as of December 31, 2013 were $8.74 billion which was an increase of $315.31 million or 3.74% from December 31, 2012. The increase was primarily the result of a $193.17 million or 2.97% increase in portfolio loans and a $159.94 million or 21.93% increase in investment securities. Partially offsetting these increases in total assets was a $15.46 million or 3.58% decrease in cash and cash equivalents, a $13.53 million or 76.15% decrease in loans held for sale, and a $6.57 million or 2.00% decrease in other assets. The increase in total assets is reflected in a corresponding increase in total liabilities of $265.83 million or 3.58% from year-end 2012. The increase in total liabilities was due mainly to an increase of $406.56 million or 67.77% in borrowings, which was partially offset by a $131.42 million or 1.95% decrease in deposits and a $9.81 million or 13.39% decrease in accrued expenses from year-end 2012. Shareholders equity increased $49.48 million or 4.99% from year-end 2012.

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

Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2013 decreased $15.46 million or 3.58% from year-end 2012 due to a decrease of $22.73 million or 14.43% in cash and due from banks and a decrease of $302 thousand or 29.58% in federal funds sold. Partially offsetting this decrease in cash and cash equivalents was an increase in interest-bearing deposits with other banks of $7.57 million or 2.77% as United placed more excess cash in an interest-bearing account with the Federal Reserve. During the year of 2013, net cash of $142.20 million and $215.45 million were provided by operating activities and financing activities, respectively. Net cash of $373.11 million was used in investing activities. Further details related to changes in cash and cash equivalents are presented in the Consolidated Statements of Cash Flows.

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Securities

Total investment securities at December 31, 2013 increased $159.94 million or 21.93% from year-end 2012. Securities available for sale increased $149.66 million or 23.92%. This change in securities available for sale reflects $697.05 million in sales, maturities and calls of securities, $845.91 million in purchases, and a decrease of $2.30 million in market value. Securities held to maturity decreased $2.50 million or 5.76% from year-end 2012 due to calls and maturities of securities. Other investment securities increased $12.78 million or 21.20% from year-end 2012 due to net purchases of $13.13 million in FHLB stock.

The following is a summary of available for sale securities at December 31:

	2013	2012	2011
		(In thousands)	
U.S. Treasury and obligations of U.S. Government corporations and agencies	$ 172,324	$ 336,747	$ 303,484
States and political subdivisions	60,861	76,765	94,794
Mortgage-backed securities	474,104	126,338	225,069
Asset-backed securities	9,257	11,729	0
Marketable equity securities	3,299	6,660	4,341
Trust preferred collateralized debt obligations	73,862	94,794	104,161
Single issue trust preferred securities	14,346	15,286	15,242
Corporate securities	4,996	4,996	4,994
TOTAL AVAILABLE FOR SALE SECURITIES, at amortized cost	$ 813,049	$ 673,315	$ 752,085
TOTAL AVAILABLE FOR SALE SECURITIES, at fair value	$ 775,284	$ 625,625	$ 696,518

The following is a summary of held to maturity securities at December 31:

	2013	2012	2011
		(In thousands)	
U.S. Treasury and obligations of U.S. Government corporations and agencies	$ 10,762	$ 10,916	$ 11,062
States and political subdivisions	10,367	12,515	12,794
Mortgage-backed securities	50	61	77
Single issue trust preferred securities	19,766	19,750	32,116
Other corporate securities	20	225	3,240
TOTAL HELD TO MATURITY SECURITIES, at amortized cost	$ 40,965	$ 43,467	$ 59,289
TOTAL HELD TO MATURITY SECURITIES, at fair value	$ 38,293	$ 42,695	$ 56,181

At December 31, 2013, gross unrealized losses on available for sale securities were $44.00 million. Securities in an unrealized loss position at December 31, 2013 consisted primarily of Trup Cdos, agency residential mortgage-backed securities, agency commercial mortgage-backed securities and single issue trust preferred securities. The Trup Cdos and the single issue trust preferred securities relate mainly to underlying securities of financial institutions. The agency commercial mortgage-backed securities relate to income-producing multifamily properties and provide a guaranty of full and timely payments of principal and interest by Fannie Mae.

As of December 31, 2013, United s mortgage-backed securities had an amortized cost of $474.15 million, with an estimated fair value of $466.49 million. The portfolio consisted primarily of $215.84 million in agency residential mortgage-backed securities with a fair value of $216.52 million, $16.37 million in non-agency residential mortgage-backed securities with an estimated fair value of $16.53 million, and $241.95 million in commercial agency mortgage-backed securities with an estimated fair value of $233.43 million. As of December 31, 2013, United s asset-backed securities had an amortized cost of $9.26 million, with an estimated fair value of $9.23 million.

As of December 31, 2013, United s corporate securities had an amortized cost of $116.29 million, with an estimated fair value of $80.84 million. The portfolio consisted primarily of $73.86 million in Trup Cdos with a fair value of $43.45 million and $34.11 million in single issue trust preferred securities with an estimated fair value of $28.29 million. In addition to the trust preferred securities, the Company held positions in various other corporate securities, including marketable equity securities, with an amortized cost of $3.30 million and a fair value of $3.87 million, only one of which was individually significant.

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The Trup Cdos consisted of pools of trust preferred securities issued by trusts related primarily to financial institutions and to a lesser extent, insurance companies. The Company has no exposure to Real Estate Investment Trusts (REITs) in its investment portfolio. The Company owns both senior and mezzanine tranches in the Trup Cdos; however, the Company does not own any income notes. The senior and mezzanine tranches of Trup Cdos generally have some protection from defaults in the form of over-collateralization and excess spread revenues, along with waterfall structures that redirect cash flows in the event certain coverage test requirements have failed. Generally, senior tranches have the greatest protection, with mezzanine tranches subordinated to the senior tranches, and income notes subordinated to the mezzanine tranches. The fair value of senior tranches represents $15.06 million of the Company s pooled securities, while mezzanine tranches represent $58.80 million. Of the $58.80 million in mezzanine tranches, $13.74 million are now in the Senior position as the Senior notes have been paid to a zero balance. As of December 31, 2013, $6.58 million of the Trup Cdos were investment grade, $5.00 million were split-rated, and the remaining $62.28 million were below investment grade. In terms of capital adequacy, the Company allocates additional risk-based capital to the below investment grade securities. As of December 31, 2013, United s single issue trust preferred securities had an amortized cost of $34.11 million. Of the $34.11 million, $10.90 million or 31.95% were investment grade; $632 thousand or 1.85% were unrated; $7.91 million or 23.20% were split rated; and $14.67 million or 43.00% were below investment grade. The two largest exposures accounted for 50.70% of the $34.11 million. These included Wells Fargo at $9.90 million and SunTrust Bank at $7.39 million. All single-issue trust preferred securities, with the exception of two securities totaling $632 thousand, are currently receiving full scheduled principal and interest payments.

The following two tables provide a summary of Trup Cdos with at least one rating below investment grade as of December 31, 2013:

Description	Tranche	Class	Moodys	S&P	Fitch	Amortized Cost Basis	Fair Value	Unrealized Loss (Gain)	Credit-Related OTTI
SECURITY 1	Senior	Sr	Ca	NR	WD	$ 3,485	$ 2,651	$ 834	$ 1,219
SECURITY 2	Senior (org Mezz)	B	Ca	NR	WD	7,350	3,537	3,813	6,476
SECURITY 3	Senior (org Mezz)	Mez	C	NR	WD	0	0	0	61
SECURITY 4	Mezzanine	C	C	NR	C	1,252	493	759	1,546
SECURITY 5	Mezzanine	C-2	Ca	NR	C	1,978	585	1,393	184
SECURITY 6	Mezzanine	C-1	Ca	NR	C	1,916	884	1,032	1,316
SECURITY 7	Mezzanine	B-1	Caa2	NR	C	4,487	2,112	2,375	41
SECURITY 8	Mezzanine	B-1	Ca	NR	C	3,676	2,153	1,523	1,651
SECURITY 9	Senior (org Mezz)	Mez	Ca	NR	C	0	0	0	3,214
SECURITY 10	Mezzanine	B	Ca	NR	D	5,411	640	4,771	10,589
SECURITY 11	Mezzanine	B-1	Ca	NR	D	2,385	2,385	0	7,606
SECURITY 12	Senior (org Mezz)	Mez	Caa3	NR	C	1,780	1,990	(210)	588
SECURITY 13	Senior (org Mezz)	Mez	Caa3	NR	C	1,164	1,161	3	406
SECURITY 14	Mezzanine	B-1	Ca	NR	C	3,617	1,301	2,316	422
SECURITY 15	Mezzanine	B	Caa3	NR	C	6,436	2,200	4,236	3,531
SECURITY 16	Mezzanine	B-2	Ca	NR	C	3,822	1,400	2,422	1,179
SECURITY 17	Mezzanine	B-1	Ca	NR	C	2,250	1,260	990	750
SECURITY 18	Senior	A-3	Aa2	B+	A	5,000	3,500	1,500	0
SECURITY 19	Senior (org Mezz)	B	Ba1	NR	BB	3,446	2,240	1,206	0
SECURITY 20	Mezzanine	B-2	NR	CCC+	CCC	3,280	3,280	0	720
SECURITY 21	Mezzanine	B-1	NR	CCC-	CCC	2,050	2,050	0	450
SECURITY 22	Mezzanine	B-1	Caa1	NR	C	2,500	1,050	1,450	0
						$ 67,285	$ 36,872	$ 30,413	$ 41,949

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Desc.	# of Issuers Currently Performing (1)	Deferrals as % of Original Collateral	Defaults as a % of Original Collateral	Expected Deferrals and Defaults as a % of Remaining Performing Collateral (2)	Projected Recovery/Cure Rates on Deferring Collateral	Excess Subordination as % of Performing Collateral	Amortized Cost as a % of Par Value	Discount as a % of Par Value (3)
1	7	10.7%	13.3%	8.2%	65 - 85%	(59.4)%	72.3%	27.7%
2	7	2.2%	9.7%	7.0%	0 - 90%	(72.6)%	51.9%	48.1%
3	0	1.9%	3.6%	0.0%	0%	0.0%	0.0%	100.0%
4	33	18.8%	13.4%	6.7%	0 - 90%	(12.8)%	43.1%	56.9%
5	39	10.4%	12.9%	7.5%	60 - 90%	(6.2)%	91.3%	8.7%
6	45	7.5%	19.0%	6.7%	0 - 90%	(19.2)%	58.5%	41.5%
7	22	3.0%	17.3%	7.2%	0 - 60%	(12.5)%	85.0%	15.0%
8	28	3.2%	21.8%	6.8%	50 - 75%	(26.8)%	68.3%	31.7%
9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	8	4.6%	14.6%	6.4%	10%	(67.9)%	33.8%	66.2%
11	14	8.3%	20.9%	10.4%	50 - 90%	(27.6)%	23.9%	76.2%
12	7	0.0%	19.5%	5.9%	N/A	(4.0)%	79.6%	20.4%
13	7	0.0%	19.5%	5.9%	N/A	(4.0)%	89.3%	10.7%
14	32	27.2%	7.5%	7.4%	15 - 90%	(5.2)%	89.0%	11.0%
15	16	5.1%	19.0%	9.5%	15 - 90%	(35.9)%	64.4%	35.6%
16	16	6.1%	17.9%	6.9%	0 - 90%	(25.6)%	76.4%	23.6%
17	28	9.9%	15.0%	7.8%	0 - 90%	(9.9)%	75.0%	25.0%
18	29	7.2%	12.9%	6.6%	15%	54.6%	100.0%	0.0%
19	5	0.6%	4.6%	8.0%	90%	30.2%	100.0%	0.0%
20	18	4.5%	4.0%	7.1%	0%	23.1%	82.0%	18.0%
21	14	9.3%	0.0%	6.4%	15%	10.9%	82.0%	18.0%
22	33	4.9%	11.5%	7.8%	50 - 90%	(0.2)%	100.0%	0.0%

(1) Performing refers to all outstanding issuers less issuers that have either defaulted or are currently deferring their interest payment.

(2) Expected Deferrals and Defaults refers to projected future defaults on performing collateral and does not include the projected defaults on deferring collateral.

(3) The Discount in the table above represents the Par Value less the Amortized Cost. This metric generally approximates the level of OTTI that has been incurred on these securities.

The Company defines Excess Subordination as all outstanding collateral less the sum of (i) 100% of the defaulted collateral, (ii) the sum of the projected net loss amounts for each piece of the deferring but not defaulted collateral and (iii) the amount of each Trup Cdo s debt that is either senior to or pari passu with our security s priority level.

The calculation of excess subordination in the above table does not consider the OTTI the Company has recognized on these securities. While the ratio of excess subordination provides some insight on overall collateralization levels, the Company completes an expected cash flow analysis each quarter to determine whether an adverse change in future cash flows has occurred under ASC 320. The standard specifies that a cash flow projection can be present-valued at the security specific effective interest rate and the resulting present value compared to the amortized cost in order to quantify the credit component of impairment. The Company utilizes the cash flow models to determine the net realizable value and assess whether additional OTTI has occurred.

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While the ratio of excess subordination provides some insight on overall collateralization levels, the Company does not utilize this ratio to calculate OTTI. The ratio of excess subordination represents only one component of the projected cash flow. The Company believes the excess subordination is limited as it does not consider the following:

Waterfall structure and redirection of cash flows

Excess interest spread

Cash reserves

The collateral backing of a particular tranche can be increased by decreasing the more senior liabilities of the Trup Cdo tranche. This occurs when collateral deterioration due to defaults and deferrals triggers alternative waterfall provisions of the cash flow. The waterfall structure of the bond requires the excess spread to be rerouting away from the most junior classes of debt (which includes the income notes) in order to pay down the principal of the most senior liabilities. As these senior liabilities are paid down, the senior and mezzanine tranches become better secured (due to the rerouting away from the income notes). Therefore, variances will exist between the calculated excess subordination measure and the amount of OTTI recognized due to the impact of the specific structural features of each bond as it relates to the cash flow models.

The following is a summary of available for sale single-issue trust preferred securities with at least one rating below investment grade as of December 31, 2013:

Security	Moodys	S&P	Fitch	Amortized Cost	Fair Value	Unrealized Gain/Loss
Emigrant	NR	NR	CCC	$ 5,657	$ 4,260	($ 1,397)
Bank of America	Ba1	NR	BB+	4,570	3,950	(620)
M&T Bank	NR	BBB	BB+	2,983	3,285	302
Citigroup	Ba1	BB+	BB+	504	502	(2)
Bank of America	Ba1	BB+	BB+	500	503	3
				$ 14,214	$ 12,500	($ 1,714)

Additionally, the Company owns two single-issue trust preferred securities that are classified as held-to-maturity and include at least one rating below investment grade. These securities include SunTrust Bank ($7.39 million) and Royal Bank of Scotland ($972 thousand).

During 2013, United recognized net other-than-temporary impairment charges totaling $7.33 million on certain Trup Cdos and one marketable equity security. Other than these securities, management does not believe that any other individual security with an unrealized loss as of December 31, 2013 is other-than-temporarily impaired. United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not an adverse change in the expected contractual cash flows. Based on a review of each of the securities in the investment portfolio, management concluded that it was not probable that it would be unable 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. However, United acknowledges that any impaired securities 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 other-than-temporary impairment analysis, is presented in Note C, Notes to Consolidated Financial Statements.

Loans

Loans held for sale decreased $13.53 million or 76.15% as loan sales exceeded loan originations in the secondary market during the year of 2013. Portfolio loans, net of unearned income, increased $193.17 million or 2.97% from year-end 2012 mainly due to a $119.69 million or

21.73% increase in construction and land development loans, a $28.31 million or 10.02% increase in consumer loans, and a $64.69 million or 1.68% increase in the total commercial, financial and

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agricultural loans category. Within the commercial, financial and agricultural loans category, commercial real estate loans increased $177.37 million or 10.19% while commercial loans (not secured by real estate) and owner-occupied commercial real estate loans decreased $38.73 million or 2.81% and $73.94 million or 10.14%, respectively. Partially offsetting these increases in portfolio loans was a decrease of $16.87 million or less than 1% in residential real estate loans.

A summary of loans outstanding is as follows:

	December 31				
	2013	2012	2011	2010	2009
Commercial, financial & agricultural	$ 3,911,103	$ 3,846,409	$ 3,508,966	$ 2,837,692	$ 3,003,298
Residential real estate	1,821,378	1,838,252	1,891,725	1,700,380	1,859,439
Construction & land development	670,364	550,677	549,877	470,934	559,602
Consumer	310,754	282,442	283,712	254,345	318,439
Less: Unearned interest	(9,016)	(6,364)	(3,503)	(3,025)	(3,969)
Total loans	6,704,583	6,511,416	6,230,777	5,260,326	5,736,809
Allowance for loan losses	(74,198)	(73,901)	(73,874)	(73,033)	(67,853)
TOTAL LOANS, NET	$ 6,630,385	$ 6,437,515	$ 6,156,903	$ 5,187,293	$ 5,668,956
Loans held for sale	$ 4,236	$ 17,762	$ 3,902	$ 6,869	$ 5,284

The following table shows the maturity of commercial, financial, and agricultural loans and real estate construction and land development loans as of December 31, 2013:

(In thousands)	Less Than One Year	One To Five Years	Over Five Years	Total
Commercial, financial & agricultural	$ 788,763	$ 1,365,791	$ 1,756,549	$ 3,911,103
Construction & land development	316,037	146,398	207,929	670,364
Total	$ 1,104,800	$ 1,512,189	$ 1,964,478	$ 4,581,467

At December 31, 2013, commercial, financial and agricultural loans and real estate construction and land development loans by maturity are as follows:

(In thousands)	Less Than One Year	One to Five Years	Over Five Years	Total
Outstanding with fixed interest rates	$ 284,511	$ 918,201	$ 665,929	$ 1,868,641
Outstanding with adjustable rates	820,289	593,988	1,298,549	2,712,826
	$ 1,104,800	$ 1,512,189	$ 1,964,478	$ 4,581,467

More information relating to loans is presented in Note D, Notes to Consolidated Financial Statements.

Other Assets

Other assets decreased $6.57 million or 2.00% from year-end 2012 mainly as a result of decreases in prepaid FDIC assessments of $16.38 million due to a refund by the FDIC of unused accrued insurance premiums, OREO of $11.30 million due to sales and write-downs, deferred tax assets of $6.24 million, and core deposit intangibles of $1.97 million due to amortization. Partially offsetting these decreases from year-end 2012 was an increase in United s net pension asset due to an increase in the discount rate used in the year-end valuation and more than expected return on the plan assets, resulting in an $18.00 million pension asset. In addition, income tax receivable increased $2.26 million due to timing differences in payments and cash surrender values of bank-owned life insurance policies increased $3.47 million due to an increase in the cash surrender value.

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Deposits

Deposits represent United s primary source of funding. Total deposits at December 31, 2013 decreased $131.42 million or 1.95% from year-end 2012. In terms of composition, noninterest-bearing deposits increased $50.11 million or 2.75% due to an increase in non-interest bearing commercial deposits while interest-bearing deposits decreased $181.52 million or 3.68% from December 31, 2012.

Within the interest-bearing deposits category, time deposits under $100,000 decreased $148.30 million or 14.32%, time deposits over $100,000 decreased $72.34 million or 7.57%, and interest-bearing checking accounts decreased $14.51 million or 1.20% due in large part to historically low interest rates. The $148.30 million decrease in time deposits under $100,000 is the result of fixed rate certificate of deposits (CDs) declining $149.80 million. The $72.34 million decrease in time deposits over $100,000 is due to an $84.17 million decrease in fixed rate CDs over $100,000 which was partially offset by a $15.28 million increase in Deposit Account Registry Service (CDARS) balances over $100,000. The $14.51 million decrease in interest-bearing checking accounts is due to decreases in personal and commercial interest-bearing checking accounts of $31.85 million and $6.81 million, respectively, which were partially offset by a $24.16 million increase in state and municipal interest-bearing checking accounts. Partially offsetting these decreases in interest-bearing deposits is a $32.85 million or 6.28% increase in regular savings accounts mainly due to an increase of $31.02 million in personal savings accounts. In addition, interest-bearing money market accounts (MMDAs) increased $20.77 million or 1.73%, mainly due to $36.28 million and $7.86 million increases in commercial MMDAs and public MMDAs, respectively, which were partially offset by a $23.36 million decrease in personal MMDAs.

The table below summarizes the changes by deposit category since year-end 2012:

	December 31 2013	December 31 2012	$ Change	% Change
(Dollars In thousands)				
Demand deposits	$ 1,874,520	$ 1,824,411	$ 50,109	2.75%
Interest-bearing checking	1,195,956	1,210,463	(14,507)	(1.20%)
Regular savings	556,183	523,336	32,847	6.28%
Money market accounts	1,224,116	1,203,341	20,775	1.73%
Time deposits under $100,000	887,516	1,035,815	(148,299)	(14.32%)
Time deposits over $100,000	883,280	955,620	(72,340)	(7.57%)
Total deposits	$ 6,621,571	$ 6,752,986	$ (131,415)	(1.95%)

At December 31, 2013, the scheduled maturities of time deposits are as follows:

Year	Amount
(In thousands)	
2014	$ 1,144,254
2015	359,750
2016	131,322
2017	82,823
2018 and thereafter	52,647
TOTAL	$ 1,770,796

Maturities of time certificates of deposit of $100,000 or more outstanding at December 31, 2013 are summarized as follows:

	Amount
(In thousands)	

3 months or less	$ 400,290
Over 3 through 6 months	77,866
Over 6 through 12 months	151,567
Over 12 months	253,557
TOTAL	$ 883,280

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The average daily amount of deposits and rates paid on such deposits is summarized for the years ended December 31:

	2013			2012			2011		
	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate
				(Dollars in thousands)					
Demand deposits	$ 1,782,257	$ 0	0.00%	$ 1,720,098	$ 0	0.00%	$ 476,460	$ 0	0.00%
NOW and money market deposits	2,403,748	7,380	0.31%	2,405,678	8,161	0.34%	3,084,146	9,019	0.29%
Savings deposits	565,359	631	0.11%	521,039	562	0.11%	447,166	423	0.09%
Time deposits	1,859,155	18,520	1.00%	2,129,445	23,525	1.10%	2,233,065	29,633	1.33%
TOTAL	$ 6,610,519	$ 26,531	0.40%	$ 6,776,260	$ 32,248	0.48%	$ 6,240,837	$ 39,075	0.63%

More information relating to deposits is presented in Note I, Notes to Consolidated Financial Statements.

Borrowings

Total borrowings at December 31, 2013 increased $406.56 million or 67.77% during the year of 2013. Since year-end 2012, short-term borrowings increased $115.79 million or 36.76% due to a $115 million increase in overnight FHLB advances and a $22.24 million increase in fed funds purchased, which were partially offset by a $21.45 million decrease in securities sold under agreements to repurchase. Long-term borrowings increased $290.77 million or 102.05% since year-end 2012 as a result of a $290.66 million increase in long-term FHLB advances.

The table below summarizes the changes by borrowing category since year-end 2012:

	December 31		Amount	Percentage
	2013	2012	Change	Change
(Dollars in thousands)				
Federal funds purchased	$ 27,685	$ 5,446	$ 22,239	408.35%
Securities sold under agreements to repurchase	188,069	209,516	(21,447)	(10.24%)
Short-term FHLB advances	215,000	100,000	115,000	115.00%
Long-term FHLB advances	377,069	86,411	290,658	336.37%
Issuances of trust preferred capital securities	198,628	198,515	113	0.06%
Total borrowings	$ 1,006,451	$ 599,888	$ 406,563	67.77%

For a further discussion of borrowings see Notes J and K, Notes to Consolidated Financial Statements.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at December 31, 2013 decreased $9.81 million or 13.39% from year-end 2012 mainly due to a $4.03 million decrease in income taxes payable due to timing differences in payments and a $3.09 million decrease in derivative liabilities. In addition, United s net pension liability declined $3.68 million due to an increase in the discount rate used in the year-end valuation and a higher than expected return on the plan assets, resulting in a $18 million pension asset at year-end 2013. Partially offsetting these decreases in accrued expenses and other liabilities was a $1.82 million increase in deferred compensation.

Shareholders Equity

Shareholders equity at December 31, 2013 increased $49.48 million or 4.99% from December 31, 2012 as United continued to balance capital adequacy and the return to shareholders. The increase in shareholders equity was due mainly to earnings net of dividends which equaled $22.65

million for the year of 2013.

Accumulated other comprehensive income increased $22.70 million or 34.53% due mainly to an increase of $13.20 million in the after tax adjustment to United s pension asset and a reversal of $3.74 million in after-tax non-credit OTTI losses due to investment sales. In addition, the accretion of pension costs for the year of 2013 was $3.05 million while the after-tax non-credit portion of OTTI losses for the year of 2013 was $4.34 million. Partially offsetting these increases to accumulated other comprehensive income is a decrease of $1.49 million, net of deferred income tax, in the fair value of United s available for sale investment portfolio.

EARNINGS SUMMARY

Net income for the year 2013 was $85.63 million or $1.70 per diluted share compared to $82.61 million or $1.64 per diluted share for the year of 2012.

United s return on average assets for the year of 2013 was 1.02% and return on average shareholders equity was 8.43% as compared to 0.98% and 8.35% for the year of 2012.

The results for the year of 2013 included noncash, before-tax, other-than-temporary impairment charges of $7.33 million on certain investment securities. The results for year of 2012 included noncash, before-tax, other-than-temporary impairment charges of $7.38 million on certain investment securities. In addition, the results for the year of 2012 included an accrual of $3.3 million with respect to a settlement of claims asserted in class actions against United Bank, Inc. of West Virginia.

Net interest income for the year of 2013 was $269.84 million, a decrease of $7.87 million or 2.83% from the prior year. The provision for loan losses was $19.27 million for the year 2013 as compared to $17.86 million for the year of 2012.

Noninterest income was $67.83 million for the year of 2013, up $1.54 million or 2.32% when compared to the year of 2012. Included in noninterest income for the year of 2013 and 2012 were the previously mentioned noncash before-tax other-than-temporary impairment charges of $7.33 million and $7.38 million, respectively. Noninterest expense was $193.36 million, a decrease of $11.30 million or 5.52% for the year of 2013 when compared to 2012.

Income tax expense for the year of 2013 was $39.42 million as compared to $38.87 million for the year of 2012. United s effective tax rate was approximately 31.5% and 32.0% for years ended December 31, 2013 and 2012, respectively, as compared to 31.5% for 2011.

The following discussion explains in more detail the 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 2013 and 2012, are presented below.

Net interest income for the year of 2013 was $269.84 million, which was a decrease of $7.87 million or 2.83% from the year of 2012. The $7.87 million decrease in net interest income occurred because total interest income decreased $17.74 million while total interest expense declined $9.88 million from the year of 2012. 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.

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Tax-equivalent net interest income for the year of 2013 was $275.84 million, a decrease of $8.28 million or 2.91% from the year of 2012. The net interest margin for the year of 2013 was 3.68%, down 13 basis points from a net interest margin of 3.81% for the year of 2012.

Tax-equivalent interest income for the year of 2013 was $312.15 million, an $18.16 million or 5.50% decrease from the year of 2012 due mainly to a decrease in the average yield on earning assets. The year of 2013 average yield on earning assets was 4.16%, a decrease of 27 basis points from 4.43% for the year of 2012. In addition, average short-term investments declined $203.60 million or 46.33% for the year. Average earning assets were flat from the year of 2012, increasing $46.60 or less than 1%. Average net loans grew $220.25 million or 3.52% and average investment securities increased $29.94 million or 3.92% for the year which were mostly offset by the decline in average short-term investments.

Interest expense for the year of 2013 was $36.31 million, a decrease of $9.88 million or 21.38% from the year of 2012. The decline in interest expense for the year of 2013 was attributable to a decrease of 17 basis points in the average cost of funds for the year of 2013 as a result of lower market interest rates. In particular, the average cost of interest-bearing deposits was 0.55%, a decline of 9 basis points from 0.64% for the year of 2012 and the average cost of long-term borrowings was 2.32% for the year of 2013, a decrease of 213 basis points from 4.45% for the year of 2012. In addition, average interest-bearing liabilities declined $71.96 million or 1.28% due mainly to a decrease of $227.90 million in average interest-bearing deposits. The average cost of short-term borrowings was 0.25% for the year of 2013, up 14 basis points from 0.11% for the year of 2012.

The following table reconciles the difference between net interest income and tax-equivalent net interest income for the year ended December 31, 2013, 2012 and 2011.

		Year Ended	
(Dollars in thousands)	**December 31 2013**	**December 31 2012**	**December 31 2011**
Net interest income, GAAP basis	$ 269,841	$ 277,707	$ 260,728
Tax-equivalent adjustment (1)	5,999	6,413	6,587
Tax-equivalent net interest income	$ 275,840	$ 284,120	$ 267,315

(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 35%. All interest income on loans and investment securities was subject to state income taxes.

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The following table shows the consolidated daily average balance of major categories of assets and liabilities for each of the three years ended December 31, 2013, 2012 and 2011 with the consolidated 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 35%. Interest income on all loans and investment securities was subject to state taxes.

	Year Ended December 31, 2013			Year Ended December 31, 2012			Year Ended December 31, 2011		
(Dollars in thousands)	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1)	Avg. Rate (1)
ASSETS									
Earning Assets:									
Federal funds sold, securities repurchased under agreements to resell & other short-term investments	$ 235,880	$ 613	0.26%	$ 439,481	$ 1,169	0.27%	$ 442,282	$ 1,255	0.28%
Investment Securities:									
Taxable	712,582	16,646	2.34%	664,437	17,364	2.61%	707,897	23,069	3.26%
Tax-exempt	81,505	4,403	5.40%	99,706	5,421	5.44%	100,743	6,130	6.08%
Total Securities	794,087	21,049	2.65%	764,143	22,785	2.98%	808,640	29,199	3.61%
Loans, net of unearned Income (2)	6,544,104	290,491	4.44%	6,322,740	306,356	4.85%	5,721,510	292,655	5.11%
Allowance for loan losses	(74,661)			(73,549)			(73,231)		
Net loans	6,469,443		4.49%	6,249,191		4.90%	5,648,279		5.18%
Total earning assets	7,499,410	$ 312,153	4.16%	7,452,815	$ 330,310	4.43%	6,899,201	$ 323,109	4.68%
Other assets	920,046			946,698			881,635		
TOTAL ASSETS	$ 8,419,456			$ 8,399,513			$ 7,780,836		
LIABILITIES									
Interest-Bearing Funds:									
Interest-bearing deposits	$ 4,828,262	$ 26,531	0.55%	$ 5,056,162	$ 32,248	0.64%	$ 4,772,801	$ 39,075	0.82%
Short-term borrowings	360,621	895	0.25%	280,706	303	0.11%	256,578	166	0.06%
Long- term borrowings	382,628	8,887	2.32%	306,606	13,639	4.45%	345,395	16,553	4.79%
Total Interest-Bearing Funds	5,571,511	36,313	0.65%	5,643,474	46,190	0.82%	5,374,774	55,794	1.04%
Noninterest-bearing deposits	1,782,257			1,720,098			1,468,036		
Accrued expenses and other liabilities	49,688			46,113			48,087		
TOTAL LIABILITIES	7,403,456			4,409,685			6,890,897		
SHAREHOLDERS EQUITY	1,016,000			989,828			889,939		

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 8,419,456	$ 8,399,513	$ 7,780,836
NET INTEREST INCOME	$ 275,840	$ 284,120	$ 267,315
INTEREST SPREAD	3.51%	3.61%	3.64%
NET INTEREST MARGIN	3.68%	3.81%	3.87%

(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 35%.
(2) Nonaccruing loans are included in the daily average loan amounts outstanding.

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The following table sets forth a summary for the periods indicated of the changes in consolidated interest earned and interest paid detailing the amounts attributable to (i) changes in volume (change in the average volume times the prior year s average rate), (ii) changes in rate (change in the average rate times the prior year s average volume), and (iii) changes in rate/volume (change in the average volume times the change in average rate).

	2013 Compared to 2012 Increase (Decrease) Due to				2012 Compared to 2011 Increase (Decrease) Due to			
(In thousands)	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Rate/ Volume	Total
Interest income:								
Federal funds sold, securities purchased under agreements to resell and other short-term investments	$ (550)	$ (44)	$ 38	$ (556)	$ (8)	$ (44)	$ (34)	$ (86)
Investment securities:								
Taxable	1,257	(1,794)	(181)	(718)	(1,417)	(4,601)	313	(5,705)
Tax-exempt (1)	(990)	(40)	12	(1,018)	(63)	(645)	(1)	(709)
Loans (1),(2)	10,792	(25,622)	(1,035)	(15,865)	31,127	(15,815)	(1,611)	13,701
TOTAL INTEREST INCOME	10,509	(27,500)	(1,166)	(18,157)	29,639	(21,105)	(1,333)	7,201
Interest expense:								
Interest-bearing deposits	$ (1,459)	$ (4,551)	$ 293	$ (5,717)	$ 2,324	$ (8,591)	$ (560)	$ (6,827)
Short-term borrowings	88	393	111	592	14	128	(5)	137
Long-term borrowings	3,383	(6,531)	(1,604)	(4,752)	(1,858)	(1,174)	118	(2,914)
TOTAL INTEREST EXPENSE	2,012	(10,689)	(1,200)	(9,877)	480	(9,637)	(447)	(9,604)
NET INTEREST INCOME	$ 8,497	$ (16,811)	$ 34	$ (8,280)	$ 29,159	$ (11,468)	$ (886)	$ 16,805

(1) Yields and interest income on federally tax-exempt loans and investment securities are computed on a fully tax-equivalent basis using the statutory federal income tax rate of 35%.

(2) Nonaccruing loans are included in the daily average loan amounts outstanding.

Provision for Loan Losses

At December 31, 2013, nonperforming loans were $81.13 million or 1.21% of loans, net of unearned income compared to nonperforming loans of $92.80 million or 1.43% of loans, net of unearned income at December 31, 2012. The components of nonperforming loans include: 1) nonaccrual loans, 2) loans 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 whose terms have been restructured for economic or legal reasons due to financial difficulties of the borrowers.

Loans past due 90 days or more were $11.04 million at December 31, 2013, a decrease of $7.02 million or 38.88% from $18.07 million at year-end 2012. The decrease in loans past due 90 days or more was primarily due to the transfer of several large relationships to nonaccrual. At December 31, 2013, nonaccrual loans were $61.93 million, a decrease of $9.63 million or 13.46% from $71.56 million at year-end 2012. The decrease in nonaccrual loans was primarily due to several offsetting factors. As mentioned above, nonaccrual loans increased due to the transfer of several large relationships delinquent in excess of 90 days or more into nonaccrual. This was offset by charge-offs recognized on several impaired nonaccrual relationships, transfer of a significant nonaccrual relationship back to accrual status and foreclosure on several properties which led to a transfer from nonaccrual to other real estate owned. Restructured loans were $8.16 million at December 31, 2013 as compared to $3.17 million restructured loans at year-end 2012. The increase of $4.98 million was due to the restructure of six commercial real estate loans and one residential real estate loan. The loss potential on these loans has been properly evaluated and allocated within the company s allowance for loan losses.

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Nonperforming assets include nonperforming loans and real estate acquired in foreclosure or other settlement of loans (OREO). Total nonperforming assets of $119.31 million, including OREO of $38.18 million at December 31, 2013, represented 1.37% of total assets which compares favorably to United s most recently reported Federal Reserve peer group banking companies (bank holding companies with total assets between $3 and $10 billion) percentage of 1.52% at September 30, 2013.

Management is not aware of any other significant loans or securities, groups of loans or securities, or segments of the loan or investment portfolio not included below or disclosed elsewhere herein where there are serious doubts as to the ability of the borrowers or issuers to comply with the present repayment terms of the debt. The following table summarizes nonperforming assets for the indicated periods.

	December 31				
	2013	2012	2011	2010	2009
	(In thousands)				
Nonaccrual loans	$ 61,928	$ 71,559	$ 59,892	$ 59,996	$ 50,856
Loans which are contractually past due 90 days or more as to interest or principal, and are still accruing interest	11,044	18,068	16,179	6,798	20,314
Restructured loans (1)	8,157	3,175	3,592	437	1,087
Total nonperforming loans	81,129	92,802	79,663	67,231	72,257
Other real estate owned	38,182	49,484	51,760	44,770	40,058
TOTAL NONPERFORMING ASSETS	$ 119,311	$ 142,286	$ 131,423	$ 112,001	$ 112,315

(1) Restructured loans with an aggregate balance of $861 thousand, $375 thousand, and $1.53 million at December 31, 2013, 2012 and 2011, respectively, were on nonaccrual status, but are not included in the Nonaccrual loans category.

Loans are designated as impaired when, in the opinion of management, the collection of principal and interest in accordance with the loan contract is doubtful. At December 31, 2013, impaired loans were $92.66 million, which was a decrease of $2.73 million or 2.86% from the $95.39 million in impaired loans at December 31, 2012. This decrease in impaired loans was due mainly to decreased outstanding principal associated with impaired loans in the Company s commercial owner-occupied real estate portfolio as a result of the repayment of loans secured by various convenience stores in Virginia considered impaired at December 31, 2012. The loss potential on these loans has been properly evaluated and allocated within the Company s allowance for loan losses. For further details on impaired loans, see Note E, Notes to Consolidated Financial Statements.

United maintains an allowance for loan losses and a reserve for lending-related commitments. The combined allowance for loan losses and reserve for lending-related commitments are referred to as the allowance for credit losses. At December 31, 2013, the allowance for credit losses was $76.34 million which was comparable to $75.56 million at December 31, 2012.

At December 31, 2013, the allowance for loan losses was $74.20 million as compared to $73.90 million at December 31, 2012. As a percentage of loans, net of unearned income, the allowance for loan losses was 1.11% at December 31, 2013 and December 31, 2012. The ratio of the allowance for loan losses to nonperforming loans or coverage ratio was 91.46% and 79.63% at December 31, 2013 and December 31, 2012, respectively. For United, this ratio at December 31, 2013 increased from the ratio at December 31, 2012 because nonperforming loans decreased $11.67 million or 12.58% while the allowance for loan losses increased $297 thousand from year-end 2012. Adjustments to risk grades within the allowance for loan loss analysis are based on delinquency and loss trends of such loans and resulted in increased allowance allocations of $517 thousand or less than 1%. The increase in allocations was due to increased historical loss rates in certain loan segments during the year. The Company s detailed methodology and analysis indicated only a minor increase in the allowance for loan losses primarily because of the offsetting factors of changes within risk grades of loans and decreased loss allocations on impaired loans.

For the years ended December 31, 2013 and 2012, the provision for loan losses was $19.27 million and $17.86 million, respectively. Net charge-offs were $18.97 million for the year of 2013 as compared to net charge-offs of $17.84 million for the year of 2012. Annualized net charge-offs as a percentage of average loans were 0.29% for the year of 2013. The reserve for lending-related commitments at December 31, 2013 was $2.14 million, an increase of $487 thousand or 29.41% from December 31, 2012. Changes to the reserve for lending-related commitments are recorded in other expense in the Consolidated Statements of Income.

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The following table summarizes United s credit loss experience for each of the five years ended December 31:

	2013	2012	2011	2010	2009
			(Dollars in thousands)		
Balance of allowance for credit losses at beginning of year	$ 75,557	$ 75,727	$ 75,039	$ 70,010	$ 63,603
Loans charged off:					
Commercial, financial & agricultural (2)	14,207	7,028	4,892	5,495	22,626
Residential real estate (2)	4,111	8,882	7,069	9,334	9,695
Construction & land development (2)	896	3,099	6,290	9,298	6,288
Consumer (2)	1,792	1,546	1,354	1,635	2,468
TOTAL CHARGE-OFFS	21,006	20,555	19,605	25,762	41,077
Recoveries:					
Commercial, financial & agricultural (2)	847	1,544	2,565	16,158	669
Residential real estate (2)	698	821	248	493	272
Construction & land development (2)	73	54	136	21	89
Consumer (2)	418	301	356	346	389
TOTAL RECOVERIES	2,036	2,720	3,305	17,018	1,419
NET LOANS CHARGED OFF	18,970	17,835	16,300	8,744	39,658
Provision for credit losses	19,754	17,665	16,988	13,773	46,065
BALANCE OF ALLOWANCE FOR CREDIT LOSSES AT END OF YEAR	$ 76,341	$ 75,557	$ 75,727	$ 75,039	$ 70,010
Loans outstanding at the end of period (gross) (1)	$ 6,713,599	$ 6,517,780	$ 6,234,280	$ 5,263,351	$ 5,740,778
Average loans outstanding during period (net of unearned income) (1)	$ 6,537,360	$ 6,314,146	$ 5,718,639	$ 5,467,927	$ 5,883,995
Net charge-offs as a percentage of average loans outstanding	0.29%	0.28%	0.29%	0.16%	0.67%
Allowance for credit losses, as a percentage of nonperforming loans	94.10%	81.42%	95.06%	111.61%	96.89%

(1) Excludes loans held for sale.
(2) Certain loan amounts were reclassified in prior years to conform with the new disclosure rules about the Credit Quality of Financing Receivables and the Allowance for Credit Losses in Accounting Standards Codification (ASC) topic 310.

United evaluates the adequacy of the allowance for credit losses and its loan administration policies are focused upon the risk characteristics of the loan portfolio and lending-related commitments. United s process for evaluating the allowance is a formal company-wide process that focuses on early identification of potential problem credits and procedural discipline in managing and accounting for those credits. This process determines the appropriate level of the allowance for credit losses, allocation among loan types and lending-related commitments, and the resulting provision for credit losses. The provision for credit losses includes the provision for loan losses and a provision for lending-related commitments included in other expenses.

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 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 other than commercial loans are made based upon historical loss experience adjusted for current environmental conditions. The allowance for credit losses includes estimated probable inherent but unidentified 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. In addition, a portion of the allowance accounts for the inherent imprecision in the allowance for credit losses analysis.

The following table presents the allocation of United s allowance for credit losses for each of the five years ended December 31:

	2013	2012	2011 (In thousands)	2010	2009
Commercial, financial & agricultural (1)	$ 35,562	$ 37,264	$ 36,120	$ 37,490	$ 43,467
Residential real estate (1)	16,694	14,895	13,880	11,653	6,971
Construction & land development (1)	18,953	18,858	19,151	18,738	12,184
Consumer (1)	2,945	2,620	2,151	2,161	3,545
Allowance for estimated imprecision	44	264	2,572	2,991	1,686
Allowance for loan losses	$ 74,198	$ 73,901	$ 73,874	$ 73,033	$ 67,853
Reserve for lending-related commitments	2,143	1,656	1,853	2,006	2,157
Allowance for credit losses	$ 76,341	$ 75,557	$ 75,727	$ 75,039	$ 70,010

(1) Certain loan amounts were reclassified in 2010 to conform with the new disclosure rules about the Credit Quality of Financing Receivables and the Allowance for Credit Losses in Accounting Standards Codification (ASC) topic 310.

The following is a summary of loans outstanding as a percent of total loans at December 31:

	2013	2012	2011	2010	2009
Commercial, financial & agricultural (1)	58.33%	59.07%	56.31%	53.95%	52.35%
Residential real estate (1)	27.17%	28.23%	30.36%	32.32%	32.41%
Construction & land development (1)	10.00%	8.46%	8.83%	8.95%	9.76%
Consumer (1)	4.50%	4.24%	4.50%	4.78%	5.48%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

(1) Certain loan amounts were reclassified in prior years to conform with the new disclosure rules about the Credit Quality of Financing Receivables and the Allowance for Credit Losses in Accounting Standards Codification (ASC) topic 310.

United s formal company-wide review of the allowance for loan losses at December 31, 2013 produced increased allocations in five of the six loan categories. The commercial real estate owner-occupied loan pool allocation increased by $1.78 million due to an increase in historical loss rates and allocation applied to watch-rated loans. The other commercial loan pool allocation increased by $406 thousand due to offsetting factors of an increase in historical loss rates and a decrease in specific impairments due to charge-offs related to previously recognized impairments. The allocation related to the residential real estate loan pool increased by $1.80 million due to an increase in impairment recognition. The allowance allocated to real estate construction and development increased by $95 thousand due to an increase in outstanding loan balances within the portfolio. The consumer loan pool experienced an increase in allocation of $325 thousand due to an increase in impairment recognition as well as an increase in outstanding loan balances. Offsetting these increases was a decrease in the commercial real estate nonowner-occupied loan pool allocation of $3.88 million driven by a combination of lower outstanding balances in classified loan segments and lower historical loss rates. In summary, the overall level of the allowance for loan losses was stable in comparison to year-end 2012 as a result of offsetting factors within the portfolio as described above.

An allowance is established for probable credit losses on impaired loans via specific allocations. Nonperforming commercial loans and leases are regularly reviewed to identify impairment. A loan or lease is impaired when, based on current information and events, it is probable that the Company will not be able to collect all amounts contractually due. Measuring impairment of a loan requires judgment and estimates, and the eventual outcomes may differ from those estimates. Impairment is 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 impairment has occurred. The allowance for impaired loans was

$12.48 million at December 31, 2013 and $14.20 million at December 31, 2012. In comparison to the prior year-end, this element of the allowance decreased by $1.72 million primarily due to decreased specific allocations for the other commercial loan pool.

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Management believes that the allowance for credit losses of $76.34 million at December 31, 2013 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 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.

Management is not aware of any potential problem loans, 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 was $67.83 million for the year of 2013, up $1.54 million or 2.32% from the year of 2012. Net losses on investment securities transactions for the year of 2013 were $5.81 million compared to net losses of $6.93 million for the year of 2012. Included in net losses on investment securities for the year of 2013 were noncash, before-tax other-than-temporary impairment charges of $7.33 million consisting primarily of $7.19 million on pooled trust preferred collateralized debt obligations (Trup Cdos) and $137 thousand on equity securities partially offset by a before-tax, net gain of $1.52 million on the sale of investment securities. Included in net losses on investment securities for the year of 2012 were noncash, before-tax other-than-temporary impairment charges of $7.38 million on certain investment securities consisting primarily of $5.97 million on Trup Cdos and $1.41 million on collateralized mortgage obligations (Cmos) as well as a before-tax, net gain of $446 thousand on the sale of investment securities. Excluding the results of the investment security transactions, noninterest income for the year of 2013 was flat from the year of 2012, increasing $415 thousand or less than 1%. Although excluding the results of security transactions is a non-GAAP measure, United s management believes noninterest income without noncash, before-tax, other-than-temporary impairment charges and net securities gains or losses on sales and calls is more indicative of United s performance because it isolates income that is primarily customer relationship driven and is more indicative of normalized operations. In addition, these items can fluctuate greatly from quarter to quarter and are difficult to predict.

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The following table reconciles the difference between noninterest income and noninterest income excluding the results of security transactions for the years ended December 31, 2013, 2012 and 2011.

	Year Ended		
(Dollars in thousands)	**2013**	**2012**	**2011**
Total Non-Interest Income, GAAP basis	$ 67,828	$ 66,292	$ 50,837
Less: Net other-than-temporary impairment losses	(7,332)	(7,376)	(20,414)
Less: Net gains on sales/calls of investment securities	1,523	446	1,576
Non-Interest Income excluding the results of noncash, other than-temporary impairment charges and net gains and losses from sales and calls of investment securities	$ 73,637	$ 73,222	$ 69,675

Revenue from trust income and brokerage commissions increased $602 thousand or 3.80% due mainly to increased brokerage volume and the value of assets under management. United continues its efforts to broaden the scope and activity of its trust and brokerage service areas, especially in the northern Virginia market, to provide additional sources of fee income that complement United s traditional banking products and services. The northern Virginia market provides a relatively large number of potential customers with high per capita incomes.

Mortgage banking income increased $100 thousand or 4.05% due to increased mortgage loan production and sales in the secondary market during the year of 2013 as compared to 2012. Mortgage loan sales were $148.79 million in 2013 as compared to $133.11 million in 2012.

Fees from deposit services were $40.25 million for the year of 2013, a decrease of $1.59 million or 3.79% from the year of 2012. In particular, overdraft or insufficient funds (NSF) fees declined $1.62 million and automated teller machine (ATM) fees decreased $331 thousand. Partially offsetting these declines was an increase in check card income of $593 thousand.

Income from bank owned life insurance policies increased $749 thousand or 14.86% due in 2013 as compared to 2012 due to a death benefit. Fees from bankcard transactions increased $595 thousand or 19.86% as compared to the year of 2012 due to a higher volume of transactions.

Other Expense

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 expense includes all items of expense other than interest expense, the provision for credit losses and income tax expense. Noninterest expense for the year of 2013 was $193.36 million, a decrease of $11.30 million or 5.52% from the year of 2012.

Employee compensation for the year of 2013 decreased $3.33 million or 4.66% from the year of 2012. The decrease was due to the reduction in employees from a merger of banking subsidiaries in the second quarter of 2012. Included in employee compensation was expense for stock options of $1.79 million for the year of 2013 as compared to $1.91 million for the year of 2012.

Employee benefits expense increased $1.79 million or 8.46% due mainly an increase of $941 thousand in pension expense due to a change in the discount rate used in the valuation process. Also, health insurance expense increased $497 thousand and Federal Insurance Contributions Act (FICA) expense increased $140 thousand. United uses certain valuation methodologies to measure the fair value of the assets within United s pension plan which are presented in Note M, Notes to Consolidated Financial Statements. The funded status of United s pension plan is based upon the fair value of the plan assets compared to the projected benefit obligation. The determination of the projected benefit obligation and the associated periodic benefit expense involves significant judgment and estimation of future employee compensation levels, the discount rate and the expected long-term rate of return on plan assets. If United assumes a 1% increase or decrease in the estimation of future employee compensation levels while keeping all other assumptions constant, the benefit cost associated with the pension plan would increase by approximately $766 thousand and decrease by approximately $672 thousand, respectively. If United assumes a 1% increase or decrease in the discount rate while keeping all other assumptions constant, the benefit cost associated with the pension plan would decrease by approximately $1.91 million and increase by approximately $2.21 million, respectively. If United assumes a 1% increase or decrease in the expected long-term rate of return on plan assets while keeping all other assumptions constant, the benefit cost associated with the pension plan would decrease and increase, respectively, by approximately $1.07 million.

Net occupancy expense decreased $610 thousand or 2.99% for the year of 2013 as compared to the year of 2012. In particular, building rental expense decreased $458 thousand due to the closure or consolidation of branches from the merger of banking subsidiaries. In addition, real property taxes decreased $206 thousand and utilities expense declined $112 thousand.

Other real estate owned (OREO) expense decreased $2.12 million or 24.72% for the year of 2013 as compared to the year of 2012 as reductions to fair value and losses on sales declined from 2012.

Equipment expense decreased $559 thousand or 6.73% for the year of 2013 as compared to the year of 2012 due to lower depreciation and maintenance expense as a result of the closure or consolidation of branches from the merger of banking subsidiaries.

Data processing expense decreased $1.14 million or 9.08% for the year of 2013 as compared to the year of 2012 due to a change in servicers. In 2012, there was an overlap of servicers which increased costs.

Other expenses decreased $5.48 million or 9.99% for the year of 2013 as compared to the year of 2012. Included in the results of 2012 was the previously mentioned accrual of $3.3 million with respect to class actions against United Bank, Inc. of West Virginia. Otherwise, the decrease for the year of 2013 was due mainly to lower general operating expenses as a result of the merger of banking subsidiaries in 2012. In particular, office supplies decreased $976 thousand, advertising expense decreased $494 thousand, and postage decreased $284 thousand. In addition, ATM costs and amortization expense on core deposit intangibles decreased $727 thousand and $883 thousand respectively. Partially offsetting these decreases in other expenses for the year of 2013 was an increase in merger expenses of $1.25 million.

United s efficiency ratio was 52.92% for the year of 2013 as compared to 54.08% for the year of 2012.

Income Taxes

For the year ended December 31, 2013, income taxes were $39.42 million, compared to $38.87 million for 2012. United s effective tax rate was approximately 31.5% and 32.0% for years ended December 31, 2013 and 2012, respectively, as compared to 31.5% for 2011. For further details related to income taxes, see Note L, Notes to Consolidated Financial Statements.

Quarterly Results

Net income for the first quarter of 2013 was $21.58 million or $0.43 per diluted share compared to $21.01 million or $0.42 per diluted share in 2012. The results for the first quarter of 2013 included noncash, before-tax, other-than-temporary impairment charges of $834 thousand on certain investment securities. The results for the first quarter of 2012 included noncash, before-tax, other-than-temporary impairment charges of $1.38 million on certain investment securities.

For the second quarter of 2013, net income was $22.22 million or $0.44 per diluted share compared to $21.05 million or $0.42 per diluted share in 2012. The results of the second quarter of 2013 included noncash, before-tax, other-than-temporary impairment charges of $137 thousand on certain investment securities. The results of the second quarter of 2012 included noncash, before-tax, other-than-temporary impairment charges of $1.74 million on certain investment securities.

In the third quarter of 2013, net income was $22.17 million or $0.44 per diluted share as compared to $19.33 million or $0.38 per diluted share in the third quarter of 2012. The results of the third quarter of 2012 included an accrual of $3.3 million with respect to a settlement of claims asserted in class actions against United Bank, Inc. of West Virginia. In addition, the results for the third quarter of 2012 included noncash, before-tax, other-than-temporary impairment charges of $2.26 million on certain investment securities. No noncash, before-tax, other-than-temporary impairment charges were recognized during the third quarter of 2013.

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Fourth quarter of 2013 net income was $19.66 million or $0.39 per diluted share, a decrease from net income of $21.21 million or $0.42 per diluted share in the fourth quarter of 2012. The results for the fourth quarter of 2013 included noncash, before-tax, other-than-temporary impairment charges of $6.36 million on certain investment securities. In comparison, the results for the fourth quarter of 2012 included noncash, before-tax, other-than-temporary impairment charges of $2.00 million on certain investment securities.

Tax-equivalent net interest income for the fourth quarter of 2013 was $70.66 million which was relatively flat from the fourth quarter of 2012, decreasing $646 thousand or less than 1%. The slight decrease was due mainly to a decline in the average yield on earning assets. The fourth quarter of 2013 average yield on earning assets decreased 27 basis points from the fourth quarter of 2012. Partially offsetting this decrease to tax-equivalent net interest income for the fourth quarter of 2013 was an increase of $256.63 million or 3.46% in average earning assets from the fourth quarter of 2012. Average net loans and average investment securities increased $179.64 million or 2.81% and $108.80 million or 14.74%, respectively, while short-term investments declined $31.82 million or 11.59%. In addition, the average cost of funds for the fourth quarter of 2013 declined 13 basis points as compared to the fourth quarter of 2012. The net interest margin for the fourth quarter of 2013 was 3.66%, which was a decrease of 17 basis points from a net interest margin of 3.83% for the fourth quarter of 2012.

For the fourth quarter of 2013, the provision for loan losses was $4.34 million while net charge-offs were $4.72 million. For the fourth quarter of 2012, the provision for loan losses was $5.95 million while net charge-offs were $5.79 million.

Noninterest income for the fourth quarter of 2013 was $12.05 million, which was a decrease of $4.70 million from the fourth quarter of 2012. Included in noninterest income for the fourth quarter of 2013 were noncash, before-tax, other-than-temporary impairment charges of $6.36 million on certain investment securities as compared to $2.00 million for the fourth quarter of 2012. Excluding the results of the noncash, other-than-temporary impairment charges as well as net gains and losses from sales and calls of investment securities, noninterest income for the fourth quarter of 2013 decreased $1.01 million or 5.47% from the fourth quarter of 2012. This decrease for the fourth quarter of 2013 was due primarily to decreases of $589 thousand in mortgage banking income due to decreased sales of mortgage loans in the secondary market and $534 thousand in fees from deposit services due to lower overdraft fee income.

Noninterest expense for the fourth quarter of 2013 was $47.98 million, a decrease of $1.30 million or 2.63% from the fourth quarter of 2012. The decrease for the fourth quarter of 2013 was mainly due to declines of $1.03 million in employee compensation due to lower expense for incentives and $602 thousand for other real estate owned (OREO) expense due to fewer declines in the fair value of OREO properties as compared to the fourth quarter of 2012. Partially offsetting these decreases was an increase of $568 thousand in employee benefits expense due mainly to higher health insurance and pension costs. Also included in noninterest expense for the fourth quarter of 2013 was an increase in merger expenses of $449 thousand.

Additional quarterly financial data for 2013 and 2012 may be found in Note V, Notes to Consolidated Financial Statements.

The Effect of Inflation

United s income statements generally reflect the effects of inflation. Since interest rates, loan demand and deposit levels are impacted by inflation, the resulting changes in the interest-sensitive assets and liabilities are included in net interest income. Similarly, operating expenses such as salaries, rents and maintenance include changing prices resulting from inflation. One item that would not reflect inflationary changes is depreciation expense. Subsequent to the acquisition of depreciable assets, inflation causes price levels to rise; therefore, historically presented dollar values do not reflect this inflationary condition. With inflation levels at relatively low levels and monetary and fiscal policies being implemented to keep the inflation rate increases within an acceptable range, management expects the impact of inflation would continue to be minimal in the near future.

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The Effect of Regulatory Policies and Economic Conditions

United s business and earnings are affected by the monetary and fiscal policies of the United States government, its agencies and various other governmental regulatory authorities. The Federal Reserve Board regulates the supply of money in order to influence general economic conditions. Among the instruments of monetary policy available to the Federal Reserve Board are (i) conducting open market operations in United States government obligations, (ii) changing the discount rate on financial institution borrowings, (iii) imposing or changing reserve requirements against financial institution deposits, and (iv) restricting certain borrowings and imposing or changing reserve requirements against certain borrowings by financial institutions and their affiliates. These methods are used in varying degrees and combinations to affect directly the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits.

United s business and earnings are also affected by general and local economic conditions. For most of 2013 and 2012, certain credit markets experienced difficult conditions and volatility. Downturns in the credit market can cause a decline in the value of certain loans and securities, a reduction in liquidity and a tightening of credit. A downturn in the credit market often signals a weakening economy that can cause job losses and thus distress on borrowers and their ability to repay loans. Uncertainties in credit markets and the economy present significant challenges for the financial services industry.

Regulatory policies and economic conditions have had a significant effect on the operating results of financial institutions in the past and are expected to continue to do so in the future; however, United cannot accurately predict the nature, timing or extent of any effect such policies or economic conditions may have on its future business and earnings.

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. The table below presents, by payment date, significant known contractual obligations to third parties as of December 31, 2013:

		Total Payments Due by Period			
(In thousands)	Total	One Year or Less	One to Three Years	Three to Five Years	Over Five Years
Deposits without a stated maturity (1)	$ 4,850,776	$ 4,850,776	$ 0	$ 0	$ 0
Time deposits (2) (3)	1,794,293	1,156,672	500,441	136,617	563
Short-term borrowings (2)	430,758	430,758	0	0	0
Long-term borrowings (2) (3)	691,972	328,779	19,254	14,058	329,881
Operating leases	43,656	8,181	12,933	11,250	11,292

(1) Excludes interest.
(2) Includes interest on both fixed and variable rate obligations. The interest associated with variable rate obligations is based upon interest rates in effect at December 31, 2013. The interest to be paid on variable rate obligations is affected by changes in market interest rates, which materially affect the contractual obligation amounts to be paid.
(3) Excludes carrying value adjustments such as unamortized premiums or discounts.

As of December 31, 2013, United recorded a liability for uncertain tax positions, including interest and penalties, of $2.51 million. This liability represents an estimate of tax positions that United has taken in its tax returns which may ultimately not be sustained upon examination by tax authorities. Since the ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty, this estimated liability is excluded from the contractual obligations table.

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 December 31, 2013 do not represent the amounts that may ultimately be paid under these contracts, they are excluded from the preceding table. Further discussion of derivative instruments is included in Note P, Notes to Consolidated Financial Statements.

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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 amounts do not necessarily represent future cash requirements.

The following table details the amounts of significant commitments and letters of credit as of December 31, 2013:

(In thousands)	Amount
Commitments to extend credit:	
Revolving open-end secured by 1-4 residential	$ 384,441
Credit card and personal revolving lines	129,695
Commercial	1,989,957
Total unused commitments	$ 2,504,093
Financial standby letters of credit	$ 85,303
Performance standby letters of credit	29,361
Commercial letters of credit	0
Total letters of credit	$ 114,664

Commitments generally have fixed expiration dates or other termination clauses, generally within one year, and may require the payment of a fee. Further discussion of commitments is included in Note O, 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 that 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 that 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 borrowings, 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.

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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. See Notes J and K, Notes to Consolidated Financial Statements.

Cash flows provided by operations in 2013 were $142.20 million as compared to $129.44 million of cash provided by operations during 2012 due in large part to increases in proceeds from loan sales of $15.78 and in net income of $3.02 million. In 2013, net cash of $373.11 million was used in investing activities which was primarily due to loan growth of $212.14 million and net purchases of $185.40 million in investment securities over sales, calls and maturities. In 2012, net cash of $208.14 million was used in investing activities which was primarily due to loan growth of $298.47 million which was partially offset by net cash received of $85.62 million for excess net proceeds from sales, calls and maturities of investment securities over purchases. During the year of 2013, net cash of $215.45 million was provided by financing activities due primarily to proceeds of $345 million from FHLB long-term borrowings and an increase of $115 million in short term FHLB borrowings. Partially offsetting this source of cash in financing activities was cash used due to a decline in deposits of $131.25 million and the payment of $62.43 million for cash dividends. During the year of 2012, net cash of $125.22 million was used in financing activities due primarily to a decline of $62.80 million in deposits, the repayment of long-term borrowings in the amount of $60.55 million, and the payment of $62.33 million for cash dividends. The net effect of the cash flow activities was a decrease in cash and cash equivalents of $15.46 million for the year of 2013 as compared to a decrease in cash and cash equivalents of $203.93 million for the year of 2012. See the Consolidated Statement of Cash Flows in the Consolidated Financial Statements.

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 J and K, Notes to Consolidated Financial Statements for more detail regarding the amounts available to United under its 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 and 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. Based on regulatory requirements, United and its banking subsidiaries are categorized as well capitalized institutions. United s risk-based capital ratios of 13.71% at December 31, 2013 and 13.67% at December 31, 2012, were both significantly higher than the minimum regulatory requirements. United s Tier I capital and leverage ratios of 12.51% and 10.72%, respectively, at December 31, 2013, are also well above minimum regulatory requirements. See Note S, Notes to Consolidated Financial Statements.

Total year-end 2013 shareholders equity increased $49.48 million or 4.99% to $1.04 billion from $992.25 million at December 31, 2012. United s equity to assets ratio was 11.93% at December 31, 2013 as compared to 11.78% at December 31, 2012. The primary capital ratio, capital and reserves to total assets and reserves, was 12.69% at December 31, 2013, as compared to 12.57% at December 31, 2012. United s average equity to average asset ratio was 12.07% and 11.78% for the years ended December 31, 2013 and 2012, respectively. All these financial measurements reflect a financially sound position.

During the fourth quarter of 2013, United s Board of Directors declared a cash dividend of $0.32 per share. Dividends per share of $1.25 for the year of 2013 represented an increase over the $1.24 per share paid for 2012. Total cash dividends declared to common shareholders were approximately $62.98 million for the year of 2013 as compared to $62.35 million for the year of 2012. The year 2013 was the fortieth consecutive year of dividend increases to United shareholders.

The following table shows selected consolidated operating and capital ratios for each of the last three years ended December 31:

	2013	2012	2011
Return on average assets	1.02%	0.98%	0.97%
Return on average equity	8.43%	8.35%	8.50%
Dividend payout ratio	73.55%	75.48%	75.16%
Average equity to average assets ratio	12.07%	11.78%	11.44%

2012 COMPARED TO 2011

On July 8, 2011, United completed its acquisition of Centra Financial Holdings, Inc. (Centra) of Morgantown, West Virginia. The results of operations of Centra are included in the consolidated results of operations from the date of acquisition. As a result, the comparisons for the year of 2012 to the same time period of 2011 are impacted by increased levels of average balances, income, expense, and asset quality results due to the acquisition. At consummation, Centra had assets of approximately $1.3 billion, loans of $1.0 billion, deposits of $1.1 billion and shareholders equity of $131 million.

FINANCIAL CONDITION SUMMARY

United s total assets as of December 31, 2012 were $8.42 billion which was a decrease of $31.46 million or less than 1% from December 31, 2011. The decrease was primarily the result of a $203.93 million or 32.06% decrease in cash and cash equivalents, a $94.82 million or 11.50% decrease in investment securities and a $22.71 million or 6.45% decrease in other assets. Of the $203.93 million decrease in cash and cash equivalents, interest-bearing deposits with other banks decreased $232.85 million or 45.98% as United placed less excess cash in an interest-bearing account with the Federal Reserve. Partially offsetting this decrease in interest-bearing deposits with other banks is a $28.91 million or 22.48% increase in cash and due from banks and a $12 thousand or 1.19% increase in federal funds sold. During the year of 2012, net cash of $129.44 million was provided by operating activities. Net cash of $208.14 million and $125.22 million were used in investing activities and financing activities, respectively. Investment securities decreased $94.82 million due mainly to a $70.89 million or 10.18% decrease in securities available for sale. This change in securities available for sale mainly reflects $2.00 billion in sales, maturities and calls of securities, $1.93 billion in purchases, and an increase of $5.46 million in market value. Securities held to maturity decreased $15.82 million or 26.69% from year-end 2011 due primarily to calls and maturities of securities. Other investment securities decreased $8.10 million or 11.84% from year-end 2011 due to the redemption of Federal Home Loan Bank (FHLB) stock. Other assets decreased $22.71 million or 6.45% from year-end 2011 due mainly to a $6.15 million decrease in income tax receivable and a $6.22 million decrease in United s net pension asset due to a decline in the discount rate used in the year-end valuation and a less than expected return on the plan assets. In addition, deferred tax assets decreased $2.30 million, OREO decreased $2.28 million, prepaid regulatory assessments decreased $5.54 million and core deposit intangibles decreased $2.84 million due to amortization. Partially offsetting these decreases from year-end 2011 was an increase of $5.84 million in cash surrender values of bank-owned life insurance policies.

Partially offsetting these decreases in total assets was an increase in portfolio loans of $280.64 million or 4.50% and an increase of $13.86 million or 355.20% in loans held for sale. The $280.64 million increase in portfolio loans was mainly due to a $337.44 million or 9.62% increase in the total commercial, financial and agricultural loans category. Within the commercial, financial and agricultural loans category, commercial real estate loans increased $172.57 million or 7.51% while commercial loans (not secured by real estate) increased $164.88 million or 13.60%. Partially offsetting these increases in portfolio loans was a decrease of $53.47 million or 2.83% in residential real estate loans.

The decrease in total assets is reflected in a corresponding decrease in total liabilities of $54.86 million or less than 1% while shareholders equity increased $23.41 million or 2.42%. The decrease in total liabilities was due mainly to a $66.02 million decrease in deposits, and a $60.44 million decrease in long-term borrowings, which were partially offset by increases of $60.20 million and $11.60 million in short-term borrowings and accrued expenses and other liabilities, respectively. In terms of composition, noninterest-bearing deposits increased $205.25 million or 12.68% while interest-bearing deposits decreased $271.27 million or 5.22% from December 31, 2011. Since year-end 2011, short-term borrowings increased $60.20 million or 23.63% due to a $100 million increase in overnight FHLB advances, which was partially offset by a $1.67 million decrease in federal funds purchased and a $38.13 million decrease in securities sold under agreements to repurchase. Long-term borrowings decreased $60.44 million or 17.50% since year-end 2011 due mainly to a net repayment of $55.40 million in long-term FHLB advances. Accrued expenses and other liabilities at December 31, 2012 increased $11.60 million or 18.82% from year-end 2011. In particular, income taxes payable increased $4.91 million due to higher earnings while other accrued expenses increased $4.78 million due mainly to an accrual of $3.30 million with respect to a litigation settlement related to overdraft claims against United. In addition, United s net pension asset declined due to a decline in the discount rate used in the year-end valuation and a less than expected return on the plan assets, resulting in a $3.68 million liability at year-end 2012. Partially offsetting these increases in accrued expenses and other liabilities was a $1.54 million decrease in interest payable due to a decline in long-term borrowings and interest-bearing time deposits.

Shareholders equity at December 31, 2012 increased $23.41 million or 2.42% from December 31, 2011 as United continued to balance capital adequacy and the return to shareholders. The increase in shareholders equity was due mainly to earnings net of dividends which equaled $20.26 million for the year of 2012. Accumulated other comprehensive income increased $1.01 million or 1.51% due mainly to an increase of $3.55 million, net of deferred income tax, in the fair value of United s available for sale investment portfolio. In addition, the accretion of pension costs for the year of 2012 was $2.52 million while the after-tax non-credit portion of OTTI losses for the year of 2012 was $1.57 million. Partially offsetting these increases to accumulated other comprehensive income is an after tax adjustment to United s pension asset resulting in a decline of $6.63 million.

EARNINGS SUMMARY

Net income for the year 2012 was $82.61 million or $1.64 per diluted share compared to $75.61 million or $1.61 per diluted share for the year of 2011.

United s return on average assets for the year of 2012 was 0.98% and return on average shareholders equity was 8.35% as compared to 0.97% and 8.50% for the year of 2011.

As previously stated, United completed its acquisition of Centra during the third quarter of 2011. As a result, comparisons for the year of 2012 to the same time period in 2011 are impacted by increased levels of average balances, income, and expense due to the acquisition. The results for the year of 2012 included an accrual of $3.3 million with respect to a settlement of claims asserted in class actions against United Bank, Inc. of West Virginia. In addition, the results for year of 2012 included noncash, before-tax, other-than-temporary impairment charges of $7.38 million on certain investment securities. The results for the year of 2011 included before-tax, other-than-temporary impairment charges of $20.41 million on certain investment securities.

Net interest income for the year of 2012 was $277.71 million, an increase of $16.98 million or 6.51% from the prior year. The provision for loan losses was $17.86 million for the year 2012 as compared to $17.14 million for the year of 2011.

Noninterest income was $66.29 million for the year of 2012, up $15.46 million or 30.40% when compared to the year of 2011. Included in noninterest income for the year of 2012 and 2011 were the previously mentioned noncash before-tax other-than-temporary impairment charges of $7.38 million and $20.41 million, respectively. Noninterest expense was $204.66 million, an increase of $20.61 million or 11.20% for the year of 2012 when compared to 2011.

Income tax expense for the year of 2012 was $38.87 million as compared to $34.77 million for the year of 2011. United s effective tax rate was approximately 32.0% and 31.5% for years ended December 31, 2012 and 2011, respectively, as compared to 31.1% for 2010.

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

Net Interest Income

Net interest income for the year of 2012 was $277.71 million, which was an increase of $16.98 million or 6.51% from the year of 2011. The $16.98 million increase in net interest income occurred because total interest income increased $7.38 million while total interest expense declined $9.60 million from the year of 2011. 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 year of 2012 was $284.12 million, an increase of $16.81 million or 6.29% from the year of 2011. The net interest margin for the year of 2012 was 3.81%, down 6 basis points from a net interest margin of 3.87% for the year of 2011.

Tax-equivalent interest income for the year of 2012 was $330.31 million, a $7.20 million or 2.22% increase from the year of 2011. This increase was primarily attributable to an increase in average earning assets from the Centra acquisition. Average earning assets increased $553.61 million or 8.02% from the year of 2011. Average net loans increased $600.91 million or 10.64% for the year of 2012. Partially offsetting the increases to tax-equivalent interest income for the year of 2012 was a decline of 25 basis points in the average yield on earning assets as compared to the year of 2011. The average yield on earning assets was 4.43% for the year of 2012 and 4.68% for the year of 2011. In addition, average investments for the year of 2012 decreased $44.50 million or 5.50% from the year of 2011 due to sales, calls and maturities.

Interest expense for the year of 2012 was $46.19 million, a decrease of $9.60 million or 17.21% from the year of 2011. The decline in interest expense for the year of 2012 was attributable to a decrease of 22 basis points in the average cost of funds for the year of 2012 as a result of lower market interest rates. In particular, the average cost of interest-bearing deposits was 0.64%, a decline of 18 basis points from 0.82% for the year of 2011 and the average cost of long-term borrowings was 4.45% for the year of 2012, a decrease of 34 basis points from 4.79% for the year of 2011. In addition, United repaid approximately $61 million in long-term borrowings. Partially offsetting these decreases to interest expense was an increase of $268.70 million or 5.00% in average interest-bearing liabilities due mainly to increases of $283.36 million and $24.13 million, respectively, in average interest-bearing deposits and short-term borrowings. The average cost of short-term borrowings was 0.11% for the year of 2012, up 5 basis points from 0.06% for the year of 2011.

Provision for Loan Losses

For the years ended December 31, 2012 and 2011, the provision for loan losses was $17.86 million and $17.14 million, respectively. Net charge-offs were $17.84 million for the year of 2012 as compared to net charge-offs of $16.30 million for the year of 2011. Annualized net charge-offs as a percentage of average loans were 0.28% for the year of 2012. This ratio compares favorably to United s most recently reported Federal Reserve peer group s net charge-offs to average loans percentage of 0.64% for the third quarter of 2012. The reserve for lending-related commitments at December 31, 2012 was $1.66 million, a decrease of $197 thousand or 10.63% from December 31, 2011. Changes to the reserve for lending-related commitments are recorded in other expense in the Consolidated Statements of Income.

At December 31, 2012, the allowance for loan losses was $73.90 million as compared to $73.87 million at December 31, 2011. As a percentage of loans, net of unearned income, the allowance for loan losses was 1.13% at December 31, 2012 and 1.19% of loans, net of unearned income at December 31, 2011. The ratio of the allowance for loan losses to nonperforming loans or coverage ratio was 79.63% and 92.73% at December 31, 2012 and December 31, 2011, respectively. For United, this ratio at December 31, 2012 decreased from the ratio at December 31, 2011 because nonperforming loans increased $13.14 million or 16.49% while the allowance for loan losses was relatively flat from year-end 2011. Adjustments to risk grades and qualitative risk factors within the allowance for loan loss analysis were based on delinquency and loss trends of such loans and resulted in increased allowance allocations of $2.33 million or 3.27%. The increased allocations did not increase the overall level of the reserve because of a decrease in the estimate for imprecision of $2.31 million. The decrease in the estimate for imprecision is attributable to refined methodology utilized by the Bank to fully allocate amounts reserved for losses inherent in the Bank s portfolio. The Company s detailed methodology and analysis indicated an increase in the allocated allowance for loan losses primarily due to increased loss allocations on impaired loans.

Other Income

Noninterest income was $66.29 million for the year of 2012, up $15.46 million or 30.40% from the year of 2011. Net losses on investment securities transactions for the year of 2012 were $6.93 million compared to net losses of $18.84 million for the year of 2011. Included in net losses on investment securities for the year of 2012 were before-tax other-than-temporary impairment charges of $7.38 million on certain investment securities consisting primarily of $5.97 million on pooled trust preferred collateralized debt obligations (TRUP CDOs) and $1.41 million on collateralized mortgage obligations (CMOs) and a before-tax, net gain of $446 thousand on the sale of investment securities. Included in net losses on investment securities for the year of 2011 were before-tax other-than-temporary impairment charges of $20.41 million on certain investment securities consisting primarily of $17.25 million on pooled trust preferred collateralized debt obligations (TRUP CDOs) and $3.16 million on collateralized mortgage obligations (CMOs) and a before-tax, net gain of $1.58 million on the sale of investment securities. Excluding the results of the investment security transactions, noninterest income for the year of 2012 would have increased $3.55 million or 5.09% from the year of 2011.

Revenue from trust income and brokerage commissions increased $2.50 million or 18.75% due mainly to increased brokerage volume and the value of assets under management. United continues its efforts to broaden the scope and activity of its trust and brokerage service areas, especially in the northern Virginia market, to provide additional sources of fee income that complement United s traditional banking products and services. The northern Virginia market provides a relatively large number of potential customers with high per capita incomes.

Mortgage banking income increased $1.52 million or 159.56% due to increased mortgage loan production and sales in the secondary market during the year of 2012 as compared to 2011. Mortgage loan sales were $133.11 million in 2012 as compared to $72.02 million in 2011.

Fees from deposit services were $41.83 million for the year of 2012 which was relatively flat from the year of 2011, decreasing $278 thousand or less than 1%. In particular, automated teller machine (ATM) fees decreased $1.63 million and overdraft or insufficient funds (NSF) fees declined $869 thousand. Virtually offsetting these declines were increases in check card income of $2.35 million and account analysis fees of $351 thousand.

Income from bank owned life insurance policies decreased $247 thousand or 4.67% due mainly to a smaller increase in the cash surrender values of the insurance policies in 2012 as compared to 2011. Fees from bankcard transactions increased $424 thousand or 16.49% as compared to the year of 2011 due to a higher volume of transactions. Other income decreased $753 thousand or 21.13% for the year of 2012 as compared to last year s income mainly due to a decrease of $332 thousand from derivatives not in a hedging relationship as a result of a change in value. A corresponding amount of expense is included in other expense in the income statement.

Other Expense

Noninterest expense for the year of 2012 was $204.66 million, an increase of $20.61 million or 11.20% from the year of 2011. This increase was mainly the result of the Centra merger.

Employee compensation for the year of 2012 increased $6.79 million or 10.51% from the year of 2011 due mainly to the additional employees from the Centra merger. Also included in employee compensation was expense for stock options of $1.91 million for the year of 2012 as compared to $1.13 million for the year of 2011.

Employee benefits expense increased $3.82 million or 22.01% due mainly an increase of $3.09 million in pension expense due to a change in the discount rate used in the valuation process. Also, health insurance expense increased $369 thousand and Federal Insurance Contributions Act (FICA) expense increased $170 thousand due mainly to the additional employees from Centra.

Net occupancy expense increased $1.83 million or 9.85% for the year of 2012 as compared to the year of 2011. The higher net occupancy expense for 2012 was due mainly to the additional offices acquired from Centra. In particular, building rental expense increased $687 thousand, real property taxes increased $370 thousand, building maintenance increased $353 thousand, and building depreciation increased $294 thousand.

Other real estate owned (OREO) expense increased $1.55 million or 22.09% for the year of 2012 as compared to the year of 2011. The increase from 2011 was due mainly to decreases in the fair values of OREO properties. Equipment expense increased $331 thousand or 4.15% for the year of 2012 as compared to the year of 2011 due to a higher depreciation and maintenance expense as a result of the Centra merger.

Data processing expense increased $895 thousand or 7.69% for the year of 2012 as compared to the year of 2011 due to the additional processing as a result of the Centra merger and the conversion to a new servicer. Bankcard processing fees increased $264 thousand or 25.12% as a result of higher volume of transactions. FDIC insurance expense decreased $2.40 million or 28.39% for the year of 2012 as compared to the year of 2011 due mainly to lower premiums.

Other expenses increased $7.53 million or 15.91% for the year of 2012 as compared to the year of 2011. This increase was due mainly to the previously mentioned accrual of $3.3 million with respect to class actions against United Bank, Inc. of West Virginia. The additional increase from the year of 2011 was due mainly to higher general operating expenses as a result of the Centra merger. In particular, ATM expense for the year of 2012 increased $1.90 million and consulting, legal expense increased $1.42 million, office supplies increased $624 thousand and amortization expense on intangibles increased $423 thousand.

United s efficiency ratio was 54.08% for the year of 2012 as compared to 51.81% for the year of 2011.

Income Taxes

For the year ended December 31, 2012, income taxes were $38.87 million, compared to $34.77 million for 2011. United s effective tax rate was approximately 32.0% and 31.5% for years ended December 31, 2012 and 2011, respectively, as compared to 31.1% for 2010.

Item 7A. 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 consolidated earnings sensitivity profile as of December 31, 2013 and 2012:

Change in Interest Rates (basis points)	**Percentage Change in Net Interest Income December 31, 2013**	**December 31, 2012**
+200	2.01%	7.93%
+100	0.21%	3.67%
-100	(0.80%)	(0.60%)
-200	---	---

Given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, it is estimated that net interest income for United would increase by 0.21% over one year as of December 31, 2013, as compared to an increase of 3.67% as of December 31, 2012. A 200 basis point immediate, sustained upward shock in the yield curve would increase net interest income by an estimated 2.01% over one year as of December 31, 2013, as compared to an increase of 7.93% as of December 31, 2012. A 100 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 0.80% over one year as of December 31, 2013 as compared to a decrease of 0.60% over one year as of December 31, 2012. With the federal funds rate at 0.25% at December 31, 2013 and 2012, management believed a 200 basis point immediate, sustained decline in rates was highly unlikely.

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 banks are members 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.

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Extension Risk

At December 31, 2013, United s mortgage related securities portfolio had an amortized cost of $474 million, of which approximately $187 million or 39% 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 5.1 years and a weighted average yield of 3.26%, under current projected prepayment assumptions. These securities are expected to have very little extension risk in a rising rate environment. Current models show that an immediate, sustained upward shock of 300 basis points would only extend the average life of these securities to 6 years. The projected price decline of the fixed rate CMO portfolio in rates up 300 basis points would be 13.9%, less than the price decline of a 7 year treasury note. By comparison, the price decline of a 30-year current coupon mortgage backed security (MBS) for an immediate, sustained upward shock of 300 basis points would be approximately 22%.

United had approximately $214 million in balloon securities with a projected yield of 1.93% and a projected average life of 6.1 years on December 31, 2013. This portfolio consisted primarily of Fannie Mae Delegated Underwriting and Servicing (DUS) mortgage backed securities (MBS) with a weighted average loan age (WALA) of 11 months and a weighted average maturity (WAM) of 6.8 years.

United had approximately $18 million in 15-year mortgage backed securities with a projected yield of 4.78% and a projected average life of 2.1 years as of December 31, 2013. This portfolio consisted of seasoned 15-year mortgage paper with a weighted average loan age (WALA) of 8.6 years and a weighted average maturity (WAM) of 6.1 years.

United had approximately $3 million in 20-year mortgage backed securities with a projected yield of 4.86% and a projected average life of 2.6 years on December 31, 2013. This portfolio consisted of seasoned 20-year mortgage paper with a weighted average loan age (WALA) of 10.8 years and a weighted average maturity (WAM) of 8.7 years.

United had approximately $4 million in 30-year mortgage backed securities with a projected yield of 6.75% and a projected average life of 3.9 years on December 31, 2013. This portfolio consisted of seasoned 30-year mortgage paper with a weighted average loan age (WALA) of 14.8 years and a weighted average maturity (WAM) of 13.8 years.

The remaining 10% of the mortgage related securities portfolio at December 31, 2013, included adjustable rate securities (ARMs), 10-year mortgage backed pass-through securities and other fixed rate mortgage backed securities.

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of United Bankshares, Inc. (the Company) is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. The Company s internal control over financial reporting is designed to provide reasonable assurance to the Company s management and board of directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework (1992 framework). Based on our assessment, we believe that, as of December 31, 2013, the Company s internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm who audited the Company s consolidated financial statements has also issued an attestation report on the effectiveness of the Company s internal control over financial reporting as of December 31, 2013. Ernst & Young s report on the effectiveness of the Company s internal control over financial reporting appears on the following page.

/s/ Richard M. Adams
Richard M. Adams, Chairman of the Board

and Chief Executive Officer

March 3, 2014

/s/ Steven E. Wilson
Steven E. Wilson, Executive Vice

President, Treasurer, Secretary and Chief

Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors and the

Shareholders of United Bankshares, Inc.

We have audited United Bankshares, Inc. and subsidiaries internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). United Bankshares, Inc. and subsidiaries management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, United Bankshares, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of United Bankshares, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders equity, and cash flows for each of the three years in the period ended December 31, 2013 and our report dated March 3, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Charleston, West Virginia
March 3, 2014

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors and the

Shareholders of United Bankshares, Inc.

We have audited the accompanying consolidated balance sheets of United Bankshares, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Bankshares, Inc. and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), United Bankshares, Inc. s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated March 3, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Charleston, West Virginia
March 3, 2014

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CONSOLIDATED BALANCE SHEETS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except par value)

	December 31 2013	December 31 2012
Assets		
Cash and due from banks	$ 134,808	$ 157,539
Interest-bearing deposits with other banks	281,090	273,517
Federal funds sold	719	1,021
Total cash and cash equivalents	416,617	432,077
Securities available for sale at estimated fair value (amortized cost-$813,049 at December 31, 2013 and $673,315 at December 31, 2012)	775,284	625,625
Securities held to maturity (estimated fair value-$38,293 at December 31, 2013 and $42,695 at December 31, 2012)	40,965	43,467
Other investment securities	73,093	60,310
Loans held for sale	4,236	17,762
Loans	6,713,599	6,517,780
Less: Unearned income	(9,016)	(6,364)
Loans net of unearned income	6,704,583	6,511,416
Less: Allowance for loan losses	(74,198)	(73,901)
Net loans	6,630,385	6,437,515
Bank premises and equipment	69,897	72,170
Goodwill	375,547	375,583
Accrued interest receivable	26,666	26,302
Other assets	322,634	329,202
TOTAL ASSETS	$ 8,735,324	$ 8,420,013
Liabilities		
Deposits:		
Noninterest-bearing	$ 1,874,520	$ 1,824,411
Interest-bearing	4,747,051	4,928,575
Total deposits	6,621,571	6,752,986
Borrowings:		
Federal funds purchased	27,685	5,446
Securities sold under agreements to repurchase	188,069	209,516
Federal Home Loan Bank borrowings	592,069	186,411
Other long-term borrowings	198,628	198,515
Allowance for lending-related commitments	2,143	1,656
Accrued expenses and other liabilities	63,427	73,232
TOTAL LIABILITIES	7,693,592	7,427,762
Shareholders Equity		
Preferred stock, $1.00 par value; Authorized-50,000,000 shares; none issued	0	0
Common stock, $2.50 par value; Authorized-100,000,000 shares; issued- 50,867,630 at December 31, 2013 and 2012, including 437,363 and 591,057 shares in treasury at	127,169	127,169

December 31, 2013 and 2012, respectively		
Surplus	237,674	238,739
Retained earnings	734,945	712,299
Accumulated other comprehensive loss	(43,047)	(65,748)
Treasury stock, at cost	(15,009)	(20,208)
TOTAL SHAREHOLDERS EQUITY	1,041,732	992,251
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 8,735,324	$ 8,420,013

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF INCOME

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Year Ended December 31		
	2013	**2012**	**2011**
Interest income			
Interest and fees on loans	$ 286,033	$ 301,840	$ 288,213
Interest on federal funds sold and other short-term investments	613	1,169	1,255
Interest and dividends on securities:			
Taxable	16,646	17,364	23,069
Tax-exempt	2,862	3,524	3,985
Total interest income	306,154	323,897	316,522
Interest expense			
Interest on deposits	26,531	32,248	39,075
Interest on short-term borrowings	895	303	166
Interest on long-term borrowings	8,887	13,639	16,553
Total interest expense	36,313	46,190	55,794
Net interest income	269,841	277,707	260,728
Provision for loan losses	19,267	17,862	17,141
Net interest income after provision for loan losses	250,574	259,845	243,587
Other income			
Fees from trust and brokerage services	16,447	15,845	13,343
Fees from deposit services	40,245	41,832	42,110
Bankcard fees and merchant discounts	3,591	2,996	2,572
Other service charges, commissions, and fees	2,247	2,229	1,849
Income from bank-owned life insurance	5,788	5,039	5,286
Income from mortgage banking	2,571	2,471	952
Other income	2,748	2,810	3,563
Total other-than-temporary impairment losses	(860)	(4,955)	(20,958)
Portion of loss recognized in other comprehensive income	(6,472)	(2,421)	544
Net other-than-temporary impairment losses	(7,332)	(7,376)	(20,414)
Net gains on sales/calls of investment securities	1,523	446	1,576
Net investment securities losses	(5,809)	(6,930)	(18,838)
Total other income	67,828	66,292	50,837
Other expense			
Employee compensation	68,074	71,402	64,611
Employee benefits	22,970	21,178	17,358
Net occupancy expense	19,818	20,428	18,596
Other real estate owned (OREO) expense	6,441	8,556	7,008
Equipment expense	7,748	8,307	7,976
Data processing expense	11,394	12,532	11,637
Bankcard processing expense	1,332	1,315	1,051
FDIC insurance expense	6,188	6,064	8,468

Other expense	49,393	54,874	47,343
Total other expense	193,358	204,656	184,048
Income before income taxes	125,044	121,481	110,376
Income taxes	39,416	38,874	34,766
Net income	$ 85,628	$ 82,607	$ 75,610

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CONSOLIDATED STATEMENTS OF INCOME

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Year Ended December 31		
	2013	2012	2011
Earnings per common share:			
Basic	$ 1.70	$ 1.64	$ 1.62
Diluted	$ 1.70	$ 1.64	$ 1.61
Dividends per common share	$ 1.25	$ 1.24	$ 1.21
Average outstanding shares:			
Basic	50,353,452	50,265,620	46,803,432
Diluted	50,426,078	50,298,019	46,837,363

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Year Ended December 31		
	2013	**2012**	**2011**
Net income	$ 85,628	$ 82,607	$ 75,610
Change in net unrealized (loss) gain on available-for-sale (AFS) securities, net of tax	6,452	5,120	5,820
Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (HTM) securities, net of tax	5	4	5
Change in defined benefit pension plan, net of tax	16,244	(4,114)	(11,927)
Comprehensive income, net of tax	$ 108,329	$ 83,617	$ 69,508

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Common Stock Shares	Common Stock Par Value	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders Equity
Balance at January 1, 2011	44,319,157	$ 110,798	$ 93,431	$ 673,260	$ (60,656)	$ (23,821)	$ 793,012
Net income	0	0	0	75,610	0	0	75,610
Other comprehensive income, net of tax	0	0	0	0	(6,102)	0	(6,102)
Total comprehensive income, net of tax							69,508
Acquisition of Centra Financial Holdings, Inc.	6,548,473	16,371	145,049	0	0	0	161,420
Stock based compensation expense	0	0	1,133	0	0	0	1,133
Purchase of treasury stock (676 shares)	0	0	0	0	0	(18)	(18)
Distribution of treasury stock for deferred compensation plan (3,069 shares)	0	0	0	0	0	74	74
Cash dividends ($1.21 per share)	0	0	0	(56,827)	0	0	(56,827)
Common stock options exercised (40,447 shares)	0	0	(852)	0	0	1,394	542
Balance at December 31, 2011	50,867,630	127,169	238,761	692,043	(66,758)	(22,371)	968,844
Net income	0	0	0	82,607	0	0	82,607
Other comprehensive income, net of tax	0	0	0	0	1,010	0	1,010
Total comprehensive income, net of tax							83,617
Stock based compensation expense	0	0	1,908	0	0	0	1,908
Purchase of treasury stock (455 shares)	0	0	0	0	0	(13)	(13)
Distribution of treasury stock for deferred compensation plan (4,710 shares)	0	0	0	0	0	131	131
Cash dividends ($1.24 per share)	0	0	0	(62,351)	0	0	(62,351)
Grant of restricted stock (52,700 shares)	0	0	(1,816)	0	0	1,816	0
Forfeiture of restricted stock (840 shares)	0	0	29	0	0	(29)	0
Common stock options exercised (7,510 shares)	0	0	(143)	0	0	258	115
Balance at December 31, 2012	50,867,630	127,169	238,739	712,299	(65,748)	(20,208)	992,251
Net income	0	0	0	85,628	0	0	85,628
Other comprehensive income, net of tax	0	0	0	0	22,701	0	22,701
Total comprehensive income, net of tax							108,329
Stock based compensation expense	0	0	1,786	0	0	0	1,786
Purchase of treasury stock (1,596 shares)	0	0	0	0	0	(93)	(93)
Distribution of treasury stock for deferred compensation plan (3,827 shares)	0	0	0	0	0	77	77
Cash dividends ($1.25 per share)	0	0	0	(62,982)	0	0	(62,982)

Grant of restricted stock (52,825 shares)	0	0	(1,819)	0	0	1,819	0
Forfeiture of restricted stock (1,664 shares)	0	0	57	0	0	(57)	0
Common stock options exercised (100,302 shares)	0	0	(1,089)	0	0	3,453	2,364
Balance at December 31, 2013	50,867,630	$ 127,169	$ 237,674	$ 734,945	$ (43,047)	$ (15,009)	$ 1,041,732

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(In thousands)	Year Ended December 31 2013	2012	2011
OPERATING ACTIVITIES			
Net income	$ 85,628	$ 82,607	$ 75,610
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	19,267	17,862	17,141
Depreciation, amortization and accretion	11,679	9,723	7,340
Loss on sales of bank premises, OREO and equipment	592	262	1,072
Loss on securities	5,809	6,930	18,838
Loans originated for sale	(135,260)	(146,966)	(66,990)
Proceeds from sales of loans	151,357	135,577	72,971
Gain on sales of loans	(2,571)	(2,471)	(952)
Stock-based compensation	1,786	1,908	1,133
Deferred income tax expense	2,990	337	10,907
Increase in cash surrender value of bank-owned life insurance policies	(6,043)	(5,039)	(5,195)
Amortization of net periodic pension costs	4,094	3,567	912
Changes in:			
Interest receivable	(364)	159	(2,897)
Other assets	9,721	17,264	3,329
Accrued expenses and other liabilities	(6,486)	7,719	(14,652)
NET CASH PROVIDED BY OPERATING ACTIVITIES	142,199	129,439	118,567
INVESTING ACTIVITIES			
Proceeds from maturities and calls of held to maturity securities	2,479	15,973	7,635
Proceeds from sales of securities available for sale	14,352	5,381	24,763
Proceeds from maturities and calls of securities available for sale	683,913	1,991,166	1,462,173
Purchases of securities available for sale	(845,908)	(1,926,898)	(1,417,978)
Redemption of bank-owned life insurance policies	2,573	0	822
Purchases of bank premises and equipment	(5,995)	(5,207)	(8,018)
Proceeds from sales of bank premises and equipment	203	2,238	24
Acquisition of Centra Financial Holdings, Inc., net of cash acquired	0	0	49,085
Proceeds from sales and redemptions of other investment securities	27,648	13,345	10,819
Purchases of other investment securities	(40,237)	(5,665)	(338)
Net change in loans	(212,137)	(298,474)	29,350
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(373,109)	(208,141)	158,337
FINANCING ACTIVITIES			
Cash dividends paid	(62,434)	(62,333)	(54,344)
Excess tax benefits from stock-based compensation arrangements	331	35	3,114
Acquisition of treasury stock	(93)	(12)	(18)
Proceeds from exercise of stock options	2,364	115	542
Distribution of treasury stock for deferred compensation plan	77	130	74
Repayment of long-term Federal Home Loan Bank borrowings	(54,342)	(55,398)	(60,372)
Proceeds of long-term Federal Home Loan Bank borrowings	345,000	0	0
Redemption of issued trust preferred securities	0	(5,155)	0
Changes in:			
Time deposits	(220,640)	(299,803)	(274,652)
Other deposits	89,395	237,001	250,380

Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	115,792	60,196	32,986
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	215,450	(125,224)	(102,290)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,460)	(203,926)	174,614
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	432,077	636,003	461,389
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 416,617	$ 432,077	$ 636,003

See notes to consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

December 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: United Bankshares, Inc. (United, the Company) is a multi-bank holding company headquartered in Charleston, West Virginia. United considers all of West Virginia to be included in its market area. This area includes the five largest West Virginia Metropolitan Statistical Areas (MSA): the Parkersburg MSA, the Charleston MSA, the Huntington MSA, the Morgantown MSA and the Wheeling MSA. United serves the Ohio counties of Lawrence, Belmont, Jefferson and Washington and Fayette county in Pennsylvania primarily because of their close proximity to the Ohio and Pennsylvania borders and United banking offices located in those counties or in nearby West Virginia. United s Virginia markets include the Maryland, northern Virginia and Washington, D.C. MSA, the Winchester MSA, the Harrisonburg MSA, and the Charlottesville MSA. United considers all of the above locations to be the primary market area for the business of its banking subsidiaries.

Operating Segments: United s business activities are confined to one reportable segment which is community banking. As a community banking entity, United offers a full range of products and services through various delivery channels.

Basis of Presentation: The consolidated financial statements and the notes to consolidated financial statements include the accounts of United Bankshares, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

United determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity (VIE) under U.S. generally accepted accounting principles. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity s activities. United consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, VIEs are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE 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. United s wholly owned and indirect wholly owned statutory trust subsidiaries are VIEs for which United is not the primary beneficiary. Accordingly, its accounts are not included in United s consolidated financial statements.

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 and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. To conform to the 2013 presentation, certain reclassifications have been made to prior period amounts, which had no impact on net income, comprehensive income or shareholders equity. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations have been made. Such adjustments are of a normal and recurring nature.

The Company has evaluated events and transactions subsequent to December 31, 2013 through the date these financial statements were issued. Based on definitions and requirements of generally accepted accounting principles for Subsequent Events, the Company has not identified any events that would require adjustments to, or disclosure in the financial statements other than the acquisition of Virginia Commerce Bancorp, Inc. after the close of business on January 31, 2014 (see Note B to these Notes to Consolidated Financial Statements). In addition, on February 20, 2014, United sold a former branch building for approximately $11.1 million and recognized a before-tax gain of approximately $8.9 million. A description of the significant accounting policies is presented below.

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Cash and Cash Equivalents: United considers cash and due from banks, interest-bearing deposits with other banks and federal funds sold as cash and cash equivalents.

Securities: Management determines the appropriate classification of securities at the time of purchase. Debt securities that United has the positive intent and the ability to hold to maturity are carried at amortized cost. Securities to be held for indefinite periods of time and all marketable equity securities are classified as available for sale and carried at estimated fair value. Unrealized gains and losses on securities classified as available for sale are carried as a separate component of Accumulated Other Comprehensive Income (Loss), net of deferred income taxes.

Gains or losses on sales of securities are recognized by the specific identification method and are reported in securities gains and losses within noninterest income of the Consolidated Statements of Income. United reviews available-for-sale and held-to-maturity securities on a quarterly basis for possible impairment. United determines whether a decline in fair value below the amortized cost basis of a security is other-than-temporary. This determination requires significant judgment. In making this judgment, United s review includes an analysis of the facts and circumstances of each individual investment such as the severity of loss, the length of time the fair value has been below cost, the expectation for that security s performance, the creditworthiness of the issuer, recent changes in external credit ratings, and the assessment of collection of the security s contractual amounts from the issuer or issuers. If United intends to sell, or it is more likely than not that United will be required to sell an impaired debt security before recovery of its amortized cost basis less any current period credit loss, other-than-temporary impairment is recognized in earnings. The credit loss is defined as the difference between the present value of cash flows expected to be collected (discounted at the contractual rate) and the amortized cost basis. The amount recognized in earnings is equal to the entire difference between the security s amortized cost basis and its fair value at the balance sheet date. If United does not intend to sell, and it is not more likely than not that United will be required to sell the impaired debt security prior to recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is separated into the following: 1) the amount representing the credit loss, which is recognized within noninterest income of the Consolidated Statements of Income, and 2) the amount related to all other factors, which is recognized in other comprehensive income within shareholders equity of the Consolidated Balance Sheets.

For equity securities, United evaluates the near-term prospects of the investment in relation to the severity and duration of any impairment and United s ability and intent to hold these equity securities until a recovery of their fair value to at least the cost basis of the investment. Equity securities that are deemed to be other-than-temporarily impaired are written down to the fair value with the write-down recognized within noninterest income of the Consolidated Statements of Income.

Certain security investments that do not have readily determinable fair values and for which United does not exercise significant influence are carried at cost and are classified as other investment securities on the balance sheet. These cost-method investments are reviewed for impairment at least annually or sooner if events or changes in circumstances indicate the carrying value may not be recoverable.

Securities Purchased Under Resale Agreements and Securities Sold Under Agreements to Repurchase: Securities purchased under agreements to resell and securities sold under agreements to repurchase are accounted for as collateralized financing transactions. They are recorded at the amounts at which the securities were acquired or sold plus accrued interest. Securities, generally U.S. government and federal agency securities, pledged as collateral under these financing arrangements cannot be repledged or sold, unless replaced, by the secured party. The fair value of the collateral either received from or provided to a third party is continually monitored and additional collateral is obtained or is requested to be returned to United as deemed appropriate.

Loans: Loans are reported at the principal amount outstanding, net of unearned income. Interest on loans is accrued and credited to operations using methods that produce a level yield on individual principal amounts outstanding. Loan origination and commitment fees and related direct loan origination costs are deferred and amortized as an adjustment of loan yield over the estimated life of the related loan. Loan fees accreted and included in interest income were $7,427,000, $10,765,000 and $6,264,000 for the years of 2013, 2012 and 2011, respectively. 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. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and interest accrued in prior years is charged to the allowance for loan losses. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection.

Loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan contract is doubtful. Consistent with United s existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. United s method of income recognition for impaired loans that are classified as nonaccrual is to recognize interest income on the cash basis or apply the cash receipt to principal when the ultimate collectibility of principal is in doubt.

A loan is categorized as restructured if a significant concession is granted to provide for a reduction of either interest or principal due to a deterioration in the financial condition of the borrower. A loan classified as restructured will generally retain such classification until the loan is paid in full. However, a restructured one-to-four-family residential mortgage loan that yields a market rate and demonstrates the ability to pay under the terms of the restructured note through a sustained period of repayment performance, which is generally one year, is removed from the restructured classification. Interest income on restructured loans is accrued at the reduced rate and the loan is returned to performing status once the borrower demonstrates the ability to pay under the terms of the restructured note through a sustained period of repayment performance, which is generally six months. The portfolio of restructured loans is monitored monthly.

<u>Loans Acquired Through Transfer:</u> Loans acquired through the completion of a transfer, including loans acquired in a business combination, that have evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that United will be unable to collect all contractually required payment receivable are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the investment in the loan, or the accretable yield, is recognized as interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the nonaccretable difference, are not recognized as a yield adjustment or as a loss accrual or a valuation allowance. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining life. Decreases in expected cash flows are recognized as impairment. Valuation allowances on these impaired loans reflect only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately are not to be received).

<u>Loans Held for Sale:</u> Loans held for sale consist of one-to-four family conforming residential real estate loans originated for sale in the secondary market and carried at the lower of cost or fair value determined on an aggregate basis. Generally, United s current practice is to sell all fixed-rate, one-to-four family conforming residential real estate loans while holding adjustable rate loans. However, United will sell certain adjustable-rate, one-to-four family conforming residential real estate loans based on prevailing interest rate conditions and interest rate risk management needs. Gains and losses on sales of loans held for sale are included in mortgage banking income.

<u>Allowance for Credit Losses:</u> United maintains an allowance for loan losses and a reserve for lending-related commitments such as unfunded loan commitments and letters of credit. The combined allowance for loan losses and reserve for lending-related commitments are referred to as the allowance for credit losses.

The allowance for loan losses is management s estimate of the probable credit losses inherent in the loan portfolio. Management s evaluation of the adequacy of the allowance for loan losses and the appropriate provision for credit losses is based upon a quarterly evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows, estimated losses on pools of loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. The amounts allocated to specific credits and loan pools grouped by similar risk characteristics are reviewed on a quarterly basis and adjusted as necessary based upon subsequent changes in circumstances. In determining

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the components of the allowance for credit losses, management considers the risk arising in part from, but not limited to, charge-off and delinquency trends, current economic and business conditions, lending policies and procedures, the size and risk characteristics of the loan portfolio, concentrations of credit, and other various factors. Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses.

In determining the adequacy of the allowance for loan losses, management makes allocations to specific commercial loans classified by management as to risk. Management determines the loan s risk by considering the borrowers ability to repay, the collateral securing the credit and other borrower-specific factors that may impact collectibility. For impaired loans, specific allocations are based on the present value of expected future cash flows using the loan s effective interest rate, or as a practical expedient, at the loan s observable market price or the fair value of the collateral if the loan is collateral-dependent. Other commercial loans not specifically reviewed on an individual basis are evaluated based on loan pools, which are grouped by similar risk characteristics using management s internal risk ratings. Allocations for these commercial loan pools are determined based upon historical loss experience adjusted for current environmental conditions and risk factors. Allocations for loans, other than commercial loans, are developed by applying historical loss experience adjusted for current environmental conditions and risk factors to loan pools grouped by similar risk characteristics. The environmental factors considered for each of the loan portfolios includes estimated probable inherent but undetected 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. While allocations are made to specific loans and pools of loans, the allowance is available for all loan losses. In addition, a portion of the allowance accounts for the inherent imprecision in the allowance for credit losses analysis. Management believes that the allowance for credit losses is adequate to provide for probable losses on existing loans and loan-related commitments based on information currently available.

Bank Premises and Equipment: Bank premises and equipment are stated at cost, less allowances for depreciation and amortization. The provision for depreciation is computed principally by the straight-line method over the estimated useful lives of the respective assets. Useful lives range primarily from three to 15 years for furniture, fixtures and equipment and five to 40 years for buildings and improvements. Leasehold improvements are generally amortized over the lesser of the term of the respective leases or the estimated useful lives of the improvements.

Other Real Estate Owned: At December 31, 2013 and 2012, other real estate owned (OREO) included in other assets in the Consolidated Balance Sheets was $38,182,000 and $49,484,000, 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.

Advertising Costs: Advertising costs are generally expensed as incurred and included in Other Expense on the Consolidated Statements of Income. Advertising expense was $3,777,000, $4,270,000 and $4,172,000 for the years of 2013, 2012, and 2011, respectively.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities (excluding deferred tax assets and liabilities related to business combinations or components of other comprehensive income). Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. Interest and/or penalties related to income taxes are reported as a component of income tax expense.

For uncertain income tax positions, United records a liability 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.

United files a consolidated income tax return with its subsidiaries. Federal income tax expense or benefit has been allocated to subsidiaries on a separate return basis.

Intangible Assets: Intangible assets relating to the estimated fair value of the deposit base of the acquired institutions are being amortized on an accelerated basis over a one to seven year period. Management reviews 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. United incurred amortization expense of $1,969,000, $2,852,000 and $2,429,000 in 2013, 2012, and 2011, respectively, related to all intangible assets.

Goodwill is not amortized, but is tested for impairment at least annually or sooner if indicators of impairment exist. Intangible assets with definite useful lives (such as core deposit intangibles) are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment at least annually. Based on the most recent goodwill impairment test, no impairment was noted. As of December 31, 2013 and 2012, total goodwill approximated $375,547,000 and $375,583,000, respectively.

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

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

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

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. Prior to January 1, 2006, United used the shortcut method for interest rate swaps that met the criteria as defined under the Derivatives and Hedging topic. Effective January 1, 2006, United adopted an internal policy accounting for all new derivative instruments entered thereafter whereby the shortcut method would no longer be used.

For derivatives that are not designated in a hedge relationship, changes in the fair value of the derivatives are recognized in earnings in the same period as the change in the fair value.

Stock-Based Compensation: Compensation expense related to stock options and restricted stock awards issued to participants is based upon the fair value of the award at the date of grant. The fair value of stock options is estimated at the date of grant using a binomial lattice option pricing model, while the fair value of restricted stock awards is based upon the stock price at the date of grant. Compensation expense is recognized on a straight line basis over the vesting period for options and the respective period for stock awards.

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Stock-based compensation expense was $1,786,000 in 2013, $1,908,000 in 2012 and $1,133,000 in 2011.

Treasury Stock: United records common stock purchased for treasury at cost. At the date of subsequent reissuance, the treasury stock account is reduced by the cost of such stock using the weighted-average cost method.

Trust Assets and Income: Assets held in a fiduciary or agency capacity for customers are not included in the balance sheets since such items are not assets of the company. Trust income is reported on an accrual basis.

Earnings Per Common Share: Basic earnings per common share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding, excluding participating securities, for the respective period. For diluted earnings per common share, the weighted-average number of shares of common stock outstanding, excluding participating securities, for the respective period is increased by the number of shares of common stock that would be issued assuming the exercise of common stock options which have an exercise price below market price. The dilutive effect of stock options approximated 72,626 shares in 2013, 32,399 shares in 2012 and 33,931 shares in 2011. There are no other common stock equivalents.

Under the 2011 LTI Plan, United may award restricted common shares to key employees and non-employee directors. In the first quarter of 2013 and 2012, United granted 52,825 and 52,700 restricted shares, respectively, to participants with a four-year time-based vesting period. 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 reconciliation of the numerator and denominator of basic earnings per share with that of diluted earnings per share is presented as follows:

	Year Ended December 31		
(Dollars in thousands, except per share)	2013	2012	2011
Distributed earnings allocated to common stock	$ 62,982	$ 62,286	$ 56,827
Undistributed earnings allocated to common stock	22,512	20,245	18,783
Net earnings allocated to common shareholders	$ 85,494	$ 82,531	$ 75,610
Average common shares outstanding	50,353,452	50,265,620	46,803,432
Equivalents from stock options	72,626	32,399	33,931
Average diluted shares outstanding	50,426,078	50,298,019	46,837,363
Earnings per basic common share	$ 1.70	$ 1.64	$ 1.62
Earnings per diluted common share	$ 1.70	$ 1.64	$ 1.61

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

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 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.

Recent Accounting Pronouncements: In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income. ASU 2013-02 is intended to improve the reporting of reclassifications out of accumulated other comprehensive income of various components. ASU 2013-02 requires entities to disclose in a single location, either on the face of financial statement that reports net income or in the notes, the effects of reclassification out of accumulated other comprehensive income (AOCI). For items reclassified out of AOCI and into net income in their entirety, such as realized gains or losses on available-for-sale securities reclassified into net income on sale, entities must disclose the effect of the reclassification on each affected net income item. For AOCI reclassification items that are not reclassified in their entirety into net income, such as actuarial gains or losses amortized into pension cost that may be capitalized into inventory or other assets, entities must provide a cross reference to other required U.S. GAAP disclosures. ASU 2013-02 was effective for United on January 1, 2013 and did not have a significant impact on the Company s financial condition or results of operation.

In February 2013, the FASB issued ASU 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation is Fixed at the Reporting Date. ASU 2013-04 addresses the recognition, measurement and disclosure of certain obligations including debt arrangements, other contractual obligations, and settled litigation and judicial ruling. In particular, ASU 2013-04 requires entities to record an obligation resulting from joint and several liability arrangements that are fixed at the reporting date at the greater of the amount that the entity has agreed to pay or the amount the entity expects to pay. The guidance applies retrospectively for obligations that exist at the beginning of an entity s fiscal year of adoption. ASU 2013-04 is effective for United beginning January 1, 2014 and is not expected to have a significant impact on the Company s financial condition or results of operation.

NOTE B MERGERS AND ACQUISITIONS

At the close of business on January 31, 2014, United acquired 100% of the outstanding common stock of Virginia Commerce Bancorp, Inc. (Virginia Commerce), a Virginia corporation headquartered in Arlington, Virginia. The results of operations of Virginia Commerce will be included in the consolidated results of operations from the date of acquisition.

At consummation, Virginia Commerce had assets of approximately $2.77 billion, loans of $2.10 billion and deposits of $2.02 billion. The transaction will be accounted for under the purchase acquisition method of accounting and accordingly, assets acquired, liabilities assumed and consideration exchanged will be recorded at estimated fair value on the acquisition date.

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In accordance of the merger agreement, each outstanding share of common stock of Virginia Commerce, par value $1.00 per share (other than shares held by United or its subsidiaries, in each case except for shares held by them in a fiduciary capacity or in satisfaction of a debt previously contracted) were converted into the right to receive 0.5442 shares of United common stock, par value $2.50 per share, plus cash in lieu of fractional shares. Shares of Virginia Commerce restricted stock that were outstanding immediately prior to the merger converted into the right to receive 0.5442 shares of United common stock, par value $2.50 per share, plus cash in lieu of fractional shares. Almost all of the shares of Virginia Commerce restricted stock fully vested upon the merger under the terms of the restricted stock agreements. Those shares of Virginia Commerce restricted stock that did not fully vest upon the merger were converted into restricted shares of United common stock in accordance with the exchange ratio. Also under the terms of the merger agreement, outstanding Virginia Commerce stock options, whether vested or not, converted into fully vested and exercisable stock options with respect to shares of United s common stock, with appropriate adjustments to reflect the exchange ratio. As a result of the Merger, United issued approximately 18.3 million shares of its common stock for all of Virginia Commerce s outstanding common stock and restricted stock, and issued options to purchase approximately 441 thousand shares of its common stock upon conversion of Virginia Commerce s stock options. United paid approximately $8 thousand in cash to holders of Virginia Commerce common stock and restricted stock in lieu of fractional shares of United common stock. The cash was funded by cash on hand. Effective January 31, 2014, the warrant held by the U.S. Department of the Treasury (the Treasury) issued by Virginia Commerce in connection with the TARP Capital Purchase Program was purchased by United for $33.263 million. The repurchase price was based on the fair market value of the warrant as agreed upon by United and the Treasury. As a result of the repurchase by United, the warrant has been canceled.

Because the merger occurred on January 31, 2014, the initial accounting for the business combination is incomplete at this time. United is in the process of determining the fair values which are subject to refinement for up to one year after the closing date of the acquisition. United is using an independent third party to help determine the fair values of the acquired assets and liabilities. The resulting goodwill will not be deductible for income tax purposes as the acquisition is accounted for as a tax-free exchange for tax purposes.

NOTE C INVESTMENT SECURITIES

The following is a summary of the amortized cost and estimated fair values of securities available for sale.

(In thousands)	December 31, 2013				
	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	$ 172,324	$ 178	$ 748	$ 171,754	$ 0
State and political subdivisions	60,861	1,874	26	62,709	0
Residential mortgage-backed securities					
Agency	215,788	2,491	1,815	216,464	0
Non-agency	16,369	163	0	16,532	458
Commercial mortgage-backed securities					
Agency	241,947	225	8,740	233,432	0
Asset-backed securities	9,257	1	31	9,227	0
Trust preferred collateralized debt obligations	73,862	210	30,623	43,449	34,299
Single issue trust preferred securities	14,346	305	2,019	12,632	0
Other corporate securities	4,996	219	0	5,215	0
Marketable equity securities	3,299	572	1	3,870	0
Total	$ 813,049	$ 6,238	$ 44,003	$ 775,284	$ 34,757

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(In thousands)	December 31, 2012 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	$ 336,747	$ 827	$ 52	$ 337,522	$ 0
State and political subdivisions	76,765	3,664	1	80,428	0
Residential mortgage-backed securities					
Agency	101,769	4,741	0	106,510	0
Non-agency	24,569	934	458	25,045	458
Asset-backed securities	11,729	0	20	11,709	0
Trust preferred collateralized debt obligations	94,794	5	54,186	40,613	46,522
Single issue trust preferred securities	15,286	312	3,469	12,129	0
Other corporate securities	4,996	287	0	5,283	0
Marketable equity securities	6,660	257	531	6,386	0
Total	$ 673,315	$ 11,027	$ 58,717	$ 625,625	$ 46,980

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

The following is a summary of securities available for sale which were in an unrealized loss position at December 31, 2013 and 2012.

(In thousands)	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 months or longer Fair Value	12 months or longer Unrealized Losses
December 31, 2013				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 61,517	$ 748	$ 0	$ 0
State and political subdivisions	2,353	26	0	0
Residential mortgage-backed securities				
Agency	160,835	1,815	0	0
Commercial mortgage-backed securities				
Agency	208,979	8,740	0	0
Asset-backed securities	7,976	31	0	0
Trust preferred collateralized debt obligations	0	0	27,167	30,623
Single issue trust preferred securities	502	2	8,210	2,017
Marketable equity securities	0	0	25	1
Total	$ 442,162	$ 11,362	$ 35,402	$ 32,641
December 31, 2012				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 25,170	$ 52	$ 0	$ 0
State and political subdivisions	126	1	0	0
Residential mortgage-backed securities				
Non-agency	0	0	10,879	458
Asset-backed securities	7,993	20	0	0
Trust preferred collateralized debt obligations	0	0	40,613	54,186
Single issue trust preferred securities	0	0	7,221	3,469
Marketable equity securities	603	507	313	24
Total	$ 33,892	$ 580	$ 59,026	$ 58,137

Marketable 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 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.

		Year Ended	
(In thousands)	**2013**	**2012**	**2011**
Proceeds from maturities, sales and calls	$ 698,264	$ 1,996,547	$ 1,486,936
Gross realized gains	1,259	157	1,729
Gross realized losses	43	141	311

At December 31, 2013, gross unrealized losses on available for sale securities were $44,003,000 on 89 securities of a total portfolio of 281 available for sale securities. Securities in an unrealized loss position at December 31, 2013 consisted primarily of pooled trust preferred collateralized debt obligations (Trup Cdos), single issue trust preferred securities and agency commercial mortgage-backed securities. The Trup Cdos and the single issue trust preferred securities relate mainly to securities of financial institutions. The agency commercial mortgage-backed securities relate to income-producing multifamily properties and provide a guaranty of full and timely payments of principal and interest by Fannie Mae. In determining whether or not a security is other-than-temporarily impaired (OTTI), management considered the severity and the duration of the loss in conjunction with United s positive intent and the more likely than not ability to hold these securities to recovery of their cost basis or maturity.

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 securities was $457.74 million at December 31, 2013. Of the $457.74 million, $241.95 million was related to agency commercial mortgage securities and $215.79 million was related to agency residential mortgage securities. Each of the agency mortgage securities provides a guarantee of full and timely payments of principal and interest by the issuing agency. Based upon management s analysis and judgment, it was determined that none of the agency mortgage-backed securities were other-than-temporarily impaired at December 31, 2013.

Non-agency residential mortgage-backed securities

United s non-agency residential mortgage-backed securities portfolio relates to securities of various private label issuers. The Company has no exposure to real estate investment trusts (REITS) in its investment portfolio. The total amortized cost of available for sale non-agency residential mortgage securities was $16.37 million at December 31, 2013. Of the $16.37 million, $6.31 million was rated above investment grade and $10.06 million was rated below investment grade. Approximately 47% of the portfolio includes collateral that was originated during the year of 2005 or before. The remaining 53% includes collateral that was originated in the years of 2006 and 2007. The entire portfolio of the non-agency residential mortgage securities are either the senior or super-senior tranches of their respective structure. In determining whether or not the non-agency mortgage-backed securities are other-than-temporarily impaired, management performs an in-depth analysis on each non-agency residential mortgage-backed security on a quarterly basis. The analysis includes a review of the following factors: weighted average loan to value, weighted average maturity, average FICO scores, historical collateral performance, geographic concentration, credit subordination, cross-collateralization, coverage ratios, origination year, full documentation percentage, event risk (repricing), and collateral type. Management completes a monthly stress test to determine the level of loss protection remaining in each individual security and compares the protection remaining to the future expected performance of the underlying collateral. Additionally, management utilizes a third-party cash flow model to perform a cash flow test for each bond below investment grade. The model produces a bond specific set of cash flows based upon assumptions input by management. The input assumptions that are incorporated include the projected constant default rate (CDR) of the underlying mortgages, the loss severity upon default, and the prepayment rate on the underlying mortgage collateral. CDR and loss severities are forecasted by management after full evaluation of the underlying collateral including recent performance statistics. Therefore, based upon management s analysis and judgment, there was no additional credit-related or noncredit-related other-than-temporary impairment recognized on the non-agency residential mortgage-backed securities at December 31, 2013. There was no credit-related or noncredit-related other-than-temporary impairment recognized in earnings for the full year of 2013 on the non-agency residential mortgage-backed securities.

Single issue trust preferred securities

The majority of United s single-issue trust preferred portfolio consists of obligations from large cap banks (i.e. banks with market capitalization in excess of $10 billion). Management reviews each issuer s current and projected earnings trends, asset quality, capitalization levels, TARP participation status, and other key factors. Upon completing the review for the fourth quarter of 2013, it was determined that none of the single issue securities were other-than-temporarily impaired. With the exception of two securities, all single-issue trust preferred securities are currently receiving interest payments. The two securities that are deferring interest payments are from the same issuer with a total amortized cost of $632 thousand. The issuer has the contractual ability to defer interest payments for up to 5 years. The available for sale single issue trust preferred securities ratings ranged from a low of CCC to a high of BBB. The amortized cost of available for sale single issue trust preferred securities as of December 31, 2013 consisted of $2.98 million in split-rated bonds and $11.23 million in below investment grade bonds. Of the $11.23 million in below investment grade bonds, $10.23 million was in an unrealized loss position for twelve months or longer as of December 31, 2013.

Trust preferred collateralized debt obligations (Trup Cdos)

In analyzing the duration and severity of the losses on Trup Cdos, management considered the following: (1) the market for these securities was not active as evidenced by the lack of trades and the severe widening of the bid/ask spread; (2) the markets for Trup Cdos are dysfunctional with no significant transactions to report; (3) low market prices for certain bonds, in the overall debt markets, were evidence of credit stress in the general markets and not necessarily an indication of credit problems with a particular issuer; and (4) the general widening in overall risk premiums over the past four years in the broader markets was responsible for a significant amount of the price decline in the Trup Cdos portfolio.

In order to determine how and when the Company recognizes OTTI, the Company first assesses its intentions regarding any sale of securities as well as the likelihood that it would be required to sell prior to recovery of the amortized cost. As a result of Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the Volcker Rule, the Company has determined that, as of December 31, 2013, it is more likely than not that the Company will be required to sell four of its Trup Cdos prior to recovery of the amortized cost. Therefore, the Company is required to mark these four securities to their respective fair values as of December 31, 2013. This resulted in credit-related other-than-temporary impairment of $2.33 million recognized in earnings on these four securities during the fourth quarter of 2013. The Company was also notified by the Trustee of one additional Trup Cdo during the fourth quarter of 2013 that it had been instructed to auction the underlying collateral of the security. With the proceeds from the auction insufficient to cover the amortized cost basis of the security, the Company was required to recognize credit-related other-than-temporary impairment of $4.03 million during the fourth quarter of 2013. Excluding these five Trup Cdos, the Company has determined that it does not intend to sell any other pooled trust preferred security and that it is not more likely than not that the Company will be required to sell such securities before recovery of their amortized cost.

To determine a net realizable value and assess whether other-than-temporary impairment existed on those securities which the Company is not more likely than not required to sell, management performed detailed cash flow analysis to determine whether, in management s judgment, it was more likely that United would not recover the entire amortized cost basis of the security. The Company discounts the security-specific cash flow projection at the security-specific interest rate and compares the present value to the amortized cost. Management s cash flow analysis was performed for each security and considered the current deferrals and defaults within the underlying collateral, the likelihood that current deferrals would cure or ultimately default, potential future deferrals and defaults, potential prepayments, cash reserves, excess interest spread, credit analysis of the underlying collateral and the priority of payments in the cash flow structure. The underlying collateral analysis for each issuer took into consideration multiple factors including TARP participation, capital adequacy, earnings trends and asset quality.

After completing its analysis of estimated cash flows, other than the five Trup Cdos mentioned above, management determined that none of the remaining Trup Cdos experienced an adverse change in cash flows during the fourth quarter of 2013, as the expected discounted cash flows from these securities were greater than or equal to the discounted cash flows originally expected at purchase or from the previous date of other-than-temporary impairment (cash flows are discounted at the contractual coupon rate for purposes of assessing OTTI).

The total credit-related other-than-temporary impairment recognized in earnings for the fourth quarter of 2013 related to the Trup Cdos was $6.36 million. The noncredit-related other-than-temporary impairment recognized in accumulated other comprehensive income (loss) in the fourth quarter on these securities resulted in a reduction of $5.22 million, or $3.39 million, net of taxes.

The credit-related other-than-temporary impairment recognized in earnings during 2013 related to these securities was $7.20 million, compared to $5.97 million in 2012. The noncredit-related other-than-temporary impairment recognized in accumulated other comprehensive income (loss) (OCI) during 2013 on these securities, which are not expected to be sold, resulted in a reduction of $12.22 million, or $7.94 million, net of taxes. At December 31, 2013, the balance of the noncredit-related other-than-temporary impairment recognized on United s Trup Cdo portfolio was $34.30 million as compared to $46.52 million at December 31, 2012.

The amortized cost of available for sale Trup Cdos in an unrealized loss position for twelve months or longer as of December 31, 2013 consisted of $6.58 million in investment grade bonds, $5.00 million in split-rated bonds and $62.28 million in below investment grade bonds.

The following is a summary of the available for sale Trup Cdos and single issue trust preferred securities in an unrealized loss position twelve months or greater as of December 31, 2013.

				Amortized Cost		
Class	Amortized Cost	Fair Value	Unrealized Loss	Investment Grade	Split Rated	Below Investment Grade
			(In thousands)			
Senior Bank	$ 8,485	$ 6,150	$ 2,335	$ 0	$ 5,000	$ 3,485
Senior Insurance	6,577	6,577	0	6,577	0	0
Mezzanine Bank (now in senior position)	13,741	8,929	4,812	0	0	13,741
Mezzanine Bank	34,583	14,501	20,082	0	0	34,583
Mezzanine Insurance	5,330	5,330	0	0	0	5,330
Mezzanine Bank & Insurance (combination)	5,146	1,962	3,184	0	0	5,146
Totals	$ 73,862	$ 43,449	$ 30,413	$ 6,577	$ 5,000	$ 62,285

While a large difference remains between the fair value and amortized cost, the Company believes the remaining unrealized losses are related to the illiquid market for Trup Cdos rather than an adverse change in expected cash flows. The expected future cash flow substantiates the return of the remaining amortized cost of the security. The Company believes the following evidence supports the position that the remaining unrealized loss is related to the illiquid market for Trup Cdos:

The market for new issuance of Trup Cdos was robust from 2000 to 2007 with an estimated $60 billion in new issuance. The new market issuances came to an abrupt halt in 2007.

The secondary market for Trup Cdos ultimately became illiquid and is not reflective of orderly transactions between market participants. In making this determination, the Company holds discussions with institutional traders to identify trends in the number and type of transactions related to the Trup Cdos.

The presence of a below-investment grade rating severely limits the pool of available buyers and contributes to the illiquidity of the market.

Trup Cdos have a more complex structure than most debt instruments, making projections of tranche returns difficult for non-specialists in the product. Deferral features available to the underlying issuers within each pool are unique to these securities. Additionally, it can be difficult for market participants to predict whether deferrals will ultimately cure or ultimately default. Due to the lack of transparency, market participants will require a higher risk premium, thus resulting in higher required discount rates.

The variability of cash flows at the time the securities were originated was expected to be very limited. Due to the financial crisis, Trup Cdos have experienced more substantive variability of cash flows compared to expectations, resulting in a higher risk premium when evaluating discount rates.

The limited, yet relevant, observable inputs indicate that market yield requirements for Trup Cdos, on a credit-adjusted basis, remained very high relative to discount rates at purchase and compared to other similarly rated debt securities.

Overall, the Company believes the lack of new issuances, illiquid secondary market, limited pool of buyers, below investment grade ratings, complex structures and high market discount rates are the key drivers of the remaining unrealized losses in the Company s Trup Cdos and the robust expected cash flow analysis substantiates the return of the remaining amortized cost under ASC 320.

Management also considered the ratings of the Company s bonds in its portfolio and the extent of downgrades in United s impairment analysis. However, due to historical discrepancies in ratings from the various rating agencies, management considered it imperative to independently perform its own credit analysis based on cash flows as described. The ratings of the investment grade Trup Cdos in the table above range from a low of BBB to a high of AA+. The ratings of the split-rated Trup Cdos range from a low of B+ to a high of Aa2, while the below investment grade Trup Cdos range from a low of D to a high of Ba1.

The Company has recognized cumulative credit-related other-than-temporary impairment of $43.11 million on certain Trup Cdos since the third quarter of 2009.

On the Trup Cdos that have not been deemed to be other-than-temporarily impaired, the collateralization ratios range from a low of 93.6% to a high of 209.2%, with a median of 133.4%, and a weighted average of 158.97%. The collateralization ratio is defined as the current performing collateral in a security, divided by the current balance of the specific tranche the Company owns, plus any debt which is senior or pari passu with the Company s security s priority level. Performing collateral excludes the balance of any issuer that has either defaulted or has deferred its interest payment. It is not uncommon for the collateralization of a security that is not other-than-temporarily impaired to be less than 100% due to the excess spread built into the securitization structure.

Except for the debt securities that have already been deemed to be other-than-temporarily impaired, management does not believe any other individual security with an unrealized loss as of December 31, 2013 is other-than-temporarily impaired. For these securities, United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not a change in the expected contractual cash flows. Based on a review of each of the securities in the investment portfolio, management concluded that it expected to recover the amortized cost basis of the investment in such securities.

Equity securities

The amortized cost of United s equity securities was $3.30 million at December 31, 2013. For equity securities, management has evaluated the near-term prospects of the investment in relation to the severity and duration of any impairment and based on that evaluation, management determined that no equity securities were other-than-temporarily impaired at December 31, 2013. As of December 31, 2013, United has the ability and intent to hold these equity securities until a recovery of their fair value to at least the cost basis of the investment.

Other investment securities (cost method)

During the fourth quarter of 2013, United also evaluated all of its cost method investments to determine if certain events or changes in circumstances during the fourth quarter of 2013 had a significant adverse effect on the fair value of any of its cost method securities. United determined that there were no events or changes in circumstances during the fourth quarter which would have an adverse effect on the fair value of any of its cost method securities. Therefore, no impairment was recorded.

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

(In thousands)	
Balance of cumulative credit losses at December 31, 2012	$ 63,114
Additions for credit losses on securities for which OTTI was not previously recognized	1,267
Additions for additional credit losses on securities for which OTTI was previously recognized	6,065
Balance of cumulative credit losses at December 31, 2013	$ 70,446

The amortized cost and estimated fair value of securities available for sale at December 31, 2013 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

Maturities of mortgage-backed securities with an amortized cost of $474,104,000 and an estimated fair value of $466,428,000 at December 31, 2013 are included below based upon contractual maturity.

(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 28,837	$ 28,960
Due after one year through five years	217,415	218,498
Due after five years through ten years	292,460	286,534
Due after ten years	271,038	237,422
Marketable equity securities	3,299	3,870
Total	$ 813,049	$ 775,284

The following is a summary of the amortized cost and estimated fair values of securities held to maturity.

(In thousands)	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 10,762	$ 1,689	$ 0	$ 12,451
State and political subdivisions	10,367	37	299	10,105
Residential mortgage-backed securities				
Agency	50	9	0	59
Single issue trust preferred securities	19,766	0	4,108	15,658
Other corporate securities	20	0	0	20
Total	$ 40,965	$ 1,735	$ 4,407	$ 38,293

(In thousands)	December 31, 2012 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 10,916	$ 2,500	$ 0	$ 13,416
State and political subdivisions	12,515	108	0	12,623
Residential mortgage-backed securities				
Agency	61	10	0	71
Single issue trust preferred securities	19,750	0	3,390	16,360
Other corporate securities	225	0	0	225
Total	$ 43,467	$ 2,618	$ 3,390	$ 42,695

Even though the market value of the held-to-maturity investment portfolio is less than its cost, the unrealized loss has no impact on the net worth or regulatory capital requirements of United. As of December 31, 2013, the Company s two largest held-to-maturity single-issue trust preferred exposures were to Wells Fargo ($9.90 million) and SunTrust Bank ($7.39 million). The two held-to-maturity single-issue trust preferred exposures with at least one rating below investment grade included SunTrust Bank ($7.39 million) and Royal Bank of Scotland ($972 thousand). Other corporate securities consist mainly of bonds of corporations.

The following table shows the gross realized gains and losses on calls and sales of held to maturity securities that have been included in earnings as a result of those calls and sales. Gains or losses on calls of held to maturity securities are recognized by the specific identification method.

	Year Ended		
(In thousands)	2013	2012	2011
Gross realized gains	$ 114	$ 352	$ 1
Gross realized losses	0	0	0

The amortized cost and estimated fair value of debt securities held to maturity at December 31, 2013 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Maturities of mortgage-backed securities with an amortized cost of $50,000 and an estimated fair value of $59,000 at December 31, 2013 are included below based upon contractual maturity.

(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 555	$ 556
Due after one year through five years	6,683	7,312
Due after five years through ten years	13,026	13,821
Due after ten years	20,701	16,604
Total	$ 40,965	$ 38,293

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 $640,870,000 and $569,680,000 at December 31, 2013 and 2012, respectively.

The fair value of mortgage-backed securities is affected by changes in interest rates and prepayment speeds. When interest rates decline, prepayment speeds generally accelerate due to homeowners refinancing their mortgages at lower interest rates. This may result in the proceeds being reinvested at lower interest rates. Rising interest rates may decrease the assumed prepayment speed. Slower prepayment speeds may extend the maturity of the security beyond its estimated maturity. Therefore, investors may not be able to invest at current higher market rates due to the extended expected maturity of the security. United had a net unrealized loss of $7,667,000 at December 31, 2013 and a net unrealized gain of $5,227,000 at December 31, 2012 on all mortgage-backed securities.

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The following table sets forth the maturities of all securities (based on amortized cost) at December 31, 2013, and the weighted-average yields of such securities (calculated on the basis of the cost and the effective yields weighted for the scheduled maturity of each security).

(Dollars in thousands)	Within 1 Year		After 1 But Within 5 Years		After 5 But Within 10 Years		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. Treasury and other U.S. Government agencies and corporations	$ 14,998	0.26%	$ 117,261	1.06%	$ 50,826	1.12%	$ 0	0.00%
States and political subdivisions (1)	14,383	4.07%	28,895	5.66%	24,037	6.38%	3,912	6.78%
Residential mortgage-backed securities								
Agency	12	6.00%	7,130	3.56%	45,918	3.73%	162,778	2.34%
Non-agency	0	0.00%	443	4.58%	6,872	5.02%	9,054	5.82%
Commercial mortgage-backed								
Agency	0	0.00%	54,449	1.19%	179,499	2.21%	7,999	2.75%
Asset-backed securities	0	0.00%	8,008	0.69%	1,249	0.35%	0	0.00%
Trust preferred collateralized debt obligations	0	0.00%	0	0.00%	0	0.00%	73,862	4.58%
Single issue trust preferred securities	0	0.00%	0	0.00%	0	0.00%	34,112	2.40%
Marketable equity securities	0	0.00%	0	0.00%	0	0.00%	3,299	2.47%
Other Corporate securities	0	0.00%	4,996	2.73%	0	0.00%	20	0.00%

(1) Tax-equivalent adjustments (using a 35% federal rate) have been made in calculating yields on obligations of states and political subdivisions.

There are no securities with a single issuer, other than the U.S. government and its agencies and corporations, the book value of which in the aggregate exceeds 10% of United s total shareholders equity.

NOTE D LOANS

Major classes of loans are as follows:

(In thousands)	December 31 2013	2012
Commercial, financial, and agricultural		
Owner-occupied	$ 654,963	$ 728,906
Nonowner-occupied	1,917,785	1,740,420
Other commercial	1,338,355	1,377,083
Total commercial, financial & agricultural	3,911,103	3,846,409
Residential real estate	1,821,378	1,838,252
Construction & land development	670,364	550,677
Consumer:		
Bankcard	11,023	11,236
Other Consumer	299,731	271,206
Less: Unearned interest	(9,016)	(6,364)
Total Loans, net of unearned interest	$ 6,704,583	$ 6,511,416

The table above does not include loans held for sale of $4,236,000 and $17,762,000 at December 31, 2013 and December 31, 2012, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

The outstanding balances in the table above include acquired impaired loans with a recorded investment of $31,099,000 and $33,206,000, or less than 1% of total gross loans, at December 31, 2013 and 2012, respectively. The contractual principal in these acquired impaired loans was $52,237,000 and $55,685,000 at December 31, 2013 and 2012, respectively. The balances above do not include future accretable net interest (i.e. the difference between the undiscounted expected cash flows and the recorded investment in the loan) on the acquired impaired loans.

Activity for the accretable yield for the year of 2013 follows.

(In thousands)	
Accretable yield at the beginning of the period	$ 2,331
Accretion (including cash recoveries)	(3,192)
Net reclassifications to accretable from non-accretable	3,373
Disposals (including maturities, foreclosures, and charge-offs)	(261)
Accretable yield at the ending of the period	$ 2,251

At December 31, 2013 and 2012, loans-in-process of $43,158,000 and $68,255,000 and overdrafts from deposit accounts of $4,344,000 and $11,231,000, respectively, are included within the appropriate loan classifications above.

United s subsidiary banks have made loans, in the normal course of business, to the directors and officers of United and its subsidiaries, and to their associates. Such related party loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than normal risk of collectibility. The aggregate dollar amount of these loans was $150,798,000 and $150,638,000 at December 31, 2013 and 2012, respectively. During 2013, $208,970,000 of new loans were made and repayments totaled $208,810,000.

NOTE E CREDIT QUALITY

Management monitors the credit quality of its loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of each loan.

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when collection in full of the principal and interest is jeopardized, the loan is placed on nonaccrual status. The accrual of interest income on commercial and most consumer loans generally is discontinued when a loan becomes 90 to 120 days past due as to principal or interest. However, regardless of delinquency status, if a loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days), then the loan will not be placed on nonaccrual status. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. United s method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or apply the cash receipt to principal when the ultimate collectibility of principal is in doubt. Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest has been paid and the borrower has evidenced their ability to meet the contractual provisions of the note.

A loan is categorized as a troubled debt restructuring (TDR) if a concession is granted and there is deterioration in the financial condition of the borrower. TDRs can take the form of a reduction of the stated interest rate, splitting a loan into separate loans with market terms on one loan and concessionary terms on the other loan, receipts of assets from a debtor in partial or full satisfaction of a loan, the extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk, the reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement, the reduction of accrued interest or any other concessionary type of renegotiated debt. As of December 31, 2013, United had TDRs of $8,157,000 as compared to $3,175,000 as of December 31, 2012. Of the $8,157,000 aggregate balance of TDRs at December 31, 2013, $861,000 was on nonaccrual status and included in the Loans on Nonaccrual Status on the following page. Of the $3,175,000 aggregate balance of TDRs at December 31, 2012, $375,000 was on nonaccrual status and included in the Loans on Nonaccrual Status on the following page. As of

December 31, 2013, there were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in TDRs. At December 31, 2013, United had restructured loans in the amount of $4,267,000 that were modified by a reduction in the interest rate, $2,954,000 that were modified by a combination of a reduction in the interest rate and the principal and $936,000 that was modified by a change in terms.

A loan acquired and accounted for under ASC topic 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality is reported as an accruing loan and a performing asset.

The following table sets forth United s troubled debt restructurings that have been restructured during the year ended December 31, 2013 and 2012, segregated by class of loans:

Troubled Debt Restructurings

For the Year Ended December 31, 2013

(In thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:			
Owner-occupied	4	$ 5,143	$ 4,561
Nonowner-occupied	2	762	757
Other commercial	0	0	0
Residential real estate	1	105	104
Construction & land development	0	0	0
Consumer:			
Bankcard	0	0	0
Other consumer	0	0	0
Total	7	$ 6,010	$ 5,422

Troubled Debt Restructurings

For the Year Ended December 31, 2012

(In thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:			
Owner-occupied	0	$ 0	$ 0
Nonowner-occupied	0	0	0
Other commercial	0	0	0
Residential real estate	1	640	651
Construction & land development	1	731	375
Consumer:			
Bankcard	0	0	0
Other consumer	0	0	0
Total	2	$ 1,371	$ 1,026

During 2013, restructured loans of $2,954,000 were modified by a combination of a reduction in the interest rate and a change in terms. The remaining $2,166,000 and $302,000 of loans restructured during 2013 was modified by a reduction in the interest rate and a change in terms, respectively. During 2012, $375,000 of restructured loans was modified by a combination of a reduction in the interest rate and change in terms and the remaining $651,000 of restructured loans was modified by a change in terms. In some instances, the post-modification balance on a restructured loan is larger than the pre-modification balance due to the advancement of monies for items such as delinquent taxes on real estate property. The loans were evaluated individually for allocation within United s allowance for loan losses. The modifications had an immaterial impact on the financial condition and results of operations for United.

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The following table presents troubled debt restructurings, by class of loan, that had charge-offs during the years ended December 31, 2013 and 2012. These loans were restructured during the last twelve months and subsequently defaulted, resulting in a principal charge-off during the respective time periods. Loans modified in a troubled debt restructuring that defaulted with a recorded investment of zero were fully paid down through the sale of foreclosed real estate property prior to period end.

	Year Ended December 31, 2013		Year Ended December 31, 2012	
(In thousands)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Troubled Debt Restructurings				
Commercial real estate:	0	$ 0	0	$ 0
Owner-occupied	0	0	0	0
Nonowner-occupied	0	0	0	0
Other commercial	0	0	0	0
Residential real estate	0	0	0	0
Construction & land development	1	375	1	375
Consumer:	0	0	0	0
Bankcard	0	0	0	0
Other consumer	0	0	0	0
Total	1	$ 375	1	$ 375

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

Age Analysis of Past Due Loans

As of December 31, 2013

(In thousands)	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment >90 Days & Accruing
Commercial real estate:						
Owner-occupied	$ 14,144	$ 4,537	$ 18,681	$ 636,282	$ 654,963	$ 1,383
Nonowner-occupied	30,836	11,725	42,561	1,875,224	1,917,785	186
Other commercial	54,319	11,794	66,113	1,272,242	1,338,355	896
Residential real estate	54,271	25,446	79,717	1,741,661	1,821,378	5,214
Construction & land development	9,921	18,491	28,412	641,952	670,364	1,611
Consumer:						
Bankcard	229	128	357	10,666	11,023	128
Other consumer	9,466	1,712	11,178	288,553	299,731	1,626
Total	$ 173,186	$ 73,833	$ 247,019	$ 6,466,580	$ 6,713,599	$ 11,044

Age Analysis of Past Due Loans

As of December 31, 2012

(In thousands)	30-89 Days Past Due	90 Days or more	Total Past Due	Current	Total Financing	Recorded Investment >90 Days

		Past Due			Receivables	& Accruing
Commercial real estate:						
Owner-occupied	$ 11,122	$ 16,691	$ 27,813	$ 701,093	$ 728,906	$ 4,038
Nonowner-occupied	12,793	11,643	24,436	1,715,984	1,740,420	2,549
Other commercial	8,379	20,808	29,187	1,347,896	1,377,083	1,687
Residential real estate	54,168	22,095	76,263	1,761,989	1,838,252	7,363
Construction & land development	14,046	16,918	30,964	519,713	550,677	654
Consumer:						
Bankcard	394	164	558	10,678	11,236	164
Other consumer	8,738	1,683	10,421	260,785	271,206	1,613
Total	$ 109,640	$ 90,002	$ 199,642	$ 6,318,138	$ 6,517,780	$ 18,068

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

Loans on Nonaccrual Status

(In thousands)	December 31, 2013	December 31, 2012
Commercial real estate:		
Owner-occupied	$ 3,154	$ 12,653
Nonowner-occupied	11,539	9,094
Other commercial	10,898	19,121
Residential real estate	20,232	14,732
Construction & land development	16,880	16,264
Consumer:		
Bankcard	0	0
Other consumer	86	70
Total	$ 62,789	$ 71,934

United assigns credit quality indicators of pass, special mention, substandard and doubtful to its loans. For United s loans with a corporate credit exposure, United internally assigns a grade based on the creditworthiness of the borrower. For loans with a consumer credit exposure, United internally assigns a grade based upon an individual loan s delinquency status. United reviews and updates, as necessary, these grades on a quarterly basis.

Special mention loans, with a corporate credit exposure, have potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or in the Company s credit position at some future 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 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 and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the loan, its classification as loss is deferred. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain an

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operating entity. Pending events can include mergers, acquisitions, liquidations, capital injections, the perfection of liens on additional collateral, the valuation of collateral, and refinancing. Generally, there are not any loans with a consumer credit exposure that are classified as doubtful. Usually, they are charged-off prior to such a classification. Loans classified as doubtful are also considered impaired.

The following tables set forth United s credit quality indicators information, by class of loans:

Credit Quality Indicators

Corporate Credit Exposure

As of December 31, 2013

(In thousands)	Commercial Real Estate Owner-occupied	Commercial Real Estate Nonowner-occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	$ 604,129	$ 1,811,915	$ 1,206,030	$ 510,911
Special mention	27,576	45,617	60,668	63,375
Substandard	23,258	60,253	71,148	96,078
Doubtful	0	0	509	0
Total	$ 654,963	$ 1,917,785	$ 1,338,355	$ 670,364

Credit Quality Indicators

Corporate Credit Exposure

As of December 31, 2012

(In thousands)	Commercial Real Estate Owner-occupied	Commercial Real Estate Nonowner-occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	$ 669,157	$ 1,621,338	$ 1,286,471	$ 392,096
Special mention	25,487	54,399	31,293	92,667
Substandard	34,262	64,683	57,386	65,914
Doubtful	0	0	1,933	0
Total	$ 728,906	$ 1,740,420	$ 1,377,083	$ 550,677

Credit Quality Indicators

Consumer Credit Exposure

As of December 31, 2013

(In thousands)	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	$ 1,773,244	$ 10,666	$ 288,401
Special mention	13,006	229	9,466
Substandard	35,128	128	1,712

Doubtful	0	0	152
Total	$ 1,821,378	$ 11,023	$ 299,731

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(In thousands)	As of December 31, 2012 Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	$ 1,800,377	$ 10,678	$ 271,054
Special mention	7,866	394	0
Substandard	30,009	164	152
Doubtful	0	0	0
Total	$ 1,838,252	$ 11,236	$ 271,206

Loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan contract is doubtful. Typically, United does not consider loans for impairment unless a sustained period of delinquency (i.e. 90-plus days) is noted or there are subsequent events that impact repayment probability (i.e. negative financial trends, bankruptcy filings, eminent foreclosure proceedings, etc.). Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. Consistent with United s existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

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

	Impaired Loans					
	December 31, 2013			December 31, 2012		
(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial real estate:						
Owner-occupied	$ 4,672	$ 4,672	$ 0	$ 15,591	$ 16,279	$ 0
Nonowner-occupied	5,938	6,651	0	10,907	14,601	0
Other commercial	10,292	17,753	0	3,036	5,501	0
Residential real estate	12,009	12,193	0	7,035	9,157	0
Construction & land development	13,866	14,662	0	7,682	10,089	0
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	152	152	0
With an allowance recorded:						
Commercial real estate:						
Owner-occupied	$ 4,358	$ 4,358	$ 638	$ 1,284	$ 1,284	$ 397
Nonowner-occupied	9,350	10,563	1,631	3,423	4,423	1,154
Other commercial	13,304	16,240	2,192	27,610	30,411	7,564
Residential real estate	7,669	8,191	4,112	5,635	7,028	1,427
Construction & land development	11,050	14,833	3,752	13,033	17,029	3,659
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	152	152	152	0	0	0
Total:						
Commercial real estate:						
Owner-occupied	$ 9,030	$ 9,030	$ 638	$ 16,875	$ 17,563	$ 397
Nonowner-occupied	15,288	17,214	1,631	14,330	19,024	1,154
Other commercial	23,596	33,993	2,192	30,646	35,912	7,564
Residential real estate	19,678	20,384	4,112	12,670	16,185	1,427
Construction & land development	24,916	29,495	3,752	20,715	27,118	3,659
Consumer:						
Bankcard	0	0	0	0	0	0

Other consumer	152	152	152	152	152	0

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	Impaired Loans For the Year Ended			
	December 31, 2013		December 31, 2012	
(In thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial real estate:				
Owner-occupied	$ 11,379	$ 242	$ 12,160	$ 770
Nonowner-occupied	10,168	194	23,393	431
Other commercial	11,550	1,828	5,208	178
Residential real estate	9,211	358	10,982	418
Construction & land development	9,305	373	18,104	285
Consumer:				
Bankcard	0	0	0	0
Other consumer	114	0	165	0
With an allowance recorded:				
Commercial real estate:				
Owner-occupied	$ 2,543	$ 159	$ 1,151	$ 51
Nonowner-occupied	6,352	289	3,477	67
Other commercial	16,129	286	26,240	1,969
Residential real estate	6,009	283	8,989	380
Construction & land development	13,393	58	12,904	322
Consumer:				
Bankcard	0	0	0	0
Other consumer	38	0	0	0
Total:				
Commercial real estate:				
Owner-occupied	$ 13,922	$ 401	$ 13,311	$ 821
Nonowner-occupied	16,520	483	26,870	498
Other commercial	27,679	2,114	31,448	2,147
Residential real estate	15,220	641	19,971	798
Construction & land development	22,698	431	31,008	607
Consumer:				
Bankcard	0	0	0	0
Other consumer	152	0	165	0

NOTE F ALLOWANCE FOR CREDIT LOSSES

The allowance for loan losses is management s estimate of the probable credit losses inherent in the loan portfolio. For purposes of determining the general allowance, the loan portfolio is segregated by product type to recognize differing risk profiles among categories. It is further segregated by credit grade for risk-rated loan pools and delinquency for homogeneous loan pools. The outstanding principal balance within each pool is multiplied by historical loss data and certain qualitative factors to derive the general loss allocation per pool. Specific loss allocations are calculated for loans in excess of $500 thousand in accordance with ASC topic 310. Risk characteristics of owner-occupied commercial real estate loans and other commercial loans are similar in that they are normally dependent upon the borrower s internal cash flow from operations to service debt. Nonowner-occupied commercial real estate loans differ in that cash flow to service debt is normally dependent on external income from third parties for use of the real estate such as rents, leases and room rates. Residential real estate loans are dependent upon individual borrowers who are affected by changes in general economic conditions, demand for housing and resulting residential real estate valuation. Construction and land development loans are impacted mainly by demand whether for new residential housing or for retail, industrial, office and other types of commercial construction within a given area. Consumer loan pool risk characteristics are influenced by general, regional and local economic conditions. During the year of 2013, there were no material changes to the accounting policy or methodology related to the allowance for loan losses.

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

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

United maintains an allowance for loan losses and a reserve for lending-related commitments such as unfunded loan commitments and letters of credit. The reserve for lending-related commitments of $2,143,000 and $1,656,000 at December 31, 2013 and December 31, 2012, respectively, is separately classified on the balance sheet and is included in other liabilities. The combined allowance for loan losses and reserve for lending-related commitments are referred to as the allowance for credit losses.

A progression of the allowance for credit losses, which includes the allowance for credit losses and the reserve for lending-related commitments, for the periods presented is summarized as follows:

	Year Ended December 31		
(In thousands)	**2013**	**2012**	**2011**
Balance at beginning of period	$ 75,557	$ 75,727	$ 75,039
Provision for credit losses	19,754	17,665	16,988
	95,311	93,392	92,027
Loans charged off	21,006	20,555	19,605
Less recoveries	2,036	2,720	3,305
Net charge-offs	18,970	17,835	16,300
Balance at end of period	$ 76,341	$ 75,557	$ 75,727

A progression of the allowance for loan losses, by portfolio segment, for the year ended December 31, 2013 and 2012 is summarized as follows:

Allowance for Loan Losses and Carrying Amount of Loans

For the Year Ended December 31, 2013

(In thousands)	**Commercial Real Estate Owner-occupied**	**Commercial Real Estate Nonowner-occupied**	**Other Commercial**	**Residential Real Estate**	**Construction & Land Development**	**Consumer**	**Allowance for Estimated Imprecision**	**Total**
Allowance for Loan Losses:								
Beginning balance	$ 3,877	$ 12,876	$ 20,511	$ 14,895	$ 18,858	$ 2,620	$ 264	$ 73,901
Charge-offs	5,344	1,164	7,699	4,111	896	1,792	0	21,006
Recoveries	150	56	641	698	73	418	0	2,036
Provision	6,970	(2,776)	7,464	5,212	918	1,699	(220)	19,267
Ending balance	$ 5,653	$ 8,992	$ 20,917	$ 16,694	$ 18,953	$ 2,945	$ 44	$ 74,198
Ending Balance: individually evaluated for impairment	$ 638	$ 1,631	$ 2,192	$ 4,112	$ 3,752	$ 152	$ 0	$ 12,477
	$ 5,015	$ 7,361	$ 18,725	$ 12,582	$ 15,201	$ 2,793	$ 44	$ 61,721

Ending Balance: collectively
evaluated for impairment

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Allowance for Loan Losses and Carrying Amount of Loans

For the Year Ended December 31, 2013

(In thousands)	Commercial Real Estate Owner-occupied	Commercial Real Estate Nonowner-occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
Ending Balance: loans acquired with deteriorated credit quality	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financing receivables:								
Ending balance	$ 654,963	$ 1,917,785	$ 1,338,355	$ 1,821,378	$ 670,364	$ 310,754	$ 0	$ 6,713,599
Ending Balance: individually evaluated for impairment	$ 7,157	$ 13,913	$ 22,327	$ 16,160	$ 21,593	$ 152	$ 0	$ 81,302
Ending Balance: collectively evaluated for impairment	$ 646,548	$ 1,894,421	$ 1,314,543	$ 1,802,686	$ 632,407	$ 310,593	$ 0	$ 6,601,198
Ending Balance: loans acquired with deteriorated credit quality	$ 1,258	$ 9,451	$ 1,485	$ 2,532	$ 16,364	$ 9	$ 0	$ 31,099

Allowance for Loan Losses and Carrying Amount of Loans

For the Year Ended December 31, 2012

(In thousands)	Commercial Real Estate Owner-occupied	Commercial Real Estate Nonowner-occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
Allowance for Loan Losses:								
Beginning balance	$ 3,670	$ 11,647	$ 20,803	$ 13,880	$ 19,151	$ 2,151	$ 2,572	$ 73,874
Charge-offs	801	2,608	3,619	8,882	3,099	1,546	0	20,555
Recoveries	60	122	1,362	821	54	301	0	2,720
Provision	948	3,715	1,965	9,076	2,752	1,714	(2,308)	17,862
Ending balance	$ 3,877	$ 12,876	$ 20,511	$ 14,895	$ 18,858	$ 2,620	$ 264	$ 73,901
Ending Balance: individually evaluated for impairment	$ 417	$ 1,154	$ 7,564	$ 996	$ 3,659	$ 0	$ 0	$ 13,790
Ending Balance: collectively evaluated for impairment	$ 3,460	$ 11,722	$ 12,947	$ 13,899	$ 15,199	$ 2,620	$ 264	$ 60,111
Ending Balance: loans acquired with deteriorated credit quality	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

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Allowance for Loan Losses and Carrying Amount of Loans

For the Year Ended December 31, 2012

(In thousands)	Commercial Real Estate Owner-occupied	Commercial Real Estate Nonowner-occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
Financing receivables:								
Ending balance	$ 728,906	$ 1,740,420	$ 1,377,083	$ 1,838,252	$ 550,677	$ 282,442	$ 0	$ 6,517,780
Ending Balance: individually evaluated for impairment	$ 14,474	$ 12,101	$ 28,997	$ 8,541	$ 17,827	$ 0	$ 0	$ 81,940
Ending Balance: collectively evaluated for impairment	$ 712,776	$ 1,718,913	$ 1,346,600	$ 1,826,196	$ 515,718	$ 282,431	$ 0	$ 6,402,634
Ending Balance: loans acquired with deteriorated credit quality	$ 1,656	$ 9,406	$ 1,486	$ 3,515	$ 17,132	$ 11	$ 0	$ 33,206

NOTE G BANK PREMISES AND EQUIPMENT AND LEASES

Bank premises and equipment are summarized as follows:

(In thousands)	December 31 2013	December 31 2012
Land	$ 23,018	$ 23,166
Buildings and improvements	83,144	80,997
Leasehold improvements	22,092	20,906
Furniture, fixtures and equipment	49,697	46,843
	177,951	171,912
Less allowance for depreciation and amortization	108,054	99,742
Net bank premises and equipment	$ 69,897	$ 72,170

Depreciation expense was $7,912,000, $7,790,000, and $6,966,000 for years ending December 31, 2013, 2012 and 2011, respectively, while amortization expense was $103,000 in each of these respective periods.

United and certain banking subsidiaries have entered into various noncancelable-operating leases. These noncancelable operating leases are subject to renewal options under various terms and some leases provide for periodic rate adjustments based on cost-of-living index changes. Rent expense for noncancelable operating leases approximated $8,969,000, $9,427,000 and $8,740,000 for the years ended December 31, 2013, 2012 and 2011, respectively. United Bank (WV) leases three of its offices from companies that are beneficially owned by two former United directors. Rent expense incurred on these facilities was $999,000, $1,755,000, and $1,044,000 for the years ended December 31, 2013, 2012, and 2011, respectively.

Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases with initial or remaining terms of one year or more, for years subsequent to December 31, 2013, consisted of the following:

Year	Amount
(In thousands)	
2014	$ 8,181
2015	6,903
2016	6,030
2017	5,606

2018	5,644
Thereafter	11,292
Total minimum lease payments	$ 43,656

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NOTE H GOODWILL AND OTHER INTANGIBLES

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

(In thousands)	Gross Carrying Amount	As of December 31, 2013 Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	$ 43,434	$ (35,296)	$ 8,138
Goodwill not subject to amortization			$ 375,547

	Gross Carrying Amount	As of December 31, 2012 Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	$ 43,434	$ (33,327)	$ 10,107
Goodwill not subject to amortization			$ 375,583

The following table sets forth the anticipated amortization expense for intangible assets for the years subsequent to 2013:

Year	Amount
(In thousands)	
2014	$ 1,478
2015	1,149
2016	1,089
2017	1,047
2018 and thereafter	3,375

NOTE I DEPOSITS

The book value of deposits consisted of the following:

(Dollars in thousands)	December 31 2013	2012
Demand deposits	$ 1,874,520	$ 1,824,411
Interest-bearing checking	1,195,956	1,210,463
Regular savings	556,183	523,336
Money market accounts	1,224,116	1,203,341
Time deposits under $100,000	887,516	1,035,815
Time deposits over $100,000	883,280	955,620
Total deposits	$ 6,621,571	$ 6,752,986

Interest paid on deposits approximated $27,182,000, $33,133,000 and $39,853,000 in 2013, 2012 and 2011, respectively.

United s subsidiary banks have received deposits, in the normal course of business, from the directors and officers of United and its subsidiaries, and their associates. Such related party deposits were accepted on substantially the same terms, including interest rates and maturities, as those prevailing at the time for comparable transactions with unrelated persons. The aggregate dollar amount of these deposits was $137,428,000 and $77,167,000 at December 31, 2013 and 2012, respectively.

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NOTE J SHORT-TERM BORROWINGS

At December 31, 2013 and 2012, short-term borrowings and the related weighted-average interest rates were as follows:

(Dollars in thousands)	2013 Amount	2013 Weighted-Average Rate	2012 Amount	2012 Weighted-Average Rate
Federal funds purchased	$ 27,685	0.20%	$ 5,446	0.20%
Securities sold under agreements to repurchase	188,069	0.09%	209,516	0.09%
Total	$ 215,754		$ 214,962	

Federal funds purchased and securities sold under agreements to repurchase have been 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 $234,000,000. 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.

The following table shows the distribution of United s federal funds purchased and securities sold under agreements to repurchase and the weighted-average interest rates thereon at the end of each of the last three years. Also provided are the maximum amount of borrowings and the average amounts of borrowings as well as weighted-average interest rates for the last three years.

(Dollars in thousands)	Federal Funds Purchased	Securities Sold Under Agreements To Repurchase
At December 31:		
2013	$ 27,685	$ 188,069
2012	5,446	209,516
2011	7,120	247,646
Weighted-average interest rate at year-end:		
2013	0.20%	0.09%
2012	0.20%	0.09%
2011	0.20%	0.07%
Maximum amount outstanding at any month s end:		
2013	$ 27,685	$ 220,155
2012	23,100	273,041
2011	20,440	274,546
Average amount outstanding during the year:		
2013	$ 12,595	$ 199,823
2012	16,314	261,558
2011	13,377	242,371
Weighted-average interest rate during the year:		
2013	0.20%	0.10%
2012	0.20%	0.08%
2011	0.21%	0.06%

At December 31, 2013, all the repurchase agreements were in overnight accounts. The rates offered on these funds vary according to movements in the federal funds and short-term investment market rates.

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United has a $10,000,000 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 is renewable on a 360 day basis and carries an indexed, floating-rate of interest. The line requires compliance with various financial and nonfinancial covenants. At December 31, 2013, United had no outstanding balance under this credit.

Interest paid on short-term borrowings approximated $894,000, $304,000 and $464,000 in 2013, 2012 and 2011, respectively.

NOTE K LONG-TERM BORROWINGS

United s subsidiary banks are members 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 December 31, 2013, the total carrying value of loans pledged as collateral for FHLB advances approximated $3,065,080,000. United had an unused borrowing amount as of December 31, 2013 of approximately $1,413,927,000 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 December 31, 2013 and 2012, FHLB advances and the related weighted-average interest rates were as follows:

(Dollars in thousands)	2013			2012		
	Amount	Weighted-Average Contractual Rate	Weighted-Average Effective Rate	Amount	Weighted-Average Contractual Rate	Weighted-Average Effective Rate
FHLB advances	$ 592,069	0.56%	0.56%	$ 186,411	2.17%	2.17%

Overnight funds of $215,000,000 were included in the $592,069,000 above at December 31, 2013. Overnight funds of $100,000,000 were included in the $186,411,000 above at December 31, 2012. The weighted-average effective rate considers the effect of any interest rate swaps designated as fair value hedges outstanding at year-end 2013 and 2012 to manage interest rate risk on its long-term debt. Additional information is provided in Note P, Notes to Consolidated Financial Statements.

At December 31, 2013, United had a total of twelve statutory business trusts that were formed for the purpose of issuing or participating in pools of trust preferred capital securities (Capital Securities) with the proceeds invested in junior subordinated debt securities (Debentures) of United. The Debentures, which are subordinate and junior in right of payment to all present and future senior indebtedness and certain other financial obligations of United, are the sole assets of the trusts and United s payment under the Debentures is the sole source of revenue for the trusts. At December 31, 2013 and 2012, the outstanding balance of the Debentures was $198,628,000 and $198,515,000, respectively, and was included in the category of long-term debt on the Consolidated Balance Sheets entitled Other long-term borrowings. The Capital Securities are not included as a component of shareholders equity in the Consolidated Balance Sheets. United fully and unconditionally guarantees each individual trust s obligations under the Capital Securities.

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

The Trust Preferred Securities currently qualify as Tier 1 regulatory capital of United for regulatory purposes. In July of 2013, United s primary federal regulator, the Federal Reserve, published final rules (the Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The Basel III Capital Rules grandfathers United s Trust Preferred Securities as Tier 1 capital under the limitations for restricted capital elements in the general risk-based capital rules. As a result, beginning in 2015, United s Trust Preferred Securities will be subject to a limit of 25 percent of Tier 1 capital elements excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments applied to Tier 1 capital, which is substantially similar to the limit in the general risk-based capital rules. Trust preferred securities no longer included in United s Tier 1 capital may be included as a component of Tier 2 capital on a permanent basis without phase-out.

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

(Dollars in thousands)

Description	Issuance Date	Amount of Capital Securities Issued	Interest Rate	Maturity Date
Century Trust	March 23, 2000	$ 8,800	10.875% Fixed	March 8, 2030
Sequoia Trust I	March 28, 2001	$ 2,000	10.18% Fixed	June 8, 2031
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

At December 31, 2013 and 2012, the Debentures and their related weighted-average interest rates were as follows:

(Dollars in thousands)	2013 Amount	2013 Weighted-Average Rate	2012 Amount	2012 Weighted-Average Rate
Century Trust	$ 8,800	10.88%	$ 8,800	10.88%
Sequoia Trust I	2,065	10.18%	2,064	10.18%
United Statutory Trust III	20,619	3.10%	20,619	3.16%
United Statutory Trust IV	25,774	3.09%	25,774	3.16%
United Statutory Trust V	51,547	1.80%	51,547	1.91%
United Statutory Trust VI	30,928	1.54%	30,928	1.61%
Premier Statutory Trust II	6,186	3.34%	6,186	3.44%
Premier Statutory Trust III	8,248	1.98%	8,248	2.05%
Premier Statutory Trust IV	14,433	1.80%	14,433	1.86%
Premier Statutory Trust V	10,310	1.85%	10,310	1.92%
Centra Statutory Trust I	9,859	2.54%	9,803	2.60%
Centra Statutory Trust II	9,859	1.89%	9,803	1.99%
Total	$ 198,628		$ 198,515	

At December 31, 2013, the scheduled maturities of long-term borrowings were as follows:

Year	Amount
(In thousands)	
2014	$ 321,388
2015	4,395
2016	622
2017	383
2018 and thereafter	248,909

Total	$ 575,697

Interest paid on long-term borrowings approximated $8,846,000, $14,370,000 and $16,335,000 in 2013, 2012 and 2011, respectively.

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NOTE L INCOME TAXES

The income tax provisions included in the consolidated statements of income are summarized as follows:

(In thousands)	Year Ended December 31		
	2013	**2012**	**2011**
Current expense:			
Federal	$ 32,378	$ 37,623	$ 23,341
State	4,048	914	518
Deferred expense:			
Federal and State	2,990	337	10,907
Total income taxes	$ 39,416	$ 38,874	$ 34,766

The following is a reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate to income before income taxes.

(Dollars in thousands)	Year Ended December 31					
	2013		**2012**		**2011**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Tax on income before taxes at statutory federal rate	$ 43,765	35.0%	$ 42,519	35.0%	$ 38,632	35.0%
Plus: State income taxes net of federal tax benefits	2,392	1.9	594	0.5	336	0.3
	46,157	36.9	43,113	35.5	38,968	35.3
Increase (decrease) resulting from:						
Tax-exempt interest income	(3,837)	(3.1)	(4,127)	(3.4)	(4,226)	(3.8)
Other items-net	(2,904)	(2.3)	(112)	(0.1)	24	0.0
Income taxes	$ 39,416	31.5%	$ 38,874	32.0%	$ 34,766	31.5%

For years ended 2013, 2012 and 2011, United incurred federal income tax expense applicable to the sales and calls of securities of $533,000, $156,000 and $552,000, respectively. Income taxes paid approximated $49,114,000, $27,057,000 and $34,531,000 in 2013, 2012 and 2011, respectively. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At December 31, 2013, United had no state net operating loss carryforwards.

Taxes not on income, which consists mainly of business franchise taxes, were $4,816,000, $4,717,000 and $4,466,000 for the years ended December 31, 2013, 2012 and 2011, respectively. These amounts are recorded in other expense in the Consolidated Statements of Income.

Significant components of United s deferred tax assets and liabilities (included in other assets in the Consolidated Balance Sheets) at December 31, 2013 and 2012 are as follows:

(In thousands)	**2013**	**2012**
Deferred tax assets:		
Allowance for credit losses	$ 28,108	$ 41,853

Other accrued liabilities	830	29
Unrecognized components of net periodic pension costs	12,168	21,696
Unrealized loss on securities available for sale	13,255	16,703
Other real estate owned	4,288	0

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(In thousands)	2013	2012
Purchase accounting intangibles	3,598	0
Net operating loss	0	846
Total deferred tax assets	62,247	81,127
Deferred tax liabilities:		
Purchase accounting intangibles	0	6,436
Deferred mortgage points	283	377
Accrued benefits payable	7,806	10,961
Premises and equipment	2,563	857
Other	2,117	2,764
Total deferred tax liabilities	12,769	21,395
Net deferred tax assets	$ 49,478	$ 59,732

In accordance with ASC topic 740, 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.

Below is a reconciliation of the total amounts of unrecognized tax benefits:

	December 31	
(In thousands)	2013	2012
Unrecognized tax benefits at beginning of year	$ 2,106	$ 2,028
Decrease in unrecognized tax benefits as a result of tax positions settled during the current period	(213)	0
Increase in unrecognized tax benefits as a result of tax positions taken during the current period	661	226
Decreases in the unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(42)	(148)
Unrecognized tax benefits at end of year	$ 2,512	$ 2,106

The entire amount of unrecognized tax benefits, if recognized, would impact United s effective tax rate. Over the next 12 months, the statute of limitations will close on certain income tax returns. However, at this time, United cannot reasonably estimate the amount of tax benefits it may recognize over the next 12 months.

United is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2011 and 2012 and State Taxing authorities for the years ended December 31, 2009 through 2012.

As of December 31, 2013 and 2012, the total amount of accrued interest related to uncertain tax positions was $455,000 and $1,138,000, respectively. United accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. No interest or penalties were recognized in the results of operations for the years of 2013, 2012 and 2011.

NOTE M--EMPLOYEE BENEFIT PLANS

United has a defined benefit retirement plan covering a majority of all 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 by United are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

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 have taken

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similar steps. The amendment provided that employees hired on or after October 1, 2007, will not be eligible to participate in the Plan. However, new employees will continue to 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, 2013 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service costs of $2,000 ($1,000 net of tax) and unrecognized actuarial losses of $31,151,000 ($20,248,000 net of tax). The amortization of these items expected to be recognized in net periodic pension cost during the fiscal year ended December 31, 2014 is $1,000 ($1,000 net of tax), and $4,821,000 ($3,134,000 net of tax), respectively.

Net consolidated periodic pension cost included the following components:

(Dollars in thousands)	Year Ended December 31,		
	2013	**2012**	**2011**
Service cost	$ 2,672	$ 2,517	$ 2,272
Interest cost	4,913	4,849	4,555
Expected return on plan assets	(8,313)	(7,999)	(8,343)
Recognized net actuarial loss	4,821	4,199	2,427
Amortization of prior service cost	1	1	1
Net periodic pension cost	$ 4,094	$ 3,567	$ 912
Weighted-Average Assumptions:			
Discount rate	4.40%	5.15%	5.75%
Expected return on assets	7.75%	8.00%	8.00%
Rate of Compensation Increase (prior to age 45)	3.75%	3.75%	3.75%
Rate of Compensation Increase (otherwise)	2.75%	2.75%	2.75%

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the year ended December 31, 2013 and the accumulated benefit obligation at December 31, 2013 is as follows:

(Dollars in thousands)	December 31,	
Change in Projected Benefit Obligation	**2013**	**2012**
Projected Benefit Obligation at the Beginning of the Year	$ 112,534	$ 95,162
Service Cost	2,672	2,517
Interest Cost	4,913	4,849
Actuarial (Gain) Loss	(11,646)	13,000
Benefits Paid	(3,287)	(2,994)
Projected Benefit at the End of the Year	$ 105,186	$ 112,534
Accumulated Benefit Obligation at the End of the Year	$ 95,859	$ 102,156
Change in Plan Assets		
Fair Value of Plan Assets at the Beginning of the Year	$ 108,859	$ 101,383
Actual Return on Plan Assets	17,616	10,470
Benefits Paid	(3,287)	(2,994)
Employer Contributions	0	0
Fair value of plan assets at end of year	$ 123,188	$ 108,859
Net Amount Recognized		
Funded Status	$ 18,002	$ (3,675)
Unrecognized Transition Asset	0	0

Unrecognized Prior Service Cost	2	3

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(Dollars in thousands)	December 31, 2013	2012
Unrecognized Net Loss	31,151	56,921
Net Amount Recognized	$ 49,155	$ 53,249
Weighted-Average Assumptions at the End of the Year		
Discount Rate	5.20%	4.40%
Rate of Compensation Increase (prior to age 45)	3.50%	3.75%
Rate of Compensation Increase (otherwise)	3.00%	2.75%

Asset allocation for the defined benefit pension plan as of the measurement date, by asset category, is as follows:

Plan Assets	Target Allocation 2014	Allowable Allocation Range	Percentage of Plan Assets at December 31, 2013	Percentage of Plan Assets at December 31, 2012
Equity Securities	62%	50-70%	66%	63%
Debt Securities	26%	20-50%	21%	32%
Other	12%	3-15%	13%	5%
Total			100%	100%

Equity securities include United common stock in the amounts of $3,328,000 (3%) at December 31, 2013 and $2,576,000 (2%) at December 31, 2012**.**

The policy, as established by the Pension Committee, primarily consisting of United s Executive Management, is to invest assets based upon the target allocations stated above. The assets are reallocated periodically to meet the above target allocations. The investment policy is reviewed at least annually, subject to the approval of the Pension Committee, to determine if the policy should be changed. Prohibited investments include, but are not limited to, futures contracts, private placements, uncovered options, real estate, the use of margin, short sales, derivatives for speculative purposes, and other investments that are speculative in nature. In order to achieve a prudent level of portfolio diversification, the securities of any one company are not to exceed 10% of the total plan assets, and no more than the 15% of total plan assets is to be invested in any one industry (other than securities of U.S. Government or Agencies). Additionally, no more than 15% of the plan assets is to be invested in foreign securities, both equity and fixed. The expected long-term rate of return for the plan s total assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class.

At December 31, 2013, the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five years thereafter are as follows:

Year	Amount
(In thousands)	
2014	$ 3,728
2015	4,053
2016	4,432
2017	4,780
2018	5,159
2019 through 2023	30,746

United did not contribute to the plan in 2013 and 2012 as no contributions were required by funding regulations or law. For 2014, no contributions to the plan are required by funding regulations or law. However, United may make a discretionary contribution in 2014, the amount of which cannot be reasonably estimated at this time.

In accordance with ASC topic 715 and using the guidance contained in ASC topic 820, the following is a description of the valuation methodologies used to measure the plan assets at fair value.

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Cash and Cash Equivalents: These underlying assets are highly liquid U.S. government obligations. The fair value of cash and cash equivalents approximates cost (Level 1).

Debt Securities: Securities of the U.S. Government, municipalities, private issuers and corporations are valued at the closing price reported in the active market in which the individual security is traded, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Using a market approach valuation methodology, third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2).

Common and Preferred Stock: Theses securities are valued at the closing price on the respective stock exchange (Level 1).

Mutual Funds: Generally, these securities are valued at the closing price reported in the active market in which the individual mutual fund is traded (Level 1). However, certain funds are valued by the fund administrator using pricing models that considers observable market data (Level 2).

The following tables present the balances of the plan assets, by fair value hierarchy level, as of December 31, 2013 and 2012:

(In thousands)		Fair Value Measurements at December 31, 2013 Using		
Description	**Balance as of December 31, 2013**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and Cash equivalents	$ 2,985	$ 2,985	$ 0	$ 0
Fixed Income Securities:				
Mortgage backed securities	118	0	118	0
Collateralized mortgage obligations	245	0	245	0
Municipal obligations	1,112	0	1,112	0
Corporate bonds	2,363	0	2,363	0
Fixed Income Mutual Funds:				
Strategic income	3,985	3,985	0	0
Taxable	3,970	3,970		
Domestic	13,834	13,834	0	0
Alternative	6,131	6,131	0	0
Equity Securities:				
Preferred stock	195	195	0	0
Common stock	20,089	20,089	0	0
Equity Mutual Funds:				
Domestic equity large cap	23,042	23,042	0	0
Domestic equity mid cap	5,540	5,540	0	0
Domestic equity small cap	15,293	15,293	0	0
International emerging equity	6,076	6,076	0	0
International equity developed	11,817	11,817	0	0
Alternative equity	5,692	5,692	0	0
Other Assets:				
Partnerships	701	0	701	0
Total	$ 123,188	$ 118,649	$ 4,539	$ 0

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(In thousands) Description	Balance as of December 31, 2012	Fair Value Measurements at December 31, 2012 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash equivalents	$ 4,396	$ 4,396	$ 0	$ 0
Fixed Income Securities:				
Mortgage backed securities	207	0	207	0
Collateralized mortgage obligations	208	0	208	0
Municipal obligations	910	0	910	0
Corporate bonds	2,588	2,226	362	0
Fixed Income Mutual Funds:				
Fixed income general	12,463	12,463	0	0
Domestic	12,600	12,600	0	0
Alternative	6,116	6,116	0	0
Equity Securities:				
Preferred stock	209	209	0	0
Common stock	14,712	14,712	0	0
Equity Mutual Funds:				
Global equity	5,186	5,186	0	0
Domestic equity large cap	19,172	19,172	0	0
Domestic equity mid cap	2,552	2,552	0	0
Domestic equity small cap	10,688	10,688	0	0
International emerging equity	5,241	5,241	0	0
International equity developed	4,158	4,158	0	0
Alternative equity &nb				