

UNITED BANKSHARES INC/WV

Form 10-Q

November 08, 2018

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2018**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 002-86947**

**United Bankshares, Inc.**

**(Exact name of registrant as specified in its charter)**

|                                                                                                                                                     |                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <b>West Virginia</b><br><b>(State or other jurisdiction of</b><br><b>incorporation or organization)</b>                                             | <b>55-0641179</b><br><b>(I.R.S. Employer</b><br><b>Identification No.)</b>                                   |
| <b>300 United Center</b><br><b>500 Virginia Street, East</b><br><b>Charleston, West Virginia</b><br><b>(Address of principal executive offices)</b> | <b>25301</b><br><b>Zip Code</b><br><b>Registrant's telephone number, including area code: (304) 424-8716</b> |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** **No**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** **No**

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

|                         |                           |
|-------------------------|---------------------------|
| Large accelerated filer | Accelerated filer         |
| Non-accelerated filer   | Smaller reporting company |
|                         | Emerging growth company   |

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class Common Stock, \$2.50 Par Value; **103,183,953** shares outstanding as of **October 31, 2018**.



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**UNITED BANKSHARES, INC. AND SUBSIDIARIES**

**FORM 10-Q**

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**PART I - FINANCIAL INFORMATION**

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

The September 30, 2018 and December 31, 2017, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries ( United or the Company ), consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2018 and 2017, the related consolidated statement of changes in shareholders equity for the nine months ended September 30, 2018, the related condensed consolidated statements of cash flows for the nine months ended September 30, 2018 and 2017, and the notes to consolidated financial statements appear on the following pages.

**Table of Contents****CONSOLIDATED BALANCE SHEETS****UNITED BANKSHARES, INC. AND SUBSIDIARIES**

| (Dollars in thousands, except par value)                                                                                                      | <b>September 30<br/>2018<br/>(Unaudited)</b> | <b>December 31<br/>2017<br/>(Note 1)</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------|
| <b>Assets</b>                                                                                                                                 |                                              |                                          |
| Cash and due from banks                                                                                                                       | \$ 191,809                                   | \$ 196,742                               |
| Interest-bearing deposits with other banks                                                                                                    | 1,062,078                                    | 1,468,636                                |
| Federal funds sold                                                                                                                            | 799                                          | 789                                      |
| Total cash and cash equivalents                                                                                                               | 1,254,686                                    | 1,666,167                                |
| Securities available for sale at estimated fair value (amortized cost-\$2,230,884 at September 30, 2018 and \$1,900,684 at December 31, 2017) | 2,178,567                                    | 1,888,756                                |
| Securities held to maturity (estimated fair value-\$19,619 at September 30, 2018 and \$20,018 at December 31, 2017)                           | 20,351                                       | 20,428                                   |
| Equity securities at estimated fair value                                                                                                     | 9,845                                        | 0                                        |
| Other investment securities                                                                                                                   | 166,749                                      | 162,461                                  |
| Loans held for sale (at fair value-\$231,310 at September 30, 2018 and \$263,308 at December 31, 2017)                                        | 234,196                                      | 265,955                                  |
| Loans                                                                                                                                         | 13,286,711                                   | 13,027,337                               |
| Less: Unearned income                                                                                                                         | (9,971)                                      | (15,916)                                 |
| Loans net of unearned income                                                                                                                  | 13,276,740                                   | 13,011,421                               |
| Less: Allowance for loan losses                                                                                                               | (76,941)                                     | (76,627)                                 |
| Net loans                                                                                                                                     | 13,199,799                                   | 12,934,794                               |
| Bank premises and equipment                                                                                                                   | 99,748                                       | 104,894                                  |
| Goodwill                                                                                                                                      | 1,478,014                                    | 1,478,380                                |
| Accrued interest receivable                                                                                                                   | 60,057                                       | 52,815                                   |
| Other assets                                                                                                                                  | 485,631                                      | 484,309                                  |
| <b>TOTAL ASSETS</b>                                                                                                                           | <b>\$ 19,187,643</b>                         | <b>\$ 19,058,959</b>                     |
| <b>Liabilities</b>                                                                                                                            |                                              |                                          |
| Deposits:                                                                                                                                     |                                              |                                          |
| Noninterest-bearing                                                                                                                           | \$ 4,470,815                                 | \$ 4,294,687                             |
| Interest-bearing                                                                                                                              | 9,620,357                                    | 9,535,904                                |
| Total deposits                                                                                                                                | 14,091,172                                   | 13,830,591                               |
| Borrowings:                                                                                                                                   |                                              |                                          |
| Federal funds purchased                                                                                                                       | 25,790                                       | 16,235                                   |
| Securities sold under agreements to repurchase                                                                                                | 153,718                                      | 311,352                                  |
| Federal Home Loan Bank borrowings                                                                                                             | 1,284,781                                    | 1,271,531                                |
| Other long-term borrowings                                                                                                                    | 234,590                                      | 242,446                                  |

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|                                                                                                                                                                                                                                                                                   |                      |                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Reserve for lending-related commitments                                                                                                                                                                                                                                           | 1,144                | 679                  |
| Accrued expenses and other liabilities                                                                                                                                                                                                                                            | 145,320              | 145,595              |
| <b>TOTAL LIABILITIES</b>                                                                                                                                                                                                                                                          | <b>15,936,515</b>    | <b>15,818,429</b>    |
| <b>Shareholders' Equity</b>                                                                                                                                                                                                                                                       |                      |                      |
| Preferred stock, \$1.00 par value; Authorized-50,000,000 shares, none issued                                                                                                                                                                                                      | 0                    | 0                    |
| Common stock, \$2.50 par value; Authorized-200,000,000 shares;<br>issued-105,226,986 and 105,069,821 at September 30, 2018 and December 31,<br>2017, respectively, including 1,421,150 and 29,173 shares in treasury at<br>September 30, 2018 and December 31, 2017, respectively | 263,068              | 262,675              |
| Surplus                                                                                                                                                                                                                                                                           | 2,133,157            | 2,129,077            |
| Retained earnings                                                                                                                                                                                                                                                                 | 984,062              | 891,816              |
| Accumulated other comprehensive loss                                                                                                                                                                                                                                              | (76,660)             | (42,025)             |
| Treasury stock, at cost                                                                                                                                                                                                                                                           | (52,499)             | (1,013)              |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                 | <b>3,251,128</b>     | <b>3,240,530</b>     |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                                                                 | <b>\$ 19,187,643</b> | <b>\$ 19,058,959</b> |

*See notes to consolidated unaudited financial statements.*

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

(Dollars in thousands, except per share data)

|                                                                 | <b>Three Months Ended<br/>September 30</b> |             | <b>Nine Months Ended<br/>September 30</b> |             |
|-----------------------------------------------------------------|--------------------------------------------|-------------|-------------------------------------------|-------------|
|                                                                 | <b>2018</b>                                | <b>2017</b> | <b>2018</b>                               | <b>2017</b> |
| <b>Interest income</b>                                          |                                            |             |                                           |             |
| Interest and fees on loans                                      | \$ 164,229                                 | \$ 155,819  | \$ 472,451                                | \$ 405,660  |
| Interest on federal funds sold and other short-term investments | 5,485                                      | 4,874       | 13,867                                    | 11,345      |
| Interest and dividends on securities:                           |                                            |             |                                           |             |
| Taxable                                                         | 13,994                                     | 9,406       | 39,679                                    | 26,226      |
| Tax-exempt                                                      | 1,322                                      | 1,484       | 4,218                                     | 4,057       |
| Total interest income                                           | 185,030                                    | 171,583     | 530,215                                   | 447,288     |
| <b>Interest expense</b>                                         |                                            |             |                                           |             |
| Interest on deposits                                            | 26,368                                     | 14,227      | 61,101                                    | 35,281      |
| Interest on short-term borrowings                               | 618                                        | 430         | 1,503                                     | 1,149       |
| Interest on long-term borrowings                                | 9,269                                      | 6,650       | 25,671                                    | 16,717      |
| Total interest expense                                          | 36,255                                     | 21,307      | 88,275                                    | 53,147      |
| Net interest income                                             | 148,775                                    | 150,276     | 441,940                                   | 394,141     |
| Provision for loan losses                                       | 4,808                                      | 7,279       | 16,190                                    | 21,429      |
| Net interest income after provision for loan losses             | 143,967                                    | 142,997     | 425,750                                   | 372,712     |
| <b>Other income</b>                                             |                                            |             |                                           |             |
| Fees from trust services                                        | 3,350                                      | 2,972       | 9,545                                     | 8,865       |
| Fees from brokerage services                                    | 2,787                                      | 2,080       | 6,964                                     | 5,818       |
| Fees from deposit services                                      | 8,673                                      | 8,744       | 25,323                                    | 24,978      |
| Bankcard fees and merchant discounts                            | 1,549                                      | 1,332       | 4,384                                     | 3,432       |
| Other service charges, commissions, and fees                    | 532                                        | 535         | 1,640                                     | 1,533       |
| Income from bank-owned life insurance                           | 1,251                                      | 1,403       | 3,776                                     | 3,878       |
| Income from mortgage banking activities                         | 13,277                                     | 20,385      | 46,539                                    | 43,597      |
| Net investment securities (losses) gains                        | (152)                                      | 467         | (692)                                     | 5,154       |
| Other income                                                    | 419                                        | 311         | 1,406                                     | 1,626       |
| Total other income                                              | 31,686                                     | 38,229      | 98,885                                    | 98,881      |
| <b>Other expense</b>                                            |                                            |             |                                           |             |
| Employee compensation                                           | 41,312                                     | 44,882      | 125,268                                   | 124,945     |
| Employee benefits                                               | 8,645                                      | 9,004       | 27,514                                    | 25,667      |
| Net occupancy expense                                           | 9,273                                      | 9,364       | 27,776                                    | 30,061      |
| Other real estate owned (OREO) expense                          | 921                                        | 2,713       | 2,423                                     | 4,651       |

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|                             |           |           |            |            |
|-----------------------------|-----------|-----------|------------|------------|
| Equipment expense           | 3,892     | 3,057     | 10,328     | 7,493      |
| Data processing expense     | 6,068     | 5,597     | 17,735     | 14,971     |
| Bankcard processing expense | 485       | 449       | 1,431      | 1,356      |
| FDIC insurance expense      | 3,530     | 1,540     | 8,220      | 5,062      |
| Other expense               | 19,189    | 20,046    | 56,482     | 57,425     |
| Total other expense         | 93,315    | 96,652    | 277,177    | 271,631    |
| Income before income taxes  | 82,338    | 84,574    | 247,458    | 199,962    |
| Income taxes                | 17,926    | 27,836    | 55,066     | 67,356     |
| Net income                  | \$ 64,412 | \$ 56,738 | \$ 192,392 | \$ 132,606 |

**Table of Contents****CONSOLIDATED STATEMENTS OF INCOME (Unaudited) continued****UNITED BANKSHARES, INC. AND SUBSIDIARIES**

(Dollars in thousands, except per share data)

|                                    | <b>Three Months Ended<br/>September 30</b> |             | <b>Nine Months Ended<br/>September 30</b> |             |
|------------------------------------|--------------------------------------------|-------------|-------------------------------------------|-------------|
|                                    | <b>2018</b>                                | <b>2017</b> | <b>2018</b>                               | <b>2017</b> |
| <b>Earnings per common share:</b>  |                                            |             |                                           |             |
| Basic                              | \$ 0.62                                    | \$ 0.54     | \$ 1.84                                   | \$ 1.39     |
| Diluted                            | \$ 0.62                                    | \$ 0.54     | \$ 1.83                                   | \$ 1.39     |
| Dividends per common share         | \$ 0.34                                    | \$ 0.33     | \$ 1.02                                   | \$ 0.99     |
| <b>Average outstanding shares:</b> |                                            |             |                                           |             |
| Basic                              | 103,617,590                                | 104,760,153 | 104,382,094                               | 95,040,664  |
| Diluted                            | 103,933,959                                | 105,068,122 | 104,679,876                               | 95,450,626  |

*See notes to consolidated unaudited financial statements*

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

| (Dollars in thousands)                                                                                                  | <b>Three Months<br/>Ended<br/>September 30</b> |             | <b>Nine Months Ended<br/>September 30</b> |             |
|-------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------|-------------------------------------------|-------------|
|                                                                                                                         | <b>2018</b>                                    | <b>2017</b> | <b>2018</b>                               | <b>2017</b> |
| Net income                                                                                                              | \$ 64,412                                      | \$ 56,738   | \$ 192,392                                | \$ 132,606  |
| Change in net unrealized (loss) gain on available-for-sale (AFS) securities, net of tax                                 | (7,579)                                        | 1,964       | (30,853)                                  | 8,443       |
| Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (HTM) securities, net of tax | 2                                              | 2           | 4                                         | 4           |
| Change in pension plan assets, net of tax                                                                               | 918                                            | 717         | 2,703                                     | 2,107       |
| Comprehensive income, net of tax                                                                                        | \$ 57,753                                      | \$ 59,421   | \$ 164,246                                | \$ 143,160  |

**Table of Contents****CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**

## UNITED BANKSHARES, INC. AND SUBSIDIARIES

*(Dollars in thousands, except per share data)*

|                                                                            | Nine Months Ended September 30, 2018 |            |              |                                        |             |                |                     |
|----------------------------------------------------------------------------|--------------------------------------|------------|--------------|----------------------------------------|-------------|----------------|---------------------|
|                                                                            | Common Stock                         |            |              | Accumulated Other Comprehensive Income |             |                | Total               |
|                                                                            | Shares                               | Par Value  | Surplus      | Retained Earnings                      | (Loss)      | Treasury Stock | Shareholders Equity |
| Balance at January 1, 2018                                                 | 105,069,821                          | \$ 262,675 | \$ 2,129,077 | \$ 891,816                             | (\$ 42,025) | (\$ 1,013)     | \$ 3,240,530        |
| Cumulative effect of adopting Accounting Standard Update 2016-01           |                                      |            |              | 136                                    | (136)       |                | 0                   |
| Reclass due to adopting Accounting Standard Update 2018-02                 |                                      |            |              | 6,353                                  | (6,353)     |                | 0                   |
| Comprehensive income:                                                      |                                      |            |              |                                        |             |                |                     |
| Net income                                                                 | 0                                    | 0          | 0            | 192,392                                | 0           | 0              | 192,392             |
| Other comprehensive income, net of tax:                                    | 0                                    | 0          | 0            | 0                                      | (28,146)    | 0              | (28,146)            |
| Total comprehensive income, net of tax                                     |                                      |            |              |                                        |             |                | 164,246             |
| Stock based compensation expense                                           | 0                                    | 0          | 3,016        | 0                                      | 0           | 0              | 3,016               |
| Purchase of treasury stock (1,387,750 shares)                              | 0                                    | 0          | 0            | 0                                      | 0           | (51,323)       | (51,323)            |
| Distribution of treasury stock from deferred compensation plan (26 shares) | 0                                    | 0          | 0            | 0                                      | 0           | 1              | 1                   |
|                                                                            | 0                                    |            |              | (106,635)                              | 0           | 0              | (106,635)           |

|                                                      |             |            |              |            |             |             |              |
|------------------------------------------------------|-------------|------------|--------------|------------|-------------|-------------|--------------|
| Cash dividends<br>(\$1.02 per share)                 |             |            |              |            |             |             |              |
| Grant of restricted<br>stock (97,004<br>shares)      | 97,004      | 243        | (243)        | 0          | 0           | 0           | 0            |
| Forfeiture of<br>restricted stock<br>(4,253 shares)  | 0           | 0          | 164          | 0          | 0           | (164)       | 0            |
| Common stock<br>options exercised<br>(60,161 shares) | 60,161      | 150        | 1,143        | 0          | 0           | 0           | 1,293        |
| Balance at<br>September 30, 2018                     | 105,226,986 | \$ 263,068 | \$ 2,133,157 | \$ 984,062 | (\$ 76,660) | (\$ 52,499) | \$ 3,251,128 |

*See notes to consolidated unaudited financial statements.*

**Table of Contents****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

## UNITED BANKSHARES, INC. AND SUBSIDIARIES

*(Dollars in thousands)*

|                                                                                                         | <b>Nine Months Ended<br/>September 30</b> |                   |
|---------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------|
|                                                                                                         | <b>2018</b>                               | <b>2017</b>       |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                                        | <b>\$ 218,771</b>                         | <b>\$ 125,151</b> |
| <b>INVESTING ACTIVITIES</b>                                                                             |                                           |                   |
| Proceeds from maturities and calls of securities held to maturity                                       | 2                                         | 12,929            |
| Proceeds from sales of securities available for sale                                                    | 86,061                                    | 245,065           |
| Proceeds from maturities and calls of securities available for sale                                     | 201,107                                   | 386,496           |
| Purchases of securities available for sale                                                              | (629,760)                                 | (630,061)         |
| Proceeds from sales of equity securities                                                                | 1,825                                     | 0                 |
| Purchases of equity securities                                                                          | (598)                                     | 0                 |
| Proceeds from sales and redemptions of other investment securities                                      | 35,987                                    | 14,393            |
| Purchases of other investment securities                                                                | (45,075)                                  | (51,941)          |
| Purchases of bank premises and equipment                                                                | (4,439)                                   | (11,115)          |
| Proceeds from sales of bank premises and equipment                                                      | 2,171                                     | 13                |
| Proceeds from the sales of OREO properties                                                              | 9,105                                     | 4,908             |
| Acquisition of subsidiaries, net of cash paid                                                           | 0                                         | 44,531            |
| Net change in loans                                                                                     | (248,623)                                 | 369,233           |
| <b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>                                              | <b>(592,237)</b>                          | <b>384,451</b>    |
| <b>FINANCING ACTIVITIES</b>                                                                             |                                           |                   |
| Cash dividends paid                                                                                     | (107,046)                                 | (86,709)          |
| Acquisition of treasury stock                                                                           | (51,323)                                  | (1)               |
| Proceeds from exercise of stock options                                                                 | 1,277                                     | 3,296             |
| Repayment of long-term Federal Home Loan Bank borrowings                                                | (635,000)                                 | (845,207)         |
| Proceeds from issuance of long-term Federal Home Loan Bank borrowings                                   | 650,000                                   | 815,000           |
| Repayment of trust preferred issuance                                                                   | (9,374)                                   | 0                 |
| Distribution of treasury stock for deferred compensation plan                                           | 1                                         | 1                 |
| Changes in:                                                                                             |                                           |                   |
| Deposits                                                                                                | 261,529                                   | (269,742)         |
| Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings | (148,079)                                 | 186,270           |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                                                            | <b>(38,015)</b>                           | <b>(197,092)</b>  |
| <b>(Decrease) Increase in cash and cash equivalents</b>                                                 | <b>(411,481)</b>                          | <b>312,510</b>    |
| Cash and cash equivalents at beginning of year                                                          | 1,666,167                                 | 1,434,527         |

|                                                                  |              |              |
|------------------------------------------------------------------|--------------|--------------|
| Cash and cash equivalents at end of period                       | \$ 1,254,686 | \$ 1,747,037 |
| Supplemental information                                         |              |              |
| Noncash investing activities:                                    |              |              |
| Transfers of loans to OREO                                       | \$ 1,809     | \$ 3,829     |
| <i>See notes to consolidated unaudited financial statements.</i> |              |              |

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

**UNITED BANKSHARES, INC. AND SUBSIDIARIES**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying unaudited consolidated interim financial statements of United Bankshares, Inc. and Subsidiaries ( United or the Company ) have been prepared in accordance with accounting principles for interim financial information generally accepted in the United States (GAAP) and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not contain all of the information and footnotes required by accounting principles generally accepted in the United States. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements presented as of September 30, 2018 and 2017 and for the three-month and nine-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2017 has been extracted from the audited financial statements included in United s 2017 Annual Report to Shareholders. The accounting and reporting policies followed in the presentation of these financial statements are consistent with those applied in the preparation of the 2017 Annual Report of United on Form 10-K. To conform to the 2018 presentation, certain reclassifications have been made to prior period amounts, which had no impact on net income, comprehensive income, or stockholders equity. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim periods have been made. Such adjustments are of a normal and recurring nature.

The accompanying consolidated interim financial statements include the accounts of United and its wholly owned subsidiaries. United operates in two business segments: community banking and mortgage banking. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. Information is presented in these notes to the unaudited consolidated interim financial statements with dollars expressed in thousands, except per share or unless otherwise noted.

**New Accounting Standards**

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

In August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820), Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement. This amendment changes the fair value measurement disclosure requirements of ASC 820 and is the result of a broader disclosure project called FASB Concepts Statement, Conceptual Framework for Financial Reporting Chapter 8: Notes to Financial Statements, which was finalized in August 2018. ASU No. 2018-13 is effective for all entities for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2019; early adoption is permitted for any eliminated or

modified disclosure upon issuance of this ASU. ASU No. 2018-13 is not expected to have a material impact on the Company's financial condition or results of operations.

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

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

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

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

In July 2017, the FASB issued ASU No. 2017-11, Part I, Accounting for Certain Financial Instruments with Down Round Features and Part II, Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling interests with a Scope Exception. Part I of this ASU simplifies the accounting for financial instruments that include down round features while the amendments in Part II, which do not have an accounting effect, address the difficulty of navigating



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the guidance in ASC 480, *Distinguishing Liabilities from Equity*, due to the existence of extensive pending content in the Codification. ASU No. 2017-11 is effective for interim and annual reporting periods beginning after December 15, 2018. ASU No. 2017-11 is not expected to have a material impact on the Company's financial condition or results of operations.

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

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU No. 2017-07 amends ASC 715, *Compensation—Retirement Benefits* and will change how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Only the service cost component will be eligible for capitalization in assets. Employers will present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of operating income, if one is presented. These components will not be eligible for capitalization in assets. ASU No. 2017-07 was effective for United on January 1, 2018. The adoption of ASU No. 2017-07 had a slight change in presentation but did not materially impact the Company's financial condition or results of operations. United used amounts previously disclosed in its Employee Benefits Plan footnote (Note 14) to retrospectively adjust prior period amounts of employee compensation and employee benefits within United's Consolidated Statements of Income.

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

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

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 amends ASC Topic 230 to add and clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows as a result of diversity in practice and in certain circumstances, financial statement restatements. Entities should apply ASU No. 2016-15 using a retrospective transition method to each period

presented. ASU No. 2016-15 was effective for United on January 1, 2018 and did not have a material impact on the Company's financial condition or results of operations.

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

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU No. 2016-09 will change certain aspects of accounting for share-based payments to employees. The new guidance will, amongst other things, require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. The requirement to report those income tax effects in earnings was applied to settlements occurring on or after January 1, 2017 and the impact of applying that guidance reduced reporting income tax expense by \$1,048 for the year of 2017. ASU No. 2016-09 also allows an employer to repurchase more of an employee's shares than it could previously for tax withholding purposes without triggering liability accounting and make a policy election to account for forfeitures as they occur. The Company will continue to estimate the number of awards expected to be forfeited and adjust the estimate when it is no longer probable that the employee will fulfill the service condition, as was previously required. ASU No. 2016-09 also requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. The adoption of ASU No. 2016-09 did not have a material impact on the Company's financial condition or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 includes a lessee accounting model that recognizes two types of leases, finance leases and operating leases, while lessor accounting will remain largely unchanged from the current GAAP. ASU No. 2016-02 requires, amongst other things, that a lessee recognize on the balance sheet a right-of-use asset and a lease liability for leases, which has not yet been quantified, with terms of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. In July 2018, the FASB issued ASU No. 2018-11 Leases (Topic 842), Targeted Improvements. This update creates an additional transition method, and a lessor practical expedient to not separate lease and non-lease components if specified criteria are met. The new transition method allows companies to use the effective date of the new leases standard as the date of initial application transition. Companies that elect this transition option will not adjust their comparative period financial information for the effect of ASC 842, nor will they make the new required lease disclosure for periods before the effective date. In addition, these companies will carry forward their ASC 840 disclosures for comparative periods. The practical expedient permits lessors to make an accounting policy election by class of underlying asset to not separate lease and non-lease components if specified criteria are met. In July 2018, the FASB issued ASU No. 2018-10 Codification Improvements to Topic 842, Leases. This update includes narrow amendments to clarify how to apply certain aspects of the new leases standard. The amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. ASU 2018-10 does not make any substantive changes to the core provisions or principals of the new leases standard. The Company expects to adopt the new guidance on January 1, 2019 and use the effective date as the date of initial application.



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The Company is currently assessing the impact of the adoption of ASU No. 2016-02 on the Company's results of operations, financial position and cash flows. The Company has evaluated and plans to elect the practical expedients, which would allow for existing leases to be accounted for consistent with current guidance, with the exception of the balance sheet recognition for lessees. As a lessee, United had \$69,844 in total future minimum lease payments for operating leases as of December 31, 2017. Management is substantially complete with its contract review and will update for any activity during the fourth quarter of 2018. The initial measurement of the leases is currently under evaluation. To assist in determining this information as well as the additional requirements of the new standard, the Company has evaluated and selected a third-party lease accounting software solution as part of its implementation strategy. All lease data necessary to apply the new standard has been accumulated and entered into the new leasing software program. The Company is currently in the process of validating the accuracy of such information. The Company is also finalizing documentation of the new lease accounting process and has drafted internal controls over financial reporting as part of the implementation process.

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

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

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



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*Fees from Trust Services*

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

*Fees from Brokerage Services*

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

*Fees from Deposit Services*

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

*Bankcard Fees and Merchant Discounts*

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

**2. MERGERS AND ACQUISITIONS**

**Cardinal Financial Corporation**

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

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

The aggregate purchase price was approximately \$975,254, including common stock valued at \$972,499, stock options assumed valued at \$2,741, and cash paid for fractional shares of \$14. The number of shares issued in the transaction was 23,690,589, which were valued based on the closing market price of \$41.05 for United's common shares on April 21, 2017. The purchase price has been allocated to the identifiable tangible and intangible assets

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resulting in additions to goodwill, core deposit intangibles and the George Mason trade name intangible of \$612,920, \$28,724 and \$1,080, respectively. The core deposit intangibles are being amortized over ten years. The George Mason trade name provides a source of market recognition to attract potential clients and retain existing relationships. United believes the George Mason trade name provides a competitive advantage and is likely going to be used into perpetuity and thus will not be subject to amortization, but rather be evaluated for impairment.

Because the consideration paid was greater than the net fair value of the acquired assets and liabilities, the Company recorded goodwill as part of the acquisition. None of the goodwill from the Cardinal acquisition is deductible for tax purposes. United used an independent third party to help determine the fair values of the assets and liabilities acquired from Cardinal. As a result of the merger, United recorded fair value discounts of \$144,434 on the loans acquired, \$2,281 on leases and \$8,738 on trust preferred issuances, respectively, and premiums of \$4,408 on land acquired, \$5,072 on interest-bearing deposits and \$10,740 on long-term FHLB advances, respectively. The remaining discount and premium amounts are being accreted or amortized on an accelerated or straight-line basis over each asset's or liability's estimated remaining life at the time of acquisition except for loans and land. The discount on loans will be accreted into income based on the effective yield method. The premium on land will not be amortized. At September 30, 2018, the discounts on leases and trust preferred issuances had an average estimated remaining life of 5.00 years and 15.97 years, respectively, and the premiums on the interest-bearing deposits and the FHLB advances each had an average estimated remaining life of 4.00 years and 3.81 years, respectively. United assumed approximately \$1,825 of liabilities to provide severance benefits to terminated employees of Cardinal, which has no remaining balance as of September 30, 2018. The estimated fair values of the acquired assets and assumed liabilities, including identifiable intangible assets and goodwill are considered final as of April 21, 2018.

In many cases, determining the estimated fair value of the acquired assets and assumed liabilities required United to estimate cash flows expected to result from those assets and liabilities and to discount those cash flows at appropriate rates of interest. The most significant of those determinations related to the fair value of acquired loans. The fair value of the acquired loans was based on the present value of the expected cash flows. Periodic principal and interest cash flows were adjusted for expected losses and prepayments, then discounted to determine the present value and summed to arrive at the estimated fair value. For such loans, the excess of cash flows expected at acquisition over the estimated fair value is recognized as interest income over the remaining lives of the loans. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition reflects the impact of estimated credit losses and other factors, such as prepayments. In accordance with GAAP, there was no carry-over of Cardinal's previously established allowance for loan losses.

The acquired loans were divided into loans with evidence of credit quality deterioration, which are accounted for under ASC Topic 310-30 (acquired impaired) and loans that do not meet this criteria, which are accounted for under ASC Topic 310-20 (acquired performing). Acquired impaired loans have experienced a deterioration of credit quality from origination to acquisition for which it is probable that United will be unable to collect all contractually required payments receivable, including both principal and interest. Subsequent decreases in the expected cash flows require United to evaluate the need for additions to the Company's allowance for credit losses. Subsequent improvements in expected cash flows generally result in the recognition of additional interest income over the then remaining lives of the loans.

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

**April 21,  
2017**

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

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Included in the above table is information related to acquired impaired loans. Specifically, contractually required principal and interest, cash flows expected to be collected and estimated fair value of acquired impaired loans were \$132,837, \$108,275, and \$86,696, respectively.

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

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

The operating results of United for the nine months ended September 30, 2018 include operating results of acquired assets and assumed liabilities. The operations of United's metropolitan Washington D.C. geographic area, which primarily includes the acquired operations of Cardinal, provided \$519,747 in total revenues, which represents net interest income plus other income, and \$270,914 in net income from the period from the Cardinal Acquisition Date to September 30, 2018. These amounts are included in United's consolidated financial statements as of and for the nine months ended September 30, 2018. Cardinal's results of operations prior to the Cardinal Acquisition Date are not included in United's consolidated financial statements.



**Table of Contents****3. INVESTMENT SECURITIES****Securities Available for Sale**

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

|                                                 | <b>September 30, 2018</b> |                                       |                                        |                                 | <b>Cumulative<br/>OTTI in<br/>AOCI (1)</b> |
|-------------------------------------------------|---------------------------|---------------------------------------|----------------------------------------|---------------------------------|--------------------------------------------|
|                                                 | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Estimated<br/>Fair Value</b> |                                            |
| U.S. Treasury securities and obligations of     |                           |                                       |                                        |                                 |                                            |
| U.S. Government corporations and agencies       | \$ 103,237                | \$ 0                                  | \$ 1,672                               | \$ 101,565                      | \$ 0                                       |
| State and political subdivisions                | 258,656                   | 440                                   | 6,850                                  | 252,246                         | 0                                          |
| Residential mortgage-backed securities          |                           |                                       |                                        |                                 |                                            |
| Agency                                          | 973,307                   | 541                                   | 30,201                                 | 943,647                         | 0                                          |
| Non-agency                                      | 4,086                     | 486                                   | 0                                      | 4,572                           | 86                                         |
| Commercial mortgage-backed securities           |                           |                                       |                                        |                                 |                                            |
| Agency                                          | 557,211                   | 71                                    | 13,630                                 | 543,652                         | 0                                          |
| Asset-backed securities                         | 223,350                   | 638                                   | 386                                    | 223,602                         | 0                                          |
| Trust preferred collateralized debt obligations | 6,176                     | 253                                   | 275                                    | 6,154                           | 2,586                                      |
| Single issue trust preferred securities         | 8,748                     | 127                                   | 771                                    | 8,104                           | 0                                          |
| Other corporate securities                      | 96,113                    | 51                                    | 1,139                                  | 95,025                          | 0                                          |
| <b>Total</b>                                    | <b>\$ 2,230,884</b>       | <b>\$ 2,607</b>                       | <b>\$ 54,924</b>                       | <b>\$ 2,178,567</b>             | <b>\$ 2,672</b>                            |

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

|       |              |          |           |              |           |
|-------|--------------|----------|-----------|--------------|-----------|
| Total | \$ 1,900,684 | \$ 8,924 | \$ 20,852 | \$ 1,888,756 | \$ 20,856 |
|-------|--------------|----------|-----------|--------------|-----------|

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

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The following is a summary of securities available-for-sale which were in an unrealized loss position at September 30, 2018 and December 31, 2017.

|                                                                                       | <b>Less than 12 months</b> |                          | <b>12 months or longer</b> |                          |
|---------------------------------------------------------------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
|                                                                                       | <b>Fair Value</b>          | <b>Unrealized Losses</b> | <b>Fair Value</b>          | <b>Unrealized Losses</b> |
| <b>September 30, 2018</b>                                                             |                            |                          |                            |                          |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 89,255                  | \$ 1,233                 | \$ 12,311                  | \$ 439                   |
| State and political subdivisions                                                      | 127,202                    | 2,166                    | 80,886                     | 4,684                    |
| Residential mortgage-backed securities                                                |                            |                          |                            |                          |
| Agency                                                                                | 612,343                    | 15,591                   | 300,669                    | 14,610                   |
| Non-agency                                                                            | 0                          | 0                        | 0                          | 0                        |
| Commercial mortgage-backed securities                                                 |                            |                          |                            |                          |
| Agency                                                                                | 318,487                    | 7,693                    | 209,241                    | 5,937                    |
| Asset-backed securities                                                               | 92,432                     | 386                      | 0                          | 0                        |
| Trust preferred collateralized debt obligations                                       | 0                          | 0                        | 2,225                      | 275                      |
| Single issue trust preferred securities                                               | 0                          | 0                        | 4,950                      | 771                      |
| Other corporate securities                                                            | 78,095                     | 1,139                    | 0                          | 0                        |
| <b>Total</b>                                                                          | <b>\$ 1,317,814</b>        | <b>\$ 28,208</b>         | <b>\$ 610,282</b>          | <b>\$ 26,716</b>         |

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

The following table shows the proceeds from maturities, sales and calls of available for sale securities and the gross realized gains and losses on sales and calls of those securities that have been included in earnings as a result of those sales and calls. Gains or losses on sales and calls of available for sale securities were recognized by the specific identification method. The realized losses relate to sales of securities within a rabbi trust for the payment of benefits

under a deferred compensation plan for certain key officers of United and its subsidiaries.

|                               | <b>Three Months Ended<br/>September 30</b> |             | <b>Nine Months Ended<br/>September 30</b> |             |
|-------------------------------|--------------------------------------------|-------------|-------------------------------------------|-------------|
|                               | <b>2018</b>                                | <b>2017</b> | <b>2018</b>                               | <b>2017</b> |
| Proceeds from sales and calls | \$ 109,093                                 | \$ 64,257   | \$ 283,953                                | \$ 631,561  |
| Gross realized gains          | 93                                         | 1,781       | 1,314                                     | 2,840       |
| Gross realized losses         | 207                                        | 1,314       | 1,604                                     | 1,396       |

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At September 30, 2018, gross unrealized losses on available for sale securities were \$54,924 on 733 securities of a total portfolio of 865 available for sale securities. Securities in an unrealized loss position at September 30, 2018 consisted primarily of state and political subdivision securities, and agency commercial and residential mortgage-backed securities. The state and political subdivisions securities relate to securities issued by various municipalities. The agency commercial and residential mortgage-backed securities relate to commercial and residential properties and provide a guaranty of full and timely payments of principal and interest by the issuing agency.

In determining whether or not a security is other-than-temporarily impaired (OTTI), management considered the severity and the duration of the loss in conjunction with United's positive intent and the more likely than not ability to hold these securities to recovery of their cost basis or maturity.

### *State and political subdivisions*

United's state and political subdivisions portfolio relates to securities issued by various municipalities located throughout the United States. The total amortized cost of available for sale state and political subdivision securities was \$258,656 million at September 30, 2018. As of September 30, 2018, approximately 76% of the portfolio was supported by the general obligation of the issuing municipality, which allows for the securities to be repaid by any means available to the municipality. The majority of the portfolio was rated AA or higher, and less than one percent of the portfolio was rated below investment grade as of September 30, 2018. In addition to monitoring the credit ratings of these securities, management also evaluates the financial performance of the underlying issuers on an ongoing basis. Based upon management's analysis and judgment, it was determined that none of the state and political subdivision securities were other-than-temporarily impaired at September 30, 2018.

### *Agency mortgage-backed securities*

United's agency mortgage-backed securities portfolio relates to securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae. The total amortized cost of available for sale agency mortgage-backed securities was \$1,530,518 at September 30, 2018. Of the \$1,530,518 amount, \$557,211 was related to agency commercial mortgage-backed securities and \$973,307 was related to agency residential mortgage-backed securities. Each of the agency mortgage-backed securities provides a guarantee of full and timely payments of principal and interest by the issuing agency. Based upon management's analysis and judgment, it was determined that none of the agency mortgage-backed securities were other-than-temporarily impaired at September 30, 2018.

### *Non-agency residential mortgage-backed securities*

United's non-agency residential mortgage-backed securities portfolio relates to securities of various private label issuers. The total amortized cost of available for sale non-agency residential mortgage-backed securities was \$4,086 at September 30, 2018. Of the \$4,086 amount, \$170 was rated above investment grade and \$3,916 was rated below investment grade. The entire portfolio of the non-agency residential mortgage-backed securities are either the senior or super-senior tranches of their respective structure. Based upon management's analysis and judgment, it was determined that none of the non-agency mortgage-backed securities were other-than-temporarily impaired at September 30, 2018.

### *Single issue trust preferred securities*

The majority of United's single issue trust preferred portfolio consists of obligations from large cap banks (i.e. banks with market capitalization in excess of \$10 billion). Management reviews each issuer's current and projected earnings trends, asset quality, capitalization levels, and other key factors. Upon completing the review for the third



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quarter of 2018, it was determined that none of the single issue trust preferred securities were other-than-temporarily impaired. All single issue trust preferred securities are currently receiving interest payments. The amortized cost of available for sale single issue trust preferred securities as of September 30, 2018 consisted of \$3,028 in investment grade bonds and \$5,720 in unrated bonds. The investment grade bonds were rated BBB-. All of the unrated bonds were in an unrealized loss position for twelve months or longer as of September 30, 2018.

*Trust preferred collateralized debt obligations (Trup Cdos)*

The total amortized cost balance of United's Trup Cdo portfolio was \$6,176 as of September 30, 2018. For any securities in an unrealized loss position, the Company first assesses its intentions regarding any sale of securities as well as the likelihood that it would be required to sell prior to recovery of the amortized cost. As of September 30, 2018, the Company has determined that it does not intend to sell any Trup Cdo and that it is not more likely than not that the Company will be required to sell such securities before recovery of their amortized cost.

To determine a net realizable value and assess whether other-than-temporary impairment existed, management performed detailed cash flow analysis to determine whether, in management's judgment, it was more likely that United would not recover the entire amortized cost basis of the security. Except for the debt securities that have already been deemed to be other-than-temporarily impaired, management does not believe any other individual security with an unrealized loss as of September 30, 2018 is other-than-temporarily impaired.

*Corporate securities*

As of September 30, 2018, United's Corporate securities portfolio had a total amortized cost balance of \$96,113. The majority of the portfolio consisted of debt issuances of corporations representing a variety of industries, including financial institutions. Of the \$96,113, 78% was investment grade rated and 22% was unrated. For corporate securities, management has evaluated the near-term prospects of the investment in relation to the severity and duration of any impairment and based on that evaluation, management determined that no corporate securities were other-than-temporarily impaired at September 30, 2018.

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

|                                                              | <b>Three Months<br/>Ended<br/>September 30</b> |             | <b>Nine Months Ended<br/>September 30</b> |             |
|--------------------------------------------------------------|------------------------------------------------|-------------|-------------------------------------------|-------------|
|                                                              | <b>2018</b>                                    | <b>2017</b> | <b>2018</b>                               | <b>2017</b> |
| Balance of cumulative credit losses at beginning of period   | \$ 3,199                                       | \$ 22,162   | \$ 18,060                                 | \$ 22,162   |
| Reductions for securities sold or paid off during the period | 0                                              | (4,102)     | (14,861)                                  | (4,102)     |
| Balance of cumulative credit losses at end of period         | \$ 3,199                                       | \$ 18,060   | \$ 3,199                                  | \$ 18,060   |

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

|                                        | <b>September 30, 2018</b> |                                 | <b>December 31, 2017</b>  |                                 |
|----------------------------------------|---------------------------|---------------------------------|---------------------------|---------------------------------|
|                                        | <b>Amortized<br/>Cost</b> | <b>Estimated<br/>Fair Value</b> | <b>Amortized<br/>Cost</b> | <b>Estimated<br/>Fair Value</b> |
| Due in one year or less                | \$ 76,698                 | \$ 76,346                       | \$ 50,311                 | \$ 50,212                       |
| Due after one year through five years  | 500,052                   | 490,797                         | 386,039                   | 384,585                         |
| Due after five years through ten years | 466,155                   | 451,981                         | 400,129                   | 398,208                         |
| Due after ten years                    | 1,187,979                 | 1,159,443                       | 1,054,493                 | 1,045,873                       |
| Marketable equity securities           | 0                         | 0                               | 9,712                     | 9,878                           |
| Total                                  | \$ 2,230,884              | \$ 2,178,567                    | \$ 1,900,684              | \$ 1,888,756                    |

**Table of Contents****Securities Held to Maturity**

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

|                                                  |                           | <b>September 30, 2018</b>             |                                        |                                     |
|--------------------------------------------------|---------------------------|---------------------------------------|----------------------------------------|-------------------------------------|
|                                                  | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Estimated<br/>Fair<br/>Value</b> |
| U.S. Treasury securities and obligations of U.S. |                           |                                       |                                        |                                     |
| Government corporations and agencies             | \$ 5,103                  | \$ 132                                | \$ 0                                   | \$ 5,235                            |
| State and political subdivisions                 | 5,798                     | 8                                     | 1                                      | 5,805                               |
| Residential mortgage-backed securities           |                           |                                       |                                        |                                     |
| Agency                                           | 21                        | 2                                     | 0                                      | 23                                  |
| Single issue trust preferred securities          | 9,409                     | 0                                     | 873                                    | 8,536                               |
| Other corporate securities                       | 20                        | 0                                     | 0                                      | 20                                  |
| <b>Total</b>                                     | <b>\$ 20,351</b>          | <b>\$ 142</b>                         | <b>\$ 874</b>                          | <b>\$ 19,619</b>                    |

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

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 September 30, 2018, the Company's largest held-to-maturity single-issue trust preferred exposure was to SunTrust Bank (\$7,432). The two held-to-maturity single-issue trust preferred exposures with at least one rating below investment grade included SunTrust Bank (\$7,432) and Royal Bank of Scotland (\$977).

There were no gross realized gains or losses on calls and sales of held to maturity securities included in earnings for the third quarter and first nine months of 2018 and 2017.

The amortized cost and estimated fair value of debt securities held to maturity at September 30, 2018 and December 31, 2017 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.



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|                                        | <b>September 30, 2018</b> |                  | <b>December 31, 2017</b> |                  |
|----------------------------------------|---------------------------|------------------|--------------------------|------------------|
|                                        | <b>Amortized</b>          | <b>Estimated</b> | <b>Amortized</b>         | <b>Estimated</b> |
|                                        | <b>Cost</b>               | <b>Fair</b>      | <b>Cost</b>              | <b>Fair</b>      |
|                                        |                           | <b>Value</b>     |                          | <b>Value</b>     |
| Due in one year or less                | \$ 7,103                  | \$ 7,235         | \$ 0                     | \$ 0             |
| Due after one year through five years  | 2,158                     | 2,163            | 9,344                    | 9,660            |
| Due after five years through ten years | 8,093                     | 7,610            | 5,663                    | 5,343            |
| Due after ten years                    | 2,997                     | 2,611            | 5,421                    | 5,015            |
| <b>Total</b>                           | <b>\$ 20,351</b>          | <b>\$ 19,619</b> | <b>\$ 20,428</b>         | <b>\$ 20,018</b> |

**Equity securities at fair value**

Equity securities consist mainly of equity securities of financial institutions and mutual funds within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. The fair value of United's equity securities was \$9,845 at September 30, 2018. Prior to the adoption of ASU No. 2016-01 on January 1, 2018, equity securities were included in available for sale securities.

|                                                                                              | <b>Three<br/>Months<br/>Ended<br/>September 30,<br/>2018</b> | <b>Nine<br/>Months<br/>Ended<br/>September 30,<br/>2018</b> |
|----------------------------------------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------|
| Net losses recognized during the period                                                      | \$ (38)                                                      | \$ (102)                                                    |
| Net losses recognized during the period on equity securities sold                            | (2)                                                          | (4)                                                         |
| Unrealized gains recognized during the period on equity securities still held at period end  | 0                                                            | 50                                                          |
| Unrealized losses recognized during the period on equity securities still held at period end | 36                                                           | 148                                                         |

**Other investment securities**

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

The carrying value of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law, approximated \$1,999,152 and \$1,403,565 at September 30, 2018 and December 31, 2017, respectively.

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

Major classes of loans are as follows:

|                                                       | <b>September 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|-------------------------------------------------------|-------------------------------|------------------------------|
| Commercial, financial and agricultural:               |                               |                              |
| Owner-occupied commercial real estate                 | \$ 1,336,434                  | \$ 1,361,629                 |
| Nonowner-occupied commercial real estate              | 4,341,501                     | 4,451,298                    |
| Other commercial loans                                | 1,932,919                     | 1,998,979                    |
| <b>Total commercial, financial &amp; agricultural</b> | <b>7,610,854</b>              | <b>7,811,906</b>             |
| Residential real estate                               | 3,387,268                     | 2,996,171                    |
| Construction & land development                       | 1,379,985                     | 1,504,907                    |
| Consumer:                                             |                               |                              |
| Bankcard                                              | 9,530                         | 10,314                       |
| Other consumer                                        | 899,074                       | 704,039                      |
| <b>Total gross loans</b>                              | <b>\$ 13,286,711</b>          | <b>\$ 13,027,337</b>         |

The table above does not include loans held for sale of \$234,196 and \$265,955 at September 30, 2018 and December 31, 2017, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

The outstanding balances in the table above include previously acquired impaired loans with a recorded investment of \$155,526 or 1.17% of total gross loans at September 30, 2018 and \$210,521 or 1.62% of total gross loans at December 31, 2017. The contractual principal in these acquired impaired loans was \$205,034 and \$285,964 at September 30, 2018 and December 31, 2017, respectively. The balances above do not include future accretable net interest (i.e. the difference between the undiscounted expected cash flows and the recorded investment in the loan) on the acquired impaired loans.

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

|                                                                 |                  |
|-----------------------------------------------------------------|------------------|
| Accretable yield at the beginning of the period                 | \$ 39,098        |
| Accretion (including cash recoveries)                           | (8,371)          |
| Additions                                                       | 691              |
| Net reclassifications to accretable from non-accretable         | 9,112            |
| Disposals (including maturities, foreclosures, and charge-offs) | (3,323)          |
| <b>Accretable yield at the end of the period</b>                | <b>\$ 37,207</b> |

United's subsidiary bank has made loans to the directors and officers of United and its subsidiaries, and to their affiliates. The aggregate dollar amount of these loans was \$25,826 and \$36,360 at September 30, 2018 and December 31, 2017, respectively.



**Table of Contents****5. CREDIT QUALITY**

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

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when collection in full of the principal and interest is jeopardized, the loan is placed on nonaccrual status. The accrual of interest income on commercial and most consumer loans generally is discontinued when a loan becomes 90 to 120 days past due as to principal or interest. However, regardless of delinquency status, if a loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days), then the loan will not be placed on nonaccrual status. When interest accruals are discontinued, unpaid interest recognized in 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 September 30, 2018, United had TDRs of \$63,626 as compared to \$50,129 as of December 31, 2017. Of the \$63,626 aggregate balance of TDRs at September 30, 2018, \$50,974 was on nonaccrual, \$85 were 90 days or more past due and \$1,778 were 30 to 89 days past due. Of the \$50,129 aggregate balance of TDRs at December 31, 2017, \$30,868 was on nonaccrual, \$95 were 90 days or more past due and \$1,254 were 30 to 89 days past due. All these amounts are included in the appropriate categories in the Age Analysis of Past Due Loans table on a subsequent page. As of September 30, 2018, there were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in TDRs. At September 30, 2018, United had restructured loans in the amount of \$1,646 that were modified by a reduction in the interest rate, \$1,849 that were modified by a combination of a reduction in the interest rate and the principal and \$60,131 that were modified by a change in terms.

A loan acquired and accounted for under ASC Topic 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality is reported as an accruing loan and a performing asset unless it does not perform in accordance with its restructured contractual provisions.

The following table sets forth United's troubled debt restructurings that have been restructured during the three months ended September 30, 2018, segregated by class of loans. No loans were restructured during the three months ended September 30, 2017.

| <b>Troubled Debt Restructurings<br/>For the Three Months Ended<br/>September 30, 2018</b> |                                         |                               |
|-------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------|
| <b>Number<br/>of</b>                                                                      | <b>Pre-Modification<br/>Outstanding</b> | <b>Post-<br/>Modification</b> |

|                                 | <b>Contracts</b> | <b>Recorded<br/>Investment</b> | <b>Outstanding<br/>Recorded<br/>Investment</b> |
|---------------------------------|------------------|--------------------------------|------------------------------------------------|
| <b>Commercial real estate:</b>  |                  |                                |                                                |
| Owner-occupied                  | 0                | \$ 0                           | \$ 0                                           |
| Nonowner-occupied               | 0                | 0                              | 0                                              |
| Other commercial                | 5                | 7,420                          | 7,364                                          |
| Residential real estate         | 1                | 272                            | 272                                            |
| Construction & land development | 0                | 0                              | 0                                              |
| <b>Consumer:</b>                |                  |                                |                                                |
| Bankcard                        | 0                | 0                              | 0                                              |
| Other consumer                  | 0                | 0                              | 0                                              |
| <b>Total</b>                    | <b>6</b>         | <b>\$ 7,692</b>                | <b>\$ 7,636</b>                                |

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

|                                 | <b>Troubled Debt Restructurings<br/>For the Nine Months Ended</b> |                                        |                  |                            |                                        |                  |
|---------------------------------|-------------------------------------------------------------------|----------------------------------------|------------------|----------------------------|----------------------------------------|------------------|
|                                 | <b>September 30, 2018</b>                                         |                                        |                  | <b>September 30, 2017</b>  |                                        |                  |
|                                 | <b>Pre-Modification</b>                                           | <b>Post-Modification</b>               |                  | <b>Pre-Modification</b>    | <b>Post-Modification</b>               |                  |
|                                 | <b>Number of Contracts</b>                                        | <b>Outstanding Recorded Investment</b> |                  | <b>Number of Contracts</b> | <b>Outstanding Recorded Investment</b> |                  |
| Commercial real estate:         |                                                                   |                                        |                  |                            |                                        |                  |
| Owner-occupied                  | 0                                                                 | \$ 0                                   | \$ 0             | 1                          | \$ 5,333                               | \$ 5,333         |
| Nonowner-occupied               | 0                                                                 | 0                                      | 0                | 0                          | 0                                      | 0                |
| Other commercial                | 9                                                                 | 16,992                                 | 16,890           | 8                          | 24,102                                 | 22,291           |
| Residential real estate         | 3                                                                 | 7,225                                  | 7,225            | 0                          | 0                                      | 0                |
| Construction & land development | 0                                                                 | 0                                      | 0                | 1                          | 1,456                                  | 1,400            |
| Consumer:                       |                                                                   |                                        |                  |                            |                                        |                  |
| Bankcard                        | 0                                                                 | 0                                      | 0                | 0                          | 0                                      | 0                |
| Other consumer                  | 0                                                                 | 0                                      | 0                | 0                          | 0                                      | 0                |
| <b>Total</b>                    | <b>12</b>                                                         | <b>\$ 24,217</b>                       | <b>\$ 24,115</b> | <b>10</b>                  | <b>\$ 30,891</b>                       | <b>\$ 29,024</b> |

During the third quarter and first nine months of 2018, \$7,636 and \$24,115 of restructured loans were modified by a change in loan terms. During the first nine months of 2017, \$29,024 of restructured loans were modified by a change in loan terms. In some instances, the post-modification balance on the restructured loans is larger than the pre-modification balance due to the advancement of monies for items such as delinquent taxes on real estate property. The loans were evaluated individually for allocation within United's allowance for loan losses. The modifications had an immaterial impact on the financial condition and results of operations for United.

The following table presents troubled debt restructurings, by class of loan, that had charge-offs during the three months and nine months ended September 30, 2018.

|                                     | <b>Three Months Ended<br/>September 30, 2018</b> |                            | <b>Nine Months Ended<br/>September 30, 2018</b> |                            |
|-------------------------------------|--------------------------------------------------|----------------------------|-------------------------------------------------|----------------------------|
|                                     | <b>Number of Contracts</b>                       | <b>Recorded Investment</b> | <b>Number of Contracts</b>                      | <b>Recorded Investment</b> |
| (In thousands)                      |                                                  |                            |                                                 |                            |
| <b>Troubled Debt Restructurings</b> |                                                  |                            |                                                 |                            |
| Commercial real estate:             |                                                  |                            |                                                 |                            |
| Owner-occupied                      | 0                                                | \$ 0                       | 0                                               | \$ 0                       |
| Nonowner-occupied                   | 0                                                | 0                          | 0                                               | 0                          |

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|                                 |   |        |   |        |
|---------------------------------|---|--------|---|--------|
| Other commercial                | 1 | 622    | 1 | 622    |
| Residential real estate         | 0 | 0      | 0 | 0      |
| Construction & land development | 0 | 0      | 0 | 0      |
| Consumer:                       |   |        |   |        |
| Bankcard                        | 0 | 0      | 0 | 0      |
| Other consumer                  | 0 | 0      | 0 | 0      |
| Total                           | 1 | \$ 622 | 1 | \$ 622 |

No loans restructured during the twelve-month period ended September 30, 2017 subsequently defaulted, resulting in a principal charge-off during the three months and first nine months ended September 30, 2017.

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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 September 30, 2018**

|                                 | <b>30-89<br/>Days<br/>Past<br/>Due</b> | <b>90 Days<br/>or<br/>more<br/>Past<br/>Due</b> | <b>Total<br/>Past<br/>Due</b> | <b>Current &amp;<br/>Other (1)</b> | <b>Total<br/>Financing<br/>Receivables</b> | <b>Recorded<br/>Investment<br/>&gt;90 Days &amp;<br/>Accruing</b> |
|---------------------------------|----------------------------------------|-------------------------------------------------|-------------------------------|------------------------------------|--------------------------------------------|-------------------------------------------------------------------|
| <b>Commercial real estate:</b>  |                                        |                                                 |                               |                                    |                                            |                                                                   |
| Owner-occupied                  | \$ 11,089                              | \$ 18,009                                       | \$ 29,098                     | \$ 1,307,336                       | \$ 1,336,434                               | \$ 1,431                                                          |
| Nonowner-occupied               | 17,182                                 | 17,557                                          | 34,739                        | 4,306,762                          | 4,341,501                                  | 2,015                                                             |
| Other commercial                | 7,413                                  | 49,467                                          | 56,880                        | 1,876,039                          | 1,932,919                                  | 1,326                                                             |
| Residential real estate         | 35,646                                 | 30,519                                          | 66,165                        | 3,321,103                          | 3,387,268                                  | 9,941                                                             |
| Construction & land development | 3,406                                  | 17,069                                          | 20,475                        | 1,359,510                          | 1,379,985                                  | 642                                                               |
| <b>Consumer:</b>                |                                        |                                                 |                               |                                    |                                            |                                                                   |
| Bankcard                        | 649                                    | 177                                             | 826                           | 8,704                              | 9,530                                      | 177                                                               |
| Other consumer                  | 7,874                                  | 763                                             | 8,637                         | 890,437                            | 899,074                                    | 502                                                               |
| <b>Total</b>                    | <b>\$ 83,259</b>                       | <b>\$ 133,561</b>                               | <b>\$ 216,820</b>             | <b>\$ 13,069,891</b>               | <b>\$ 13,286,711</b>                       | <b>\$ 16,034</b>                                                  |

- (1) Other includes loans with a recorded investment of \$155,526 acquired and accounted for under ASC Topic 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality.

**Age Analysis of Past Due Loans****As of December 31, 2017**

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

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

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

| <b>Loans on Nonaccrual Status</b> |                               |                              |
|-----------------------------------|-------------------------------|------------------------------|
|                                   | <b>September 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
| Commercial real estate:           |                               |                              |
| Owner-occupied                    | \$ 16,578                     | \$ 13,205                    |
| Nonowner-occupied                 | 15,542                        | 19,814                       |
| Other commercial                  | 48,141                        | 67,536                       |
| Residential real estate           | 20,578                        | 22,118                       |
| Construction & land development   | 16,427                        | 16,805                       |
| Consumer:                         |                               |                              |
| Bankcard                          | 0                             | 0                            |
| Other consumer                    | 261                           | 193                          |
| Total                             | \$ 117,527                    | \$ 139,671                   |

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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 generally considered special mention.

A substandard loan with a corporate credit exposure is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt by the borrower. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. They require more intensive supervision by management. Substandard loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants. For some substandard loans, the likelihood of full collection of interest and principal may be in doubt and thus, placed on nonaccrual. For loans with a consumer credit exposure, loans that are 90 days or more past due or that have been placed on nonaccrual are considered substandard.

A loan with corporate credit exposure is classified as doubtful if it has all the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the loan, its classification as loss is deferred. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain an operating entity. Pending events can include mergers, acquisitions, liquidations, capital injections, the perfection of liens on additional collateral, the valuation of collateral, and refinancing. Generally, there are not any loans with a consumer credit exposure that are classified as doubtful. Usually, they are charged-off prior to such a classification. Loans classified as doubtful are also considered impaired.

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

**Credit Quality Indicators**

## Corporate Credit Exposure

**As of September 30, 2018**

|                 | Commercial Real Estate |                   |                  | Construction & Land Development |
|-----------------|------------------------|-------------------|------------------|---------------------------------|
|                 | Owner-occupied         | Nonowner-occupied | Other Commercial |                                 |
| Grade:          |                        |                   |                  |                                 |
| Pass            | \$ 1,266,769           | \$ 4,197,966      | \$ 1,827,465     | \$ 1,302,968                    |
| Special mention | 15,221                 | 60,293            | 13,528           | 4,715                           |
| Substandard     | 54,444                 | 83,242            | 90,023           | 72,302                          |
| Doubtful        | 0                      | 0                 | 1,903            | 0                               |
| Total           | \$ 1,336,434           | \$ 4,341,501      | \$ 1,932,919     | \$ 1,379,985                    |

**As of December 31, 2017**

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

**Credit Quality Indicators**

## Consumer Credit Exposure

**As of September 30, 2018**

|                 | Residential Real Estate | Bankcard | Other Consumer |
|-----------------|-------------------------|----------|----------------|
| Grade:          |                         |          |                |
| Pass            | \$ 3,322,863            | \$ 8,704 | \$ 890,411     |
| Special mention | 17,309                  | 649      | 7,879          |

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|             |        |     |     |
|-------------|--------|-----|-----|
| Substandard | 47,096 | 177 | 784 |
| Doubtful    | 0      | 0   | 0   |

|       |              |          |            |
|-------|--------------|----------|------------|
| Total | \$ 3,387,268 | \$ 9,530 | \$ 899,074 |
|-------|--------------|----------|------------|

**As of December 31, 2017**

|                 | Residential<br>Real Estate | Bankcard | Other<br>Consumer |
|-----------------|----------------------------|----------|-------------------|
| <b>Grade:</b>   |                            |          |                   |
| Pass            | \$ 2,945,266               | \$ 9,679 | \$ 693,727        |
| Special mention | 18,025                     | 449      | 9,334             |
| Substandard     | 32,880                     | 186      | 978               |
| Doubtful        | 0                          | 0        | 0                 |

|       |              |           |            |
|-------|--------------|-----------|------------|
| Total | \$ 2,996,171 | \$ 10,314 | \$ 704,039 |
|-------|--------------|-----------|------------|

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

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consider loans for impairment unless a sustained period of delinquency (i.e. 90 days or more) is noted or there are subsequent events that impact repayment probability (i.e. negative financial trends, bankruptcy filings, eminent foreclosure proceedings, etc.). Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. Consistent with United's existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

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

|                                            | Impaired Loans     |           |           |                   |           |           |
|--------------------------------------------|--------------------|-----------|-----------|-------------------|-----------|-----------|
|                                            | September 30, 2018 |           |           | December 31, 2017 |           |           |
|                                            | Recorded           | Unpaid    | Related   | Recorded          | Unpaid    | Related   |
|                                            | Investment         | Principal | Allowance | Investment        | Principal | Allowance |
| <b>With no related allowance recorded:</b> |                    |           |           |                   |           |           |
| Commercial real estate:                    |                    |           |           |                   |           |           |
| Owner-occupied                             | \$ 58,367          | \$ 58,532 | \$ 0      | \$ 78,117         | \$ 78,419 | \$ 0      |
| Nonowner-occupied                          | 98,912             | 98,971    | 0         | 134,136           | 134,195   | 0         |
| Other commercial                           | 60,602             | 63,069    | 0         | 46,993            | 49,552    | 0         |
| Residential real estate                    | 33,190             | 34,041    | 0         | 26,751            | 28,202    | 0         |
| Construction & land development            | 36,576             | 40,673    | 0         | 52,279            | 59,691    | 0         |
| Consumer:                                  |                    |           |           |                   |           |           |
| Bankcard                                   | 0                  | 0         | 0         | 0                 | 0         | 0         |
| Other consumer                             | 23                 | 23        | 0         | 15                | 15        | 0         |
| <b>With an allowance recorded:</b>         |                    |           |           |                   |           |           |
| Commercial real estate:                    |                    |           |           |                   |           |           |
| Owner-occupied                             | \$ 9,990           | \$ 9,990  | \$ 2,560  | \$ 9,132          | \$ 9,132  | \$ 2,251  |
| Nonowner-occupied                          | 14,468             | 14,468    | 2,683     | 7,797             | 7,797     | 1,592     |
| Other commercial                           | 50,454             | 59,052    | 16,500    | 60,512            | 70,396    | 16,721    |
| Residential real estate                    | 17,853             | 19,295    | 3,115     | 9,813             | 10,418    | 1,552     |
| Construction & land development            | 16,816             | 19,470    | 2,494     | 1,383             | 1,383     | 229       |
| Consumer:                                  |                    |           |           |                   |           |           |
| Bankcard                                   | 0                  | 0         | 0         | 0                 | 0         | 0         |
| Other consumer                             | 0                  | 0         | 0         | 0                 | 0         | 0         |
| <b>Total:</b>                              |                    |           |           |                   |           |           |
| Commercial real estate:                    |                    |           |           |                   |           |           |
| Owner-occupied                             | \$ 68,357          | \$ 68,522 | \$ 2,560  | \$ 87,249         | \$ 87,551 | \$ 2,251  |
| Nonowner-occupied                          | 113,380            | 113,439   | 2,683     | 141,933           | 141,992   | 1,592     |
| Other commercial                           | 111,056            | 122,121   | 16,500    | 107,505           | 119,948   | 16,721    |
| Residential real estate                    | 51,043             | 53,336    | 3,115     | 36,564            | 38,620    | 1,552     |
| Construction & land development            | 53,392             | 60,143    | 2,494     | 53,662            | 61,074    | 229       |
| Consumer:                                  |                    |           |           |                   |           |           |
| Bankcard                                   | 0                  | 0         | 0         | 0                 | 0         | 0         |
| Other consumer                             | 23                 | 23        | 0         | 15                | 15        | 0         |



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| Impaired Loans                             |                    |            |                    |            |
|--------------------------------------------|--------------------|------------|--------------------|------------|
| For the Three Months Ended                 |                    |            |                    |            |
|                                            | September 30, 2018 |            | September 30, 2017 |            |
|                                            | Average            | Interest   | Average            | Interest   |
|                                            | Recorded           | Income     | Recorded           | Income     |
|                                            | Investment         | Recognized | Investment         | Recognized |
| <b>With no related allowance recorded:</b> |                    |            |                    |            |
| Commercial real estate:                    |                    |            |                    |            |
| Owner-occupied                             | \$ 65,625          | \$ 365     | \$ 74,111          | \$ 374     |
| Nonowner-occupied                          | 99,005             | 311        | 148,753            | 178        |
| Other commercial                           | 56,489             | 313        | 57,302             | 148        |
| Residential real estate                    | 28,753             | 144        | 21,772             | 58         |
| Construction & land development            | 41,036             | 278        | 42,240             | 348        |
| Consumer:                                  |                    |            |                    |            |
| Bankcard                                   | 0                  | 0          | 0                  | 0          |
| Other consumer                             | 23                 | 0          | 25                 | 0          |
| <b>With an allowance recorded:</b>         |                    |            |                    |            |
| Commercial real estate:                    |                    |            |                    |            |
| Owner-occupied                             | \$ 7,378           | \$ 6       | \$ 11,442          | \$ 78      |
| Nonowner-occupied                          | 12,465             | 189        | 13,111             | 10         |
| Other commercial                           | 47,563             | 305        | 71,886             | 42         |
| Residential real estate                    | 14,975             | 57         | 15,276             | 16         |
| Construction & land development            | 9,408              | 20         | 1,602              | 21         |
| Consumer:                                  |                    |            |                    |            |
| Bankcard                                   | 0                  | 0          | 0                  | 0          |
| Other consumer                             | 0                  | 0          | 0                  | 0          |
| <b>Total:</b>                              |                    |            |                    |            |
| Commercial real estate:                    |                    |            |                    |            |
| Owner-occupied                             | \$ 73,003          | \$ 371     | \$ 85,553          | \$ 452     |
| Nonowner-occupied                          | 111,470            | 500        | 161,864            | 188        |
| Other commercial                           | 104,052            | 618        | 129,188            | 190        |
| Residential real estate                    | 43,728             | 201        | 37,048             | 74         |
| Construction & land development            | 50,444             | 298        | 43,842             | 369        |
| Consumer:                                  |                    |            |                    |            |
| Bankcard                                   | 0                  | 0          | 0                  | 0          |
| Other consumer                             | 23                 | 0          | 25                 | 0          |

| Impaired Loans                             |                    |            |                    |            |
|--------------------------------------------|--------------------|------------|--------------------|------------|
| For the Nine Months Ended                  |                    |            |                    |            |
|                                            | September 30, 2018 |            | September 30, 2017 |            |
|                                            | Average            | Interest   | Average            | Interest   |
|                                            | Recorded           | Income     | Recorded           | Income     |
|                                            | Investment         | Recognized | Investment         | Recognized |
| <b>With no related allowance recorded:</b> |                    |            |                    |            |
| Commercial real estate:                    |                    |            |                    |            |
| Owner-occupied                             | \$ 69,009          | \$ 1,101   | \$ 70,477          | \$ 1,227   |
| Nonowner-occupied                          | 105,199            | 928        | 121,811            | 551        |

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|                                    |           |          |           |          |
|------------------------------------|-----------|----------|-----------|----------|
| Other commercial                   | 55,124    | 1,020    | 57,047    | 632      |
| Residential real estate            | 27,210    | 501      | 21,397    | 219      |
| Construction & land development    | 43,464    | 707      | 40,344    | 1,046    |
| Consumer:                          |           |          |           |          |
| Bankcard                           | 0         | 0        | 0         | 0        |
| Other consumer                     | 29        | 0        | 29        | 0        |
| <b>With an allowance recorded:</b> |           |          |           |          |
| Commercial real estate:            |           |          |           |          |
| Owner-occupied                     | \$ 6,876  | \$ 18    | \$ 12,141 | \$ 393   |
| Nonowner-occupied                  | 11,158    | 251      | 13,492    | 108      |
| Other commercial                   | 47,736    | 380      | 71,736    | 685      |
| Residential real estate            | 13,946    | 247      | 14,904    | 58       |
| Construction & land development    | 6,944     | 60       | 2,195     | 63       |
| Consumer:                          |           |          |           |          |
| Bankcard                           | 0         | 0        | 0         | 0        |
| Other consumer                     | 0         | 0        | 0         | 0        |
| <b>Total:</b>                      |           |          |           |          |
| Commercial real estate:            |           |          |           |          |
| Owner-occupied                     | \$ 75,885 | \$ 1,119 | \$ 82,618 | \$ 1,620 |
| Nonowner-occupied                  | 116,357   | 1,179    | 135,303   | 659      |
| Other commercial                   | 102,860   | 1,400    | 128,783   | 1,317    |
| Residential real estate            | 41,156    | 748      | 36,301    | 277      |
| Construction & land development    | 50,408    | 767      | 42,539    | 1,109    |
| Consumer:                          |           |          |           |          |
| Bankcard                           | 0         | 0        | 0         | 0        |
| Other consumer                     | 29        | 0        | 29        | 0        |

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At September 30, 2018 and December 31, 2017, other real estate owned ( OREO ) included in other assets in the Consolidated Balance Sheets was \$18,786 and \$24,348, respectively. OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried at the lower of the investment in the assets or the fair value of the assets less estimated selling costs. Any adjustment to the fair value at the date of transfer is charged against the allowance for loan losses. Any subsequent valuation adjustments as well as any costs relating to operating, holding or disposing of the property are recorded in other expense in the period incurred. At September 30, 2018 and December 31, 2017, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was \$569 and \$873, respectively.

## **6. ALLOWANCE FOR CREDIT LOSSES**

The allowance for loan losses is management's estimate of the probable credit losses inherent in the loan portfolio. For purposes of determining the general allowance, the loan portfolio is segregated by product type to recognize differing risk profiles among categories. It is further segregated by credit grade for non-homogenous loan pools and delinquency for homogeneous loan pools. The outstanding principal balance within each pool is multiplied by historical loss data, the loss emergence period (which is the period of time between the event that triggers a loss and the confirmation and/or charge off of that loss) and certain qualitative factors to derive the general loss allocation per pool. Specific loss allocations are calculated for commercial loans in excess of \$500,000 in accordance with ASC Topic 310. Risk characteristics of owner-occupied commercial real estate loans and other commercial loans are similar in that they are normally dependent upon the borrower's internal cash flow from operations to service debt. Nonowner-occupied commercial real estate loans differ in that cash flow to service debt is normally dependent on external income from third parties for use of the real estate such as rents, leases and room rates. Residential real estate loans are dependent upon individual borrowers who are affected by changes in general economic conditions, demand for housing and resulting residential real estate valuation. Construction and land development loans are impacted mainly by demand whether for new residential housing or for retail, industrial, office and other types of commercial construction within a given area. Consumer loan pool risk characteristics are influenced by general, regional and local economic conditions.

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

For consumer loans, closed-end retail loans that are past due 120 cumulative days delinquent from the contractual due date and open-end loans 180 cumulative days delinquent from the contractual due date are charged-off. Any

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

For loans acquired through the completion of a transfer, including loans acquired in a business combination, that have evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that United will be unable to collect all contractually required payments receivable are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the investment in the loan, or the 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). For the three and nine months ended September 30, 2018, the re-estimation of the expected cash flows related to loans acquired that have evidence of deterioration of credit quality resulted in provision for loan losses expense of \$924 and \$3,004, respectively, as compared to a reversal of provision for loan losses expense of \$43 and \$415, respectively, for the three and nine months ended September 30, 2017.

United maintains an allowance for loan losses and a reserve for lending-related commitments such as unfunded loan commitments and letters of credit. The reserve for lending-related commitments of \$1,144 and \$679 at September 30, 2018 and December 31, 2017, respectively, is separately classified on the balance sheet and is included in other liabilities. The combined allowance for loan losses and reserve for lending-related commitments are referred to as the allowance for credit losses.

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

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

|                                   | <b>Commercial</b>     |                          |                         | <b>Residential</b> |                    | <b>Construction &amp; Land</b> |                 | <b>Allowance for Estimated Imprecision</b> | <b>Total</b> |
|-----------------------------------|-----------------------|--------------------------|-------------------------|--------------------|--------------------|--------------------------------|-----------------|--------------------------------------------|--------------|
|                                   | <b>Owner-occupied</b> | <b>Nonowner-occupied</b> | <b>Other Commercial</b> | <b>Real Estate</b> | <b>Real Estate</b> | <b>Development</b>             | <b>Consumer</b> |                                            |              |
| <b>Allowance for Loan Losses:</b> |                       |                          |                         |                    |                    |                                |                 |                                            |              |
| Beginning balance                 | \$ 3,213              | \$ 6,183                 | \$ 48,191               | \$ 10,380          | \$ 6,592           | \$ 2,419                       | \$ 157          |                                            | \$ 77,135    |
| Charge-offs                       | 1,478                 | 0                        | 4,432                   | 365                | 110                | 659                            | 0               |                                            | 7,044        |
| Recoveries                        | 415                   | 395                      | 394                     | 558                | 134                | 146                            | 0               |                                            | 2,042        |

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|                |          |          |           |           |          |          |        |           |
|----------------|----------|----------|-----------|-----------|----------|----------|--------|-----------|
| Provision      | 2,391    | 22       | 291       | 1,067     | 480      | 575      | (18)   | 4,808     |
| Ending balance | \$ 4,541 | \$ 6,600 | \$ 44,444 | \$ 11,640 | \$ 7,096 | \$ 2,481 | \$ 139 | \$ 76,941 |

**Table of Contents****Allowance for Loan Losses and Carrying Amount of Loans****For the Nine Months Ended September 30, 2018**

|                                                                 | <b>Commercial Real Estate</b> |                          |                         | <b>Residential Construction &amp; Land</b> |                    |                    | <b>Allowance for Estimated Imprecision</b> |               |  | <b>Total</b> |  |
|-----------------------------------------------------------------|-------------------------------|--------------------------|-------------------------|--------------------------------------------|--------------------|--------------------|--------------------------------------------|---------------|--|--------------|--|
|                                                                 | <b>Owner-occupied</b>         | <b>Nonowner-occupied</b> | <b>Other Commercial</b> | <b>Real Estate</b>                         | <b>Development</b> | <b>Consumption</b> |                                            |               |  |              |  |
| <b>Allowance for Loan Losses:</b>                               |                               |                          |                         |                                            |                    |                    |                                            |               |  |              |  |
| Beginning balance                                               | \$ 5,401                      | \$ 6,369                 | \$ 45,189               | \$ 9,927                                   | \$ 7,187           | \$ 2,481           | \$ 73                                      | \$ 76,627     |  |              |  |
| Charge-offs                                                     | 3,221                         | 314                      | 13,095                  | 1,357                                      | 642                | 1,985              | 0                                          | 20,614        |  |              |  |
| Recoveries                                                      | 1,160                         | 548                      | 1,484                   | 916                                        | 145                | 485                | 0                                          | 4,738         |  |              |  |
| Provision                                                       | 1,201                         | (3)                      | 10,866                  | 2,154                                      | 406                | 1,500              | 66                                         | 16,190        |  |              |  |
| Ending balance                                                  | \$ 4,541                      | \$ 6,600                 | \$ 44,444               | \$ 11,640                                  | \$ 7,096           | \$ 2,481           | \$ 139                                     | \$ 76,941     |  |              |  |
| Ending Balance: individually evaluated for impairment           | \$ 2,560                      | \$ 2,683                 | \$ 16,500               | \$ 3,116                                   | \$ 2,494           | \$ 0               | \$ 0                                       | \$ 27,353     |  |              |  |
| Ending Balance: collectively evaluated for impairment           | \$ 1,981                      | \$ 3,917                 | \$ 27,944               | \$ 8,524                                   | \$ 4,602           | \$ 2,481           | \$ 139                                     | \$ 49,588     |  |              |  |
| Ending Balance: loans acquired with deteriorated credit quality | \$ 0                          | \$ 0                     | \$ 0                    | \$ 0                                       | \$ 0               | \$ 0               | \$ 0                                       | \$ 0          |  |              |  |
| <b>Financing receivables:</b>                                   |                               |                          |                         |                                            |                    |                    |                                            |               |  |              |  |
| Ending balance                                                  | \$ 1,336,434                  | \$ 4,341,501             | \$ 1,932,919            | \$ 3,387,268                               | \$ 1,379,985       | \$ 908,604         | \$ 0                                       | \$ 13,286,711 |  |              |  |
| Ending Balance: individually evaluated for impairment           | \$ 29,391                     | \$ 22,768                | \$ 73,544               | \$ 19,994                                  | \$ 16,875          | \$ 0               | \$ 0                                       | \$ 162,572    |  |              |  |
| Ending Balance:                                                 | \$ 1,284,114                  | \$ 4,250,305             | \$ 1,830,646            | \$ 3,351,837                               | \$ 1,343,130       | \$ 908,581         | \$ 0                                       | \$ 12,968,613 |  |              |  |

collectively  
evaluated for  
impairment

Ending  
Balance:  
loans  
acquired  
with  
deteriorated  
credit quality

|    |        |    |        |    |        |    |        |    |        |    |    |    |   |    |         |
|----|--------|----|--------|----|--------|----|--------|----|--------|----|----|----|---|----|---------|
| \$ | 22,929 | \$ | 68,428 | \$ | 28,729 | \$ | 15,437 | \$ | 19,980 | \$ | 23 | \$ | 0 | \$ | 155,526 |
|----|--------|----|--------|----|--------|----|--------|----|--------|----|----|----|---|----|---------|

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

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

evaluated for  
impairment

Ending

Balance:

loans

acquired

with

deteriorated

credit quality \$ 33,529 \$ 108,450 \$ 27,558 \$ 14,189 \$ 26,780 \$ 15 \$ 0 \$ 210,521

## 7. INTANGIBLE ASSETS

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

|                                      | September 30, 2018    |                          |                       |                          |                       |                          |
|--------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|                                      | Community Banking     |                          | Mortgage Banking      |                          | Total                 |                          |
|                                      | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Amortized intangible assets:         |                       |                          |                       |                          |                       |                          |
| Core deposit intangible assets       | \$ 98,359             | (\$ 60,482)              | \$ 0                  | (\$ 0)                   | \$ 98,359             | (\$ 60,482)              |
| Non-amortized intangible assets:     |                       |                          |                       |                          |                       |                          |
| George Mason trade name              | \$ 0                  |                          | \$ 1,080              |                          | \$ 1,080              |                          |
| Goodwill not subject to amortization | \$ 1,472,699          |                          | \$ 5,315              |                          | \$ 1,478,014          |                          |

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

The following table provides a reconciliation of goodwill:

|                                                | Community Banking | Mortgage Banking | Total        |
|------------------------------------------------|-------------------|------------------|--------------|
| Goodwill at December 31, 2017                  | \$ 1,473,265      | \$ 5,115         | \$ 1,478,380 |
| Addition to goodwill from Cardinal acquisition | (566)             | 200              | (366)        |
| Goodwill at September 30, 2018                 | \$ 1,472,699      | \$ 5,315         | \$ 1,478,014 |

United incurred amortization expense on intangible assets of \$2,009 and \$6,029 for the quarter and nine months ended September 30, 2018, respectively, and \$2,240 and \$5,381 for the quarter and nine months ended September 30, 2017, respectively.

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

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

**Table of Contents****8. SHORT-TERM BORROWINGS**

Federal funds purchased and securities sold under agreements to repurchase are a significant source of funds for the Company. United has various unused lines of credit available from certain of its correspondent banks in the aggregate amount of \$230,000. These lines of credit, which bear interest at prevailing market rates, permit United to borrow funds in the overnight market, and are renewable annually subject to certain conditions. At September 30, 2018, federal funds purchased were \$25,790 while total securities sold under agreements to repurchase (REPOs) were \$153,718. The securities sold under agreements to repurchase were accounted for as collateralized financial transactions. They were recorded at the amounts at which the securities were acquired or sold plus accrued interest.

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

**9. LONG-TERM BORROWINGS**

United's subsidiary bank is a member of the Federal Home Loan Bank (FHLB). Membership in the FHLB makes available short-term and long-term borrowings from collateralized advances. All FHLB borrowings are collateralized by a mix of single-family residential mortgage loans, commercial loans and investment securities. At September 30, 2018, United had an unused borrowing amount of approximately \$3,986,778 available subject to delivery of collateral after certain trigger points. Advances may be called by the FHLB or redeemed by United based on predefined factors and penalties.

At September 30, 2018, \$1,284,781 of FHLB advances with a weighted-average interest rate of 2.13% are scheduled to mature within the next seven years.

The scheduled maturities of these FHLB borrowings are as follows:

| <b>Year</b>         | <b>Amount</b>       |
|---------------------|---------------------|
| 2018                | \$ 970,890          |
| 2019                | 187,224             |
| 2020                | 41,779              |
| 2021                | 52,667              |
| 2022 and thereafter | 32,221              |
| <b>Total</b>        | <b>\$ 1,284,781</b> |

At September 30, 2018, United had a total of fourteen statutory business trusts that were formed for the purpose of issuing or participating in pools of trust preferred capital securities (Capital Securities) with the proceeds invested in junior subordinated debt securities (Debentures) of United. The Debentures, which are subordinate and junior in right of payment to all present and future senior indebtedness and certain other financial obligations of United, are the sole assets of the trusts and United's payment under the Debentures is the sole source of revenue for the trusts. At September 30, 2018 and December 31, 2017, the outstanding balance of the Debentures was \$234,590 and \$242,446, 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.

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

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

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

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily, and historically do not, represent future cash requirements. The amount of collateral obtained, if deemed necessary upon the extension of credit, is based on management's credit evaluation of the counterparty. United had approximately \$3,861,482 and \$4,224,719 of loan commitments outstanding as of September 30, 2018 and December 31, 2017, respectively, the majority of which contractually expire within one year. Included in the September 30, 2018 amount are commitments to extend credit of \$433,931 related to George Mason's mortgage loan funding commitments and are of a short-term nature.

Commercial and standby letters of credit are agreements used by United's customers as a means of improving their credit standing in their dealings with others. Under these agreements, United guarantees certain financial commitments of its customers. A commercial letter of credit is issued specifically to facilitate trade or commerce. Typically, under the terms of a commercial letter of credit, a commitment is drawn upon when the underlying transaction is consummated as intended between the customer and a third party. As of September 30, 2018 and December 31, 2017, United had no outstanding commercial letters of credit. A standby letter of credit is generally contingent upon the failure of a customer to perform according to the terms of an underlying contract with a third party. United has issued standby letters of credit of \$132,735 and \$147,017 as of September 30, 2018 and December 31, 2017, respectively. In accordance with the Contingencies Topic of the FASB Accounting Standards Codification, United has determined that substantially all of its letters of credit are renewed on an annual basis and the fees associated with these letters of credit are immaterial.



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

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

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

## **11. DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

|                                                         | Asset Derivatives  |           |          |                   |           |        |
|---------------------------------------------------------|--------------------|-----------|----------|-------------------|-----------|--------|
|                                                         | September 30, 2018 |           |          | December 31, 2017 |           |        |
|                                                         | Balance            | Notional  | Fair     | Balance           | Notional  | Fair   |
|                                                         | Sheet Location     |           |          | Sheet Location    |           |        |
| <b>Derivatives designated as hedging instruments</b>    |                    |           |          |                   |           |        |
| <b>Fair Value Hedges:</b>                               |                    |           |          |                   |           |        |
| Interest rate swap contracts (hedging commercial loans) | Other assets       | \$ 86,655 | \$ 4,042 | Other assets      | \$ 71,831 | \$ 538 |

|                                                            |  |           |          |  |           |        |
|------------------------------------------------------------|--|-----------|----------|--|-----------|--------|
| <b>Total derivatives designated as hedging instruments</b> |  | \$ 86,655 | \$ 4,042 |  | \$ 71,831 | \$ 538 |
|------------------------------------------------------------|--|-----------|----------|--|-----------|--------|

**Derivatives not designated as hedging instruments**

|                                |              |         |       |              |           |       |
|--------------------------------|--------------|---------|-------|--------------|-----------|-------|
| Forward loan sales commitments | Other assets | \$ 0    | \$ 0  | Other assets | \$ 31,024 | \$ 2  |
| TBA mortgage-backed securities | Other assets | 223,500 | 1,161 |              | 0         | 0     |
| Interest rate lock commitments | Other assets | 135,069 | 3,991 | Other assets | 148,866   | 4,559 |

|                                                                |  |            |          |  |            |          |
|----------------------------------------------------------------|--|------------|----------|--|------------|----------|
| <b>Total derivatives not designated as hedging instruments</b> |  | \$ 358,569 | \$ 5,152 |  | \$ 179,890 | \$ 4,561 |
|----------------------------------------------------------------|--|------------|----------|--|------------|----------|

|                         |  |            |          |  |            |          |
|-------------------------|--|------------|----------|--|------------|----------|
| Total asset derivatives |  | \$ 445,224 | \$ 9,194 |  | \$ 251,721 | \$ 5,099 |
|-------------------------|--|------------|----------|--|------------|----------|

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|                                                                | Liability Derivatives  |                 |            |                        |                 |            |
|----------------------------------------------------------------|------------------------|-----------------|------------|------------------------|-----------------|------------|
|                                                                | September 30, 2018     |                 |            | December 31, 2017      |                 |            |
|                                                                | Balance Sheet Location | Notional Amount | Fair Value | Balance Sheet Location | Notional Amount | Fair Value |
| <b>Derivatives designated as hedging instruments</b>           |                        |                 |            |                        |                 |            |
| <b>Fair Value Hedges:</b>                                      |                        |                 |            |                        |                 |            |
| Interest rate swap contracts (hedging commercial loans)        | Other liabilities      | \$ 0            | \$ 0       | Other liabilities      | \$ 18,795       | \$ 165     |
| <b>Total derivatives designated as hedging instruments</b>     |                        | \$ 0            | \$ 0       |                        | \$ 18,795       | \$ 165     |
| <b>Derivatives not designated as hedging instruments</b>       |                        |                 |            |                        |                 |            |
| Forward loan sales commitments                                 | Other liabilities      | \$ 22,521       | \$ 197     | Other liabilities      | \$ 0            | \$ 0       |
| TBA mortgage-backed securities                                 | Other liabilities      | \$ 0            | \$ 0       | Other liabilities      | 236,500         | 312        |
| Interest rate lock commitments                                 | Other liabilities      | 0               | 0          | Other liabilities      | 0               | 0          |
| <b>Total derivatives not designated as hedging instruments</b> |                        | \$ 22,521       | \$ 197     |                        | \$ 236,500      | \$ 312     |
| <b>Total liability derivatives</b>                             |                        | \$ 22,521       | \$ 197     |                        | \$ 255,295      | \$ 477     |

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

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

|                                                   | Income Statement Location | Three Months Ended |                    |
|---------------------------------------------------|---------------------------|--------------------|--------------------|
|                                                   |                           | September 30, 2018 | September 30, 2017 |
| <b>Derivatives in hedging relationships</b>       |                           |                    |                    |
| <b>Fair Value Hedges:</b>                         |                           |                    |                    |
| Interest rate swap contracts                      | Interest income/(expense) | \$ (24)            | \$ (208)           |
| <b>Total derivatives in hedging relationships</b> |                           | \$ (24)            | \$ (208)           |

|                                                                |                                         |                 |                   |
|----------------------------------------------------------------|-----------------------------------------|-----------------|-------------------|
| <b>Derivatives not designated as hedging instruments</b>       |                                         |                 |                   |
| Forward loan sales commitments                                 | Income from Mortgage Banking Activities | (197)           | (257)             |
| TBA mortgage-backed securities                                 | Income from Mortgage Banking Activities | 2,583           | 123               |
| Interest rate lock commitments                                 | Income from Mortgage Banking Activities | (3,262)         | (4,484)           |
| <b>Total derivatives not designated as hedging instruments</b> |                                         | <b>\$ (876)</b> | <b>\$ (4,618)</b> |
| <b>Total derivatives</b>                                       |                                         | <b>\$ (900)</b> | <b>\$ (4,826)</b> |

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|                                                                |                                         | Nine Months Ended  |                    |
|----------------------------------------------------------------|-----------------------------------------|--------------------|--------------------|
|                                                                |                                         | September 30, 2018 | September 30, 2017 |
| Income Statement Location                                      |                                         |                    |                    |
| <b>Derivatives in fair value hedging relationships</b>         |                                         |                    |                    |
| <b>Fair Value Hedges:</b>                                      |                                         |                    |                    |
| Interest rate swap contracts                                   | Interest income/(expense)               | \$ (42)            | \$ (648)           |
| <b>Cash Flow Hedges:</b>                                       |                                         |                    |                    |
| Forward loan sales commitments                                 | Other income                            | 0                  | 0                  |
| <b>Total derivatives in hedging relationships</b>              |                                         | \$ (42)            | \$ (648)           |
| <b>Derivatives not designated as hedging instruments</b>       |                                         |                    |                    |
| Forward loan sales commitments                                 | Income from Mortgage Banking Activities | (12)               | (427)              |
| TBA mortgage-backed securities                                 | Income from Mortgage Banking Activities | 1,473              | 2,907              |
| Interest rate lock commitments                                 | Income from Mortgage Banking Activities | (1,643)            | (3,465)            |
| <b>Total derivatives not designated as hedging instruments</b> |                                         | \$ (182)           | \$ (985)           |
| <b>Total derivatives</b>                                       |                                         | \$ (224)           | \$ (1,633)         |

**12. FAIR VALUE MEASUREMENTS**

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

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.

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

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

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

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



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considered Level 3. Currently, United considers its valuation of available-for-sale Trup Cdos as Level 3. Based upon management's review of the market conditions for Trup Cdos, it was determined that an income approach valuation technique (present value technique) that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs is the most representative measurement technique for these securities. The present value technique discounts expected future cash flows of a security to arrive at a present value. Management considers the following items when calculating the appropriate discount rate: the implied rate of return when the market was last active, changes in the implied rate of return as markets moved from very active to inactive, recent changes in credit ratings, and recent activity showing that the market has built in increased liquidity and credit premiums. Management's internal credit review of each security was also factored in to determine the appropriate discount rate. The credit review considered each security's collateral, subordination, excess spread, priority of claims, principal and interest.

**Loans held for sale:** For residential mortgage loans sold in the mortgage banking segment, the loans closed are recorded at fair value using the fair value option which is measured using valuations from investors for loans with similar characteristics adjusted for the Company's actual sales experience versus the investor's indicated pricing. These valuations fall into the Level 3 category. The unobservable input is the Company's historical sales prices. The range of historical sales prices increased the investor's indicated pricing by a range of 0.12% to 0.49% with a weighted average increase of 0.28%.

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

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

The Company records its interest rate lock commitments and forward loan sales commitments at fair value determined as the amount that would be required to settle each of these derivative financial instruments at the balance sheet date. In the normal course of business, George Mason enters into contractual interest rate lock commitments to extend credit to borrowers with fixed expiration dates. The commitments become effective when the borrowers lock-in a specified interest rate within the timeframes established by the mortgage companies. All borrowers are evaluated for credit worthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between

the time of the interest rate lock by the borrower and the sale date of the loan to the

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investor. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, George Mason enters into either a forward sales contract to sell loans to investors when using best efforts or a TBA mortgage-backed security under mandatory delivery. As TBA mortgage-backed securities are actively traded in an open market, TBA mortgage-backed securities fall into a Level 1 category. The forward sales contracts lock in an interest rate and price for the sale of loans similar to the specific rate lock commitments. Under the Company's best efforts model, the rate lock commitments to borrowers and the forward sales contracts to investors through to the date the loan closes are undesignated derivatives and accordingly, are marked to fair value through earnings. These valuations fall into a Level 2 category. For residential mortgage loans sold in the mortgage banking segment, the interest rate lock commitments are recorded at fair value which is measured using valuations from investors for loans with similar characteristics adjusted for the Company's actual sales experience versus the investor's indicated pricing. These valuations fall into the Level 3 category. The unobservable input is the Company's historical sales prices. The range of historical sales prices increased the investor's indicated pricing by a range of 0.12% to 0.49% with a weighted average increase of 0.28%.

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

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

| Description                                                                           | Fair Value at September 30, 2018 Using Quoted Prices in Active Markets for Identical Assets (Level 1) |         |    |   | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |    |       |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------|----|---|-----------------------------------------------|-------------------------------------------|----|-------|
|                                                                                       | Balance as of September 30, 2018                                                                      |         |    |   |                                               |                                           |    |       |
| Assets                                                                                |                                                                                                       |         |    |   |                                               |                                           |    |       |
| Available for sale securities:                                                        |                                                                                                       |         |    |   |                                               |                                           |    |       |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies |                                                                                                       |         |    |   |                                               |                                           |    |       |
|                                                                                       | \$                                                                                                    | 101,565 | \$ | 0 | \$                                            | 101,565                                   | \$ | 0     |
| State and political subdivisions                                                      |                                                                                                       |         |    |   |                                               |                                           |    |       |
|                                                                                       |                                                                                                       | 252,246 |    | 0 |                                               | 252,246                                   |    | 0     |
| Residential mortgage-backed securities                                                |                                                                                                       |         |    |   |                                               |                                           |    |       |
| Agency                                                                                |                                                                                                       |         |    |   |                                               |                                           |    |       |
|                                                                                       |                                                                                                       | 943,647 |    | 0 |                                               | 943,647                                   |    | 0     |
| Non-agency                                                                            |                                                                                                       |         |    |   |                                               |                                           |    |       |
|                                                                                       |                                                                                                       | 4,572   |    | 0 |                                               | 4,572                                     |    | 0     |
| Commercial mortgage-backed securities                                                 |                                                                                                       |         |    |   |                                               |                                           |    |       |
| Agency                                                                                |                                                                                                       |         |    |   |                                               |                                           |    |       |
|                                                                                       |                                                                                                       | 543,652 |    | 0 |                                               | 543,652                                   |    | 0     |
| Asset-backed securities                                                               |                                                                                                       |         |    |   |                                               |                                           |    |       |
|                                                                                       |                                                                                                       | 223,602 |    | 0 |                                               | 223,602                                   |    | 0     |
| Trust preferred collateralized debt obligations                                       |                                                                                                       |         |    |   |                                               |                                           |    |       |
|                                                                                       |                                                                                                       | 6,154   |    | 0 |                                               | 0                                         |    | 6,154 |
| Single issue trust preferred securities                                               |                                                                                                       |         |    |   |                                               |                                           |    |       |
|                                                                                       |                                                                                                       | 8,104   |    | 0 |                                               | 8,104                                     |    | 0     |

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|                                        |           |       |           |         |
|----------------------------------------|-----------|-------|-----------|---------|
| Other corporate securities             | 95,025    | 6,879 | 88,146    | 0       |
| Total available for sale securities    | 2,178,567 | 6,879 | 2,165,534 | 6,154   |
| Equity securities:                     |           |       |           |         |
| Financial services industry            | 173       | 173   | 0         | 0       |
| Equity mutual funds (1)                | 5,073     | 5,073 | 0         | 0       |
| Other equity securities                | 4,599     | 4,599 | 0         | 0       |
| Total equity securities                | 9,845     | 9,845 | 0         | 0       |
| Loans held for sale                    | 231,310   | 0     | 0         | 231,310 |
| Derivative financial assets:           |           |       |           |         |
| Interest rate swap contracts           | 4,042     | 0     | 4,042     | 0       |
| Forward sales commitments              | 0         | 0     | 0         | 0       |
| Interest rate lock commitments         | 3,991     | 0     | 0         | 3,991   |
| TBA mortgage-backed securities         | 1,161     | 0     | 1,161     | 0       |
| Total derivative financial assets      | 9,194     | 0     | 5,203     | 3,991   |
| Liabilities                            |           |       |           |         |
| Derivative financial liabilities:      |           |       |           |         |
| Forward sales commitments              | 197       | 0     | 197       | 0       |
| Total derivative financial liabilities | 197       | 0     | 197       | 0       |

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

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| Description                                      | Fair Value at December 31, 2017 Using<br>Quoted Prices<br>in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level<br>1) |                                                           |                                                    |         |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|---------|
|                                                  | Balance as<br>of<br>December 31,<br>2017                                                                                        | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |         |
| <b>Assets</b>                                    |                                                                                                                                 |                                                           |                                                    |         |
| Available for sale debt securities:              |                                                                                                                                 |                                                           |                                                    |         |
| U.S. Treasury securities and obligations of U.S. |                                                                                                                                 |                                                           |                                                    |         |
| Government corporations and agencies             | \$ 114,758                                                                                                                      | \$ 0                                                      | \$ 114,758                                         | \$ 0    |
| State and political subdivisions                 | 303,869                                                                                                                         | 0                                                         | 303,869                                            | 0       |
| Residential mortgage-backed securities           |                                                                                                                                 |                                                           |                                                    |         |
| Agency                                           | 814,593                                                                                                                         | 0                                                         | 814,593                                            | 0       |
| Non-agency                                       | 5,512                                                                                                                           | 0                                                         | 5,512                                              | 0       |
| Commercial mortgage-backed securities            |                                                                                                                                 |                                                           |                                                    |         |
| Agency                                           | 454,857                                                                                                                         | 0                                                         | 454,857                                            | 0       |
| Asset-backed securities                          | 109,970                                                                                                                         | 0                                                         | 109,970                                            | 0       |
| Trust preferred collateralized debt obligations  | 34,269                                                                                                                          | 0                                                         | 0                                                  | 34,269  |
| Single issue trust preferred securities          | 12,560                                                                                                                          | 0                                                         | 12,560                                             | 0       |
| Other corporate securities                       | 28,490                                                                                                                          | 0                                                         | 28,490                                             | 0       |
| Total available for sale debt securities         | 1,878,878                                                                                                                       | 0                                                         | 1,844,609                                          | 34,269  |
| Available for sale equity securities:            |                                                                                                                                 |                                                           |                                                    |         |
| Financial services industry                      | 3,545                                                                                                                           | 331                                                       | 3,214                                              | 0       |
| Equity mutual funds (1)                          | 6,332                                                                                                                           | 6,332                                                     | 0                                                  | 0       |
| Other equity securities                          | 1                                                                                                                               | 1                                                         | 0                                                  | 0       |
| Total available for sale equity securities       | 9,878                                                                                                                           | 6,664                                                     | 3,214                                              | 0       |
| Total available for sale securities              | 1,888,756                                                                                                                       | 6,664                                                     | 1,847,823                                          | 34,269  |
| Loans held for sale                              | 263,308                                                                                                                         | 0                                                         | 0                                                  | 263,308 |
| Derivative financial assets:                     |                                                                                                                                 |                                                           |                                                    |         |
| Interest rate swap contracts                     | 538                                                                                                                             | 0                                                         | 538                                                | 0       |
| Interest rate lock commitments                   | 4,561                                                                                                                           | 0                                                         | 2                                                  | 4,559   |
| Total derivative financial assets                | 5,099                                                                                                                           | 0                                                         | 540                                                | 4,559   |
| <b>Liabilities</b>                               |                                                                                                                                 |                                                           |                                                    |         |
| Derivative financial liabilities:                |                                                                                                                                 |                                                           |                                                    |         |
| Interest rate swap contracts                     | 165                                                                                                                             | 0                                                         | 165                                                | 0       |
| TBA mortgage-backed securities                   | 312                                                                                                                             | 0                                                         | 312                                                | 0       |
| Total derivative financial liabilities           | 477                                                                                                                             | 0                                                         | 477                                                | 0       |

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

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

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

|                                                                                                                                                                                                             | <b>Available-for-sale<br/>Securities<br/>Trust preferred<br/>collateralized debt<br/>obligations</b> |                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------|
|                                                                                                                                                                                                             | <b>September 30,<br/>2018</b>                                                                        | <b>December 31,<br/>2017</b> |
| Balance, beginning of period                                                                                                                                                                                | \$ 34,269                                                                                            | \$ 33,552                    |
| Total gains or losses (realized/unrealized):                                                                                                                                                                |                                                                                                      |                              |
| Included in earnings (or changes in net assets)                                                                                                                                                             | 28                                                                                                   | 9                            |
| Included in other comprehensive income                                                                                                                                                                      | 1,157                                                                                                | 8,757                        |
| Purchases, issuances, and settlements                                                                                                                                                                       | 0                                                                                                    | 0                            |
| Sales                                                                                                                                                                                                       | (29,300)                                                                                             | (8,049)                      |
| Transfers in and/or out of Level 3                                                                                                                                                                          | 0                                                                                                    | 0                            |
| Balance, end of period                                                                                                                                                                                      | \$ 6,154                                                                                             | \$ 34,269                    |
| The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date | \$ 0                                                                                                 | \$ 0                         |

|                                                                | <b>Loans held for sale</b>    |                              |
|----------------------------------------------------------------|-------------------------------|------------------------------|
|                                                                | <b>September 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
| Balance, beginning of period                                   | \$ 263,308                    | \$ 0                         |
| Acquired in Cardinal merger                                    | 0                             | 271,301                      |
| Originations                                                   | 2,089,366                     | 2,333,927                    |
| Sales                                                          | (2,148,777)                   | (2,408,945)                  |
| Total gains or losses during the period recognized in earnings | 54,829                        | 58,132                       |
| Transfers in and/or out of Level 3                             | (27,416)                      | 8,893                        |
| Balance, end of period                                         | \$ 231,310                    | \$ 263,308                   |

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

|                                                                                                                                                                                                             | <b>Derivative Financial Assets</b> |                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------|
|                                                                                                                                                                                                             | <b>Interest Rate</b>               | <b>Lock Commitments</b> |
|                                                                                                                                                                                                             | <b>September 30,</b>               | <b>December 31,</b>     |
|                                                                                                                                                                                                             | <b>2018</b>                        | <b>2017</b>             |
| Balance, beginning of period                                                                                                                                                                                | \$ 4,559                           | \$ 0                    |
| Acquired in Cardinal merger                                                                                                                                                                                 | 0                                  | 10,393                  |
| Transfers other                                                                                                                                                                                             | (568)                              | (5,834)                 |
| Balance, end of period                                                                                                                                                                                      | \$ 3,991                           | \$ 4,559                |
| The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date | \$ 0                               | \$ 0                    |

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

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

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

| <b>Description</b>                      | <b>Three Months Ended September 30, 2018</b> | <b>Three Months Ended September 30, 2017</b> |
|-----------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>Assets</b>                           |                                              |                                              |
| Loans held for sale                     |                                              |                                              |
| Income from mortgage banking activities | \$ (5,929)                                   | \$ (5,090)                                   |

| <b>Description</b>                      | <b>Nine Months Ended September 30, 2018</b> | <b>Nine Months Ended September 30, 2017</b> |
|-----------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>Assets</b>                           |                                             |                                             |
| Loans held for sale                     |                                             |                                             |
| Income from mortgage banking activities | \$ (2,838)                                  | \$ (7,529)                                  |

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

| <b>Description</b>                                                           | <b>September 30, 2018</b>       |                   |                                                         | <b>December 31, 2017</b>        |                   |                                                         |
|------------------------------------------------------------------------------|---------------------------------|-------------------|---------------------------------------------------------|---------------------------------|-------------------|---------------------------------------------------------|
|                                                                              | <b>Unpaid Principal Balance</b> | <b>Fair Value</b> | <b>Fair Value Over/(Under) Unpaid Principal Balance</b> | <b>Unpaid Principal Balance</b> | <b>Fair Value</b> | <b>Fair Value Over/(Under) Unpaid Principal Balance</b> |
| <b>Assets</b>                                                                |                                 |                   |                                                         |                                 |                   |                                                         |
| Loans held for sale                                                          | \$ 227,943                      | \$ 231,310        | \$ 3,367                                                | \$ 257,674                      | \$ 263,308        | \$ 5,634                                                |
| <i>Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis</i> |                                 |                   |                                                         |                                 |                   |                                                         |

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

Loans held for sale: Loans held for sale within the community banking segment that are delivered on a best efforts basis are carried at the lower of cost or fair value. The fair value is based on the price secondary markets are currently

offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, United records any fair value adjustments for these loans held for sale on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale during the nine months ended September 30, 2018. Gains and losses on sale of loans are recorded within income from mortgage banking activities on the Consolidated Statements of Income.

Impaired Loans: Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Impairment is measured based upon the present value of expected future cash flows from the loan discounted at the loan's effective rate and the loan's observable market price or the fair value of collateral, if the loan is collateral dependent. Fair value is measured using a market approach based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory,

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and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing an appraisal conducted by an independent, licensed appraiser outside of the Company using comparable property sales (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property is over two years old, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). For impaired loans, a specific reserve is established through the Allowance for Loan Losses, if necessary, by estimating the fair value of the underlying collateral on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for credit losses expense on the Consolidated Statements of Income.

**OREO:** OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried on the balance sheet at the lower of the investment in the assets or the fair value of the assets less estimated selling costs. Fair value is determined by one of two market approach methods depending on whether the property has been vacated and an appraisal can be conducted. If the property has yet to be vacated and thus an appraisal cannot be performed, a Brokers Price Opinion (i.e. BPO), is obtained. A BPO represents a best estimate valuation performed by a realtor based on knowledge of current property values and a visual examination of the exterior condition of the property. Once the property is subsequently vacated, a formal appraisal is obtained and the recorded asset value appropriately adjusted. On the other hand, if the OREO property has been vacated and an appraisal can be conducted, the fair value of the property is determined based upon the appraisal using a market approach. An authorized independent appraiser conducts appraisals for United. Appraisals for property other than ongoing construction are based on consideration of comparable property sales (Level 2). In contrast, valuation of ongoing construction assets requires some degree of professional judgment. In conducting an appraisal for ongoing construction property, the appraiser develops two appraised amounts: an as is appraised value and a completed value. Based on professional judgment and their knowledge of the particular situation, management determines the appropriate fair value to be utilized for such property (Level 3). As a matter of policy, valuations are reviewed at least annually and appraisals are generally updated on a bi-annual basis with values lowered as necessary.

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

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

| Description                                      | Balance as of September 30, 2018 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | YTD Losses |
|--------------------------------------------------|----------------------------------|----------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|------------|
| <b>Assets</b>                                    |                                  |                                                                |                                               |                                           |            |
| Loans held for sale                              | \$ 2,886                         | \$ 0                                                           | \$ 2,886                                      | \$ 0                                      | \$ 0       |
| Impaired Loans                                   | 109,582                          | 0                                                              | 98,171                                        | 11,411                                    | 4,177      |
| OREO                                             | 18,786                           | 0                                                              | 18,786                                        | 0                                         | 796        |
| Description                                      | Balance as of December 31, 2017  | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | YTD Losses |
| <b>Assets</b>                                    |                                  |                                                                |                                               |                                           |            |
| Loans held for sale                              | \$ 2,647                         | \$ 0                                                           | \$ 2,647                                      | \$ 0                                      | \$ 14      |
| Impaired Loans                                   | 88,637                           | 0                                                              | 70,950                                        | 17,687                                    | 12,291     |
| OREO                                             | 24,348                           | 0                                                              | 24,151                                        | 197                                       | 4,200      |
| <i>Fair Value of Other Financial Instruments</i> |                                  |                                                                |                                               |                                           |            |

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

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

**Securities held to maturity and other securities:** The estimated fair values of securities held to maturity are based on quoted market prices, where available. If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable

market data. Any securities held to maturity, not valued based upon the methods above, are valued based on a discounted cash flow methodology using appropriately adjusted discount rates reflecting nonperformance and liquidity risks. Other securities consist mainly of shares of Federal Home Loan Bank and Federal Reserve Bank stock that do not have readily determinable fair values and are carried at cost.

Loans: For September 30, 2018, fair values of loans are estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors. This is not comparable with the fair values disclosed for December 31, 2017, which were based on an entrance price basis. For that date, the fair values of certain mortgage loans (e.g., one-to-four family residential), credit card loans, and other consumer loans were based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. The fair values of other loans (e.g., commercial real estate and rental property mortgage loans, commercial and industrial loans, financial institution loans and agricultural loans) were estimated using discounted cash flow analyses, using market interest rates being offered at that time for loans with similar terms to borrowers of similar creditworthiness, which included adjustments for liquidity concerns. For acquired impaired loans, fair value was assumed to equal United's carrying value, which represented the present value of expected future principal and interest cash flows, as adjusted for any Allowance for Loan Losses recorded for these loans.

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

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

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

*Summary of Fair Values for All Financial Instruments*

The estimated fair values of United's financial instruments, including those measured at amortized cost on the balance sheet, are summarized below:

|                                  |                    |              | Fair Value Measurements                                                                |                                                           |                                                    |
|----------------------------------|--------------------|--------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                  |                    |              | Quoted Prices<br>in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level<br>1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|                                  | Carrying<br>Amount | Fair Value   |                                                                                        |                                                           |                                                    |
| <b>September 30, 2018</b>        |                    |              |                                                                                        |                                                           |                                                    |
| Cash and cash equivalents        | \$ 1,254,686       | \$ 1,254,686 | \$ 0                                                                                   | \$ 1,254,686                                              | \$ 0                                               |
| Securities available for sale    | 2,178,567          | 2,178,567    | 6,879                                                                                  | 2,165,534                                                 | 6,154                                              |
| Securities held to maturity      | 20,351             | 19,619       | 0                                                                                      | 16,599                                                    | 3,020                                              |
| Equity securities                | 9,845              | 9,845        | 9,845                                                                                  | 0                                                         | 0                                                  |
| Other securities                 | 166,749            | 166,749      | 0                                                                                      | 0                                                         | 166,749                                            |
| Loans held for sale              | 234,196            | 234,196      | 0                                                                                      | 2,886                                                     | 231,310                                            |
| Loans                            | 13,199,799         | 12,488,175   | 0                                                                                      | 0                                                         | 12,488,175                                         |
| Derivative financial assets      | 9,194              | 9,194        | 0                                                                                      | 5,203                                                     | 3,991                                              |
| Deposits                         | 14,091,172         | 14,052,668   | 0                                                                                      | 14,052,668                                                | 0                                                  |
| Short-term borrowings            | 379,508            | 379,508      | 0                                                                                      | 379,508                                                   | 0                                                  |
| Long-term borrowings             | 1,319,371          | 1,293,611    | 0                                                                                      | 1,293,611                                                 | 0                                                  |
| Derivative financial liabilities | 197                | 197          | 0                                                                                      | 197                                                       | 0                                                  |
| <b>December 31, 2017</b>         |                    |              |                                                                                        |                                                           |                                                    |
| Cash and cash equivalents        | \$ 1,666,167       | \$ 1,666,167 | \$ 0                                                                                   | \$ 1,666,167                                              | \$ 0                                               |
| Securities available for sale    | 1,888,756          | 1,888,756    | 6,664                                                                                  | 1,847,823                                                 | 34,269                                             |
| Securities held to maturity      | 20,428             | 20,018       | 0                                                                                      | 16,998                                                    | 3,020                                              |

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|                                  |            |            |   |            |            |
|----------------------------------|------------|------------|---|------------|------------|
| Other securities                 | 162,461    | 154,338    | 0 | 0          | 154,338    |
| Loans held for sale              | 265,955    | 265,955    | 0 | 2,647      | 263,308    |
| Loans                            | 12,934,794 | 12,437,797 | 0 | 0          | 12,437,797 |
| Derivative financial assets      | 5,099      | 5,099      | 0 | 540        | 4,559      |
| Deposits                         | 13,830,591 | 14,024,720 | 0 | 14,024,720 | 0          |
| Short-term borrowings            | 477,587    | 477,587    | 0 | 477,587    | 0          |
| Long-term borrowings             | 1,363,977  | 1,338,754  | 0 | 1,338,754  | 0          |
| Derivative financial liabilities | 477        | 477        | 0 | 477        | 0          |

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**13. STOCK BASED COMPENSATION**

On May 18, 2016, United's shareholders approved the 2016 Long-Term Incentive Plan (2016 LTI Plan). The 2016 LTI Plan became effective as of May 18, 2016. An award granted under the 2016 LTI Plan may consist of any non-qualified stock options or incentive stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, performance units or other-stock-based award. These awards all relate to the common stock of United. The maximum number of shares of United common stock which may be issued under the 2016 LTI Plan is 1,700,000. The 2016 LTI Plan will be administered by a board committee appointed by United's Board of Directors (the Board). Unless otherwise determined by the Board, the Compensation Committee of the Board (the Committee) shall administer the 2016 LTI Plan. Any and all shares may be issued in respect of any of the types of Awards, provided that (1) the aggregate number of shares that may be issued in respect of restricted stock awards, and restricted stock unit awards which are settled in shares is 500,000, and (2) the aggregate number of shares that may be issued pursuant to stock options is 1,200,000. The shares to be offered under the 2016 LTI Plan may be authorized and unissued shares or treasury shares. The maximum number of options and SARs, in the aggregate, which may be awarded to any individual key employee during any calendar year is 100,000. The maximum number of stock options and SARs, in the aggregate, which may be awarded to any non-employee director during any calendar year is 10,000. The maximum number of shares of restricted stock or shares subject to a restricted stock units award that may be granted during any calendar year is 50,000 shares to any individual key employee and 5,000 shares to any individual non-employee director. Subject to certain change in control provisions, the 2016 LTI Plan provides that awards of restricted stock and restricted stock units will vest as the Committee determines in the award agreement, provided that no awards will vest sooner than 1/3 per year over the first three anniversaries of the award. Awards granted to executive officers of United typically will have performance based vesting conditions. A Form S-8 was filed on July 29, 2016 with the Securities and Exchange Commission to register all the shares which were available for the 2016 LTI Plan. During the first nine months of 2018, a total of 276,192 non-qualified stock options and 97,004 shares of restricted stock were granted under the 2016 LTI Plan.

Compensation expense of \$1,024 and \$3,016 related to the nonvested awards under United's Long-Term Incentive Plans was incurred for the third quarter and first nine months of 2018, respectively, as compared to the compensation expense of \$909 and \$2,589 related to the nonvested awards under United's Long-Term Incentive Plans incurred for the third quarter and first nine months of 2017, respectively. Compensation expense was included in employee compensation in the unaudited Consolidated Statements of Income.

*Stock Options*

United currently has options outstanding from various option plans other than the 2016 LTI Plan (the Prior Plans); however, no common shares of United stock are available for grants under the Prior Plans as these plans have expired. Awards outstanding under the Prior Plans will remain in effect in accordance with their respective terms. The maximum term for options granted under the plans is ten (10) years.

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A summary of activity under United's stock option plans as of September 30, 2018, and the changes during the first nine months of 2018 are presented below:

|                                   | Shares    | Nine Months Ended September 30, 2018 |                                   |                                 |
|-----------------------------------|-----------|--------------------------------------|-----------------------------------|---------------------------------|
|                                   |           | Aggregate Intrinsic Value            | Remaining Contractual Term (Yrs.) | Weighted Average Exercise Price |
| Outstanding at January 1, 2018    | 1,558,438 |                                      |                                   | \$ 31.09                        |
| Granted                           | 276,192   |                                      |                                   | 37.60                           |
| Exercised                         | (60,161)  |                                      |                                   | 23.03                           |
| Forfeited or expired              | (24,007)  |                                      |                                   | 32.66                           |
| Outstanding at September 30, 2018 | 1,750,462 | \$ 9,624,912                         | 5.8                               | \$ 32.36                        |
| Exercisable at September 30, 2018 | 1,169,402 | \$ 9,508,502                         | 4.4                               | \$ 28.78                        |

The following table summarizes the status of United's nonvested stock option awards during the first nine months of 2018:

|                                 | Shares    | Weighted-Average Grant Date Fair Value Per Share |      |
|---------------------------------|-----------|--------------------------------------------------|------|
|                                 |           |                                                  |      |
| Nonvested at January 1, 2018    | 507,871   | \$                                               | 7.89 |
| Granted                         | 276,192   |                                                  | 7.56 |
| Vested                          | (187,815) |                                                  | 7.53 |
| Forfeited or expired            | (15,188)  |                                                  | 7.67 |
| Nonvested at September 30, 2018 | 581,060   | \$                                               | 7.86 |

During the nine months ended September 30, 2018 and 2017, 60,161 and 163,562 shares, respectively, were issued in connection with stock option exercises. All shares issued in connection with stock option exercises for the nine months ended September 30, 2018 and 2017 were issued from authorized and unissued stock. The total intrinsic value of options exercised under the Plans during the nine months ended September 30, 2018 and 2017 was \$851 and \$3,078 respectively.

**Restricted Stock**

Under the 2011 LTI Plan, United may award restricted common shares to key employees and non-employee directors. Restricted shares granted to participants have 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 following summarizes the changes to United's restricted common shares for the period ended September 30, 2018:

|                                   | <b>Number<br/>of<br/>Shares</b> | <b>Weighted-Average<br/>Grant Date<br/>Fair<br/>Value Per<br/>Share</b> |
|-----------------------------------|---------------------------------|-------------------------------------------------------------------------|
| Outstanding at January 1, 2018    | 170,496                         | \$ 40.05                                                                |
| Granted                           | 97,004                          | 37.60                                                                   |
| Vested                            | (62,411)                        | 37.59                                                                   |
| Forfeited                         | (4,253)                         | 38.42                                                                   |
| Outstanding at September 30, 2018 | 200,836                         | \$ 39.67                                                                |

**Table of Contents****14. 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 are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. During the first quarter of 2018, United made a discretionary contribution of \$7,000 to the Plan.

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

Included in accumulated other comprehensive income at December 31, 2017 are unrecognized actuarial losses of \$56,222 (\$35,420 net of tax) that have not yet been recognized in net periodic pension cost. The amortization of this item expected to be recognized in net periodic pension cost during the fiscal year ended December 31, 2018 is \$4,653 (\$2,932 net of tax).

Net periodic pension cost for the three and nine months ended September 30, 2018 and 2017 included the following components:

|                                     | <b>Three Months<br/>Ended<br/>September 30</b> |             | <b>Nine Months Ended<br/>September 30</b> |             |
|-------------------------------------|------------------------------------------------|-------------|-------------------------------------------|-------------|
|                                     | <b>2018</b>                                    | <b>2017</b> | <b>2018</b>                               | <b>2017</b> |
| Service cost                        | \$ 673                                         | \$ 574      | \$ 1,997                                  | \$ 1,705    |
| Interest cost                       | 1,324                                          | 1,293       | 3,927                                     | 3,837       |
| Expected return on plan assets      | (2,578)                                        | (2,072)     | (7,651)                                   | (6,148)     |
| Recognized net actuarial loss       | 1,174                                          | 1,111       | 3,485                                     | 3,298       |
| Net periodic pension (benefit) cost | \$ 593                                         | \$ 906      | \$ 1,758                                  | \$ 2,692    |

**Weighted-Average Assumptions:**

|                                                 |       |       |       |       |
|-------------------------------------------------|-------|-------|-------|-------|
| Discount rate                                   | 3.83% | 4.49% | 3.83% | 4.49% |
| Expected return on assets                       | 7.00% | 7.00% | 7.00% | 7.00% |
| Rate of compensation increase (prior to age 45) | 3.50% | 3.50% | 3.50% | 3.50% |
| Rate of compensation increase                   | 3.00% | 3.00% | 3.00% | 3.00% |

**15. INCOME TAXES**

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

As of September 30, 2018 and 2017, the total amount of accrued interest related to uncertain tax positions was \$649 and \$548, respectively. United accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes.

United is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2015, 2016 and 2017 and certain State Taxing authorities for the years ended December 31, 2015 through 2017.

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On December 22, 2017, the Tax Cuts and Jobs Act (the Tax Act) was signed into law. The Tax Act lowered the Federal corporate tax rate from 35% to 21% effective January 1, 2018 and made numerous other tax law changes. U.S. generally accepted accounting principles (GAAP) requires companies to recognize the effect of tax law changes in the period of enactment. As a result of the Tax Act, United was required to remeasure deferred tax assets and liabilities at the new tax rate and as a result, recorded deferred tax expense of \$37,732 in the fourth quarter of 2017. Reasonable estimates were made based on the Company's analysis of the Tax Act. This provisional amount may be adjusted in future periods during 2018 when additional information is obtained as provided for under Staff Accounting Bulletin 118 (SAB 118). Additional information that may affect our provisional amount would include further clarification and guidance on how the IRS will implement tax reform, further clarification and guidance on how state taxing authorities will implement tax reform and the related effect on the Company's state income tax returns, completion of United's 2017 tax return filings, and the potential for additional guidance from the SEC or the FASB related to the Tax Act. Management continues to evaluate other potential impacts of the Tax Act. The Company did not identify items for which the income tax effects of the Tax Act have not been completed and a reasonable estimate could not be determined as of September 30, 2018.

United's effective tax rate was 21.77% and 22.25% for the third quarter and first nine months of 2018 and 32.91% and 33.68% for the third quarter and first nine months of 2017. The lower effective tax rate for the third quarter and first nine months of 2018 was due mainly to the Tax Act.

**16. COMPREHENSIVE INCOME**

The components of total comprehensive income for the three and nine months ended September 30, 2018 and 2017 are as follows:

|                                                                           | <b>Three Months<br/>Ended<br/>September 30</b> |                  | <b>Nine Months Ended<br/>September 30</b> |                   |
|---------------------------------------------------------------------------|------------------------------------------------|------------------|-------------------------------------------|-------------------|
|                                                                           | <b>2018</b>                                    | <b>2017</b>      | <b>2018</b>                               | <b>2017</b>       |
| <b>Net Income</b>                                                         | <b>\$ 64,412</b>                               | <b>\$ 56,738</b> | <b>\$ 192,392</b>                         | <b>\$ 132,606</b> |
| Available for sale (AFS) securities:                                      |                                                |                  |                                           |                   |
| AFS securities with OTTI charges during the period                        | 0                                              | 0                | 0                                         | (60)              |
| Related income tax effect                                                 | 0                                              | 0                | 0                                         | 22                |
| Less: OTTI charges recognized in net income                               | 0                                              | 0                | 0                                         | 60                |
| Related income tax benefit                                                | 0                                              | 0                | 0                                         | (22)              |
| Reclassification of previous noncredit OTTI to credit OTTI                | 0                                              | 0                | 0                                         | 0                 |
| Related income tax benefit                                                | 0                                              | 0                | 0                                         | 0                 |
| Net unrealized (losses) gains on AFS securities with OTTI                 | 0                                              | 0                | 0                                         | 0                 |
| AFS securities all other:                                                 |                                                |                  |                                           |                   |
| Change in net unrealized gain on AFS securities arising during the period | (9,995)                                        | 3,584            | (42,696)                                  | 14,846            |
| Related income tax effect                                                 | 2,329                                          | (1,326)          | 11,621                                    | (5,493)           |
| Net reclassification adjustment for (gains) losses included in net income | 114                                            | (467)            | 290                                       | (1,444)           |

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|                                                                                                                                |                  |                  |                   |                   |
|--------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|-------------------|-------------------|
| Related income tax expense (benefit)                                                                                           | (27)             | 173              | (68)              | 534               |
|                                                                                                                                | (7,579)          | 1,964            | (30,853)          | 8,443             |
| <b>Net effect of AFS securities on other comprehensive income</b>                                                              | <b>(7,579)</b>   | <b>1,964</b>     | <b>(30,853)</b>   | <b>8,443</b>      |
| Held to maturity ( HTM ) securities:                                                                                           |                  |                  |                   |                   |
| Accretion on the unrealized loss for securities transferred from AFS to the HTM investment portfolio prior to call or maturity | 2                | 2                | 6                 | 6                 |
| Related income tax expense                                                                                                     | (0)              | (0)              | (2)               | (2)               |
| <b>Net effect of HTM securities on other comprehensive income</b>                                                              | <b>2</b>         | <b>2</b>         | <b>4</b>          | <b>4</b>          |
| Pension plan:                                                                                                                  |                  |                  |                   |                   |
| Recognized net actuarial loss                                                                                                  | 1,174            | 1,111            | 3,485             | 3,298             |
| Related income tax benefit                                                                                                     | (256)            | (394)            | (782)             | (1,191)           |
| <b>Net effect of change in pension plan asset on other comprehensive income</b>                                                | <b>918</b>       | <b>717</b>       | <b>2,703</b>      | <b>2,107</b>      |
| <b>Total change in other comprehensive income</b>                                                                              | <b>(6,659)</b>   | <b>2,683</b>     | <b>(28,146)</b>   | <b>10,554</b>     |
| <b>Total Comprehensive Income</b>                                                                                              | <b>\$ 57,753</b> | <b>\$ 59,421</b> | <b>\$ 164,246</b> | <b>\$ 143,160</b> |

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The components of accumulated other comprehensive income for the nine months ended September 30, 2018 are as follows:

**Changes in Accumulated Other Comprehensive Income (AOCI) by Component <sup>(a)</sup>**  
**For the Nine Months Ended September 30, 2018**

|                                                                  | Unrealized<br>Gains/<br>Losses on<br>AFS<br>Securities | Accretion<br>on the<br>unrealized<br>loss for<br>securities<br>transferred<br>from<br>AFS<br>to the<br>HTM | Defined<br>Benefit<br>Pension<br>Items | Total       |
|------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|
| Balance at January 1, 2018                                       | (\$ 6,204)                                             | (\$ 46)                                                                                                    | (\$ 35,775)                            | (\$ 42,025) |
| Cumulative effect of adopting Accounting Standard Update 2016-01 | (136)                                                  | 0                                                                                                          | 0                                      | (136)       |
| Reclass due to adopting Accounting Standard Update 2018-02       | (1,632)                                                | 0                                                                                                          | (4,721)                                | (6,353)     |
| Other comprehensive income before reclassification               | (31,075)                                               | 4                                                                                                          | 0                                      | (31,071)    |
| Amounts reclassified from accumulated other comprehensive income | 222                                                    | 0                                                                                                          | 2,703                                  | 2,925       |
| Net current-period other comprehensive income, net of tax        | (30,853)                                               | 4                                                                                                          | 2,703                                  | (28,146)    |
| Balance at September 30, 2018                                    | (\$ 38,825)                                            | (\$ 42)                                                                                                    | (\$ 37,793)                            | (\$ 76,660) |

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

**Reclassifications out of Accumulated Other Comprehensive Income (AOCI)**  
**For the Nine Months Ended September 30, 2018**

| Details about AOCI Components                                             | Amount<br>Reclassified<br>from<br>AOCI | Affected Line Item in the Statement Where<br>Net Income is Presented |
|---------------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------|
| Available for sale ( AFS ) securities:                                    |                                        |                                                                      |
| Reclassification of previous noncredit OTTI to credit OTTI                | \$ 0                                   | Net investment securities (losses) gains                             |
| Net reclassification adjustment for losses (gains) included in net income | 290                                    | Net investment securities (losses) gains                             |

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|                                        |          |                  |
|----------------------------------------|----------|------------------|
|                                        | 290      | Total before tax |
| Related income tax effect              | (68)     | Tax expense      |
|                                        | 222      | Net of tax       |
| Pension plan:                          |          |                  |
| Recognized net actuarial loss          | 3,485(a) |                  |
|                                        | 3,485    | Total before tax |
| Related income tax effect              | (782)    | Tax expense      |
|                                        | 2,703    | Net of tax       |
| Total reclassifications for the period | \$ 2,925 |                  |

- (a) This AOCI component is included in the computation of net periodic pension cost (see Note 14, Employee Benefit Plans)

**Table of Contents****17. 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:

|                                                  | <b>Three Months Ended<br/>September 30</b> |             | <b>Nine Months Ended<br/>September 30</b> |             |
|--------------------------------------------------|--------------------------------------------|-------------|-------------------------------------------|-------------|
|                                                  | <b>2018</b>                                | <b>2017</b> | <b>2018</b>                               | <b>2017</b> |
| Distributed earnings allocated to common stock   | \$ 35,234                                  | \$ 34,587   | \$ 106,429                                | \$ 95,871   |
| Undistributed earnings allocated to common stock | 29,060                                     | 22,065      | 85,617                                    | 36,518      |
| Net earnings allocated to common shareholders    | \$ 64,294                                  | \$ 56,652   | \$ 192,046                                | \$ 132,389  |
| Average common shares outstanding                | 103,617,590                                | 104,760,153 | 104,382,094                               | 95,040,664  |
| Equivalents from stock options                   | 316,369                                    | 307,969     | 297,782                                   | 409,962     |
| Average diluted shares outstanding               | 103,933,959                                | 105,068,122 | 104,679,876                               | 95,450,626  |
| Earnings per basic common share                  | \$ 0.62                                    | \$ 0.54     | \$ 1.84                                   | \$ 1.39     |
| Earnings per diluted common share                | \$ 0.62                                    | \$ 0.54     | \$ 1.83                                   | \$ 1.39     |

**18. VARIABLE INTEREST ENTITIES**

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

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

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

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

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

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

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

**As of September 30, 2018**

**As of December 31, 2017**

|                            | Aggregate<br>Assets | Aggregate<br>Liabilities | Risk<br>Of<br>Loss<br>(1) | Aggregate<br>Assets | Aggregate<br>Liabilities | Risk<br>Of<br>Loss<br>(1) |
|----------------------------|---------------------|--------------------------|---------------------------|---------------------|--------------------------|---------------------------|
| Trust preferred securities | \$ 257,873          | \$ 248,921               | \$ 8,952                  | \$ 266,669          | \$ 257,674               | \$ 8,995                  |

**19. SEGMENT INFORMATION**

As a result of the Cardinal acquisition in April 2017, United now operates in two business segments: community banking and mortgage banking. Prior to the Cardinal acquisition, United's business activities were confined to just one reportable segment of community banking.

Through its community banking segment, United offers a full range of products and services through various delivery channels. In particular, the community banking segment includes both commercial and consumer lending and provides customers with such products as commercial loans, real estate loans, business financing and consumer loans. In addition, this segment provides customers with several choices of deposit products including demand deposit accounts, savings accounts and certificates of deposit as well as investment and financial advisory services to businesses and individuals, including financial planning, retirement/estate planning, and investment management. The mortgage banking segment engages primarily in the origination and acquisition of residential mortgages for sale into the secondary market through George Mason.

The community banking segment provides the mortgage banking segment (George Mason) with short-term funds to originate mortgage loans through a warehouse line of credit and charges the mortgage banking segment interest based on a LIBOR rate. In addition, the mortgage banking segment (George Mason) originates mortgage loans which are sold to the community banking segment for its loan portfolio. These intersegment transactions are eliminated in the consolidation process.

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

Information about the reportable segments and reconciliation of this information to the consolidated financial statements at and for the three and nine months ended September 30, 2018 and 2017 is as follows:

| <b>At and For the Three Months Ended September 30, 2018</b> |                              |                             |              |                                      |                     |
|-------------------------------------------------------------|------------------------------|-----------------------------|--------------|--------------------------------------|---------------------|
|                                                             | <b>Community<br/>Banking</b> | <b>Mortgage<br/>Banking</b> | <b>Other</b> | <b>Intersegment<br/>Eliminations</b> | <b>Consolidated</b> |
| Net interest income                                         | \$ 149,770                   | \$ 388                      | \$ (3,168)   | \$ 1,785                             | \$ 148,775          |
| Provision for loans losses                                  | 4,808                        | 0                           | 0            | 0                                    | 4,808               |
| Other income                                                | 18,717                       | 16,478                      | 58           | (3,567)                              | 31,686              |
| Other expense                                               | 75,255                       | 17,957                      | 1,885        | (1,782)                              | 93,315              |
| Income taxes                                                | 19,296                       | (246)                       | (1,124)      | 0                                    | 17,926              |
| Net income (loss)                                           | \$ 69,128                    | \$ (845)                    | \$ (3,871)   | \$ 0                                 | \$ 64,412           |
| Total assets (liabilities)                                  | \$ 19,080,734                | \$ 288,638                  | \$ 12,545    | \$ (194,274)                         | \$ 19,187,643       |
| Average assets (liabilities)                                | 18,982,530                   | 303,556                     | 5,468        | (243,867)                            | 19,047,689          |

| <b>At and For the Three Months Ended September 30, 2017</b> |                              |                             |              |                                      |                     |
|-------------------------------------------------------------|------------------------------|-----------------------------|--------------|--------------------------------------|---------------------|
|                                                             | <b>Community<br/>Banking</b> | <b>Mortgage<br/>Banking</b> | <b>Other</b> | <b>Intersegment<br/>Eliminations</b> | <b>Consolidated</b> |
| Net interest income                                         | \$ 152,886                   | \$ (36)                     | \$ (2,574)   | \$ 0                                 | \$ 150,276          |
| Provision for loans losses                                  | 7,279                        | 0                           | 0            | 0                                    | 7,279               |
| Other income                                                | 18,373                       | 19,936                      | (80)         | 0                                    | 38,229              |
| Other expense                                               | 74,553                       | 24,036                      | (1,937)      | 0                                    | 96,652              |
| Income taxes                                                | 29,490                       | (1,332)                     | (322)        | 0                                    | 27,836              |
| Net income (loss)                                           | \$ 59,937                    | \$ (2,804)                  | \$ (395)     | \$ 0                                 | \$ 56,738           |
| Total assets (liabilities)                                  | \$ 19,083,318                | \$ 350,483                  | \$ (900)     | \$ (302,923)                         | \$ 19,129,978       |
| Average assets (liabilities)                                | 18,889,710                   | 321,744                     | (13,994)     | (269,675)                            | 18,927,785          |

| <b>At and For the Nine Months Ended September 30, 2018</b> |                              |                             |              |                                      |                     |
|------------------------------------------------------------|------------------------------|-----------------------------|--------------|--------------------------------------|---------------------|
|                                                            | <b>Community<br/>Banking</b> | <b>Mortgage<br/>Banking</b> | <b>Other</b> | <b>Intersegment<br/>Eliminations</b> | <b>Consolidated</b> |
| Net interest income                                        | \$ 444,840                   | \$ 1,028                    | \$ (8,794)   | \$ 4,866                             | \$ 441,940          |
| Provision for loans losses                                 | 16,190                       | 0                           | 0            | 0                                    | 16,190              |
| Other income                                               | 53,952                       | 54,829                      | (696)        | (9,200)                              | 98,885              |
| Other expense                                              | 224,240                      | 57,566                      | (295)        | (4,334)                              | 277,177             |
| Income taxes                                               | 57,519                       | (385)                       | (2,068)      | 0                                    | 55,066              |

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|                              |               |            |            |              |               |
|------------------------------|---------------|------------|------------|--------------|---------------|
| Net income (loss)            | \$ 200,843    | \$ (1,324) | \$ (7,127) | \$ 0         | \$ 192,392    |
| Total assets (liabilities)   | \$ 19,080,734 | \$ 288,638 | \$ 12,545  | \$ (194,274) | \$ 19,187,643 |
| Average assets (liabilities) | 18,718,295    | 284,100    | 8,043      | (240,505)    | 18,769,934    |

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|                              | At and For the Nine Months Ended September 30, 2017 |                     |             |                              |               |
|------------------------------|-----------------------------------------------------|---------------------|-------------|------------------------------|---------------|
|                              | Community<br>Banking                                | Mortgage<br>Banking | Other       | Intersegment<br>Eliminations | Consolidated  |
| Net interest income          | \$ 401,044                                          | \$ 54               | \$ (6,957)  | \$ 0                         | \$ 394,141    |
| Provision for loans losses   | 21,429                                              | 0                   | 0           | 0                            | 21,429        |
| Other income                 | 53,409                                              | 42,329              | 3,143       | 0                            | 98,881        |
| Other expense                | 215,935                                             | 42,744              | 12,952      | 0                            | 271,631       |
| Income taxes                 | 73,214                                              | (39)                | (5,819)     | 0                            | 67,356        |
| Net income (loss)            | \$ 143,875                                          | \$ (322)            | \$ (10,947) | \$ 0                         | \$ 132,606    |
| Total assets (liabilities)   | \$ 19,083,318                                       | \$ 350,483          | \$ (900)    | \$ (302,923)                 | \$ 19,129,978 |
| Average assets (liabilities) | 17,180,219                                          | 187,118             | (20,402)    | (159,291)                    | 17,187,644    |

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

### FORWARD-LOOKING STATEMENTS

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

United desires to provide its shareholders with sound information about past performance and future trends. Consequently, any forward-looking statements contained in this report, in a report incorporated by reference to this report, or made by management of United in this report, in any other reports and filings, in press releases and in oral statements, involve numerous assumptions, risks and uncertainties. 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.

### ACQUISITIONS

On April 21, 2017, United acquired 100% of the outstanding common stock of Cardinal Financial Corporation (Cardinal), headquartered in Tysons Corner, Virginia. The acquisition of Cardinal expands United's existing footprint in the Washington, D.C. Metropolitan Statistical Area (MSA). Cardinal also operated George Mason Mortgage, LLC (George Mason), a residential mortgage lending company based in Fairfax, Virginia with offices located in Virginia, Maryland, North Carolina, South Carolina and the District of Columbia. As a result of the merger, George Mason became an indirectly-owned subsidiary of United. The Cardinal merger was accounted for under the acquisition method of accounting. At consummation, Cardinal had assets of \$4.14 billion, portfolio loans of \$3.31 billion and deposits of \$3.34 billion.

The results of operations of Cardinal are included in the consolidated results of operations from their respective dates of acquisition. As a result of the Cardinal acquisition, the first nine months of 2018 was impacted by increased levels of average balances, income, and expense as compared to the first nine months of 2017. In addition, the first nine months of 2017 included \$24.99 million of merger-related expenses from the Cardinal acquisition.



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### **INTRODUCTION**

The following discussion and analysis presents the significant changes in financial condition and the results of operations of United and its subsidiaries for the periods indicated below. This discussion and the unaudited consolidated financial statements and the notes to unaudited Consolidated Financial Statements include the accounts of United Bankshares, Inc. and its wholly-owned subsidiaries, unless otherwise indicated. Management has evaluated all significant events and transactions that occurred after September 30, 2018, but prior to the date these financial statements were issued, for potential recognition or disclosure required in these financial statements.

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

### **USE OF NON-GAAP FINANCIAL MEASURES**

This discussion and analysis contains a certain financial measure that is 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 this non-GAAP financial measure because it believes that this measure provides meaningful additional information to assist in the evaluation of United's results of operations or financial position. Presentation of this non-GAAP financial measure is consistent with how United's management evaluates its performance internally and this non-GAAP financial measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the banking industry. Specifically, this discussion contains certain references to a financial measure identified as tax-equivalent net interest income. Management believes this non-GAAP financial measure, if significant, 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 the non-GAAP financial measure is used, the comparable GAAP financial measure, as well as reconciliation to that comparable GAAP financial measure, as well as a statement of the company's reasons for utilizing the non-GAAP financial measure, can be found within this discussion and analysis. Investors should recognize that United's presentation of this non-GAAP financial measure might not be comparable to a similarly titled measure at other companies.

### **APPLICATION OF CRITICAL ACCOUNTING POLICIES**

The accounting and reporting policies of United conform with U.S. generally accepted accounting principles. In preparing the consolidated financial statements, management is required to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments, which are reviewed with the Audit Committee of the Board of Directors, are based on information available as of the date of the financial statements. Actual results could differ from these estimates. These policies, along with the disclosures presented in the financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for credit losses, the valuation of investment securities and the related other-than-temporary impairment analysis, the

accounting for acquired loans 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.

**Table of Contents***Allowance for Credit Losses*

As explained in Note 6, Allowance for Credit Losses to the unaudited Consolidated Financial Statements, 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 September 30, 2018, the allowance for loan losses was \$76.94 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 \$7.69 million in additional allowance (funded by additional provision for credit losses), which would have negatively impacted the third quarter of 2018 net income by approximately \$6.02 million, after-tax or \$0.06 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 6. A discussion of the factors leading to changes in the amount of the allowance for credit losses is included in the Provision for Credit Losses section of this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A). Additional information relating to United's loans is included in Note 4, Loans to the unaudited Consolidated Financial Statements.

*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

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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. For additional information on management's consideration of investment valuation and other-than-temporary impairment, see Note 3, Investment Securities, and Note 12, Fair Value Measurements, to the unaudited consolidated financial statements.

*Accounting for Acquired Loans*

Loans acquired are initially recorded at their acquisition date fair values. The fair value of the acquired loans is based on the present value of the expected cash flows, including principal, interest and prepayments. Periodic principal and interest cash flows are adjusted for expected losses and prepayments, then discounted to determine the present value and summed to arrive at the estimated fair value. Fair value estimates involve assumptions and judgments as to credit risk, interest rate risk, prepayment risk, liquidity risk, default rates, loss severity, payment speeds, collateral values and discount rate.

Acquired loans are divided into loans with evidence of credit quality deterioration, which are accounted for under ASC Topic 310-30 (acquired impaired) and loans that do not meet this criteria, which are accounted for under ASC Topic 310-20 (acquired performing). Acquired impaired loans have experienced a deterioration of credit quality from origination to acquisition for which it is probable that United will be unable to collect all contractually required payments receivable, including both principal and interest. In the assessment of credit quality, numerous assumptions, interpretations and judgments must be made, based on internal and third-party credit quality information and ultimately the determination as to the probability that all contractual cash flows will not be able to be collected. This is a point in time assessment and inherently subjective due to the nature of the available information and judgment involved.

Subsequent to the acquisition date, United continues to estimate the amount and timing of cash flows expected to be collected on acquired impaired loans. Increases in expected cash flows will generally result in a recovery of any previously recorded allowance for loan losses, to the extent applicable, and/or a reclassification from the nonaccretable difference to accretable yield, which will be recognized prospectively. The present value of any decreases in expected cash flows after the acquisition date will generally result in an impairment charge recorded as a provision for loan losses, resulting in an increase to the allowance for loan losses.

For acquired performing loans, the difference between the acquisition date fair value and the contractual amounts due at the acquisition date represents the fair value adjustment. Fair value adjustments may be discounts (or premiums) to a loan's cost basis and are accreted (or amortized) to interest income over the loan's remaining life using the level yield method. Subsequent to the acquisition date, the methods utilized to estimate the required allowance for loan losses for these loans is similar to originated loans.

See Note 2, Merger and Acquisitions, and Note 4, Loans, to the unaudited Consolidated Financial Statements for information regarding United's acquired loans disclosures.

*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

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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 15, Income Taxes, to the unaudited Consolidated Financial Statements for information regarding United's ASC Topic 740 disclosures.

*Use of Fair Value Measurements*

United determines the fair value of its financial instruments based on the fair value hierarchy established in ASC Topic 820, whereby the fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC Topic 820 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs in the methodology for determining fair value are observable or unobservable. Observable inputs reflect market-based information obtained from independent sources (Level 1 or Level 2), while unobservable inputs reflect management's estimate of market data (Level 3). For assets and liabilities that are actively traded and have quoted prices or observable market data, a minimal amount of subjectivity concerning fair value is needed. Prices and values obtained from third party vendors that do not reflect forced liquidation or distressed sales are not adjusted by management. When quoted prices or observable market data are not available, management's judgment is necessary to estimate fair value.

At September 30, 2018, approximately 13.34% of total assets, or \$2.56 billion, consisted of financial instruments recorded at fair value. Of this total, approximately 90.12% or \$2.31 billion of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately \$252.87 million or 9.88% 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 pooled trust preferred investment securities classified as available-for-sale. At September 30, 2018, only \$197 thousand 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 12, Fair Value Measurements, to the unaudited Consolidated Financial Statements 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 are further discussed in this MD&A.

**FINANCIAL CONDITION**

United's total assets as of September 30, 2018 were \$19.19 billion, which was relatively flat from December 31, 2017, increasing \$128.68 million or less than 1% from December 31, 2017. The slight increase was mainly due to an

increase of \$265.32 million or 2.04% in portfolio loans. Investment securities increased \$303.87 million

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or 14.67%. Loans held for sale decreased \$31.76 million or 11.94%. Cash and cash equivalents decreased \$411.48 million or 24.70%. Other assets were relatively flat, increasing \$1.32 million or less than 1%. Total liabilities were relatively flat, increasing \$118.09 million or less than 1% from year-end 2017. Deposits increased \$260.58 million or 1.88%. Borrowings decreased \$142.69 million or 7.75% while accrued expenses and other liabilities remained flat, decreasing \$275 thousand or less than 1%. Shareholders' equity was relatively flat from December 31, 2017, increasing \$10.60 million or less than 1%.

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

**Cash and Cash Equivalents**

Cash and cash equivalents at September 30, 2018 decreased \$411.48 million or 24.70% from year-end 2017. Of this total decrease, cash and due from banks decreased \$4.93 million or 2.51% while interest-bearing deposits with other banks decreased \$406.56 million or 27.68% as United used excess cash to mainly invest in securities and grow loans. Federal funds increased \$10 thousand or 1.27%. During the first nine months of 2018, net cash of \$218.77 million was provided by operating activities while \$592.24 million and \$38.02 million were used in investing activities and financing activities, respectively. See the unaudited Consolidated Statements of Cash Flows for data on cash and cash equivalents provided and used in operating, investing and financing activities for the first nine months of 2018 and 2017.

**Securities**

Total investment securities at September 30, 2018 increased \$303.87 million or 14.67% from year-end 2017. Securities available for sale increased \$289.81 million or 15.34%. This change in securities available for sale reflects \$287.46 million in sales, maturities and calls of securities, \$629.76 million in purchases, and a decrease of \$40.39 million in market value. Securities held to maturity were flat, declining \$77 thousand or less than 1% from year-end 2017 due to calls and maturities of securities. Equity securities, now carried at fair value, were \$9.85 million at September 30, 2018. Other investment securities increased \$4.29 million or 2.64% from year-end 2017 due mainly to the purchase of Federal Home Loan Bank (FHLB) stock.

The following table summarizes the changes in the available for sale securities since year-end 2017:

| <i>(Dollars in thousands)</i>                                                         | <b>September 30<br/>2018</b> | <b>December 31<br/>2017</b> | <b>\$ Change</b> | <b>% Change</b> |
|---------------------------------------------------------------------------------------|------------------------------|-----------------------------|------------------|-----------------|
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 101,565                   | \$ 114,758                  | \$ (13,193)      | (11.50%)        |
| State and political subdivisions                                                      | 252,246                      | 303,869                     | (51,623)         | (16.99%)        |
| Mortgage-backed securities                                                            | 1,491,871                    | 1,274,962                   | 216,909          | 17.01%          |
| Asset-backed securities                                                               | 223,602                      | 109,970                     | 113,632          | 103.33%         |
| Market equity securities                                                              | 0                            | 9,878                       | (9,878)          | (100.00%)       |
| Trust preferred collateralized debt obligations                                       | 6,154                        | 34,269                      | (28,115)         | (82.04%)        |
| Single issue trust preferred securities                                               | 8,104                        | 12,560                      | (4,456)          | (35.48%)        |
| Corporate securities                                                                  | 95,025                       | 28,490                      | 66,535           | 233.54%         |

|                                                    |              |              |            |        |
|----------------------------------------------------|--------------|--------------|------------|--------|
| Total available for sale securities, at fair value | \$ 2,178,567 | \$ 1,888,756 | \$ 289,811 | 15.34% |
|----------------------------------------------------|--------------|--------------|------------|--------|

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The following table summarizes the changes in the held to maturity securities since year-end 2017:

|                                                                                       | September 30<br>2018 | December 31<br>2017 | \$ Change | % Change |
|---------------------------------------------------------------------------------------|----------------------|---------------------|-----------|----------|
| <i>(Dollars in thousands)</i>                                                         |                      |                     |           |          |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | \$ 5,103             | \$ 5,187            | \$ (84)   | (1.62%)  |
| State and political subdivisions                                                      | 5,798                | 5,797               | 1         | 0.02%    |
| Mortgage-backed securities                                                            | 21                   | 23                  | (2)       | (8.70%)  |
| Single issue trust preferred securities                                               | 9,409                | 9,401               | 8         | 0.09%    |
| Other corporate securities                                                            | 20                   | 20                  | 0         | 0.00%    |
| Total held to maturity securities, at amortized cost                                  | \$ 20,351            | \$ 20,428           | \$ (77)   | (0.38%)  |

At September 30, 2018, gross unrealized losses on available for sale securities were \$54.92 million. Securities in an unrealized loss position at September 30, 2018 consisted primarily of state and political subdivision securities, and agency commercial and residential mortgage-backed securities. The state and political subdivisions securities relate to securities issued by various municipalities. The agency commercial and residential mortgage-backed securities relate to commercial and residential properties and provide a guaranty of full and timely payments of principal and interest by the issuing agency.

As of September 30, 2018, United's mortgage-backed securities had an amortized cost of \$1.53 billion, with an estimated fair value of \$1.49 billion. The portfolio consisted primarily of \$973.33 million in agency residential mortgage-backed securities with a fair value of \$943.67 million, \$4.09 million in non-agency residential mortgage-backed securities with an estimated fair value of \$4.57 million, and \$557.21 million in commercial agency mortgage-backed securities with an estimated fair value of \$543.65 million.

As of September 30, 2018, United's corporate securities had an amortized cost of \$247.68 million, with an estimated fair value of \$246.40 million. The portfolio consisted primarily of \$6.18 million in Trup Cdos with a fair value of \$6.15 million and \$18.16 million in single issue trust preferred securities with an estimated fair value of \$16.64 million. In addition to the trust preferred securities, the Company held positions in various other corporate securities, including asset-backed securities with an amortized cost of \$223.35 million and a fair value of \$223.60 million and other corporate securities, with an amortized cost of \$96.13 million and a fair value of \$95.05 million.

The Trup Cdos consisted of pools of trust preferred securities issued by trusts related to financial institutions. During the first quarter of 2018, seven Trup Cdos were sold and one Trup Cdo was redeemed at par. During the second quarter of 2018, one additional Trup Cdo was redeemed at par. United's Trup Cdos had a fair value of \$6.15 million as of September 30, 2018. As of September 30, 2018, all of the Trup Cdos were rated below investment grade. United's single issue trust preferred securities had a fair value of \$16.64 million as of September 30, 2018. Of the \$16.64 million, \$3.93 million or 23.59% were investment grade; \$5.47 million or 32.90% were split rated; \$2.29 million or 13.77% were below investment grade; and \$4.95 million or 29.74% were unrated. The two largest exposures accounted for 71.48% of the \$16.64 million. These included SunTrust Bank at \$6.95 million and Emigrant Bank at \$4.95 million. All single-issue trust preferred securities are currently receiving full scheduled principal and interest payments.

The following is a summary of available for sale single-issue trust preferred securities as of September 30, 2018:

| Security                      | Moody's | S&P  | Fitch | Amortized<br>Cost | Fair<br>Value | Unrealized<br>Loss/<br>(Gain) |
|-------------------------------|---------|------|-------|-------------------|---------------|-------------------------------|
| <i>(Dollars in thousands)</i> |         |      |       |                   |               |                               |
| Emigrant Bank                 | NR      | NR   | WD    | \$ 5,720          | \$ 4,950      | \$ 770                        |
| M&T Bank                      | NR      | BBB- | BBB-  | 3,028             | 3,155         | (127)                         |
|                               |         |      |       | \$ 8,748          | \$ 8,105      | \$ 643                        |

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 (amortized cost balance of \$7.43 million) and Royal Bank of Scotland (amortized cost balance of \$977 thousand).

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During the third quarter of 2018, United did not recognize any other-than-temporary impairment on any of its investment securities. Management does not believe that any individual security with an unrealized loss as of September 30, 2018 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 3 to the unaudited Notes to Consolidated Financial Statements.

**Loans held for sale**

Loans held for sale decreased \$31.76 million or 11.94% from year-end 2017 mainly due to a \$27.42 million transfer from loans held for sale to portfolio loans. Loan originations for the first nine months of 2018 were \$1.58 billion while loans sales were also \$1.58 billion. Loans held for sale were \$234.20 million at September 30, 2018 as compared to \$265.96 million at year-end 2017.

**Portfolio Loans**

Loans, net of unearned income, increased \$265.32 million or 2.04% from year-end 2017. Since year-end 2017, residential real estate loans increased \$391.10 million or 13.05% and consumer loans increased \$194.25 million or 27.19%, due mainly to an increase in automobile loans. Partially offsetting these increases was a decrease in commercial, financial and agricultural loans of \$201.05 million or 2.57% as commercial real estate loans decreased \$134.99 million or 2.32% and commercial loans (not secured by real estate) decreased \$66.06 million or 3.30%. In addition, construction and land development loans decreased \$124.92 million or 8.30%.

The following table summarizes the changes in the major loan classes since year-end 2017:

|                                          | September 30 | December 31  |              |          |
|------------------------------------------|--------------|--------------|--------------|----------|
| <i>(Dollars in thousands)</i>            | 2018         | 2017         | \$ Change    | % Change |
| Loans held for sale                      | \$ 234,196   | \$ 265,955   | \$ (31,759)  | (11.94%) |
| Commercial, financial, and agricultural: |              |              |              |          |
| Owner-occupied commercial real estate    | \$ 1,336,434 | \$ 1,361,629 | \$ (25,195)  | (1.85%)  |
| Nonowner-occupied commercial real estate | 4,341,501    | 4,451,298    | (109,797)    | (2.47%)  |
| Other commercial loans                   | 1,932,919    | 1,998,979    | (66,060)     | (3.30%)  |
|                                          | \$ 7,610,854 | \$ 7,811,906 | \$ (201,052) | (2.57%)  |

Total commercial, financial, and  
agricultural

|                                 |           |           |           |         |
|---------------------------------|-----------|-----------|-----------|---------|
| Residential real estate         | 3,387,268 | 2,996,171 | 391,097   | 13.05%  |
| Construction & land development | 1,379,985 | 1,504,907 | (124,922) | (8.30%) |

Consumer:

|                |         |         |         |         |
|----------------|---------|---------|---------|---------|
| Bankcard       | 9,530   | 10,314  | (784)   | (7.60%) |
| Other consumer | 899,074 | 704,039 | 195,035 | 27.70%  |

|                       |               |               |            |          |
|-----------------------|---------------|---------------|------------|----------|
| Total gross loans     | \$ 13,286,711 | \$ 13,027,337 | \$ 259,374 | 1.99%    |
| Less: Unearned income | (9,971)       | (15,916)      | 5,945      | (37.35%) |

|                                        |               |               |            |       |
|----------------------------------------|---------------|---------------|------------|-------|
| Total Loans, net of unearned<br>income | \$ 13,276,740 | \$ 13,011,421 | \$ 265,319 | 2.04% |
|----------------------------------------|---------------|---------------|------------|-------|

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The following table summarizes the outstanding balances of portfolio loans originated and acquired, by type, as of September 30, 2018 and December 31, 2017:

| <i>(In thousands)</i> | <b>September 30, 2018</b>                       |                            |                                       |          | <b>Total</b> |
|-----------------------|-------------------------------------------------|----------------------------|---------------------------------------|----------|--------------|
|                       | Commercial,<br>financial<br>and<br>agricultural | Residential<br>real estate | Construction &<br>land<br>development | Consumer |              |
| Originated            | 4,780,708                                       | \$ 2,511,741               | \$ 1,098,457                          | &n       |              |