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Total derivatives not designated as hedging instruments

$358,569	$5,152	$179,890	$4,561

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

40

Table of Contents

	Liability Derivatives					
	September 30, 2018			December 31, 2017		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Derivatives designated as hedging instruments						
Fair Value Hedges:						
Interest rate swap contracts (hedging commercial loans)	Other liabilities	$ 0	$ 0	Other liabilities	$ 18,795	$ 165
Total derivatives designated as hedging instruments		$ 0	$ 0		$ 18,795	$ 165
Derivatives not designated as hedging instruments						
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
Total derivatives not designated as hedging instruments		$ 22,521	$ 197		$ 236,500	$ 312
Total liability derivatives		$ 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
Derivatives in hedging relationships			
Fair Value Hedges:			
Interest rate swap contracts	Interest income/(expense)	$ (24)	$ (208)
Total derivatives in hedging relationships		$ (24)	$ (208)

Derivatives not designated as hedging instruments			
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)
Total derivatives not designated as hedging instruments		$ (876)	$ (4,618)
Total derivatives		$ (900)	$ (4,826)

41

Table of Contents

	Income Statement Location	Nine Months Ended September 30, 2018	September 30, 2017
Derivatives in fair value hedging relationships			
Fair Value Hedges:			
Interest rate swap contracts	Interest income/(expense)	$ (42)	$ (648)
Cash Flow Hedges:			
Forward loan sales commitments	Other income	0	0
Total derivatives in hedging relationships		$ (42)	$ (648)
Derivatives not designated as hedging instruments			
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)
Total derivatives not designated as hedging instruments		$ (182)	$ (985)
Total derivatives		$ (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.

Table of Contents

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

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

Table of Contents

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.

		Fair Value at September 30, 2018 Using		
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)**
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

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.

Table of Contents

Description	Balance as of December 31, 2017	Fair Value at December 31, 2017 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 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
Liabilities				
Derivative financial liabilities:				
Interest rate swap contracts	165	0	165	0
TBA mortgage-backed securities	312	0	312	0
Total derivative financial liabilities	477	0	477	0

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

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

46

Table of Contents

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:

	Available-for-sale Securities Trust preferred collateralized debt obligations	
	September 30, 2018	**December 31, 2017**
Balance, beginning of period	$ 34,269	$ 33,552
Total gains or losses (realized/unrealized):		
Included in earnings (or changes in net assets)	28	9
Included in other comprehensive income	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

	Loans held for sale	
	September 30, 2018	**December 31, 2017**
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

	Derivative Financial Assets Interest Rate Lock Commitments	
	September 30, 2018	December 31, 2017
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.

Table of Contents

Fair Value Option

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

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

Description	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Assets		
Loans held for sale		
Income from mortgage banking activities	$ (5,929)	$ (5,090)

Description	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Assets		
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:

	September 30, 2018			December 31, 2017		
Description	Unpaid Principal Balance	Fair Value	Fair Value Over/(Under) Unpaid Principal Balance	Unpaid Principal Balance	Fair Value	Fair Value Over/(Under) Unpaid Principal Balance
Assets						
Loans held for sale	$ 227,943	$ 231,310	$ 3,367	$ 257,674	$ 263,308	$ 5,634

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

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

offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, United records any fair value adjustments for these loans held for sale on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale during the 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,

48

Table of Contents

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.

Table of Contents

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	Carrying value at September 30, 2018			YTD Losses
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Loans held for sale	$ 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	Carrying value at December 31, 2017			YTD Losses
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Loans held for sale	$ 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

Fair Value of Other Financial Instruments

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

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

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

Table of Contents

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		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2018					
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
December 31, 2017					
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

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

51

Table of Contents

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.

Table of Contents

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:

	Nine Months Ended September 30, 2018			
	Shares	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Yrs.)	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:

	Number of Shares	**Weighted-Average Grant Date Fair Value Per Share**
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

53

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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
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.

Table of Contents

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:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2018	**2017**	**2018**	**2017**
Net Income	**$ 64,412**	**$ 56,738**	**$ 192,392**	**$ 132,606**
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)

Related income tax expense (benefit)	(27)	173	(68)	534
	(7,579)	1,964	(30,853)	8,443
Net effect of AFS securities on other comprehensive income	**(7,579)**	**1,964**	**(30,853)**	**8,443**
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)
Net effect of HTM securities on other comprehensive income	**2**	**2**	**4**	**4**
Pension plan:				
Recognized net actuarial loss	1,174	1,111	3,485	3,298
Related income tax benefit	(256)	(394)	(782)	(1,191)
Net effect of change in pension plan asset on other comprehensive income	**918**	**717**	**2,703**	**2,107**
Total change in other comprehensive income	**(6,659)**	**2,683**	**(28,146)**	**10,554**
Total Comprehensive Income	**$ 57,753**	**$ 59,421**	**$ 164,246**	**$ 143,160**

55

Table of Contents

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 [(a)]
For the Nine Months Ended September 30, 2018

	Unrealized Gains/ Losses on AFS Securities	Accretion on the unrealized loss for securities transferred from AFS to the HTM	Defined Benefit Pension 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 Reclassified from AOCI	Affected Line Item in the Statement Where 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

		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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
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.

57

Table of Contents

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

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

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 Assets	Aggregate Liabilities	Risk Of Loss (1)	Aggregate Assets	Aggregate Liabilities	Risk Of Loss (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 though 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.

Table of Contents

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:

	At and For the Three Months Ended September 30, 2018				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
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

	At and For the Three Months Ended September 30, 2017				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
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

	At and For the Nine Months Ended September 30, 2018				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
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

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

59

Table of Contents

	At and For the Nine Months Ended September 30, 2017				
	Community Banking	Mortgage Banking	Other	Intersegment 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.

60

Table of Contents

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.

61

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

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

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

64

Table of Contents

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:

(Dollars in thousands)	**September 30 2018**	**December 31 2017**	**$ Change**	**% Change**
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%

65

Table of Contents

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

(Dollars in thousands)	September 30 2018	December 31 2017	$ Change	% Change
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	Moodys	S&P	Fitch	Amortized Cost	Fair Value	Unrealized Loss/ (Gain)
				(Dollars in thousands)		
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).

Table of Contents

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:

(Dollars in thousands)	**September 30 2018**	**December 31 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 income	$ 13,276,740	$ 13,011,421	$ 265,319	2.04%

Table of Contents

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

	September 30, 2018				
(In thousands)	Commercial, financial and agricultural	Residential real estate	Construction & land development	Consumer	Total
Originated	4,780,708	$ 2,511,741	$ 1,098,457	$ 903,085	$ 9,293,991
Acquired	2,830,146	875,527	281,528	5,519	3,992,720
Total gross loans	$ 7,610,854	$ 3,387,268	$ 1,379,985	$ 908,604	$ 13,286,711

	December 31, 2017				
(In thousands)	Commercial, financial and agricultural	Residential real estate	Construction & land development	Consumer	Total
Originated	$ 4,647,745	$ 1,974,804	$ 1,032,629	$ 707,661	$ 8,362,839
Acquired	3,164,161	1,021,367	472,278	6,692	4,664,498
Total gross loans	$ 7,811,906	$ 2,996,171	$ 1,504,907	$ 714,353	$ 13,027,337

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

Other Assets

Other assets were relatively flat from year-end 2017, increasing $1.32 million or less than 1% from year-end 2017. Deferred taxes increased $4.60 million. In addition, derivative assets and bank owned life insurance policies increased $4.19 million and $4.00 million, respectively, due to a change in fair value and dealer reserve increased $4.75 million due to an increase in automobile loans. Partially offsetting these increases were decreases in core deposit intangibles of $6.03 million due to amortization, income taxes receivable of $3.52 million and other real estate owned of $5.56 million due to sales and declines in fair value.

Deposits

Deposits represent United s primary source of funding. Total deposits at September 30, 2018 increased $260.58 million or 1.88%. In terms of composition, interest-bearing deposits were relatively flat, increasing $84.45 million or less than 1% while noninterest-bearing deposits increased $176.13 million or 4.10% from December 31, 2017.

Noninterest-bearing deposits consists of demand deposit and noninterest bearing money market (MMDA) account balances. The $176.13 million increase in noninterest-bearing deposits was due mainly to increases in commercial noninterest-bearing deposits of $144.73 million or 4.35%. Personal noninterest-bearing deposits were flat, increasing

$2.28 million or less than 1%. Partially offsetting these increases was a decrease of $4.07 million or 3.18% in public funds noninterest-bearing deposits.

Table of Contents

Interest-bearing deposits consists of interest-bearing checking (NOW), regular savings, interest-bearing MMDA, and time deposit account balances. Interest-bearing MMDAs increased $2.14 billion while NOW accounts decreased $1.80 billion since year-end 2017 due mainly to sweep activity of $1.67 billion from NOW accounts to interest-bearing MMDAs to reduce United s reserve requirement at its Federal Reserve Bank. Otherwise, interest-bearing MMDAs increased $464.76 million or 12.37% as brokered MMDAs, commercial MMDAs, and personal MMDAs were up $219.72 million, $110.56 million, and $68.56 million, respectively. In addition, public funds MMDAs increased $65.92 million. Excluding the sweep activity, NOW accounts decreased $125.63 million or 5.82% mainly due to a decrease of $180.28 million in personal NOW accounts and a $24.25 million decrease in commercial NOW accounts. Partially offsetting these decreases was an increase of $78.90 million in public funds NOW accounts.

Regular savings decreased $36.49 million or 3.53% from year-end 2017 mainly due to a $50.08 million decrease in personal savings accounts which was partially offset by a $12.98 million increase in commercial savings accounts.

Time deposits under $100,000 decreased $65.4 million or 8.23% from year-end 2017. This decrease in time deposits under $100,000 is the result of decreases of $17.72 million and $29.34 million in fixed rate certificates of deposits (CDs) and Certificate of Deposit Account Registry Service (CDARS) balances, respectively. In addition, variable rate CDs decreased $20.80 million.

Since year-end 2017, time deposits over $100,000 decreased $152.79 million or 8.52% as CDARS balances decreased $335.16 million, which was partially offset by a $95.26 million increase in brokered deposits, a $24.14 million increase in fixed rate CDs over $100,000, and a $70.52 million increase in public funds CDs over $100,000.

The following table summarizes the changes in the deposit categories since year-end 2017:

(Dollars in thousands)	**September 30 2018**	**December 31 2017**	**$ Change**	**% Change**
Demand deposits	$ 1,900,015	$ 4,294,687	$ (2,394,672)	(55.76%)
Interest-bearing checking	357,477	2,156,974	(1,799,497)	(83.43%)
Regular savings	997,610	1,034,100	(36,490)	(3.53%)
Money market accounts	8,465,689	3,756,259	4,709,430	125.38%
Time deposits under $100,000	729,737	795,137	(65,400)	(8.23%)
Time deposits over $100,000 (1)	1,640,644	1,793,434	(152,790)	(8.52%)
Total deposits	$ 14,091,172	$ 13,830,591	$ 260,581	1.88%

(1) Includes time deposits of $250,000 or more of $979,015 and $790,703 at September 30, 2018 and December 31, 2017, respectively.

Borrowings

Total borrowings at September 30, 2018 decreased $142.69 million or 7.75% from year-end 2017. During the first nine months of 2018, short-term borrowings decreased $98.08 million or 20.54% due to a $107.63 million decrease in short-term securities sold under agreements to repurchase. Federal funds purchased decreased $9.56 million or 58.85%. Long-term borrowings decreased $44.61 million or 3.27% from year-end 2017 due to the redemption of a

trust preferred issuance (Century Trust) and the repayment of a wholesale security sold under an agreement to repurchase.

The table below summarizes the change in the borrowing categories since year-end 2017:

(Dollars in thousands)	**September 30 2018**	**December 31 2017**	**$ Change**	**% Change**
Federal funds purchased	$ 25,790	$ 16,235	$ 9,555	58.85%
Short-term securities sold under agreements to repurchase	153,718	261,352	(107,634)	(41.18%)
Long-term securities sold under agreements to repurchase	0	50,000	(50,000)	(100.00%)
Short-term FHLB advances	200,000	200,000	0	0.00%
Long-term FHLB advances	1,084,781	1,071,531	13,250	1.24%
Issuances of trust preferred capital securities	234,590	242,446	(7,856)	(3.24%)
Total borrowings	$ 1,698,879	$ 1,841,564	$ 142,685	(7.75%)

69

For a further discussion of borrowings see Notes 8 and 9 to the unaudited Notes to Consolidated Financial Statements.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at September 30, 2018 was flat, decreasing $275 thousand or less than 1% from year-end 2017. In particular, the pension liability declined $8.71 million due to a discretionary contribution of $7.00 million to the Company s pension plan during the first quarter, business franchise taxes decreased $1.97 million, incentive payables declined $1.40 million due to payments, and income taxes payable decreased $1.21 million due to a timing difference. Partially offsetting these decreases were increases of $9.18 million in the accounts payable associated with George Mason, and $4.07 million for mortgage escrow liabilities.

Shareholders Equity

Shareholders equity at September 30, 2018 was relatively flat from December 31, 2017, increasing $10.60 million or less than 1%.

Retained earnings increased $92.25 million or 10.34% from year-end 2017. Earnings net of dividends for the first nine months of 2018 were $85.76 million. Amounts reclassed to retained earnings from AOCI for the adoption of ASU No. 2016-01 and ASU No. 2018-02 totaled $6.49 million for the first nine months of 2018.

Since year-end 2017, accumulated other comprehensive income decreased $34.64 million or 82.42% due mainly to a decrease of $38.07 million in the fair value of United s available for sale investment portfolio, net of deferred income taxes partially offset by the reclass to retained earnings of $6.49 million and the reversal of $7.22 million in noncredit OTTI for securities sold in the first nine months of 2018. The after-tax accretion of pension costs was $2.70 million for the first nine months of 2018.

During the second quarter of 2018, United began repurchasing its common stock on the open market under a plan announced by the Company in August of 2017 to repurchase up to 2 million shares of its common stock. United repurchased 1,376,900 shares by the end of the third quarter of 2018 at a cost of $50.92 million or an average price per share of $36.98.

RESULTS OF OPERATIONS

Overview

Net income for the third quarter of 2018 was $64.41 million or $0.62 per diluted share, as compared to $56.74 million or $0.54 per diluted share for the prior year third quarter. Net income for the first nine months of 2018 was $192.39 million or $1.83 per diluted share compared to $132.61 million or $1.39 per share for the first nine months of 2017.

As previously mentioned, United completed its acquisition of Cardinal on April 21, 2017. The financial results of Cardinal are included in United s results from the acquisition date. As a result of the acquisition, the first nine months of 2018 were impacted for 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 merger-related expenses of $24.99 million due to the Cardinal acquisition.

For the third quarter of 2018, United s annualized return on average assets was 1.34% and return on average shareholders equity was 7.83% as compared to 1.19 % and 6.89% for the third quarter of 2017. United s annualized return on average assets for the first nine months of 2018 was 1.37% and return on average shareholders equity was 7.86% as compared to 1.03% and 6.22% for the first nine months of 2017.

Net interest income for the third quarter of 2018 was $148.78 million, which was a decrease of $1.5 million or 1% from the third quarter of 2017. The decrease in net interest income occurred because total interest income increased $13.45 million while total interest expense increased $14.95 million from the third quarter of 2017. Net interest income for the first nine months of 2018 was $441.94 million, an increase of $47.80 million or 12.13% from the prior year s first nine months. The increase in net interest income occurred because total interest income increased $82.93 million while total interest expense only increased $35.13 million from the first nine months of 2017.

The provision for loan losses was $4.81 million and $16.19 million for the third quarter and first nine months of 2018, respectively, as compared to $7.28 million and $21.43 million for the third quarter and first nine months of 2017, respectively. For the third quarter of 2018, noninterest income was $31.69 million, which was a decrease of $6.54 million or 17.12% from the third quarter of 2017. Noninterest income for the first nine months of 2018 was $98.89 million, which was flat from the first nine months of 2017, increasing $4 thousand or less than 1%. For the third quarter of 2018, noninterest expense decreased $3.34 million or 3.45% from the third quarter of 2017. For the first nine months of 2018, noninterest expense increased $5.55 million or 2.04% from the first nine months of 2017.

Income taxes for the third quarter of 2018 were $17.93 million as compared to $27.84 million for the third quarter of 2017. For the first nine months of 2018 and 2017, income tax expense was $55.07 million and $67.36 million, respectively. For the quarters ended September 30, 2018 and 2017, United s effective tax rate was 21.77% and 32.91%, respectively. The effective tax rate for the first nine months of 2018 and 2017 was 22.25% and 33.68%, respectively.

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

Business Segments

As a result of the Cardinal acquisition, 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.

Community Banking

Net income attributable to the community banking segment for the third quarter of 2018 was $69.13 million compared to net income of $59.94 million for the third quarter of 2017.

Net interest income decreased $3.12 million to $149.77 million for the third quarter of 2018, compared to $152.89 million for the same period of 2017. Provision for loan losses was $4.81 million for the three months ended September 30, 2018 compared to a provision of $7.28 million for the same period of 2017. Noninterest income increased $344 thousand for the third quarter of 2018 to $18.72 million as compared to $18.37 million for the third

71

quarter of 2017. The increase was mainly due to an increase in fees from brokerage and trust services. Noninterest expense was $75.26 million for the third quarter of 2018, compared to $74.55 million for the same period of 2017. The increase of $702 thousand in noninterest expense was primarily attributable to an increase in Federal Deposit Insurance Corporation (FDIC) insurance expense as United Bank is now considered a large institution and subject to increased assessment rates.

Net income attributable to the community banking segment for the first nine months of 2018 was $200.84 million compared to net income of $143.88 million for the first nine months of 2017. Net interest income increased $43.80 million to $444.84 million for the first nine of 2018, compared to $401.04 million for the same period of 2017. Generally, net interest income for the first nine months of 2018 increased from the first nine months of 2017 because of the earning assets added from the Cardinal acquisition. Provision for loan losses was $16.19 million for the nine months ended September 30, 2018 compared to a provision of $21.43 million for the same period of 2017. Noninterest income was relatively flat from the first nine months of 2018, increasing $543 thousand to $53.95 million for the first nine months of 2018 as compared to $53.41 million for the first nine months of 2017. Noninterest expense was $224.24 million for the nine months ended September 30, 2018, compared to $215.94 million for the same period of 2017. The increase of $8.31 million in noninterest expense was primarily attributable to increases in branches, staffing and merger-related expenses from the Cardinal acquisition.

Mortgage Banking

The mortgage banking segment reported a net loss of $846 thousand and $1.33 million for the third quarter and the first nine months of 2018, respectively, as compared to a net loss of $2.80 million and $322 thousand for the third quarter and first nine months of 2017, respectively. Noninterest income, which consists mainly of realized and unrealized gains associated with the fair value of commitments and loans held for sale, was $16.48 million and $54.83 million for the third quarter and first nine of 2018 as compared to $19.94 million and $42.33 million for the third quarter and first nine months of 2017. Noninterest expense was $17.96 million and $57.57 million for the third quarter and first nine months of 2018 as compared $24.04 million and $42.74 million for the third quarter and first nine months of 2017. Noninterest expense consists mainly of salaries, commissions and benefits of mortgage segment employees.

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

Net Interest Income

Net interest income represents the primary component of United s earnings. It is the difference between interest income from earning assets and interest expense incurred to fund these assets. Net interest income is impacted by changes in the volume and mix of interest-earning assets and interest-bearing liabilities, as well as changes in market interest rates. Such changes, and their impact on net interest income in 2018 and 2017, are presented below.

Net interest income for the third quarter of 2018 was $148.78 million, which was a decrease of $1.50 million or 1.00% from the third quarter of 2017. The decrease in net interest income occurred because total interest income only increased $13.45 million while total interest expense increased $14.95 million from the third quarter of 2017. Net interest income for the first nine months of 2018 was $441.94 million, an increase of $47.80 million or 12.13% from the prior year s first nine months. The increase in net interest income occurred because total interest income increased $82.93 million while total interest expense only increased $35.13 million from the first nine months of 2017. On a linked-quarter basis, net interest income for the third quarter of 2018 was relatively flat from the second quarter of 2018, decreasing $347 thousand or less than 1%. The $347 thousand decrease in net interest income occurred because total interest income only increased $7.03 million while total interest expense increased $7.38 million from the second

quarter of 2018.

Table of Contents

Generally, interest income for the first nine months of 2018 increased from the first nine months of 2017 because of the earning assets added from the Cardinal acquisition. The higher amount of interest expense for the first nine months of 2018 from the first nine months of 2017 was due mainly to the interest-bearing liabilities added from the Cardinal acquisition and higher market interest rates. In addition, loan accretion on acquired loans for the first nine months of 2018 increased from the same time period last year. For the purpose of this remaining discussion, net interest income is presented on a tax-equivalent basis to provide a comparison among all types of interest earning assets. The tax-equivalent basis adjusts for the tax-favored status of income from certain loans and investments. Although this is a non-GAAP measure, United s management believes this measure is more widely used within the financial services industry and provides better comparability of net interest income arising from taxable and tax-exempt sources. United uses this measure to monitor net interest income performance and to manage its balance sheet composition.

Tax-equivalent net interest income for the third quarter of 2018 was $149.82 million, a decrease of $2.54 million or 1.67% from the third quarter of 2017 due mainly to an increase of 54 basis points in the average cost of funds as compared to the third quarter of 2017 due to higher market interest rates. In addition, loan accretion on acquired loans was $11.56 million and $12.81 million for the third quarter of 2018 and 2017, respectively, decreasing $1.25 million or 9.73%. Partially offsetting these decreases to tax-equivalent net interest income for the third quarter of 2018 was an increase of 26 basis points in the average yield on earning assets as compared to the third quarter of 2017 due to higher market interest rates. In addition, average earning assets for the third quarter of 2018 increased $172.50 million or 1.04% from the third quarter of 2017 due mainly to an increase of $491.90 million or 27.44% in average investment securities. Partially offsetting this increase was a decrease in average short-term investments of $335.33 million or 26.90%. Average net loans remained flat for the third quarter, increasing $15.97 million or less than 1% from the third quarter of 2017. The net interest margin of 3.56% for the third quarter of 2018 was a decrease of 9 basis points from the net interest margin of 3.65% for the third quarter of 2017.

Tax-equivalent net interest income for the first nine months of 2018 was $445.21 million, an increase of $44.90 million or 11.22% from the first nine months of 2017. This increase in tax-equivalent net interest income was primarily attributable to an increase in average earning assets from the Cardinal acquisition. Average earning assets increased $1.26 billion or 8.31% from the first nine months of 2017 as average net loans increased $1.09 billion or 8.85% for the first nine months of 2018. Average investment securities increased $613.07 million or 37.40% while short-term investments decreased $436.05 million or 34.00%. The first nine months of 2018 average yield on earning assets increased 34 basis points from the first nine months of 2017 due to higher market interest rates and additional loan accretion of $9.99 million on acquired loans. Loan accretion was $34.38 million and $24.40 million for the first nine months of 2018 and 2017, respectively. Partially offsetting the increases to tax-equivalent net interest income for the first nine months of 2018 was an increase of 39 basis points in the average cost of funds as compared to the first nine months of 2017 due to higher market interest rates. The net interest margin of 3.61% for the first nine months of 2018 was an increase of 9 basis points from the net interest margin of 3.52% for the first nine months of 2017.

On a linked-quarter basis, tax-equivalent net interest income for the third quarter of 2018 was relatively flat from the second quarter of 2018, decreasing $413 thousand or less than 1% due to a combination of a $265.94 million or 2.40% increase in interest bearing funds and an increase of 22 basis points in the average cost of funds as a result of higher market interest rates. In addition, loan accretion on acquired loans decreased $497 thousand. Partially offsetting these decreases to tax-equivalent net interest income for the third quarter of 2018 was a $334.54 million or 2.04% increase in the average earning assets and a 5 basis points increase in the yield on average earning assets. Specifically, average short-term investments increased $262.13 million or 40.37%. Average net loans and average investment securities were relatively flat for the third quarter of 2018, increasing $80.23 million and decreasing $7.82 million, respectively from the second quarter of 2018. The net interest margin of 3.56% for the third quarter of 2018 decreased 11 basis points from the net interest margin of 3.67% for the second quarter of 2018.

Table of Contents

United s tax-equivalent net interest income also includes the impact of acquisition accounting fair value adjustments.

The following table provides the discount/premium and net accretion impact to tax-equivalent net interest income for the three months ended September 30, 2018, September 30, 2017 and June 30, 2018 and the nine months ended September 30, 2018 and September 30, 2017:

	Three Months Ended		
(Dollars in thousands)	**September 30 2018**	**September 30 2017**	**June 30 2018**
Loan accretion	$ 11,559	$ 12,805	$ 12,056
Certificates of deposit	311	817	311
Long-term borrowings	269	268	268
Total	$ 12,139	$ 13,890	$ 12,635

	Nine Months Ended	
(Dollars in thousands)	**September 30 2018**	**September 30 2017**
Loan accretion	$ 34,381	$ 24,395
Certificates of deposit	948	1,640
Long-term borrowings	806	348
Tax-equivalent net interest income	$ 36,135	$ 26,383

The following tables reconcile the difference between net interest income and tax-equivalent net interest income for the three months ended September 30, 2018, September 30, 2017 and June 30, 2018 and the nine months ended September 30, 2018 and September 30, 2017.

	Three Months Ended		
(Dollars in thousands)	**September 30 2018**	**September 30 2017**	**June 30 2018**
Net interest income, GAAP basis	$ 148,775	$ 150,276	$ 149,122
Tax-equivalent adjustment (1)	1,049	2,092	1,115
Tax-equivalent net interest income	$ 149,824	$ 152,368	$ 150,237

	Nine Months Ended	
(Dollars in thousands)	**September 30 2018**	**September 30 2017**
Net interest income, GAAP basis	$ 441,940	$ 394,141

Tax-equivalent adjustment (1)	3,268	6,168
Tax-equivalent net interest income	$ 445,208	$ 400,309

(1) The tax-equivalent adjustment combines amounts of interest income on federally nontaxable loans and investment securities using the statutory federal income tax rate of 21% for the three months and nine months ended September 30, 2018 and the three months ended June 30, 2018 and 35% for the three months and nine months ended September 30, 2017. All interest income on loans and investment securities was subject to state income taxes.

Table of Contents

The following tables show the unaudited consolidated daily average balance of major categories of assets and liabilities for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively, with the interest and rate earned or paid on such amount. The interest income and yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 21% for the three-month and nine-month periods ended September 30, 2018 and 35% for the three-month and nine-month periods ended September 30, 2017. Interest income on all loans and investment securities was subject to state income taxes.

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
(Dollars in thousands)	**Average Balance**	**Interest (1)**	**Avg. Rate (1)**	**Average Balance**	**Interest (1)**	**Avg. Rate (1)**
ASSETS						
Earning Assets:						
Federal funds sold and securities purchased under agreements to resell and other short-term investments	$ 911,414	$ 5,485	2.39%	$ 1,246,742	$ 4,874	1.55%
Investment Securities:						
Taxable	2,064,332	13,994	2.71%	1,533,444	9,406	2.45%
Tax-exempt	220,197	1,673	3.04%	259,189	2,284	3.52%
Total Securities	2,284,529	15,667	2.74%	1,792,633	11,690	2.61%
Loans, net of unearned income (2)	13,627,932	164,927	4.81%	13,607,933	157,111	4.59%
Allowance for loan losses	(77,103)			(73,031)		
Net loans	13,550,829		4.83%	13,534,902		4.61%
Total earning assets	16,746,772	$ 186,079	4.42%	16,574,277	$ 173,675	4.16%
Other assets	2,300,917			2,353,508		
TOTAL ASSETS	$ 19,047,689			$ 18,927,785		
LIABILITIES						
Interest-Bearing Funds:						
Interest-bearing deposits	$ 9,588,327	$ 26,368	1.09%	$ 9,837,967	$ 14,227	0.57%
Short-term borrowings	212,566	618	1.15%	325,631	430	0.52%
Long-term borrowings	1,543,004	9,269	2.38%	1,364,417	6,650	1.93%
Total Interest-Bearing Funds	11,343,897	36,255	1.27%	11,528,015	21,307	0.73%
Noninterest-bearing deposits	4,338,309			4,036,653		
Accrued expenses and other liabilities	102,534			97,575		
TOTAL LIABILITIES	15,784,740			15,662,243		
SHAREHOLDERS EQUITY	3,262,949			3,265,542		

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 19,047,689		$ 18,927,785	
NET INTEREST INCOME	$ 149,824		$ 152,368	
INTEREST SPREAD		3.15%		3.43%
NET INTEREST MARGIN		3.56%		3.65%

(1) The interest income and the yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 21% for 2018 and 35% for 2017.

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

Table of Contents

(Dollars in thousands)	Nine Months Ended September 30, 2018 Average Balance	Interest (1)	Avg. Rate (1)	Nine Months Ended September 30, 2017 Average Balance	Interest (1)	Avg. Rate (1)
ASSETS						
Earning Assets:						
Federal funds sold and securities repurchased under agreements to resell and other short-term investments	$ 846,537	$ 13,867	2.19%	$ 1,282,589	$ 11,345	1.18%
Investment Securities:						
Taxable	2,012,841	39,679	2.63%	1,412,221	26,226	2.48%
Tax-exempt	239,617	5,339	2.97%	227,171	6,242	3.66%
Total Securities	2,252,458	45,018	2.66%	1,639,392	32,468	2.64%
Loans, net of unearned income (2)	13,451,316	474,598	4.72%	12,360,252	409,643	4.43%
Allowance for loan losses	(76,819)			(72,904)		
Net loans	13,374,497		4.74%	12,287,348		4.46%
Total earning assets	16,473,492	$ 533,483	4.33%	15,209,329	$ 453,456	3.99%
Other assets	2,296,442			1,978,315		
TOTAL ASSETS	$ 18,769,934			$ 17,187,644		
LIABILITIES						
Interest-Bearing Funds:						
Interest-bearing deposits	$ 9,384,890	$ 61,101	0.87%	$ 9,024,232	$ 35,281	0.52%
Short-term borrowings	235,388	1,503	0.85%	298,213	1,149	0.52%
Long-term borrowings	1,518,997	25,671	2.26%	1,286,583	16,717	1.74%
Total Interest-Bearing Funds	11,139,275	88,275	1.06%	10,609,028	53,147	0.67%
Non-interest bearing deposits	4,256,707			3,639,507		
Accrued expenses and other liabilities	103,163			90,112		
TOTAL LIABILITIES	15,499,145			14,338,647		
SHAREHOLDERS EQUITY	3,270,789			2,848,997		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 18,769,934			$ 17,187,644		
NET INTEREST INCOME		$ 445,208			$ 400,309	
INTEREST SPREAD			3.27%			3.32%
NET INTEREST MARGIN			3.61%			3.52%

(1) The interest income and the yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 21% for 2018 and 35% for 2017.
(2) Nonaccruing loans are included in the daily average loan amounts outstanding.

Provision for Loan Losses

For the quarters ended September 30, 2018 and 2017, the provision for loan losses was $4.81 million and $7.28 million, respectively. The provision for loan losses for the first nine months of 2018 and 2017 was $16.19 million and $21.43 million, respectively. Net charge-offs were $5.00 million for the third quarter of 2018 as compared to net charge-offs of $5.34 million for the same quarter in 2017. Net charge-offs for the first nine months of 2018 were $15.88 million as compared to $19.27 million for the first nine months of 2017. These lower amounts of provision expense and net charge-offs in 2018 compared to the same periods in 2017 were due to the recognition of losses on

76

Table of Contents

several large commercial relationships in 2017. On a linked-quarter basis, the provision for loan losses decreased $1.40 million and net charge-offs decreased $720 thousand from the second quarter of 2018. These lower amounts of provision expense and net charge-offs for the third quarter of 2018 compared to the second quarter of 2018 were due to the recognition of losses on two large commercial relationships and the need to provide for additional allocations within the commercial portfolio during the second quarter of 2018. Annualized net charge-offs as a percentage of average loans were 0.15% and 0.16% for the third quarter and first nine months of 2018, respectively.

At September 30, 2018, nonperforming loans were $146.13 million or 1.10% of loans, net of unearned income compared to nonperforming loans of $168.74 million or 1.30% of loans, net of unearned income at December 31, 2017. The components of nonperforming loans include: 1) nonaccrual loans, 2) loans which are contractually past due 90 days or more as to interest or principal but have not been put on a nonaccrual basis and 3) loans whose terms have been restructured for economic or legal reasons due to financial difficulties of the borrowers.

Loans past due 90 days or more were $15.95 million at September 30, 2018, an increase of $6.15 million or 62.70% from $9.80 million at year-end 2017. This increase was primarily due to an increase in delinquencies of loans that have matured. At September 30, 2018, nonaccrual loans were $66.55 million, a decrease of $42.25 million or 38.83% from $108.80 million at year-end 2017. This decrease was primarily due to the restructure of two large nonaccrual relationships such that they are now reported as a restructured loans as well as losses recognized on several large commercial nonaccrual relationships. Restructured loans were $63.63 million at September 30, 2018, an increase of $13.50 million or 26.92% from $50.13 million at year-end 2017. Twelve loans totaling $24.12 million were restructured during the first nine months of 2018. Nine of the restructured loans totaling $16.89 million were associated with two oil, gas and coal industry-related relationships. The remaining difference was mainly due to repayments. The loss potential on these loans has been properly evaluated and allocated within the Company s allowance for loan losses.

Nonperforming assets include nonperforming loans and real estate acquired in foreclosure or other settlement of loans (OREO). Total nonperforming assets of $164.92 million, including OREO of $18.79 million at September 30, 2018, represented 0.86% of total assets.

The following table summarizes nonperforming assets for the indicated periods.

	September 30,	**December 31,**				
(In thousands)	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Nonaccrual loans (1)						
Originated	$ 55,147	$ 97,971	$ 77,111	$ 83,146	$ 64,312	$ 58,121
Acquired	11,407	10,832	6,414	8,043	10,739	3,807
Loans which are contractually past due 90 days or more as to interest or principal, and are still accruing interest						
Originated	10,478	7,288	7,763	11,462	10,868	10,015
Acquired	5,471	2,515	823	166	807	1,029
Restructured loans (1)						
Originated	62,278	48,709	21,115	23,890	22,234	8,157
Acquired	1,348	1,420	37	0	0	0
Total nonperforming loans	$ 146,129	$ 168,735	$ 113,263	$ 126,707	$ 108,960	$ 81,129

Other real estate owned	18,786	24,348	31,510	32,228	38,778	38,182
TOTAL NONPERFORMING ASSETS	$ 164,915	$ 193,083	$ 144,773	$ 158,935	$ 147,738	$ 119,311

(1) Restructured loans that were on nonaccrual status for the indicated periods are included in Restructured loans and not Nonaccrual loans (see Note 5 to the unaudited Consolidated Financial Statements for further information).

Table of Contents

Loans are designated as impaired when, in the opinion of management, the collection of principal and interest in accordance with the loan contract is doubtful. At September 30, 2018, impaired loans were $397.25 million, which was a decrease of $29.68 million or 6.95% from the $426.93 million in impaired loans at December 31, 2017. This decrease was due mainly to a reduction in acquired impaired loans. Acquired impaired loans are accounted for under ASC Subtopic 310-30. The recorded investment balance and the contractual principal balance of the acquired impaired loans were $155.53 million and $205.03 million at September 30, 2018, respectively, as compared to $210.52 million and $285.96 million, respectively, at December 31, 2017. For the acquired impaired loans accounted for under ASC 310-30, the difference between the contractually required payments due and the cash flows expected to be collected, considering the impact of prepayments, is referred to as the non-accretable difference (the credit mark). The credit mark is not recognized in income. The remaining credit mark was $43.62 million and $60.15 million at September 30, 2018 and December 31, 2017, respectively. For further details regarding impaired loans, see Note 5 to the unaudited Consolidated Financial Statements.

United maintains an allowance for loan losses and a reserve for lending-related commitments. The combined allowance for loan losses and reserve for lending-related commitments are referred to as the allowance for credit losses. At September 30, 2018, the allowance for credit losses was $78.09 million as compared to $77.31 million at December 31, 2017.

At September 30, 2018, the allowance for loan losses was $76.94 million as compared to $76.63 million at December 31, 2017. As a percentage of loans, net of unearned income, the allowance for loan losses was 0.58% at September 30, 2018 and 0.59% at December 31, 2017. The ratio of the allowance for loan losses to nonperforming loans or coverage ratio was 52.65% and 45.41% at September 30, 2018 and December 31, 2017, respectively. The Company s detailed methodology and analysis indicated a minimal increase in the allowance for loan losses primarily because of the offsetting factors of increased loss allocations on impaired loans, shortened loss emergence periods and changes within historical loss rates.

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

United s company-wide review of the allowance for loan losses at September 30, 2018 produced increased allocations in one of the four loan categories. The residential real estate allocation increased $1.71 million primarily due to an increase in allocations recognized for impaired loans. Offsetting these increases was a decrease in the commercial, financial & agricultural loan pool allocation of $1.37 million primarily due to a decrease in historical loss rates and shortened loss emergence periods. The allocation related to the real estate construction and development loan pool decreased $91 thousand due to improvement in the historical loss rate applied to the pool. The consumer loan pool also experienced a minimal decrease of $1 thousand due to an improvement in historical loss rates. In summary, the overall level of the allowance for loan losses was relatively stable in comparison to year-end 2017 as a result of offsetting factors within the portfolio as described above.

An allowance is established for probable credit losses on impaired loans via specific allocations. Nonperforming commercial loans and leases are regularly reviewed to identify impairment. A loan or lease is impaired when, based on current information and events, it is probable that the Company will not be able to collect all amounts

78

contractually due. Measuring impairment of a loan requires judgment and estimates, and the eventual outcomes may differ from those estimates. Impairment is measured based upon the present value of expected future cash flows from the loan discounted at the loan s effective rate, the loan s observable market price or the fair value of collateral if the loan is collateral dependent. When the selected measure is less than the recorded investment in the loan, an impairment has occurred. The allowance for impaired loans was $27.35 million at September 30, 2018 and $22.35 million at December 31, 2017. In comparison to the prior year-end, this element of the allowance increased by $5.00 million primarily due to increased specific allocations for real estate construction and development loans as well as residential real estate loans.

Management believes that the allowance for credit losses of $78.09 million at September 30, 2018 is adequate to provide for probable losses on existing loans and lending-related commitments based on information currently available. Note 6 to the accompanying unaudited Notes to Consolidated Financial Statements provides a progression of the allowance for loan losses by portfolio segment.

United s loan administration policies are focused on the risk characteristics of the loan portfolio in terms of loan approval and credit quality. The commercial loan portfolio is monitored for possible concentrations of credit in one or more industries. Management has lending limits as a percentage of capital per type of credit concentration in an effort to ensure adequate diversification within the portfolio. Most of United s commercial loans are secured by real estate located in West Virginia, southeastern Ohio, Pennsylvania, Virginia, Maryland and the District of Columbia. It is the opinion of management that these commercial loans do not pose any unusual risks and that adequate consideration has been given to these loans in establishing the allowance for credit losses.

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

Other Income

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

Noninterest income for the third quarter of 2018 was $31.69 million, a decrease of $6.54 million or 17.12% from the third quarter of 2017. Noninterest income for the first nine months of 2018 was $98.89 million, which was flat from the first nine months of 2017, increasing $4 thousand or less than 1%.

Income from mortgage banking activities totaled $13.28 million for the third quarter of 2018 compared to $20.39 million for the same period of 2017. For the first nine months of 2018 and 2017, income from mortgage banking activities was $46.54 million and $43.60 million, respectively. The decrease for the third quarter of 2018 was due to decreased production and sales of mortgage loans in the secondary market by United s mortgage banking subsidiary, George Mason. For the three months ended September 30, 2018 and 2017, George Mason s mortgage loan sales were $692.27 million and $887.71 million, respectively. The increase for the first nine months of 2018 was mainly due to including the production and sales of mortgage loans in the secondary market by George Mason for nine months in 2018 as compared to slightly over five months in 2017. For the nine months ended September 30, 2018 and 2017, George Mason s mortgage loan sales were $2.09 billion and $1.60 billion, respectively.

For the third quarter of 2018, net gains and losses on investment securities activity declined $619 thousand from the third quarter of 2017. A net loss on investment securities of $152 thousand was recorded for the third quarter

79

of 2018 as compared to a net gain on investment securities of $467 thousand for the third quarter of 2017. The net loss and gain were mainly due to sales of investment securities. For the first nine months of 2018, United recorded a net loss of $692 thousand on investment securities activity as compared to a net gain of $5.15 million for the first nine months of 2017. A net gain of $3.77 million on the redemption of an investment security was recorded during the first quarter of 2017.

Fees from brokerage services for the third quarter and first nine months of 2018 increased $707 thousand and $1.15 million, respectively, from the third quarter and first nine months of 2017 due to increased volume.

Fees from deposit services for the first nine months of 2018 increased $345 thousand from the first nine months of 2017. The increase was mainly due to higher income from debit card and automated teller machine (ATM) fees. Fees from deposits services were flat for the third quarter of 2018 compared to the third quarter of 2017, decreasing $71 thousand or less than 1%.

Bankcard fees for the third quarter and first nine months of 2018 increased $217 thousand and $952 thousand, respectively, from the third quarter and first nine months of 2017 due to increased volume.

On a linked-quarter basis, noninterest income for the third quarter of 2018 decreased $4.32 million or 12.00% from the second quarter of 2018 due mainly to a decrease of $5.42 million in income from mortgage banking activities. The decrease was due mainly to a change in fair value of $6.15 million on George Mason s interest rate lock commitments. In addition, net gains and losses on investment securities activity decreased $97 thousand. Partially offsetting these decreases in noninterest income was a $834 thousand increase in fees from brokerage services as well as a $253 thousand increase in fees from deposit services and a $246 thousand increase in fees from trust services mainly due to increased volume.

Other Expenses

Just as management continues to evaluate areas where noninterest income can be enhanced, it strives to improve the efficiency of its operations to reduce costs. Other expenses include all items of expense other than interest expense, the provision for loan losses, and income taxes. Noninterest expense decreased $3.34 million or 3.45% for the third quarter of 2018 compared to the same period in 2017. For the first nine months of 2018, noninterest expense increased $5.55 million or 2.04% from the first nine months of 2017.

Employee compensation for the third quarter of 2018 decreased $3.57 million or 7.95% from the third quarter of 2017 as a result of a $3.23 million decrease in commissions expense and fewer employees related to a decrease in production and sales of mortgage loans at George Mason. Employee compensation only increased $323 thousand or less than 1% for the first nine months of 2018 when compared to the first nine months of 2017. Merger severance charges of $12.78 million from the Cardinal acquisition were included in the first nine months of 2017. Otherwise, base salaries for the first nine months of 2018 increased $10.14 million or 12.73% from the same time period in 2017 due mainly to additional employees from the Cardinal acquisition. In addition, employee incentives increased $1.29 million and commissions expense increased $3.25 million mainly related to the mortgage banking production of George Mason.

Employee benefits expense for the first nine months of 2018 increased $1.85 million or 7.20% as compared to the first nine months of 2017. The increase for the first nine months of 2018 was due in large part to additional 401K expense of $1.24 million, Federal Insurance Contributions Act (FICA) expense of $751 thousand, and health insurance expense of $932 thousand resulting from the additional employees from the Cardinal acquisition. Pension expense declined $588 thousand.

80

Table of Contents

Net occupancy expense decreased $2.86 million or 7.60% for first nine months of 2018 as compared to the same period in the prior year. Included in net occupancy expense for the first nine months of 2017 were charges of $5.93 million for the termination of leases and the reduction in the value of leasehold improvements for closed offices in the Cardinal acquisition. Net occupancy was flat for the third quarter of 2018, decreasing only $91 thousand or less than 1% from the third quarter of 2017.

Data processing expense increased $2.76 million or 18.46% for the first nine months of 2018 as compared to the same period in the prior year due to additional processing as a result of the Cardinal acquisition.

Federal Deposit Insurance Corporation (FDIC) insurance expense for the third quarter and first nine months of 2018 increased $1.99 million and $3.16 million, respectively, from the same periods in 2017 as United Bank is now considered a large institution and subject to increased assessment rates.

Other expense for the third quarter of 2018 decreased $857 thousand or 4.28% from the third quarter of 2017. Included in other expense for the third quarter of 2017 were merger-related expenses of $434 thousand. The remainder of the decrease from prior year is due to a decline of $511 thousand in business franchise taxes.

On a linked-quarter basis, noninterest expense for the third quarter of 2018 was flat from the second quarter of 2018, decreasing $95 thousand or less than 1%. In particular, employee compensation and employee benefits decreased $1.81 million and $653 thousand, respectively, as a result of lower commissions expense and fewer employees related to a decrease in production and sales of mortgage loans at George Mason. Mostly offsetting these decreases in noninterest expense was an increase in FDIC insurance expense of $688 thousand due to United Bank now being considered a large institution as previously mentioned. In addition, equipment expense increased $613 thousand, data processing expense increased $251 thousand, OREO expense increased $365 thousand, and net occupancy expense increased $197 thousand.

Income Taxes

For the third quarter and first nine months of 2018, income tax expense was $17.93 million and $55.07 million, respectively, as compared to $27.84 million and $67.36 million, respectively, in the third quarter and first nine months of 2017. The decreases in 2018 were mainly due to a decline in the effective tax rate as a result of the Tax Cuts and Jobs Act of 2017 (the Tax Act) partially offset by an increase in earnings. On a linked-quarter basis, income tax expense for the third quarter of 2018 decreased $1.32 million from the second quarter of 2018 mainly due to lower earnings. United s effective tax rate was 21.77% and 22.50% for the third quarter and second quarter of 2018, respectively and 32.91% for the third quarter of 2017. For the first nine months of 2018 and 2017, United s effective tax rate was 22.25% and 33.68%, respectively. The lower effective tax rate for the time periods in 2018 was due to the impact of the Tax Act. For further details related to income taxes, see Note 15 of the unaudited Notes to Consolidated Financial Statements contained within this document.

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

United has various financial obligations, including contractual obligations and commitments, that may require future cash payments. Please refer to United s Annual Report on Form 10-K for the year ended December 31, 2017 for disclosures with respect to United s fixed and determinable contractual obligations. There have been no material changes outside the ordinary course of business since year-end 2017 in the specified contractual obligations disclosed in United s Annual Report on Form 10-K.

United also enters into derivative contracts, mainly to protect against adverse interest rate movements on the value of certain assets or liabilities, under which it is required to either pay cash to or receive cash from counterparties

81

depending on changes in interest rates. Derivative contracts are carried at fair value and not notional value on the consolidated balance sheet. Because the derivative contracts recorded on the balance sheet at September 30, 2018 do not present the amounts that may ultimately be paid under these contracts, they are excluded from the contractual obligations table in the 2017 Form 10-K report. Further discussion of derivative instruments is presented in Note 11 to the unaudited Notes to Consolidated Financial Statements.

United is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include loan commitments and standby letters of credit. United s maximum exposure to credit loss in the event of nonperformance by the counterparty to the financial instrument for the loan commitments and standby letters of credit is the contractual or notional amount of those instruments. United uses the same policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Further discussion of off-balance sheet commitments is included in Note 10 to the unaudited Notes to Consolidated Financial Statements.

Liquidity

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

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

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

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

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

For the nine months ended September 30, 2018, cash of $218.77 million was provided by operating activities due mainly to net income of $192.39 million for the first nine months of 2018. In addition, proceeds from the sales of mortgage loans in the secondary market exceeded originations by $50.88 million. Net cash of $592.24 million was

used in investing activities which was primarily due to $248.62 million of loan growth and $341.36 million of net

purchases of investments over proceeds from sales. During the first nine months of 2018, net cash of $38.02 million was used in financing activities due primarily to repayments of $148.08 million in short-term borrowings, cash dividends paid of $107.05 million and the repurchase of treasury stock for $51.32 million for the first nine months of 2018. Partially offsetting is a growth in deposits of $261.53 million and a net repayment long-term FHLB advances of $15.00 million.

The net effect of the cash flow activities was a decrease in cash and cash equivalents of $411.48 million for the first nine months of 2018.

United anticipates it can meet its obligations over the next 12 months and has no material commitments for capital expenditures. There are no known trends, demands, commitments, or events that will result in or that are reasonably likely to result in United s liquidity increasing or decreasing in any material way. United also has lines of credit available. See Notes 8 and 9 to the accompanying unaudited Notes to Consolidated Financial Statements for more details regarding the amounts available to United under lines of credit.

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

Capital Resources

United s capital position is financially sound. United seeks to maintain a proper relationship between capital and total assets to support growth and sustain earnings. United has historically generated attractive returns on shareholders equity. United is well-capitalized based upon regulatory guidelines. United s risk-based capital ratio is 14.64% at September 30, 2018 while its Common Equity Tier 1 capital, Tier 1 capital and leverage ratios are 12.40%, 12.40% and 10.26%, respectively. The regulatory requirements for a well-capitalized financial institution are a risk-based capital ratio of 10.0%, a Common Equity Tier 1 capital ratio of 6.5%, a Tier 1 capital ratio of 8.0% and a leverage ratio of 5.0%.

Total shareholders equity was $3.25 billion at September 30, 2018, which was relatively flat from December 31, 2017, increasing $10.60 million or less than 1%. This slight increase was primarily due to the retention of earnings.

United s equity to assets ratio was 16.94% at September 30, 2018 as compared to 17.00% at December 31, 2017. The primary capital ratio, capital and reserves to total assets and reserves, was 17.28% at September 30, 2018 as compared to 17.34% at December 31, 2017. United s average equity to average asset ratio was 17.13% for the third quarter of 2018 as compared to 17.25% the third quarter of 2017. United s average equity to average asset ratio was 17.43% for the first nine months of 2018 as compared to 16.58% for the first nine months of 2017. All of these financial measurements reflect a financially sound position.

During the third quarter of 2018, United s Board of Directors declared a cash dividend of $0.34 per share. Cash dividends were $1.02 per common share for the first nine months of 2018. Total cash dividends declared were $35.30 million for the third quarter of 2018 and $106.64 million for the first nine months of 2018 as compared to $34.64 million for the third quarter of 2017 and $96.04 million for the first nine months of 2017.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

83

Table of Contents

Interest Rate Risk

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

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

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

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

The following table shows United s estimated earnings sensitivity profile as of September 30, 2018 and December 31, 2017:

Change in Interest Rates	Percentage Change in Net Interest Income	
(basis points)	September 30, 2018	December 31, 2017
+200	(1.89%)	(1.22%)

+100	(0.90%)	(0.48%)
-100	1.60%	(0.18%)
-200	(0.26%)	

At September 30, 2018, given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, net interest income for United is estimated to decrease by 0.90% over one year as compared to a decrease of 0.48% at December 31, 2017. A 200 basis point immediate, sustained upward shock in the yield curve

84

would decrease net interest income by an estimated 1.89% over one year as of September 30, 2018, as compared to a decrease of 1.22% as of December 31, 2017. A 100 basis point immediate, sustained downward shock in the yield curve would increase net interest income by an estimated 1.60% over one year as of September 30, 2018 as compared to a decrease of 0.18%, over one year as of December 31, 2017. A 200 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 0.26% over one year as of September 30, 2018. With the federal funds rate at 1.50% at December 31, 2017, management believed a 200 basis point immediate, sustained decline in rates was highly unlikely.

In addition to the one year earnings sensitivity analysis, a two-year analysis is also performed. Compared to the one year analysis, United is projected to show improved performance in year two within the upward rate shock scenarios. Given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, net interest income for United is estimated to increase by 0.85% in year two as of September 30, 2018. A 200 basis point immediate, sustained upward shock in the yield curve would increase net interest income by an estimated 1.48% in year two as of September 30, 2018. A 100 basis point immediate, sustained downward shock in the yield curve would increase net interest income by an estimated 0.05% in year two as of September 30, 2018. A 200 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 4.20% in year two as of September 30, 2018.

This analysis does not include the potential increased refinancing activities, which should lessen the negative impact on net income from falling rates. While it is unlikely market rates would immediately move 100 or 200 basis points upward or downward on a sustained basis, this is another tool used by management and the Board of Directors to gauge interest rate risk. All of these estimated changes in net interest income are and were within the policy guidelines established by the Board of Directors.

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

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

Extension Risk

At September 30, 2018, United s mortgage related securities portfolio had an amortized cost of $1.5 billion, of which approximately $961 million or 63% were fixed rate collateralized mortgage obligations (CMOs). These fixed rate CMOs consisted primarily of planned amortization class (PACs), sequential-pay and accretion directed (VADMs) bonds having an average life of approximately 4.3 years and a weighted average yield of 2.67%, under current projected prepayment assumptions. These securities are expected to have very little extension risk in a rising rate environment. Current models show that in rates up 300 basis points, the average life of these securities would only extend to 4.8 years. The projected price decline of the fixed rate CMO portfolio in rates up 300 basis points would be 11.7%, or less than the price decline of a 5- year treasury note. By comparison, the price decline of a 30-year current coupon mortgage backed security (MBS) in rates higher by 300 basis points would be approximately 19.4%.

85

Table of Contents

United had approximately $261 million in balloon and other securities with a projected yield of 2.30% and a projected average life of 3.8 years on September 30, 2018. This portfolio consisted primarily of Fannie Mae Delegated Underwriting and Servicing (DUS) mortgage backed securities (MBS) with a weighted average loan age (WALA) of 4.5 years and a weighted average maturity (WAM) of 4.2 years.

United had approximately $119 million in 15-year mortgage backed securities with a projected yield of 2.56% and a projected average life of 3.8 years as of September 30, 2018. This portfolio consisted of seasoned 15-year mortgage paper with a weighted average loan age (WALA) of 5.1 years and a weighted average maturity (WAM) of 10 years.

United had approximately $86 million in 20-year mortgage backed securities with a projected yield of 2.80% and a projected average life of 5.4 years on September 30, 2018. This portfolio consisted of seasoned 20-year mortgage paper with a weighted average loan age (WALA) of 5.5 years and a weighted average maturity (WAM) of 14.1 years.

United had approximately $67 million in 30-year mortgage backed securities with a projected yield of 3.02% and a projected average life of 7.9 years on September 30, 2018. This portfolio consisted of seasoned 30-year mortgage paper and Home Equity Conversion Mortgages with a weighted average loan age (WALA) of 2.4 years and a weighted average maturity (WAM) of 28 years.

The remaining 3% of the mortgage related securities portfolio at September 30, 2018, included adjustable rate securities (ARMs), 10-year mortgage backed pass-through securities and other fixed rate mortgage backed securities.

Item 4. CONTROLS AND PROCEDURES

As of September 30, 2018, an evaluation was performed under the supervision of and with the participation of United s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of United s disclosure controls and procedures. Based on that evaluation, United s management, including the CEO and CFO, concluded that United s disclosure controls and procedures as of September 30, 2018 were effective in ensuring that information required to be disclosed in the Quarterly Report on Form 10-Q was recorded, processed, summarized and reported within the time period required by the Securities and Exchange Commission s rules and forms. There have been no changes in United s internal control over financial reporting that occurred during the quarter ended September 30, 2018, or in other factors that have materially affected or are reasonably likely to materially affect United s internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

In addition to the other information set forth in this report, please refer to United s Annual Report on Form 10-K for the year ended December 31, 2017 for disclosures with respect to United s risk factors which could materially affect United s business, financial condition or future results. The risks described in the Annual Report on Form 10-K are not the only risks facing United. Additional risks and uncertainties not currently known to United or that United currently deems to be immaterial also may materially adversely affect United s business, financial condition and/or operating results. There are no material changes from the risk factors disclosed in United s Annual Report on Form 10-K for the year ended December 31, 2017.

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

There have been no United equity securities sales during the quarter ended September 30, 2018 that were not registered. The table below includes certain information regarding United s purchase of its common shares during the quarter ended September 30, 2018:

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (3)	Maximum Number of Shares that May Yet be Purchased Under the Plans (3)
7/01 7/31/2018	389,400	$ 37.02	389,400	648,100
8/01 8/31/2018	4	$ 38.01	0	648,100
9/01 9/30/2018	25,000	$ 36.83	25,000	623,100
Total	414,404	$ 37.01	414,400	

(1) Includes shares exchanged in connection with the exercise of stock options and the vesting of restricted shares under United s long-term incentive plans. Shares are purchased or vested pursuant to the terms of the applicable plan and not pursuant to a publicly announced stock repurchase plan. No shares were exchanged by participants in United s long-term incentive plans for the quarter ended September 30, 2018.

(2)

Includes shares purchased in open market transactions by United for a rabbi trust to provide payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. For the quarter ended September 30, 2018, the following shares were purchased for the deferred compensation plan: August 2018 4 shares at an average price of $38.01.

(3) In August of 2017, United s Board of Directors approved a repurchase plan to repurchase up to 2 million shares of United s common stock on the open market (the 2017 Plan). The timing, price and quantity of purchases under the plan are at the discretion of management and the plan may be discontinued, suspended or restarted at any time depending on the facts and circumstances.

Table of Contents

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

None.

Item 5. OTHER INFORMATION

(a) None.

(b) No changes were made to the procedures by which security holders may recommend nominees to United s Board of Directors.

Item 6. EXHIBITS

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

Exhibit No.	Description
2.1	Agreement and Plan of Reorganization by and among United Bankshares, UBV Holding Company, LLC and Cardinal Financial Corporation (incorporated into this filing by reference to Exhibit 2.1 to the Form 8-K dated August 17, 2016 and filed August 18, 2016 for United Bankshares, Inc., File No. 0-13322)
3.1	Articles of Incorporation (incorporated into this filing by reference to a Quarterly Report on Form 10-Q dated March 31, 2017 and filed May 9, 2017 for United Bankshares, Inc., File No.0-13322)
3.2	Bylaws (incorporated into this filing by reference to a Current Report on Form 8-K dated January 25, 2010 and filed January 29, 2010 for United Bankshares, Inc., File No.0-13322)
31.1	Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer (filed herewith)
31.2	Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer (filed herewith)
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer (furnished herewith)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer (furnished herewith)
101	Interactive data file (XBRL) (filed herewith)

Table of Contents

SIGNATURES

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

UNITED BANKSHARES, INC.

(Registrant)

Date: November 8, 2018	/s/ Richard M. Adams Richard M. Adams, Chairman of the Board and Chief Executive Officer
Date: November 8, 2018	/s/ W. Mark Tatterson W. Mark Tatterson, Executive Vice President and Chief Financial Officer

89