UNITED BANKSHARES INC/WV
Form 10-K
March 02, 2015
Table of Contents

FORM 10-K

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

EXCHANGE ACT OF 1934

For the Fiscal Year Ended **December 31, 2014**

OR

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

EXCHANGE ACT OF 1934

For the transition period from ______to ______

Commission File Number: **0-13322**

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

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

300 United Center

500 Virginia Street, East

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

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

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

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

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

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

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

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

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K

(Continued)

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

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

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

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

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

The aggregate market value of United Bankshares, Inc. common stock, representing all of its voting stock that was held by non-affiliates on June 30, 2014, was approximately **$2,068,252,392**.

As of January 31, 2015, United Bankshares, Inc. had **69,321,713** shares of common stock outstanding with a par value of **$2.50**.

Documents Incorporated By Reference

Definitive Proxy Statement dated April 3, 2015 for the 2015 Annual Shareholders Meeting to be held on May 20, 2015, portions of which are incorporated by reference in Part III of this Form 10-K.

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K

(Continued)

As of the date of filing this Annual report, neither the annual shareholders report for the year ended December 31, 2014, nor the proxy statement for the annual United shareholders meeting has been mailed to shareholders.

CROSS-REFERENCE INDEX

		Page
Part I		
Item 1.	BUSINESS	4
Item 1A.	RISK FACTORS	16
Item 1B.	UNRESOLVED STAFF COMMENTS	25
Item 2.	PROPERTIES	26
Item 3.	LEGAL PROCEEDINGS	26
Item 4.	MINE SAFETY DISCLOSURES	26
Part II		
Item 5.	MARKET FOR REGISTRANT S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	27
Item 6.	SELECTED FINANCIAL DATA	31
Item 7.	MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	32
Item 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	62
Item 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	67
Item 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES	131
Item 9A.	CONTROLS AND PROCEDURES	131
Item 9B.	OTHER INFORMATION	131
Part III		
Item 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	132
Item 11.	EXECUTIVE COMPENSATION	132
Item 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	132
Item 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	132
Item 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	133
Part VI		
Item 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	134

UNITED BANKSHARES, INC.

FORM 10-K, PART I

Item 1. BUSINESS

Organizational History and Subsidiaries

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

Employees

As of December 31, 2014, United and its subsidiaries had approximately 1,703 full-time equivalent employees and officers. None of these employees are represented by a collective bargaining unit and management considers employee relations to be excellent.

Web Site Address

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

Business of United

As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, United s present business is community banking. As of December 31, 2014, United s consolidated assets approximated $12.3 billion and total shareholders equity approximated $1.7 billion.

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

Table of Contents

Business of Banking Subsidiaries

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

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

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

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

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

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

Lending Activities

United s loan portfolio, net of unearned income, increased $2.40 billion or 35.80% in 2014 mainly as a result of the Virginia Commerce acquisition which added $2.01 billion, including purchase accounting amounts, in portfolio loans. Accordingly, all major categories of loans increased for the year of 2014. The loan portfolio is comprised of commercial, real estate and consumer loans including credit card and home equity loans. Commercial real estate loans and construction loans increased $1.20 billion or 46.79% and $462.89 million or 69.05%, respectively. Commercial loans (not secured by real estate) increased $239.08 million or 17.86%. Residential real estate loans increased $441.98 million or 24.27%. Consumer loans increased $58.14 million or 18.71%.

Commercial Loans

The commercial loan portfolio consists of loans to corporate borrowers primarily in small to mid-size industrial and commercial companies, as well as automobile dealers, service, retail and wholesale merchants. Collateral securing these loans includes equipment, machinery, inventory, receivables, vehicles and commercial real estate. Commercial loans are considered to contain a higher level of risk than other loan types although care is taken to minimize these risks. Numerous risk factors impact this portfolio including industry specific risks such as economy, new technology, labor rates and cyclicality, as well as customer specific factors, such as cash flow,

financial structure, operating controls and asset quality. United diversifies risk within this portfolio by closely monitoring industry concentrations and portfolios to ensure that it does not exceed established lending guidelines. Diversification is intended to limit the risk of loss from any single unexpected economic event or trend. Underwriting standards require a comprehensive credit analysis and independent evaluation of virtually all larger balance commercial loans by the loan committee prior to approval.

Real Estate Loans

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

As of December 31, 2014, approximately $441.1 million or 4.85% of United s loan portfolio were real estate loans that met the regulatory definition of a high loan-to-value loan. A high loan-to-value real estate loan is defined as any loan, line of credit, or combination of credits secured by liens on or interests in real estate that equals or exceeds a certain percentage established by United s primary regulator of the real estate s appraised value, unless the loan has other appropriate credit support. The certain percentage varies depending on the loan type and collateral. Appropriate credit support may include mortgage insurance, readily marketable collateral, or other acceptable collateral that reduces the loan-to-value ratio below the certain percentage. Of the $441.1 million, $189.2 million is secured by first deeds of trust on residential real estate with $155.2 million of that total falling in a loan-to-value (LTV) range of 90% to 100% and $34.0 million above a LTV of 100%; $13.6 million is secured by subordinate deeds of trust on residential real estate with $6.0 million between a LTV of 90% to 100% and $7.6 million above a LTV of 100%; and $202.1 million is secured by commercial real estate generally ranging from the regulatory limit for the type of commercial real estate up to a LTV of 100%. Of the $202.1 million high loan to value commercial loans, $94.9 million are classified as Other Construction Loans and Land Loans, $41.9 million are Non-residential Secured, $21.4 million are Commercial Owner occupied properties, $24.6 million are 1-4 family Residential Secured properties, $11.2 million are Multi-family Residential Secured properties, $5.2 million are Residential Construction Loans and the remaining $2.8 million are Secured by Farmland.

Consumer Loans

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

Underwriting Standards

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

United s underwriting standards and practices are designed to originate both fixed and variable rate loan

products in a manner which is consistent with the prudent banking practices applicable to these exposures. Typically, both fixed and variable rate loan underwriting practices incorporate conservative methodology, including the use of stress testing for commercial loans, and other product appropriate measures designed to provide an adequate margin of safety for the full collection of both principal and interest within contractual terms. Consumer real estate secured loans are underwritten to the initial rate, and to a higher assumed rate commensurate with normal market conditions. Therefore, it is the intent of United s underwriting standards to insure that adequate primary repayment capacity exists to address both future increases in interest rates, and fluctuations in the underlying cash flows available for repayment. Historically, and at December 31, 2014, United has not offered teaser rate loans, and had no loan portfolio products which were specifically designed for sub-prime borrowers. Management defines sub-prime borrowers as consumer borrowers with a credit score of less than 660.

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

Loan Concentrations

United has commercial loans, including real estate and owner-occupied, income-producing real estate and land development loans, of approximately $6.4 billion as of December 31, 2014. These loans are primarily secured by real estate located in West Virginia, southeastern Ohio, southwestern Pennsylvania, Virginia, Maryland and the District of Columbia. United categorizes these commercial loans by industry according to the North American Industry Classification System (NAICS) to monitor the portfolio for possible concentrations in one or more industries. As of the most recent fiscal year-end, United has one such industry classifications that exceeded 10% of total loans. As of December 31, 2014, approximately $3.5 billion or 38.1% of United s total loan portfolio were for the purpose of renting or leasing real estate. The loans were originated by United s subsidiary banks using underwriting standards as set forth by management. United s loan administration policies are focused on the risk characteristics of the loan portfolio, including commercial real estate loans, in terms of loan approval and credit quality. It is the opinion of management that these loans do not pose any unusual risks and that adequate consideration has been given to the above loans in establishing the allowance for loan losses.

Secondary Markets

United generally originates loans within the primary market area of its banking subsidiaries. United may from time to time make loans to borrowers and/or on properties outside of its primary market area as an accommodation to its existing customers. Processing of all loans is centralized in the Charleston, West Virginia office. As of December 31, 2014, the balance of mortgage loans being serviced by United for others was insignificant.

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

During 2014, United originated $96.4 million of real estate loans for sale in the secondary market and sold $92.0 million of loans designated as held for sale in the secondary market. Net gains on the sales of these loans during 2014 were $1.88 million.

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

Table of Contents

Investment Activities

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

Sources of funds for investment activities include core deposits . Core deposits include certain demand deposits, statement and special savings and NOW accounts. These deposits are relatively stable and they are the lowest cost source of funds available to United. Short-term borrowings have also been a significant source of funds. These include federal funds purchased, securities sold under agreements to repurchase and FHLB borrowings. Repurchase agreements represent funds that are generally obtained as the result of a competitive bidding process.

United s investment portfolio is comprised of a significant amount of U.S. Treasury securities and obligations of U.S. Agencies and Corporations as well as mortgage-backed securities. Obligations of States and Political Subdivisions are comprised of primarily investment grade rated municipal securities. Interest and dividends on securities for the years of 2014, 2013, and 2012 were $33.9 million, $19.5 million, and $20.9 million, respectively. For the years of 2014, 2013 and 2012, United realized net gains on sales of securities of $3.4 million, $1.5 million and $446 thousand, respectively. In the year 2014, United recognized other-than-temporary impairment (OTTI) charges of $6.5 million, all consisting of OTTI on pooled trust preferred collateralized debt obligations (TRUP CDOs). In the year 2013, United recognized other-than-temporary impairment (OTTI) charges of $7.3 million consisting primarily of $7.2 million on pooled trust preferred collateralized debt obligations (TRUP CDOs) and $137 thousand on equity securities. In the year 2012, United recognized other-than-temporary impairment (OTTI) charges of $7.4 million consisting primarily of $6.0 million on pooled trust preferred collateralized debt obligations (TRUP CDOs) and $1.4 million on collateralized mortgage obligations (CMOs).

Competition

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

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

As of December 31, 2014, there were 65 bank holding companies operating in the State of West Virginia registered with the Federal Reserve System and the West Virginia Board of Banking and Financial Institutions and 98 bank holding companies operating in the Commonwealth of Virginia registered with the Federal Reserve System and the Virginia Corporation Commission. These holding companies are headquartered in various states and control banks throughout West Virginia and Virginia, which compete for business as well as for the acquisition of additional banks.

Economic Characteristics of Primary Market Area

As of December 2014, West Virginia s seasonally adjusted unemployment rate was 6.0% according to information from West Virginia s Bureau of Employment Programs. The national unemployment rate was 5.6%. The number of unemployed state residents fell 2,600 to 47,100 for the month of December as compared to the month of November. Total unemployment was down 500 over the year of 2014. The state unemployment rate of 6.0% for December 2014 was a decrease from a rate of 6.3% for the month of November 2014 and equal to the rate for December 2013. West Virginia s not seasonally adjusted unemployment rate was 5.4% in December 2014. According to the latest forecast from the West Virginia University College of Business and Economics, employment growth, income growth, and the unemployment rate are expected to be stronger in the coming five years, compared to those numbers observed over the past decade. However, it is expected that the state will lag the nation in terms of employment, income and population growth over the next five years. Employment in West Virginia is estimated to increase 0.9% per year through 2019, compared to an expectation of 1.5% for the rest of the nation. Job growth in natural resources and mining is expected to drop off considerably from the pace experienced in the previous decade, diminishing to a 0.2% annual rate. Construction is expected to add jobs at the fastest rate going forward, but service-providing sectors will tend to pace the state s overall performance over the next five years, led by professional and business services and education and health services. The state s unemployment is expected to remain relatively stable through early 2016, but will fall later in the outlook period, reaching 5% by the end of 2019. However, this decline is attributable to not only job gains, but also demographic trends, since a larger share of the state s workforce will be retiring and exiting the labor force. Per capita personal income is expected to grow at an annual average rate of 2.3% over the next five years, below the national rate of 2.6%.

United s Virginia subsidiary banking offices are located in markets that historically have reflected low unemployment rate levels. According to information available from the Virginia Employment Commission, Virginia s seasonally adjusted unemployment rate decreased 0.2% for the month of December 2014 to 4.8%, its lowest level since October 2008. Virginia s seasonally adjusted unemployment rate for December of 2014 of 4.8% was down 0.4% from December 2013. December s decrease was the third consecutive monthly decline. Seasonally adjusted nonfarm employment was up 6,000 jobs between November 2014 and December 2014 to 3,797,300, surpassing the pre-recession peak. In December, the number of those seeking work declined by 9,190, or 4.3%, while household employment increased by 3,459, or 0.1%. Once again, the labor force contracted, but only by 5,731, or 0.1%. Virginia s seasonally adjusted unemployment rate continues below the national rate of 5.6%. According to The Thomas Jefferson Institute for Public Policy, after a slow and uneven recovery from a severe national recession that ended June 2009, Virginia s employment is finally at pre-recession levels. The progress of economic recovery is mixed around the state: six of Virginia s metro areas have expanded beyond pre-recession employment levels, but four metros continue in the recovery phase. In the near term, Virginia s job growth is expected to continue at a modest pace, dampened by the federal government s across-the-board budget cuts. On an annual average basis, employment in the state is projected to expand 0.6% in 2015; this projected growth rate, however, remains well below the 1.7% annualized growth rate projected for the nation in 2015. Employment is expected to grow in every metro area in the state in 2015. Employment in six of Virginia s metro areas is forecast to grow less than 1% in 2015. In particular, employment is expected to expand modestly in Charlottesville (+0.4%) and Northern Virginia (+0.6%) in 2015. Metro areas with above-average job growth expectations for 2015 include Winchester (+1.7%) and Harrisonburg (+1.6%).

Regulation and Supervision

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

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

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

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

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

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

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

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

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

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

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

On December 10, 2013, the banking agencies issued a final rule implementing Section 619 of the Dodd-Frank Act, commonly referred to as the Volcker Rule . The Federal Reserve issued an order on December 18, 2014 extending the period which banking entities have to divest disallowed securities under the Volker Rule to July 21, 2016. The Federal Reserve also announced its intention to grant an additional one year extension of the conformance period until July 21, 2017. On January 14, 2014, the banking agencies approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities (Trup Cdos) from the prohibitions under the Volcker Rule.

Deposit Insurance

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

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

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

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

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

In October 2010, the FDIC adopted a new DIF restoration plan to ensure that the fund reserve ratio reaches 1.35% by September 30, 2020, as required by the Dodd-Frank Act. Under the new restoration plan, the

FDIC will update its loss and income projections at least semi-annually for the fund and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking if required.

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

United s FDIC insurance expense totaled $7.6 million, $6.2 million and $6.1 million in 2014, 2013 and 2012, respectively.

Capital Requirements

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

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

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

On July 2, 2013, the Federal Reserve, United s and its banking subsidiaries primary federal regulator, published final rules (the Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee s December 2010 framework known as Basel III for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including United and its banking subsidiaries, compared to the current U.S. risk-based capital rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions regulatory capital ratios. The Basel III Capital Rules also address risk weights and other issues affecting the denominator in banking institutions regulatory capital ratios and

replace the existing risk-weighting approach, which was derived from Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee s 2004 Basel II capital accords. The Basel III Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies rules. The Basel III Capital Rules were effective for United and its banking subsidiaries on January 1, 2015 (subject to a phase-in period).

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

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

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

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

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

- 4.5% CET1 to risk-weighted assets.
- 6.0% Tier 1 capital to risk-weighted assets.
- 8.0% Total capital to risk-weighted assets.

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Under current capital standards, the effects of accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive items are not excluded; however, non-advanced approaches banking organizations, including United and its banking subsidiaries, may make a one-time permanent election to continue to exclude these items. United and its banking subsidiaries expect to make this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations

on the fair value of United s securities portfolio. The Basel III Capital Rules also preclude certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank holding companies, subject to phase-out. However, the Basel III Capital Rules grandfathers non-qualifying capital instruments in the Tier 1 capital of bank holding companies with total consolidated assets of less than $15 billion as of December 31, 2009 (subject to limits). Non-qualifying capital instruments under the final rule include trust preferred securities and cumulative perpetual preferred stock issued before May 19, 2010 that bank holding companies included in Tier 1 capital under the limitations for restricted capital elements in the general risk-based capital rules. As a result, beginning in 2015, United s and its banking subsidiaries trust preferred securities will be subject to a limit of 25 percent of Tier 1 capital elements excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments applied to Tier 1 capital, which is substantially similar to the limit in the general risk-based capital rules. Trust preferred securities no longer included in United s and its banking subsidiaries Tier 1 capital may be included as a component of Tier 2 capital on a permanent basis without phase-out.

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

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

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

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

The Basel III liquidity framework also requires banks and bank holding companies to measure their liquidity against specific liquidity tests. One test, referred to as the Liquidity Coverage Ratio (LCR), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity s expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the Net Stable Funding Ratio (NSFR), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incent banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase long-term debt as a

funding source. On September 3, 2014, the federal banking agencies finalized rules implementing the LCR for advanced approaches banking organizations and a modified version of the LCR for bank holding companies with at least $50 billion in total consolidated assets that are not advanced approaches banking organizations, neither of which would apply to United or its banking subsidiaries. The federal banking agencies have not yet proposed rules to implement the NSFR.

Management believes that, as of December 31, 2014, United and its banking subsidiaries would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis if such requirements were currently effective.

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

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

Prompt Corrective Action

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

By regulation, an institution is well-capitalized if it has a total risk-based capital ratio of ten percent (10%) or greater, a Tier 1 risk-based capital ratio of six percent (6%) or greater and a Tier 1 leverage ratio of five percent (5%) or greater and is not subject to a regulatory order, agreement or directive to meet and maintain a specific capital level for any capital measure. United s Banking Subsidiaries were well capitalized institutions as of December 31, 2014. Well-capitalized institutions are permitted to engage in a wider range of banking activities, including among other things, the accepting of brokered deposits, and the offering of interest rates on deposits higher than the prevailing rate in their respective markets.

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

Community Reinvestment Act

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

Table of Contents

Deposit Acquisition Limitation

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

Consumer Laws and Regulations

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

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

Item 1A. RISK FACTORS

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

RISKS RELATING TO UNITED S BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- historical loan loss experience;
- industry diversification of the commercial loan portfolio;
- the effect of changes in the local real estate market on collateral values;
- the amount of nonperforming loans and related collateral security;
- current economic conditions that may affect the borrower s ability to pay and value of collateral;
- volume, growth and composition of the loan portfolio; and
- other factors management believes are relevant.

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

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

Changes in interest rates may adversely affect United s business.

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

United is subject to credit risk.

There are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. United seeks to mitigate the risk inherent in its loan portfolio by adhering to prudent loan approval practices. Although United believes that its loan approval criteria are appropriate for the various kinds of loans the Company makes, United may incur losses on loans that meet our loan approval criteria. Due to recent economic conditions affecting the real estate market, many lending institutions, including United, have experienced substantial declines in the performance of their loans, including construction, land development and land loans. The value of real estate collateral supporting many construction and land development loans, land loans, commercial and

multi-family loans have declined and may continue to decline. United cannot assure that the economic conditions affecting customers and the quality of the loan portfolio will improve and thus, United s financial condition and results of operations could continue to be adversely affected.

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

United s success is dependent upon the continued service and skills of its executive officers and senior management. If United loses the services of these key personnel, it could have a negative impact on United s business because of their skills, years of industry experience and the difficulty of promptly finding qualified replacement personnel. The services of Richard M. Adams, United s Chief Executive Officer, would be particularly difficult to replace. United and Mr. Adams are parties to an Employment Agreement providing for his continued employment by United through March 31, 2018.

United operates in a highly competitive market.

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

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

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

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

United is subject to extensive government regulation and supervision.

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

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

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

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

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

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

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

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

The Durbin Amendment required the Federal Reserve to establish a cap on the rate merchants pay banks for electronic clearing of debit transactions (i.e. the interchange rate). The Federal Reserve issued final rules, effective October 1, 2011, for establishing standards, including a cap, for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. The final rule established standards for assessing whether debit card interchange fees received by debit card issuers were reasonable and proportional to

the costs incurred by issuers for electronic debit transactions. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction, a 1 cent fraud prevention adjustment, and 5 basis points multiplied by the value of the transaction. As a result of the completion of the acquisition of Virginia Commerce Bancorp, Inc. which resulted in United having assets more than $10 billion, United is subject to the cap on the interchange fees under the Durbin Amendment which will result in lower debit card interchange fees.

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

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

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

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

- 4.5% CET1 to risk-weighted assets.
- 6.0% Tier 1 capital to risk-weighted assets.
- 8.0% Total capital to risk-weighted assets.
- 4.0% Tier 1 capital to average assets.

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

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

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

21

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

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

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

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

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

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

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

In August 2011, Standard & Poor s downgraded the United States long-term debt ratings and downgraded the credit ratings of certain long-term debt instruments issued by Fannie Mae and Freddie Mac and other U.S. government agencies linked to long-term U.S. debt. Instruments of this nature are key assets on the balance sheets of financial institutions, including United. These downgrades could adversely affect the market value of such

instruments, and could adversely impact United s ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. In addition, these downgrades could materially affect financial markets and economic conditions, which may affect United s net income, financial condition and liquidity and result in future changes in capital requirements or United s investment portfolio in response to management s assessment of the related risk weightings. United cannot predict if, when or how these changes to the credit ratings will affect economic conditions. As a result, it is possible that these changes could result in a significant adverse impact to United, and could affect other risks to which it is subject.

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

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

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

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

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

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

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

United has entered into subcontracts for the supply of current and future services, such as data processing,

mortgage loan processing and servicing, and certain property management functions. These services must be available on a continuous and timely basis and be in compliance with any regulatory requirements. Failure to do so could substantially harm United s business.

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

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

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

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

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

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

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

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

RISKS ASSOCIATED WITH UNITED S COMMON STOCK

United s stock price can be volatile.

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

- Actual or anticipated negative variations in quarterly results of operations;

- Negative recommendations by securities analysts;

Poor operating and stock price performance of other companies that investors deem comparable to United;

News reports relating to negative trends, concerns and other issues in the financial services industry or the economy in general;

Negative perceptions in the marketplace regarding United and/or its competitors;

New technology used, or services offered, by competitors;

Adverse changes in interest rates or a lending environment with prolonged low interest rates;

Adverse changes in the real estate market;

- Negative economic news;
- Failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- Adverse changes in government regulations; and
- Geopolitical conditions such as acts or threats of terrorism or military conflicts.

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

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

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

United s principal source of funds to pay dividends on its common stock is cash dividends from its subsidiaries. The payment of these dividends by its subsidiaries is also restricted by federal and state banking laws and regulations. As of December 31, 2014, an aggregate of approximately $37.6 million and $34.7 million was available for dividend payments from United Bank (WV) and United Bank (VA), respectively, to United without regulatory approval.

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

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

Certain banking laws may have an anti-takeover effect.

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

Item 1B. UNRESOLVED STAFF COMMENTS

None

Table of Contents

Item 2. PROPERTIES

Offices

United is headquartered in the United Center at 500 Virginia Street, East, Charleston, West Virginia. United s executive offices are located in Parkersburg, West Virginia at Fifth and Avery Streets. United operates one hundred and thirty (130) full service offices fifty-six (56) offices located throughout West Virginia, sixty-nine (69) offices in the Shenandoah Valley region of Virginia and the Northern Virginia, Maryland and Washington, D.C. metropolitan area, four (4) in southwestern Pennsylvania and one (1) in southeastern Ohio. United owns all of its West Virginia facilities except for three in the Wheeling area, two in the Charleston area, two in the Beckley area, and one each in Morgantown, Parkersburg, Charles Town, and Clarksburg, all of which are leased under operating leases. United owns most of its facilities in the Shenandoah Valley region of Virginia except for ten offices, two in Winchester, one each in Charlottesville, Front Royal, Harrisonburg, Stanardsville, Staunton, Waynesboro, Weyers Cave and Woodstock, all of which are leased under operating leases. United leases all of its facilities under operating lease agreements in the Northern Virginia, Maryland and Washington, D.C. areas except for five offices, two in Arlington, one each in Alexandria, Fairfax and Vienna, Virginia, which are owned facilities. United owns all of its Pennsylvania facilities. In Ohio, United owns its one facility in Bellaire. United leases operations centers in the Charleston and Morgantown, West Virginia and Chantilly, Virginia areas.

Item 3. LEGAL PROCEEDINGS

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

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K, PART II

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

Stock

As of January 31, 2015, 100,000,000 shares of common stock, par value $2.50 per share, were authorized for United, of which 69,321,713 were issued, including 18,548 shares held as treasury shares. The outstanding shares are held by approximately 6,906 shareholders of record, as well as 20,416 shareholders in street name as of January 31, 2015. The numbers above include the shares issued to the former shareholders of Virginia Commerce Bancorp, Inc. as a result of the acquisition. The unissued portion of United s authorized common stock (subject to registration approval by the SEC) and the treasury shares are available for issuance as the Board of Directors determines advisable. United offers its shareholders the opportunity to invest dividends in shares of United stock through its dividend reinvestment plan. United has also established stock option plans and a stock bonus plan as incentive for certain eligible officers. In addition to the above incentive plans, United is occasionally involved in certain mergers in which additional shares could be issued and recognizes that additional shares could be issued for other appropriate purposes.

In May of 2006, United s Board of Directors approved a new stock repurchase plan, whereby United could buy up to 1,700,000 shares of its common stock in the open market. During 2014 and 2013, no shares were repurchased under the plan.

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

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

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

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

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

Dividends

The shareholders of United are entitled to receive dividends when and as declared by its Board of Directors. Dividends have been paid quarterly. Dividends were $1.28 per share in 2014, $1.25 per share in 2013 and $1.24 per share in 2012. See Market and Stock Prices of United for quarterly dividend information.

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

Market and Stock Prices of United

United Bankshares, Inc. stock is traded over the counter on the National Association of Securities Dealers Automated Quotations System, Global Select Market (NASDAQ) under the trading symbol UBSI. The closing sale price reported for United s common stock on February 23, 2015, the last practicable date, was $36.92.

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

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

2015	Dividends	High	Low
First Quarter through February 23, 2015	$ 0.32[(1)]	$ 37.86	$ 33.25
2014			
Fourth Quarter	$ 0.32	$ 38.00	$ 30.39
Third Quarter	$ 0.32	$ 33.60	$ 30.89
Second Quarter	$ 0.32	$ 32.50	$ 28.19
First Quarter	$ 0.32	$ 32.08	$ 28.23
2013			
Fourth Quarter	$ 0.32	$ 32.71	$ 28.06
Third Quarter	$ 0.31	$ 29.45	$ 26.04
Second Quarter	$ 0.31	$ 26.84	$ 24.46
First Quarter	$ 0.31	$ 27.24	$ 24.80

(1) On February 23, 2015, United declared a dividend of $0.32 per share, payable April 1, 2015, to shareholders of record as of March 13, 2015.

Table of Contents

Stock Performance Graph

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

The following graph compares United s cumulative total shareholder return (assuming reinvestment of dividends) on its common stock for the five-year period ending December 31, 2014, with the cumulative total return (assuming reinvestment of dividends) of the Standard and Poor s Midcap 400 Index and with the NASDAQ Bank Index. The cumulative total shareholder return assumes a $100 investment on December 31, 2009 in the common stock of United and each index and the cumulative return is measured as of each subsequent fiscal year-end. There is no assurance that United s common stock performance will continue in the future with the same or similar trends as depicted in the graph.

	Period Ending					
	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
United Bankshares, Inc.	100.00	153.11	155.70	140.59	189.83	235.05
NASDAQ Bank Index	100.00	114.13	102.19	121.20	171.67	180.04
S&P Mid-Cap Index	100.00	126.60	124.42	146.54	195.51	214.50

Table of Contents

Issuer Repurchases

The table below includes certain information regarding United s purchase of its common shares during the three months ended December 31, 2014:

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (3)	Maximum Number of Shares that May Yet be Purchased Under the Plans (3)
10/01 10/31/2014	0	$ 00.00	0	322,200
11/01 11/30/2014	5	$ 30.87	0	322,200
12/01 12/31/2014	0	$ 00.00	0	322,200
Total	5	$ 30.87		

(1) Includes shares exchanged in connection with the exercise of stock options under United s stock option plans. Shares are purchased pursuant to the terms of the applicable stock option plan and not pursuant to a publicly announced stock repurchase plan. For the quarter ended December 31, 2014, no shares were exchanged by participants in United s stock option plans.

(2) Includes shares purchased in open market transactions by United for a rabbi trust to provide payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. For the quarter ended December 31, 2014, the following shares were purchased for the deferred compensation plan: November 2014 5 shares at an average price of $30.87.

(3) In May of 2006, United s Board of Directors approved a repurchase plan to repurchase up to 1,700,000 shares of United s common stock on the open market (the 2006 Plan). The timing, price and quantity of purchases under the plans are at the discretion of management and the plan may be discontinued, suspended or restarted at any time depending on the facts and circumstances.

Table of Contents

Item 6. SELECTED FINANCIAL DATA

The following consolidated selected financial data is derived from United s audited financial statements as of and for the five years ended December 31, 2014. The selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes contained elsewhere in this report.

	Five Year Summary				
(Dollars in thousands, except per share data)	**2014**	**2013**	**2012**	**2011**	**2010**
Summary of Operations:					
Total interest income	$ 418,542	$ 306,154	$ 323,897	$ 316,522	$ 323,382
Total interest expense	42,834	36,313	46,190	55,794	85,196
Net interest income	375,708	269,841	277,707	260,728	238,186
Provision for loan losses	21,937	19,267	17,862	17,141	13,773
Other income	80,962	66,506	64,842	49,055	58,549
Other expense	239,847	192,036	203,206	182,266	178,558
Income taxes	64,998	39,416	38,874	34,766	32,457
Net income	129,888	85,628	82,607	75,610	71,947
Cash dividends	88,522	62,981	62,351	56,827	52,300
Per common share:					
Net income:					
Basic	1.93	1.70	1.64	1.62	1.65
Diluted	1.92	1.70	1.64	1.61	1.65
Cash dividends	1.28	1.25	1.24	1.21	1.20
Book value per share	23.90	20.66	19.74	19.29	18.18
Selected Ratios:					
Return on average shareholders equity	8.13%	8.43%	8.35%	8.50%	9.19%
Return on average assets	1.11%	1.02%	0.98%	0.97%	0.95%
Dividend payout ratio	68.15%	73.55%	75.48%	75.16%	72.69%
Selected Balance Sheet Data:					
Average assets	$ 11,652,776	$ 8,419,456	$ 8,399,513	$ 7,780,836	$ 7,533,974
Investment securities	1,316,040	889,342	729,402	824,219	794,715
Loans held for sale	8,680	4,236	17,762	3,902	6,869
Total loans	9,104,652	6,704,583	6,511,416	6,230,777	5,260,326
Total assets	12,328,811	8,735,324	8,420,013	8,451,470	7,155,719
Total deposits	9,045,485	6,621,571	6,752,986	6,819,010	5,713,534
Long-term borrowings	1,105,314	575,697	284,926	345,366	386,458
Total liabilities	10,672,651	7,693,592	7,427,762	7,482,626	6,362,707
Shareholders equity	1,656,160	1,041,732	992,251	968,844	793,012

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FORWARD-LOOKING STATEMENTS

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

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

INTRODUCTION

The following discussion and analysis presents the significant changes in financial condition and the results of operations of United and its subsidiaries for the periods indicated below. This discussion and the consolidated financial statements and the notes to Consolidated Financial Statements include the accounts of United Bankshares, Inc. and its wholly-owned subsidiaries, unless otherwise indicated. Management has evaluated all significant events and transactions that occurred after December 31, 2014, but prior to the date these financial statements were issued, for potential recognition or disclosure required in these financial statements.

In addition, after the close of business on January 31, 2014, United acquired 100% of the outstanding common stock of Virginia Commerce Bancorp, Inc. (Virginia Commerce), a Virginia corporation headquartered in Arlington, Virginia. The results of operations of Virginia Commerce are included in the consolidated results of operations from the date of acquisition. The acquisition of Virginia Commerce enhances United s existing footprint in the Washington, D.C. MSA. Virginia Commerce was merged with and into George Mason Bankshares, Inc., a wholly-owned subsidiary of United (the Merger) in a transaction to be accounted for under the acquisition method of accounting. At consummation, Virginia Commerce had assets of approximately $2.77 billion, loans of $2.10 billion, and deposits of $2.02 billion. In addition, on February 20, 2014, United sold a former branch building for approximately $11.1 million and recognized a before-tax gain of $8.98 million.

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

USE OF NON-GAAP FINANCIAL MEASURES

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

Generally, United has presented these non-GAAP financial measures because it believes that these measures provide meaningful additional information to assist in the evaluation of United s results of operations or financial position. Presentation of these non-GAAP financial measures is consistent with how United s management evaluates its performance internally and these non-GAAP financial measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the banking industry. Specifically, this discussion contains certain references to

financial measures identified as tax-equivalent net interest income and noninterest income excluding the results of the noncash, other-than-temporary impairment charges as well as net gains and losses from sales and calls of investment securities. Management believes these non-GAAP financial measures to be helpful in understanding United s results of operations or financial position. However, this non-GAAP information should be considered supplemental in nature and not as a substitute for related financial information prepared in accordance with GAAP.

Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as reconciliation to that comparable GAAP financial measure, as well as a statement of the company s reasons for utilizing the non-GAAP financial measure, can be found within this discussion and analysis. Investors should recognize that United s presentation of these non-GAAP financial measures might not be comparable to similarly titled measures at other companies.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of United conform with U.S. generally accepted accounting principles. In preparing the consolidated financial statements, management is required to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments, which are reviewed with the Audit Committee of the Board of Directors, are based on information available as of the date of the financial statements. Actual results could differ from these estimates. These policies, along with the disclosures presented in the financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for credit losses, the valuation of investment securities and the related other-than-temporary impairment analysis, and the calculation of the income tax provision to be the accounting areas that require the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available. The most significant accounting policies followed by United are presented in Note A, Notes to Consolidated Financial Statements.

Allowance for Loan Losses

The allowance for loan losses represents management s estimate of the probable credit losses inherent in the lending portfolio. Determining the allowance for loan losses requires management to make estimates of losses that are highly uncertain and require a high degree of judgment. At December 31, 2014, the allowance for loan losses was $75.5 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 $7.6 million in additional allowance (funded by additional provision for credit losses), which would have negatively impacted the year of 2014 net income by approximately $4.9 million, after-tax or $0.07 diluted per common share. Management s evaluation of the adequacy of the allowance for loan losses and the appropriate provision for loan losses is based upon a quarterly evaluation of the loan portfolio. This evaluation is inherently subjective and requires significant estimates, including estimates related to the amounts and timing of future cash flows, value of collateral, losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. The allowance allocated to specific credits and loan pools grouped by similar risk characteristics is reviewed on a quarterly basis and adjusted as necessary based upon subsequent changes in circumstances. In determining the components of the allowance for loan losses, management considers the risk arising in part from, but not limited to, charge-off and delinquency trends, current economic and business conditions, lending policies and procedures, the size and risk characteristics of the loan portfolio, concentrations of credit, and other various factors. The methodology used to determine the allowance for loan losses is described in Note A, Notes to Consolidated Financial Statements. A discussion of the factors leading to changes in the amount of the allowance for loan losses is included in the Provision for Loan Losses section of this Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A). For a discussion of concentrations of credit risk, see Item 1, under the caption of Loan Concentrations in this Form 10-K.

Investment Securities

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

If the estimated value of investments is less than the cost or amortized cost, the investment is considered impaired and management evaluates whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. If such an event or change has occurred, management must exercise judgment to determine the nature of the potential impairment (i.e., temporary or other-than-temporary) in order to apply the appropriate accounting treatment. If United intends to sell, or is more likely than not they will be required to sell an impaired debt security before recovery of its amortized cost basis less any current period credit loss, other-than-temporary impairment is recognized in earnings. The amount recognized in earnings is equal to the entire difference between the security s amortized cost basis and its fair value at the balance sheet date. If United does not intend to sell, and is not more likely than not they will be required to sell the impaired debt security prior to recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is separated into the following: 1) the amount representing the credit loss, which is recognized in earnings, and 2) the amount related to all other factors, which is recognized in other comprehensive income. For additional information on management s consideration of investment valuation and other-than-temporary impairment, see Note C and Note U, Notes to 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 are 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.

Table of Contents

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 B and D, Notes to Consolidated Financial Statements for additional 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 M, Notes to Consolidated Financial Statements for information regarding United s ASC topic 740 disclosures.

Use of Fair Value Measurements

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

At December 31, 2014, approximately 10.62% of total assets, or $1.31 billion, consisted of financial instruments recorded at fair value. Of this total, approximately 94.09% or $1.23 billion of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately 5.91% or $77.41 million of these financial instruments were valued using unobservable market information or Level 3 measurements. Most of these financial instruments valued using unobservable market information were Trup Cdos classified as available-for-sale. At December 31, 2014, only $4.14 million or less than 1% of total liabilities were recorded at fair value. This entire amount was valued using methodologies involving observable market data. United does not believe that any changes in the unobservable inputs used to value the financial instruments mentioned above would have a material impact on United s results of operations, liquidity, or capital resources. See Note U for additional information regarding ASC topic 820 and its impact on United s financial statements.

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

2014 COMPARED TO 2013

FINANCIAL CONDITION SUMMARY

United s total assets as of December 31, 2014 were $12.33 billion which was an increase of $3.59 billion or 41.14% from December 31, 2013, primarily the result of the acquisition of Virginia Commerce Bancorp, Inc. (Virginia Commerce) after the close of business on January 31, 2014. Portfolio loans increased $2.40 billion or 35.80%, cash and cash equivalents increased $336.45 million or 80.76%, investment securities increased $426.70 million or 47.98%, goodwill increased $334.25 million or 89.00%, other assets increased $79.62 million or 24.68%, bank premises and equipment increased $7.62 million or 10.91% and interest receivable increased $5.67 million or 21.26% due primarily to the Virginia Commerce merger. Total liabilities increased $2.98 billion or 38.72% from year-end 2013. This increase in total liabilities was due mainly to an increase of $2.42 billion or 36.61% and $534.52 million or 53.11% in deposits and borrowings, respectively, mainly due to the Virginia Commerce acquisition. Shareholders equity increased $614.43 million or 58.98% from year-end 2013 due primarily to the acquisition of Virginia Commerce.

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

Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2014 increased $336.45 million or 80.76% from year-end 2013. Of this total increase, interest-bearing deposits with other banks increased $295.54 million or 105.14% as United placed excess cash in an interest-bearing account with the Federal Reserve. In addition, cash and due from banks increased $40.91 million or 30.34% and federal funds sold were flat. During the year of 2014, net cash of $144.79 million and $396.46 million was provided by operating activities and financing activities, respectively, while $204.80 million was used in investing activities. Further details related to changes in cash and cash equivalents are presented in the Consolidated Statements of Cash Flows.

Securities

Total investment securities at December 31, 2014 increased $426.70 million or 47.98% from year-end 2013. Virginia Commerce added $476.54 million in investment securities, including purchase accounting amounts, upon consummation of the acquisition. Securities available for sale increased $405.10 million or 52.25%. This change in securities available for sale reflects $461.76 million acquired from Virginia Commerce, $531.13 million in sales, maturities and calls of securities, $445.48 million in purchases, and an increase of $29.72 million in market value. Securities held to maturity declined $1.66 million or 4.04% from year-end 2013 due to calls and maturities of securities. Other investment securities increased $23.25 million or 31.81% from year-end 2013. Virginia Commerce added $14.78 million in other investment securities. Otherwise, Federal Reserve Bank (FRB) stock increased $13.05 million and FHLB stock decreased $4.76 million.

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

	2014	2013	2012
		(In thousands)	
U.S. Treasury and obligations of U.S. Government corporations and agencies	$ 88,559	$ 172,324	$ 336,747
States and political subdivisions	133,730	60,861	76,765
Mortgage-backed securities	876,006	474,104	126,338
Asset-backed securities	8,004	9,257	11,729
Marketable equity securities	3,631	3,299	6,660
Trust preferred collateralized debt obligations	51,328	73,862	94,794
Single issue trust preferred securities	13,760	14,346	15,286
Corporate securities	4,998	4,996	4,996
TOTAL AVAILABLE FOR SALE SECURITIES, at amortized cost	$ 1,180,016	$ 813,049	$ 673,315
TOTAL AVAILABLE FOR SALE SECURITIES, at fair value	$ 1,180,386	$ 775,284	$ 625,625

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

	2014	2013	2012
		(In thousands)	
U.S. Treasury and obligations of U.S. Government corporations and agencies	$ 10,599	$ 10,762	$ 10,916
States and political subdivisions	9,369	10,367	12,515
Mortgage-backed securities	41	50	61
Single issue trust preferred securities	19,281	19,766	19,750
Other corporate securities	20	20	225
TOTAL HELD TO MATURITY SECURITIES, at amortized cost	$ 39,310	$ 40,965	$ 43,467
TOTAL HELD TO MATURITY SECURITIES, at fair value	$ 36,784	$ 38,293	$ 42,695

At December 31, 2014, gross unrealized losses on available for sale securities were $17.47 million. Securities in an unrealized loss position at December 31, 2014 consisted primarily of Trup Cdos and agency commercial mortgage-backed securities. The Trup Cdos relate mainly to underlying securities of financial institutions. The agency commercial mortgage-backed securities relate mainly to income-producing multifamily properties and provide a guaranty of full and timely payments of principal and interest by Fannie Mae or Freddie Mac.

As of December 31, 2014, United s mortgage-backed securities had an amortized cost of $876.05 million, with an estimated fair value of $884.85 million. The portfolio consisted primarily of $547.87 million in agency residential mortgage-backed securities with a fair value of $555.73 million, $11.47 million in non-agency residential mortgage-backed securities with an estimated fair value of $12.02 million, and $316.71 million in commercial agency mortgage-backed securities with an estimated fair value of $317.10 million. As of December 31, 2014, United s asset-backed securities had an amortized cost of $8.00 million, with an estimated fair value of $8.03 million.

As of December 31, 2014, United s corporate securities had an amortized cost of $93.02 million, with an estimated fair value of $76.41 million. The portfolio consisted primarily of $51.33 million in Trup Cdos with a fair value of $39.56 million and $33.04 million in single issue trust preferred securities with an estimated fair value of $27.43 million. The portfolio also included other corporate securities with an amortized cost of $5.02 million and an estimated fair value of $5.16 million. In addition to these trust preferred securities, the Company held positions in various other corporate securities, including marketable equity securities, with an amortized cost of $3.63 million and a fair value of $4.28 million.

The Trup Cdos consisted of pools of trust preferred securities issued by trusts related primarily to financial institutions and to a lesser extent, insurance companies. The Company has no exposure to Real Estate Investment Trusts (REITs) in its investment portfolio. The Company owns both senior and mezzanine tranches in the Trup Cdos; however, the Company does not own any income notes. The senior and mezzanine tranches of Trup Cdos generally have some protection from defaults in the form of over-collateralization and excess spread revenues, along with waterfall structures that redirect cash flows in the event certain coverage test requirements have failed. Generally, senior tranches have the greatest protection, with mezzanine tranches subordinated to the senior tranches, and income notes subordinated to the mezzanine tranches. The fair value of senior tranches represents $6.66 million of the Company s pooled securities, while mezzanine tranches represent $32.90 million. Of the $32.90 million in mezzanine tranches, $9.83 million are now in the Senior position as the Senior notes have been paid to a zero balance. As of December 31, 2014, Trup Cdos with a fair value of $3.90 million were investment grade, and the remaining $35.66 million were below investment grade. In terms of capital adequacy, the Company allocates additional risk-based capital to the below investment grade securities. As of December 31, 2014, United s single issue trust preferred securities had a fair value of $27.43 million. Of the $27.43 million, $9.07 million or 33.07% were investment grade; $7.09 million or 25.83% were split rated; and $11.27 million or 41.10% were below investment grade. The two largest exposures accounted for 52.34% of the $27.43 million. These included Wells Fargo at $8.40 million and SunTrust Bank at $5.95 million. All single-issue trust preferred securities are currently receiving full scheduled principal and interest payments.

The following two tables provide a summary of Trup Cdos as of December 31, 2014:

Description (1)	Tranche	Class	Moodys	S&P	Fitch	Amortized Cost Basis	Fair Value	Unrealized Loss (Gain)	Cumulative Credit-Related OTTI
SECURITY 1	Senior	Sr	Ca	NR	WD	$ 2,725	$ 2,760	$ (35)	$ 1,219
SECURITY 2	Senior (org Mezz)	B	Ca	NR	WD	6,428	3,962	2,466	7,398
SECURITY 3	Senior (org Mezz)	Mez	C	NR	WD	0	0	0	61
SECURITY 4	Mezzanine	C	C	NR	C	1,275	1,537	(262)	1,546
SECURITY 5	Mezzanine	C-2	Caa3	NR	C	1,978	1,191	787	184
SECURITY 6	Mezzanine	C-1	Ca	NR	C	1,916	1,407	509	1,316
SECURITY 7	Mezzanine	B-1	Caa1	NR	C	4,488	3,224	1,264	41
SECURITY 8	Mezzanine	B-1	Ca	NR	C	3,676	2,799	877	1,651
SECURITY 12	Senior (org Mezz)	Mez	Caa1	NR	C	1,434	1,908	(474)	588
SECURITY 13	Senior (org Mezz)	Mez	Caa1	NR	C	962	1,113	(151)	406
SECURITY 14	Mezzanine	B-1	Caa1	NR	C	3,393	2,421	972	422
SECURITY 15	Mezzanine	B	Caa3	NR	C	6,436	4,800	1,636	3,531
SECURITY 16	Mezzanine	B-2	Ca	NR	C	3,473	2,300	1,173	1,527
SECURITY 17	Mezzanine	B-1	Caa2	NR	C	2,250	1,710	540	750
SECURITY 18	Senior	A-3	Aa1	BBB-	A	5,000	3,900	1,100	0
SECURITY 19	Senior (org Mezz)	B	Ba1	NR	BB	3,394	2,851	543	0
SECURITY 22	Mezzanine	B-1	B3	NR	C	2,500	1,675	825	0
						$ 51,328	$ 39,558	$ 11,770	$ 20,640

(1) Securities that are no longer owned by the Company have been removed from the tables.

Desc.	# of Issuers Currently Performing (1)	Deferrals as % of Original Collateral	Defaults as a % of Original Collateral	Expected Deferrals and Defaults as a % of Remaining Performing Collateral (2)	Projected Recovery/ Cure Rates on Deferring Collateral	Excess Subordination as % of Performing Collateral	Amortized Cost as a % of Par Value	Discount as a % of Par Value (3)
1	6	10.7%	13.3%	8.3%	65 - 85%	(75.8)%	67.1%	32.9%
2	5	0.7%	11.1%	6.6%	90%	(114.4)%	45.4%	54.6%
3	0	1.9%	3.6%	0.0%	0%	0.0%	0.0%	100%
4	36	21.0%	12.1%	6.9%	0 - 90%	(11.8)%	43.1%	56.9%
5	41	6.7%	12.9%	7.1%	45 - 90%	(3.8)%	91.3%	8.7%

6	43	7.5%	19.0%	7.1%	0 - 90%	(22.8)%	58.5%	41.5%
7	21	0.0%	20.3%	6.3%	N/A	(12.0)%	84.9%	15.1%
8	27	3.3%	22.4%	7.0%	75 - 90%	(25.9)%	68.3%	31.7%
12	6	0.0%	19.5%	5.6%	N/A	(4.0)%	75.9%	24.1%
13	6	0.0%	19.5%	5.6%	N/A	(4.0)%	87.3%	12.7%
14	38	12.7%	9.6%	7.0%	0 - 90%	0.5%	88.3%	11.7%
15	16	4.4%	19.1%	8.9%	0 - 90%	(37.0)%	64.4%	35.6%
16	15	4.4%	18.8%	6.4%	0%	(30.6)%	69.5%	30.5%
17	29	3.0%	12.1%	7.2%	90%	(5.2)%	75.0%	25.0%
18	28	5.8%	12.9%	6.3%	15%	60.6%	100%	0.0%
19	5	0.6%	4.6%	6.7%	75%	30.6%	100%	0.0%
22	32	3.7%	11.5%	7.4%	50 - 90%	2.2%	100%	0.0%

Table of Contents

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

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

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

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

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

The Company believes the excess subordination ratio is limited as it does not consider the following:

Waterfall structure and redirection of cash flows

Excess interest spread

Cash reserves

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

The following is a summary of available for sale single-issue trust preferred securities with at least one rating below investment grade as of December 31, 2014:

Security	Moodys	S&P	Fitch	Amortized Cost	Fair Value	Unrealized Loss/(Gain)
Emigrant	NR	NR	B	$ 5,670	$ 4,080	$ 1,590
Bank of America	Ba1	NR	BB+	4,599	4,000	599
M&T Bank	NR	BBB-	BB+	2,991	3,150	(159)
Bank of America	Ba1	BB	BB+	500	514	(14)
				$ 13,760	$ 11,744	$ 2,016

Additionally, the Company owns two single-issue trust preferred securities that are classified as held-to-maturity and include at least one rating below investment grade. These securities include SunTrust Bank ($7.40 million) and Royal Bank of Scotland ($973 thousand).

During 2014, United recognized net other-than-temporary impairment charges totaling $6.48 million on certain Trup Cdos, which are not expected to be sold. Other than these securities, management does not believe that any other individual security with an unrealized loss as of December 31, 2014 is other-than-temporarily impaired. United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not an adverse change in the expected contractual cash flows. Based on a review of each of the securities in the investment portfolio, management concluded that it was not probable that it would be unable to realize the cost basis investment and appropriate interest payments on such securities. United has the intent and the ability to hold these securities until such time as the value recovers or the securities mature. However, United acknowledges that any impaired securities may be sold in future periods in response to significant, unanticipated changes in asset/liability management decisions, unanticipated future market movements or business plan changes.

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

Loans

Loans held for sale increased $4.44 million or 104.91% as loan originations in the secondary market exceeded loan sales during the year of 2014. Portfolio loans, net of unearned income, increased $2.40 billion or 35.80% from year-end 2013 mainly as a result of the Virginia Commerce acquisition which added $2.01 billion, including purchase accounting amounts, in portfolio loans. Since year-end 2013, commercial, financial and agricultural loans increased $1.44 billion or 36.89% as commercial real estate loans increased $1.20 billion and commercial loans (not secured by real estate) increased $239.08 million. In addition, residential real estate loans and construction and land development loans increased $441.98 million or 24.27% and $462.89 million or 69.05%, respectively, while other consumer loans increased $58.14 million or 18.71%. The increases were due primarily to the Virginia Commerce acquisition. Otherwise, portfolio loans, net of unearned income, grew organically $395.64 million from year-end 2013.

A summary of loans outstanding is as follows:

			December 31		
	2014	2013	2012	2011	2010
Commercial, financial & agricultural	$ 5,353,991	$ 3,911,103	$ 3,846,409	$ 3,508,966	$ 2,837,692
Residential real estate	2,263,354	1,821,378	1,838,252	1,891,725	1,700,380
Construction & land development	1,133,251	670,364	550,677	549,877	470,934
Consumer	368,896	310,754	282,442	283,712	254,345
Less: Unearned interest	(14,840)	(9,016)	(6,364)	(3,503)	(3,025)
Total loans	9,104,652	6,704,583	6,511,416	6,230,777	5,260,326
Allowance for loan losses	(75,529)	(74,198)	(73,901)	(73,874)	(73,033)
TOTAL LOANS, NET	$ 9,029,123	$ 6,630,385	$ 6,437,515	$ 6,156,903	$ 5,187,293
Loans held for sale	$ 8,680	$ 4,236	$ 17,762	$ 3,902	$ 6,869

The following table shows the maturity of commercial, financial, and agricultural loans and real estate construction and land development loans as of December 31, 2014:

(In thousands)	Less Than One Year	One To Five Years	Over Five Years	Total
Commercial, financial & agricultural	$ 933,264	$ 1,855,311	$ 2,565,416	$ 5,353,991
Construction & land development	439,818	431,001	262,432	1,133,251
Total	$ 1,373,082	$ 2,286,312	$ 2,827,848	$ 6,487,242

At December 31, 2014, commercial, financial and agricultural loans and real estate construction and land development loans by maturity are as follows:

(In thousands)	Less Than One Year	One to Five Years	Over Five Years	Total
Outstanding with fixed interest rates	$ 432,955	$ 1,359,335	$ 1,043,515	$ 2,835,805
Outstanding with adjustable rates	940,127	926,977	1,784,333	3,651,437
	$ 1,373,082	$ 2,286,312	$ 2,827,848	$ 6,487,242

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

Other Assets

Other assets increased $79.62 million or 24.68% from year-end 2013. The Virginia Commerce acquisition added $104.59 million in other assets plus an additional $17.14 million in core deposit intangibles. The cash surrender value of bank-owned life insurance policies increased $40.12 million. This increase was due mainly to $46.72 million of bank-owned life insurance policies acquired from Virginia Commerce partially offset by payments totaling $8.93 million for policies that were surrendered during the year of 2014. The remainder of the increase in other assets is the result of an increase of $16.55 million in deferred tax assets, an increase of $21.08 million in income taxes receivable, and an increase of $13.12 million in core deposit intangibles. Partially offsetting these increases in other assets is an $18.00 million decrease in United s net pension asset due to a decrease in the discount rate used in the year-end valuation, resulting in pension liability of $9.85 million at year-end 2014.

Deposits

Deposits represent United s primary source of funding. Total deposits at December 31, 2014 increased $2.42 billion or 36.61% from year-end 2013 as a result of the Virginia Commerce acquisition. Virginia Commerce added $2.02 billion in deposits, including purchase accounting amounts. In terms of composition, noninterest-bearing deposits increased $717.10 million or 38.26% while interest-bearing deposits increased $1.71 billion or 35.96% from December 31, 2013. Organically, deposits increased $403.26 million from year-end 2013.

The increase in noninterest-bearing deposits was due mainly to increases in commercial noninterest-bearing deposits of $585.03 million or 42.81%, personal noninterest-bearing deposits of $71.08 million or 17.28% and noninterest-bearing public funds of $19.65 million or 36.44% as a result of the Virginia Commerce acquisition.

The increase in interest-bearing deposits was due mainly to the Virginia Commerce acquisition as all major categories of interest-bearing deposits increased. Interest-bearing money market accounts (MMDAs) increased $841.05 million or 68.71%, time deposits over $100,000 increased $195.33 million or 22.11%, time deposits under $100,000 increased $67.66 million or 7.62%, and regular savings balances increased $103.59 million or 18.63%. The $841.05 million increase in interest-bearing MMDAs is due to a $404.46 million and a $439.31 million increase in personal MMDAs and commercial MMDAs, respectively. Public funds MMDAs, on the other hand, decreased $2.72 million or 6.92%. The $195.33 million increase in time deposits over $100,000 is the result of a $107.87 million increase in fixed rate certificates of deposits (CDs), a $75.37 million increase in Certificate of Deposit Account Registry Service (CDARS) balances and a $14.08 million increase in variable rate CDs. The $67.66 million increase in time deposits under $100,000 is due to fixed rate CDs increasing $48.55 million, variable rate CDs increasing $13.65 million, and CDARS balances increasing $5.85 million. Interest-bearing checking deposits increased $499.19 million mainly due to a $403.74 million increase in personal interest-bearing checking accounts, a $92.20 million increase in commercial interest-bearing checking accounts, and a $3.25 million increase in state and municipal interest-bearing checking accounts.

Table of Contents

The table below summarizes the changes by deposit category since year-end 2013:

(Dollars In thousands)	December 31 2014	December 31 2013	$ Change	% Change
Demand deposits	$ 2,591,619	$ 1,874,520	$ 717,099	38.26%
Interest-bearing checking	1,695,146	1,195,956	499,190	41.74%
Regular savings	659,773	556,183	103,590	18.63%
Money market accounts	2,065,162	1,224,116	841,046	68.71%
Time deposits under $100,000	955,178	887,516	67,662	7.62%
Time deposits over $100,000 (1)	1,078,607	883,280	195,327	22.11%
Total deposits	$ 9,045,485	$ 6,621,571	$ 2,423,914	36.61%

(1) Includes time deposits of $250,000 or more of $272,059 and $235,529 at December 31, 2014 and 2013, respectively.

At December 31, 2014, the scheduled maturities of time deposits are as follows:

Year	Amount
(In thousands)	
2015	$ 1,312,842
2016	397,209
2017	183,058
2018	70,828
2019 and thereafter	69,848
TOTAL	$ 2,033,785

Maturities of time certificates of deposit of $100,000 or more outstanding at December 31, 2014 are summarized as follows:

	Amount
(In thousands)	
3 months or less	$ 377,482
Over 3 through 6 months	154,895
Over 6 through 12 months	207,321
Over 12 months	338,909
TOTAL	$ 1,078,607

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

	2014			2013			2012		
	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate

	(Dollars in thousands)								
Demand deposits	$ 2,349,729	$ 0	0.00%	$ 1,782,257	$ 0	0.00%	$ 1,720,098	$ 0	0.00%
NOW and money market deposits	3,382,418	10,093	0.30%	2,403,748	7,380	0.31%	2,405,678	8,161	0.34%
Savings deposits	667,307	875	0.13%	565,359	631	0.11%	521,039	562	0.11%
Time deposits	2,091,087	16,493	0.79%	1,859,155	18,520	1.00%	2,129,445	23,525	1.10%
TOTAL	$ 8,490,541	$ 27,461	0.32%	$ 6,610,519	$ 26,531	0.40%	$ 6,776,260	$ 32,248	0.48%

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

Borrowings

Total borrowings at December 31, 2014 increased $534.52 million or 53.11% during the year of 2014. Virginia Commerce added $468.15 million, including purchase accounting amounts, upon consummation of the acquisition. Since year-end 2013, short-term borrowings increased $4.90 million or 1.14% due to a $193.74 million increase in short-term securities sold under agreements to repurchase and a $26.16 million increase in federal funds purchased, which were partially

Table of Contents

offset by a $215.00 million decrease in short term FHLB advances. Long-term borrowings increased $529.62 million or 92.00% since year-end 2013 as long-term FHLB advances increased $453.27 million. In addition, United assumed $53.70 million in long-term securities sold under agreements to repurchase and $50.64 million of junior subordinated debt securities, respectively, including purchase accounting amounts, in the Virginia Commerce acquisition.

During the fourth quarter of 2014, United through its subsidiary, Sequoia Capital Trust I, redeemed $2.0 million of trust preferred securities. The securities were redeemed at par value plus accrued interest. The securities carried an interest rate of 10.18% at the time of redemption. In addition, through its subsidiary VCBI Capital Trust IV, United redeemed $25 million of trust preferred securities during the fourth quarter of 2014. The securities were redeemed at par value plus accrued interest. The securities carried an interest rate of 10.20% at the time of redemption. Under applicable regulatory capital guidelines issued by bank regulatory agencies, upon notice of the redemption, the amount of trust preferred securities that were redeemed no longer qualified as Tier 1 capital for United. The Federal Reserve Board did not object to the redemption of the securities. The redemptions were funded with excess cash currently available to United.

The table below summarizes the changes by borrowing category since year-end 2013:

	December 31		Amount	Percentage
	2014	2013	Change	Change
(Dollars in thousands)				
Federal funds purchased	$ 53,840	$ 27,685	$ 26,155	94.47%
Short-term securities sold under agreements to repurchase	381,812	188,069	193,743	103.02%
Long-term securities sold under agreements to repurchase	52,343	0	52,343	100.00%
Short-term FHLB advances	0	215,000	(215,000)	(100.00%)
Long-term FHLB advances	830,335	377,069	453,266	120.21%
Issuances of trust preferred capital securities	222,636	198,628	24,008	12.09%
Total borrowings	$ 1,540,966	$ 1,006,451	$ 534,515	53.11%

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

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at December 31, 2014 increased $21.26 million or 33.51% from year-end 2013. Virginia Commerce added $11.39 million. In particular, United s net pension asset decreased due to a decrease in the discount rate used in the year-end valuation, resulting in a $9.85 million pension liability at year-end 2014. In addition, incentives payable increased $2.76 million, other accrued expenses increased $2.17 million and dividends payable increased $6.03 million due to the additional shares issued in the Virginia Commerce acquisition. Partially offsetting these increases in accrued expenses and other liabilities is a $1.23 million decrease in deferred compensation and a $1.40 million decrease in other employee withholdings due to a timing difference in payments.

Shareholders Equity

Shareholders equity at December 31, 2014 increased $641.43 million or 58.98% from December 31, 2013 mainly as a result of the Virginia Commerce acquisition and retention of earnings, net of dividends declared. The Virginia Commerce transaction added approximately $552 million as 18,330,347 shares were issued from United s authorized but unissued shares for the merger at a cost of approximately $548 million. Earnings net of dividends for the year of 2014 were $41.37 million.

Accumulated other comprehensive income increased $7.28 million or 16.92% due mainly to an increase of $19.32 million in the fair value of United s available for sale investment portfolio, net of deferred income taxes. In addition, the after tax non-credit net reclass portion of OTTI losses was $5.47 million related predominantly to the Trup Cdo portfolio and the after-tax accretion of pension costs was $1.26 million for the year of 2014. Partially offsetting these increases to accumulated other comprehensive income is an after-tax pension accounting adjustment resulting in a decline of $18.77 million.

EARNINGS SUMMARY

Net income for the year 2014 was $129.89 million or $1.92 per diluted share compared to $85.63 million or $1.70 per diluted share for the year of 2013. United s return on average assets for the year of 2014 was 1.11% and return on average shareholders equity was 8.13% as compared to 1.02% and 8.43% for the year of 2013. United s Federal Reserve peer group s (bank holding companies with total assets over $10 billion) most recently reported average return on assets and average return on equity were 0.95% and 8.24%, respectively, for the first nine months of 2014. As previously mentioned, United completed its acquisition of Virginia Commerce after the close of business on January 31, 2014. The financial results of Virginia Commerce are included in United s results from the acquisition date.

The results for the year of 2014 included noncash, before-tax, other-than-temporary impairment charges of $6.48 million on certain investment securities. The results for year of 2013 included noncash, before-tax, other-than-temporary impairment charges of $7.33 million on certain investment securities. As previously reported, United sold a former branch building during the first quarter of 2014 which resulted in a before-tax gain of $8.98 million. Also included in the results for the year of 2014 was a penalty of $1.97 million to prepay a Federal Home Loan Bank (FHLB) advance with a high interest rate. In addition, the results for the year of 2014 included merger related expenses and charges of $5.29 million as compared to $2.01 million in the year of 2013.

Net interest income for the year of 2014 was $375.71 million, an increase of $105.87 million or 39.23% from the prior year. The increase in net interest income occurred because total interest income increased $112.39 million while total interest expense only increased $6.52 million from the year of 2013.

The provision for credit losses was $21.94 million for the year 2014 as compared to $19.27 million for the year of 2013. Noninterest income was $80.96 million for the year of 2014, up $14.46 million or 21.74% when compared to the year of 2013. Included in noninterest income for the year of 2014 and 2013 were the previously mentioned noncash before-tax other-than-temporary impairment charges of $6.48 million and $7.33 million, respectively. Noninterest expense was $239.85 million, an increase of $47.81 million or 24.90% for the year of 2014 when compared to 2013.

Income tax expense for the year of 2014 was $65.00 million as compared to $39.42 million for the year of 2013. United s effective tax rate was approximately 33.4% and 31.5% for years ended December 31, 2014 and 2013, respectively, as compared to 32.0% for 2012.

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

Net Interest Income

Net interest income represents the primary component of United s earnings. It is the difference between interest income from earning assets and interest expense incurred to fund these assets. Net interest income is impacted by changes in the volume and mix of interest-earning assets and interest-bearing liabilities, as well as changes in market interest rates. Such changes, and their impact on net interest income in 2014 and 2013, are presented below.

Net interest income for the year of 2014 was $375.71 million, which was an increase of $105.87 million or 39.23% from the year of 2013. The $105.87 million increase in net interest income occurred because total interest income increased $112.39 million while total interest expense increased $6.52 million from the year of 2013.

Generally, interest income for year of 2014 increased from prior year because of the earning assets added from the Virginia Commerce acquisition. Likewise, interest expense for the year of 2014 increased from prior year because of the interest-bearing liabilities added from Virginia Commerce. However, the increase in interest expense was partially mitigated by the accretion of fair value premiums recorded on the interest-bearing deposits and long-term securities sold under agreements to repurchase acquired from Virginia Commerce. For the purpose of this remaining discussion, net interest income is presented on a tax-equivalent basis to provide a comparison among all types of interest earning assets. The tax-equivalent basis adjusts for the tax-favored status of income from certain loans and investments. Although this is a non-GAAP

measure, United s management believes this measure is more widely used within the financial services industry and provides better comparability of net interest income arising from taxable and tax-exempt sources. United uses this measure to monitor net interest income performance and to manage its balance sheet composition.

Tax-equivalent net interest income for the year of 2014 was $382.02 million, an increase of $106.18 million or 38.49% from the year of 2013. This increase in tax-equivalent net interest income was primarily attributable to an increase in average earning assets from the Virginia Commerce acquisition. Average earning assets increased $2.80 billion or 37.38% from the year of 2013. Average net loans increased $2.18 billion or 33.63% for the year of 2014 while average short-term investments and investment securities increased $145.17 million or 61.55% and $482.43 million or 60.75%, respectively. In addition, the average cost of funds declined 9 basis points from the year of 2013. In particular, the average cost of long-term borrowings declined 90 basis points due mainly to the repayment of certain higher-cost long-term FHLB borrowings. Partially offsetting the increases to tax-equivalent net interest income for the year of 2014 was a decline of 4 basis points in the average yield on earning assets as compared to the year of 2013. The net interest margin for the year of 2014 was 3.71%, which was an increase of 3 basis points from a net interest margin of 3.68% for the year of 2013.

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 year ended December 31, 2014, 2013 and 2012.

		Year Ended	
(Dollars in thousands)	December 31 2014	December 31 2013	December 31 2012
Loan Accretion	$ 10,261	$ 2,641	$ 3,644
Certificates of deposit	4,310	169	3,222
Long-term borrowings	143	(113)	(113)
Total	$ 14,714	$ 2,697	$ 6,753

The following table reconciles the difference between net interest income and tax-equivalent net interest income for the year ended December 31, 2014, 2013 and 2012.

		Year Ended	
(Dollars in thousands)	December 31 2014	December 31 2013	December 31 2012
Net interest income, GAAP basis	$ 375,708	$ 269,841	$ 277,707
Tax-equivalent adjustment (1)	6,316	5,999	6,413
Tax-equivalent net interest income	$ 382,024	$ 275,840	$ 284,120

(1) The tax-equivalent adjustment combines amounts of interest income on federally nontaxable loans and investment securities using the statutory federal income tax rate of 35%. All interest income on loans and investment securities was subject to state income taxes.

Table of Contents

The following table shows the consolidated daily average balance of major categories of assets and liabilities for each of the three years ended December 31, 2014, 2013 and 2012 with the consolidated interest and rate earned or paid on such amount. The interest income and yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 35%. Interest income on all loans and investment securities was subject to state taxes.

	Year Ended December 31, 2014			Year Ended December 31, 2013			Year Ended December 31, 2012		
(Dollars in thousands)	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1)	Avg. Rate (1)
ASSETS									
Earning Assets:									
Federal funds sold, securities repurchased under agreements to resell & other short-term investments	$ 381,053	$ 954	0.25%	$ 235,880	$ 613	0.26%	$ 439,481	$ 1,169	0.27%
Investment Securities:									
Taxable	1,158,869	30,426	2.63%	712,582	16,646	2.34%	664,437	17,364	2.61%
Tax-exempt	117,646	5,385	4.58%	81,505	4,403	5.40%	99,706	5,421	5.44%
Total Securities	1,276,515	35,811	2.81%	794,087	21,049	2.65%	764,143	22,785	2.98%
Loans, net of unearned Income (2)	8,720,186	388,093	4.45%	6,544,104	290,491	4.44%	6,322,740	306,356	4.85%
Allowance for loan losses	(74,957)			(74,661)			(73,549)		
Net loans	8,645,229		4.49%	6,469,443		4.49%	6,249,191		4.90%
Total earning assets	10,302,797	$ 424,858	4.12%	7,499,410	$ 312,153	4.16%	7,452,815	$ 330,310	4.43%
Other assets	1,349,979			920,046			946,698		
TOTAL ASSETS	$ 11,652,776			$ 8,419,456			$ 8,399,513		
LIABILITIES									
Interest-Bearing Funds:									
Interest-bearing deposits	$ 6,140,812	$ 27,461	0.45%	$ 4,828,262	$ 26,531	0.55%	$ 5,056,162	$ 32,248	0.64%
Short-term borrowings	509,724	1,134	0.22%	360,621	895	0.25%	280,706	303	0.11%
Long- term borrowings	1,005,554	14,239	1.42%	382,628	8,887	2.32%	306,606	13,639	4.45%
Total Interest-Bearing Funds	7,656,090	42,834	0.56%	5,571,511	36,313	0.65%	5,643,474	46,190	0.82%
Noninterest-bearing deposits	2,349,729			1,782,257			1,720,098		
Accrued expenses and other liabilities	49,193			49,688			46,113		
TOTAL LIABILITIES	10,055,013			7,403,456			4,409,685		
SHAREHOLDERS EQUITY	1,597,764			1,016,000			989,828		

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 11,652,776	$ 8,419,456	$ 8,399,513
NET INTEREST INCOME	$ 382,024	$ 275,840	$ 284,120
INTEREST SPREAD	3.56%	3.51%	3.61%
NET INTEREST MARGIN	3.71%	3.68%	3.81%

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

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

Table of Contents

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

	2014 Compared to 2013 Increase (Decrease) Due to				2013 Compared to 2012 Increase (Decrease) Due to			
(In thousands)	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Rate/ Volume	Total
Interest income:								
Federal funds sold, securities purchased under agreements to resell and other short-term investments	$ 377	$ (24)	$ (12)	$ 341	$ (550)	$ (44)	$ 38	$ (556)
Investment securities:								
Taxable	10,443	2,066	1,271	13,780	1,257	(1,794)	(181)	(718)
Tax-exempt (1)	1,952	(668)	(302)	982	(990)	(40)	12	(1,018)
Loans (1),(2)	97,693	0	(91)	97,602	10,792	(25,622)	(1,035)	(15,865)
TOTAL INTEREST INCOME	110,465	1,374	866	112,705	10,509	(27,500)	(1,166)	(18,157)
Interest expense:								
Interest-bearing deposits	$ 7,219	$ (4,828)	$ (1,461)	$ 930	$ (1,459)	$ (4,551)	$ 293	$ (5,717)
Short-term borrowings	373	(108)	(26)	239	88	393	111	592
Long-term borrowings	14,452	(3,444)	(5,656)	5,352	3,383	(6,531)	(1,604)	(4,752)
TOTAL INTEREST EXPENSE	22,044	(8,380)	(7,143)	6,521	2,012	(10,689)	(1,200)	(9,877)
NET INTEREST INCOME	$ 88,421	$ 9,754	$ 8,009	$ 106,184	$ 8,497	$ (16,811)	$ 34	$ (8,280)

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

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

Provision for Loan Losses

At December 31, 2014, nonperforming loans were $108.96 million or 1.20% of loans, net of unearned income compared to nonperforming loans of $81.13 million or 1.21% of loans, net of unearned income at December 31, 2013. The components of nonperforming loans include: 1) nonaccrual loans, 2) loans which are contractually past due 90 days or more as to interest or principal, but have not been put on a nonaccrual basis and 3) loans whose terms have been restructured for economic or legal reasons due to financial difficulties of the borrowers.

Loans past due 90 days or more were $11.67 million at December 31, 2014, an increase of $631 thousand or 5.71% from $11.04 million at year-end 2013. This slight increase was due mainly to an increase in past due commercial loans. At December 31, 2014, nonaccrual loans were $75.05 million, an increase of $13.12 million or 21.19% from $61.93 million at year-end 2013. The increase in nonaccrual loans was primarily due to the transfer of several unrelated commercial loans in excess of $1 million to nonaccrual status during the third and fourth quarter. Restructured loans were $22.23 million at December 31, 2014 as compared to $8.16 million restructured loans at year-end 2013. The increase was due mainly to the restructure of two troubled loans to a commercial customer in the amount of $5.63 million in the second quarter and the restructure of one troubled commercial loan in the amount of $6.08 million in the fourth quarter. The loss potential on these loans has been 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 $147.74 million, including OREO of $38.78 million at December 31, 2014, represented 1.20% of total assets.

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

	December 31				
	2014	2013	2012	2011	2010
	(In thousands)				
Nonaccrual loans	$ 75,051	$ 61,928	$ 71,559	$ 59,892	$ 59,996
Loans which are contractually past due 90 days or more as to interest or principal, and are still accruing interest	11,675	11,044	18,068	16,179	6,798
Restructured loans (1)	22,234	8,157	3,175	3,592	437
Total nonperforming loans	108,960	81,129	92,802	79,663	67,231
Other real estate owned	38,778	38,182	49,484	51,760	44,770
TOTAL NONPERFORMING ASSETS	$ 147,738	$ 119,311	$ 142,286	$ 131,423	$ 112,001

(1) Restructured loans with an aggregate balance of $4.19 million, $861 thousand, and $375 thousand at December 31, 2014, 2013 and 2012, respectively, were on nonaccrual status, but are not included in the Nonaccrual loans category.

Loans are designated as impaired when, in the opinion of management, the collection of principal and interest in accordance with the loan contract is doubtful. At December 31, 2014, impaired loans were $267.08 million, which was an increase of $174.42 million or 188.23% from the $92.66 million in impaired loans at December 31, 2013. This increase in impaired loans was due mainly to loans from the Virginia Commerce acquisition with evidence of credit quality deterioration with a balance of $151.44 million at December 31, 2014. For further details on impaired loans, see Note E, Notes to Consolidated Financial Statements.

United maintains an allowance for loan losses and a reserve for lending-related commitments. The combined allowance for loan losses and reserve for lending-related commitments are referred to as the allowance for credit losses. At December 31, 2014, the allowance for credit losses was $77.05 million as compared to $76.34 million at December 31, 2013.

At December 31, 2014, the allowance for loan losses was $75.53 million as compared to $74.20 million at December 31, 2013. As a percentage of loans, net of unearned income, the allowance for loan losses was 0.83% at December 31, 2014 and 1.11% at December 31, 2013. For United, this ratio at December 31, 2014 decreased from the ratio at December 31, 2013 mainly because United was unable to carry-over Virginia Commerce s previously established allowance for loan losses because acquired loans are recorded at fair value in accordance with accounting rules.

The ratio of the allowance for loan losses to nonperforming loans or coverage ratio was 69.32% and 91.46% at December 31, 2014 and December 31, 2013, respectively. This ratio declined because nonperforming loans increased $27.83 million or 34.30% while the allowance for loan losses only increased $1.33 million or 1.79% from year-end 2013. Adjustments to risk grades within the allowance for loan loss analysis were based on delinquency and loss trends of such loans and resulted in increased allowance allocations of $1.30 million or 1.76%. This increase in allocations coincided with the increase of provision for losses. There was also a slight increase in the estimate for imprecision. The Company s detailed methodology and analysis indicated a minimal increase in the allowance for loan losses primarily because of the offsetting factors of changes within historical loss rates and reduced loss allocations on impaired loans.

For the years ended December 31, 2014 and 2013, the provision for loan losses was $21.94 million and $19.27 million, respectively. Net charge-offs were $20.61 million for the year of 2014 as compared to net charge-offs of $18.97 million for the year of 2013. These higher amounts of provision expense and net charge-offs for 2014 compared to 2013 were due to the lasting carryover effect of the downturn in the economy on the Bank s construction and development loan portfolio and expected losses within the commercial and industrial loan portfolio for which allowance has been provided. Annualized net charge-offs as a percentage of average loans were 0.24% for the year of 2014. This ratio compares favorably to United s

most recently reported Federal Reserve peer group banking companies (bank holding companies with total assets over $10 billion) net charge-offs to average loans percentage of 0.29% for the first nine months of 2014. The reserve for lending-related commitments at December 31, 2014 was $1.52 million, a decrease of $625 thousand or 29.16% from December 31, 2013. Changes to the reserve for lending-related commitments are recorded in other expense in the Consolidated Statements of Income.

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

	2014	2013	2012	2011	2010
			(Dollars in thousands)		
Balance of allowance for credit losses at beginning of year	$ 76,341	$ 75,557	$ 75,727	$ 75,039	$ 70,010
Loans charged off:					
Commercial, financial & agricultural (2)	10,117	14,207	7,028	4,892	5,495
Residential real estate (2)	5,027	4,111	8,882	7,069	9,334
Construction & land development (2)	7,476	896	3,099	6,290	9,298
Consumer (2)	2,621	1,792	1,546	1,354	1,635
TOTAL CHARGE-OFFS	25,241	21,006	20,555	19,605	25,762
Recoveries:					
Commercial, financial & agricultural (2)	2.934	847	1,544	2,565	16,158
Residential real estate (2)	573	698	821	248	493
Construction & land development (2)	685	73	54	136	21
Consumer (2)	443	418	301	356	346
TOTAL RECOVERIES	4,635	2,036	2,720	3,305	17,018
NET LOANS CHARGED OFF	20,606	18,970	17,835	16,300	8,744
Provision for credit losses	21,312	19,754	17,665	16,988	13,773
BALANCE OF ALLOWANCE FOR CREDIT LOSSES AT END OF YEAR	$ 77,047	$ 76,341	$ 75,557	$ 75,727	$ 75,039
Loans outstanding at the end of period (gross) (1)	$ 9,119,492	$ 6,713,599	$ 6,517,780	$ 6,234,280	$ 5,263,351
Average loans outstanding during period (net of unearned income) (1)	$ 8,715,370	$ 6,537,360	$ 6,314,146	$ 5,718,639	$ 5,467,927
Net charge-offs as a percentage of average loans outstanding	0.24%	0.29%	0.28%	0.29%	0.16%
Allowance for credit losses, as a percentage of nonperforming loans	70.71%	94.10%	81.42%	95.06%	111.61%

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

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

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

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

	2014	2013	2012	2011	2010
			(In thousands)		
Commercial, financial & agricultural (1)	$ 39,139	$ 35,562	$ 37,264	$ 36,120	$ 37,490
Residential real estate (1)	13,835	16,694	14,895	13,880	11,653
Construction & land development (1)	19,402	18,953	18,858	19,151	18,738
Consumer (1)	3,083	2,945	2,620	2,151	2,161
Allowance for estimated imprecision	70	44	264	2,572	2,991
Allowance for loan losses	$ 75,529	$ 74,198	$ 73,901	$ 73,874	$ 73,033
Reserve for lending-related commitments	1,518	2,143	1,656	1,853	2,006
Allowance for credit losses	$ 77,047	$ 76,341	$ 75,557	$ 75,727	$ 75,039

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

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

	2014	2013	2012	2011	2010
Commercial, financial & agricultural (1)	58.80%	58.33%	59.07%	56.31%	53.95%
Residential real estate (1)	24.86%	27.17%	28.23%	30.36%	32.32%
Construction & land development (1)	12.45%	10.00%	8.46%	8.83%	8.95%
Consumer (1)	3.89%	4.50%	4.24%	4.50%	4.78%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

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

United s formal company-wide review of the allowance for loan losses at December 31, 2014 produced increased allocations in three of the six loan categories. The other commercial loan pool allocation increased by $6.01 million due to an increase in impairment recognition and an increase in classified loans within the portfolio. The allowance allocated to real estate construction and development loan pool increased by $449 thousand due to an increase in portfolio outstandings. The consumer loan pool also experienced an increase of $138 thousand due to an increase in portfolio outstandings. Offsetting these increases was a decrease in the allocation related to the residential real estate loan pool of $2.86 million due to a decrease in historical loss rates applied to the portfolio in addition to a decrease in specific impairments within the commercial portfolio. The commercial real estate owner-occupied loan pool allocation decreased by $1.61 million primarily due to a decrease in criticized loans within the portfolio. The commercial real estate nonowner-occupied loan pool allocation decreased $825 thousand due to a decline in specific impairments recognized within the portfolio. In summary, the overall level of the allowance for loan losses was relatively stable in comparison to year-end 2013 as a result of offsetting factors within the portfolio as described above.

An allowance is established for probable credit losses on impaired loans via specific allocations. Nonperforming commercial loans and leases are regularly reviewed to identify impairment. A loan or lease is impaired when, based on current information and events, it is probable that the Company will not be able to collect all amounts contractually due. Measuring impairment of a loan requires judgment and estimates, and the eventual outcomes may differ from those estimates. Impairment is measured based upon the present value of expected future cash flows from the loan discounted at the loan s effective rate, the loan s observable market price or the fair value of collateral if the loan is collateral dependent. When the selected measure is less than the recorded investment in the loan, an impairment has occurred. The allowance for impaired loans was $14.95 million at December 31, 2014 and $12.48 million at December 31, 2013. In comparison to the prior year-end, this element of the

allowance increased by $2.47 million primarily due to offsetting factors of increased specific allocations for other commercial loans and decreased specific allocations for the residential real estate and commercial real estate nonowner-occupied loan pools.

Management believes that the allowance for credit losses of $77.05 million at December 31, 2014 is adequate to provide for probable losses on existing loans and lending-related commitments based on information currently available.

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

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

Other Income

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

Noninterest income was $80.96 million for the year of 2014, up $14.46 million or 21.74% from the year of 2013. Included in noninterest income for the year of 2014 was the previously mentioned net gain of $8.98 million on the sale of bank premises as well as noncash, before-tax, other-than-temporary impairment charges of $6.48 million on certain investment securities. In addition, net gains on sales and calls of investment securities were $3.36 million for the year of 2014. Included in net losses on investment securities for the year of 2013 were noncash, before-tax other-than-temporary impairment charges of $7.33 million consisting primarily of $7.19 million on pooled trust preferred collateralized debt obligations (Trup Cdos) and $137 thousand on equity securities partially offset by a before-tax, net gain of $1.52 million on the sale of investment securities. Excluding the net gain on the sale of bank premises, the noncash, other-than-temporary impairment charges as well as net gains and losses from sales and calls of investment securities, noninterest income for the year of 2014 increased $2.78 million or 3.85% from the year of 2013.

Although excluding the net gain on the sale of bank premises and the results of security transactions is a non-GAAP measure, United s management believes noninterest income without the net gain on the sale of bank premises and noncash, before-tax, other-than-temporary impairment charges as well as net securities gains and losses on sales and calls is more indicative of United s performance because it isolates income that is primarily customer relationship driven and is more indicative of normalized operations. In addition, these items can fluctuate greatly from quarter to quarter or could be infrequent and are thus difficult to predict.

The following table reconciles the difference between noninterest income and noninterest income excluding the net gain on the sale of bank premises in 2014 and the results of security transactions for the years ended December 31, 2014, 2013 and 2012.

		Year Ended	
(Dollars in thousands)	**2014**	**2013**	**2012**
Total Non-Interest Income, GAAP basis	$ 80,962	$ 66,506	$ 64,842
Less: Net gain on the sale of bank premises	8,976	0	0
Less: Net other-than-temporary impairment losses	(6,478)	(7,332)	(7,376)
Less: Net gains on sales/calls of investment securities	3,366	1,523	446
Non-Interest Income excluding the results of noncash, other than-temporary impairment charges and net gains and losses from sales and calls of investment securities	$ 75,098	$ 72,315	$ 71,772

Revenue from trust income and brokerage commissions increased $1.69 million or 10.30% due mainly to increased brokerage volume and the value of assets under management. United continues its efforts to broaden the scope and activity

of its trust and brokerage service areas, especially in the northern Virginia market, to provide additional sources of fee income that complement United s traditional banking products and services. The northern Virginia market provides a relatively large number of potential customers with high per capita incomes.

Fees from deposit services were $42.37 million for the year of 2014, an increase of $2.13 million or 5.29% from the year of 2013. In particular, debit card income and automated teller machine (ATM) fees increased $1.34 million and $616 thousand due to increased usage mainly from former Virginia Commerce customers. Partially offsetting these increases was a decrease in overdraft or insufficient funds (NSF) fees of $241 thousand.

Income from bank owned life insurance policies decreased $488 thousand or 8.43% in 2014 as compared to 2013 due to proceeds received from large death benefits in the first quarter of 2013.

Mortgage banking income decreased $695 thousand or 27.03% due to decreased mortgage loan production and sales in the secondary market during the year of 2014 as compared to 2013. Mortgage loan sales were $91.99 million in 2014 as compared to $148.79 million in 2013.

Fees from bankcard transactions increased $616 thousand or 17.15% as compared to the year of 2013 due to a higher volume of transactions.

Other Expense

Just as management continues to evaluate areas where noninterest income can be enhanced, it strives to improve the efficiency of its operations to reduce costs. Other expense includes all items of expense other than interest expense, the provision for credit losses and income tax expense. Noninterest expense for the year of 2014 was $239.85 million, an increase of $47.81 million or 24.90% from the year of 2013. This increase is primarily due to the Virginia Commerce acquisition in the first quarter of 2014. Also included in other expense for the year of 2014 was the previously mentioned prepayment penalty of $1.97 million on a FHLB advance.

Employee compensation for the year of 2014 increased $22.75 million or 33.42% from the year of 2013 due mainly to the additional employees from the Virginia Commerce merger. Included in employee compensation were merger severance charges of $3.64 million. In addition, expense for stock options was $2.20 million for the year of 2014 as compared to $1.79 million for the year of 2013.

Employee benefits expense decreased $2.51 million or 10.94% due mainly a decrease of $5.72 million in pension expense due to a change in the discount rate used in the valuation process which more than offset the additional expense from the increased number of employees from the Virginia Commerce acquisition. Also, health insurance costs increased $1.44 million and Federal Insurance Contributions Act (FICA) expense increased $1.14 million. United uses certain valuation methodologies to measure the fair value of the assets within United s pension plan which are presented in Note N, Notes to Consolidated Financial Statements. The funded status of United s pension plan is based upon the fair value of the plan assets compared to the projected benefit obligation. The determination of the projected benefit obligation and the associated periodic benefit expense involves significant judgment and estimation of future employee compensation levels, the discount rate and the expected long-term rate of return on plan assets. If United assumes a 1% increase or decrease in the estimation of future employee compensation levels while keeping all other assumptions constant, the benefit cost associated with the pension plan would increase by approximately $1.11 million and decrease by approximately $155 thousand, respectively. If United assumes a 1% increase or decrease in the discount rate while keeping all other assumptions constant, the benefit cost associated with the pension plan would decrease by approximately $1.25 million and increase by approximately $2.48 million, respectively. If United assumes a 1% increase or decrease in the expected long-term rate of return on plan assets while keeping all other assumptions constant, the benefit cost associated with the pension plan would decrease by approximately $782 thousand and increase by approximately $1.65 million, respectively.

Net occupancy expense increased $5.98 million or 30.16% for the year of 2014 as compared to the year of 2013. In particular, building rental expense increased $3.64 million, building maintenance increased $780 thousand and building depreciation increased $727 thousand. These increases were due mainly to the additional offices acquired from Virginia Commerce.

Table of Contents

Other real estate owned (OREO) expense increased $1.30 million or 20.17% for the year of 2014 as compared to the year of 2013 due to a decline in the fair value of OREO properties.

Equipment expense increased $1.82 million or 23.45% for the year of 2014 as compared to the year of 2013 due mainly to increases in equipment maintenance and depreciation as a result of the Virginia Commerce acquisition.

Data processing expense increased $3.06 million or 26.87% for the year of 2014 as compared to the year of 2013 due to additional processing as a result of the Virginia Commerce acquisition.

Federal Deposit Insurance Corporation (FDIC) insurance expense for the year of 2014 increased $1.38 million or 22.25% due to a higher assessment base as a result of the Virginia Commerce acquisition.

Other expenses increased $12.01 million or 24.99% for the year of 2014 as compared to the year of 2013. Generally, these increases were due mainly to an increase in general operating expenses as a result of the Virginia Commerce acquisition. In particular, business franchise taxes increased $2.70 million, ATM processing expenses increased $1.43 million, amortization on core deposit intangibles increased $2.05 million, advertising expenses increased $983 thousand and loan collection expenses increased $944 thousand. Also included in other expense for the year of 2014 was a donation of $800 thousand to an educational institution.

United s GAAP basis efficiency ratio was 52.52% for the year of 2014 as compared to 57.09% for the year of 2013. The efficiency ratio used by United focuses on the performance of its core business operations. It is used by management as a measure of operating expense control. In general, the GAAP efficiency ratio is total noninterest expenses as a percentage of net interest income plus total noninterest income as shown on the face of the Consolidated Statements of Income. In United s calculation of its efficiency ratio, amortization of intangibles, OREO expense and any infrequent noninterest expenses are excluded from total noninterest expenses. Net interest income is increased for the favorable treatment of tax-exempt income and excludes securities gains and losses as well as any infrequent noninterest income items from total noninterest income. Management believes that excluding these items is more indicative of United s normalized operations and is highly useful in comparing period-to-period core operating performance. United s non-GAAP basis efficiency ratio was 48.31% for the year of 2014 as compared to 52.16% for the year of 2013.

		Year Ended	
	December 2014	December 2013	December 2012
Total Non-Interest Expense, GAAP basis	$ 239,847	$ 192,036	$ 203,206
Net Interest Income plus Total Non-Interest Income, GAAP basis	456,670	336,347	342,549
Efficiency Ratio, GAAP basis	52.52%	57.09%	59.32%
Total Non-Interest Expense, GAAP basis	239,847	192,036	203,206
Less: Amortization of intangibles, GAAP basis	4,021	1,969	2,852
Less: OREO expense, GAAP basis	7,740	6,441	8,556
Less: Prepayment penalty on FHLB advance, GAAP basis	1,971	0	0
Less: Merger related expenses and charges, GAAP basis	5,287	2,014	760
Total Non-Interest Expense, non-GAAP basis	$ 220,828	$ 181,612	$ 191,038
Net Interest Income plus Total Non-Interest Income, GAAP basis	$ 456,670	$ 336,347	$ 342,549
Plus: Tax equivalent adjustment, non-GAAP basis	6,316	5,999	6,413
Less: Net gain on the sale of bank premises, GAAP basis	8,976	0	0
Less: Net other-than-temporary impairment losses, GAAP basis	(6,478)	(7,332)	(7,376)
Less: Net gains on sales/calls of investment securities, GAAP basis	3,366	1,523	446
Net Interest Income plus Total Non-Interest Income, non-GAAP basis	$ 457,122	$ 348,155	$ 355,892
Efficiency Ratio, non-GAAP basis	48.31%	52.16%	53.68%

Income Taxes

For the year ended December 31, 2014, income taxes were $65.00 million, compared to $39.42 million for 2013. United s effective tax rate was approximately 33.4% and 31.5% for years ended December 31, 2014 and 2013, respectively, as compared to 32.0% for 2012. The effective tax rate for the year of 2014 increased by 1% as a direct result of the Virginia Commerce acquisition. The remaining increase was due to the adjustment in the deferred tax rate related to a reduction in the State of West Virginia corporate income tax rate as well as a change in apportionment factors. For further details related to income taxes, see Note M, Notes to Consolidated Financial Statements.

Quarterly Results

Net income for the first quarter of 2014 was $30.12 million or $0.48 per diluted share compared to $21.58 million or $0.43 per diluted share in 2013. The results for the first quarter of 2014 included noncash, before-tax, other-than-temporary impairment charges of $639 thousand on certain investment securities. In addition, United sold a former branch building during the first quarter of 2014 which resulted in a before-tax gain of $8.98 million. The results for the first quarter of 2013 included noncash, before-tax, other-than-temporary impairment charges of $834 thousand on certain investment securities.

For the second quarter of 2014, net income was $33.25 million or $0.48 per diluted share compared to $22.22 million or $0.44 per diluted share in 2013. The results of the second quarter of 2014 included noncash, before-tax, other-than-temporary impairment charges of $421 thousand on certain investment securities. The results of the second quarter of 2013 included noncash, before-tax, other-than-temporary impairment charges of $137 thousand on certain investment securities.

In the third quarter of 2014, net income was $33.26 million or $0.48 per diluted share as compared to $22.17 million or $0.44 per diluted share in the third quarter of 2013. The results for the third quarter of 2014 included noncash, before-tax, other-than-temporary impairment charges of $4.71 million on certain securities. No noncash, before-tax, other-than-temporary impairment charges were recognized during the third quarter of 2013.

Fourth quarter of 2014 net income was $33.26 million or $0.48 per diluted share, an increase from net income of $19.66 million or $0.39 per diluted share in the fourth quarter of 2013. The results for the fourth quarter of 2014 included noncash, before-tax, other-than-temporary impairment charges of $704 thousand on certain investment securities. In comparison, the results for the fourth quarter of 2013 included noncash, before-tax, other-than-temporary impairment charges of $6.36 million on certain investment securities. Also included in the results for the fourth quarter of 2014 was a penalty of $1.97 million to prepay a FHLB advance with a high interest rate.

Tax-equivalent net interest income for the fourth quarter of 2014 was $102.09 million, an increase of $31.43 million or 44.48% from the fourth quarter of 2013. This increase in tax-equivalent net interest income was primarily attributable to an increase in average earning assets from the Virginia Commerce acquisition. Average earning assets increased $3.09 billion or 40.27% from the fourth quarter of 2013. Average net loans increased $2.42 billion or 36.78% for the fourth quarter of 2014 while average investment securities and average short-term investments increased $464.43 million or 54.83% and $203.60 million or 83.85%, respectively. In addition, the average yield on earning assets increased 9 basis points while the average cost of funds declined 3 basis points from the fourth quarter of 2013. The net interest margin for the fourth quarter of 2014 was 3.77%, which was an increase of 11 basis points from a net interest margin of 3.66% for the fourth quarter of 2013.

For the fourth quarter of 2014, the provision for loan losses was $6.31 million while net charge-offs were $6.50 million.

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

Noninterest income for the fourth quarter of 2014 was $19.42 million, which was an increase of $7.51 million from the fourth quarter of 2013. Included in noninterest income for the fourth quarter of 2014 were noncash, before-tax, other-than-temporary impairment charges of $704 thousand on certain investment securities as compared to $6.36 million for the fourth quarter of 2013. In addition, net gains on sales and calls of investment securities were $1.23 million and $934 thousand for the fourth quarter of 2014 and 2013, respectively. Excluding the results of the noncash, other-than-temporary impairment charges as well as the net gains from sales and calls of investment securities, noninterest income for the fourth quarter of 2014 increased $1.56 million or 8.97% from the fourth quarter of 2013. This increase for the fourth quarter of 2014 was due primarily to an increase of $705 thousand in fees from deposit services as a result of increased debit card and ATM usage as a result of the Virginia Commerce merger. Also, fees from bankcard services increased $341 thousand due to an increase in volume and income from bank owned life insurance policies increased $203 thousand due to an increase in cash surrender values.

54

Table of Contents

Noninterest expense for the fourth quarter of 2014 was $64.02 million, an increase of $16.19 million or 33.84% from the fourth quarter of 2013 due mainly to the Virginia Commerce merger and the previously mentioned prepayment penalty of $1.97 million on a FHLB advance. Due to the merger, most major categories of noninterest expense showed increases. In particular, employee compensation increased $4.85 million, net occupancy expenses increased $1.57 million, data processing fees increased $874 thousand and equipment expense increased $669 thousand. These increases were due mainly to the additional employees, offices, equipment, and data processing expenses as a result of the Virginia Commerce acquisition. In addition, OREO expense increased $1.47 million from the fourth quarter of 2013 due to declines in the fair values of OREO properties and FDIC insurance expense increased $480 thousand due to a higher assessment base as a result of the Virginia Commerce acquisition. Partially offsetting these increases from the fourth quarter of 2013 was a decrease of $570 thousand in employee benefits due to a decline in pension expense.

Additional quarterly financial data for 2014 and 2013 may be found in Note W, Notes to Consolidated Financial Statements.

The Effect of Inflation

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

The Effect of Regulatory Policies and Economic Conditions

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

United s business and earnings are also affected by general and local economic conditions. In 2014 and 2013, certain credit markets experienced difficult conditions and volatility. Downturns in the credit market can cause a decline in the value of certain loans and securities, a reduction in liquidity and a tightening of credit. A downturn in the credit market often signals a weakening economy that can cause job losses and thus distress on borrowers and their ability to repay loans. Uncertainties in credit markets and the economy present significant challenges for the financial services industry.

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

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

United has various financial obligations, including contractual obligations and commitments, that may require future cash payments. The table below presents, by payment date, significant known contractual obligations to third parties as of December 31, 2014:

	Total Payments Due by Period				
(In thousands)	Total	One Year or Less	One to Three Years	Three to Five Years	Over Five Years
Deposits without a stated maturity (1)	$ 7,011,700	$ 7,011,700	$ 0	$ 0	$ 0
Time deposits (2) (3)	2,058,521	1,326,281	589,846	142,178	216
Short-term borrowings (2)	435,655	435,655	0	0	0
Long-term borrowings (2) (3)	1,235,664	804,568	19,446	102,507	309,143
Operating leases	59,538	10,917	18,517	14,700	15,404

(1) Excludes interest.
(2) Includes interest on both fixed and variable rate obligations. The interest associated with variable rate obligations is based upon interest rates in effect at December 31, 2014. The interest to be paid on variable rate obligations is affected by changes in market interest rates, which materially affect the contractual obligation amounts to be paid. paid.
(3) Excludes carrying value adjustments such as unamortized premiums or discounts.

As of December 31, 2014, United recorded a liability for uncertain tax positions, including interest and penalties, of $3.45 million. This liability represents an estimate of tax positions that United has taken in its tax returns which may ultimately not be sustained upon examination by tax authorities. Since the ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty, this estimated liability is excluded from the contractual obligations table.

United also enters into derivative contracts, mainly to protect against adverse interest rate movements on the value of certain assets or liabilities, under which it is required to either pay cash to or receive cash from counterparties depending on changes in interest rates. Derivative contracts are carried at fair value and not notional value on the consolidated balance sheet. Because the derivative contracts recorded on the balance sheet at December 31, 2014 do not represent the amounts that may ultimately be paid under these contracts, they are excluded from the preceding table. Further discussion of derivative instruments is included in Note Q, 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 amounts do not necessarily represent future cash requirements.

The following table details the amounts of significant commitments and letters of credit as of December 31, 2014:

(In thousands)	Amount
Commitments to extend credit:	
Revolving open-end secured by 1-4 residential	$ 457,387
Credit card and personal revolving lines	136,695
Commercial	2,169,047
Total unused commitments	$ 2,763,129

Financial standby letters of credit	$	76,111
Performance standby letters of credit		84,119
Commercial letters of credit		216
Total letters of credit	$	160,446

Commitments generally have fixed expiration dates or other termination clauses, generally within one year, and may require the payment of a fee. Further discussion of commitments is included in Note P, Notes to Consolidated Financial Statements.

Liquidity

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

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

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

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

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

Cash flows provided by operations in 2014 were $144.79 million as compared to $142.20 million of cash provided by operations during 2013 due in large part to an increase in net income of $44.26 million partially offset by a decline in net proceeds from loan sales over originations of $13.53 million. In 2014, net cash of $204.80 million was used in investing activities which was primarily due to loan growth of $395.64 million. Partially offsetting this use of cash was net cash of $97.30 million received in the Virginia Commerce acquisition and net proceeds of $90.53 million from the sales, calls, redemptions and maturities of investment securities over purchases. In 2013, net cash of $373.11 million was used in investing activities which was primarily due to loan growth of $212.14 million and net purchases of $185.40 million in investment securities over sales, calls and maturities. During the year of 2014, net cash of $396.46 million was provided by financing activities due primarily to proceeds of $790.00 million from FHLB long-term borrowings and growth in deposits of $403.26 million. Partially offsetting these sources of cash in financing activities was cash used to repay $215.00 million and $436.73 million of short term and long-term FHLB borrowings, respectively, the payment of $82.50 million for cash dividends and $28.68 million to redeem trust preferred securities. During the year of 2013, net cash of $215.45 million was provided by financing activities due primarily to proceeds of $345.00 million from FHLB long-term borrowings and an increase of $115.00 million in short term FHLB borrowings. Partially offsetting this source of cash in financing activities was cash used due to a decline in deposits of $131.25 million and payments of $62.43 million for cash dividends. The net effect of the cash flow activities was an increase in cash and cash equivalents of $336.45 million for the year of 2014 as compared to a decrease in cash and cash equivalents of $15.46 million for the year of 2013. See the Consolidated Statement of Cash Flows in the Consolidated Financial Statements.

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

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

Capital Resources

United s capital position is financially sound. United seeks to maintain a proper relationship between capital and total assets to support growth and sustain earnings. United has historically generated attractive returns on shareholders equity. Based on regulatory requirements, United and its banking subsidiaries are categorized as well capitalized institutions. United s risk-based capital ratios of 13.15% at December 31, 2014 and 13.71% at December 31, 2013, were both significantly higher than the minimum regulatory requirements. United s Tier I capital and leverage ratios of 12.26% and 10.31%, respectively, at December 31, 2014, are also well above minimum regulatory requirements. See Note U, Notes to Consolidated Financial Statements.

Total shareholders equity was $1.66 billion at December 31, 2014, increasing $614.43 million or 58.98% from December 31, 2013 primarily due to the Virginia Commerce acquisition and the retention of earnings. United s equity to assets ratio was 13.43% at December 31, 2014 as compared to 11.93% at December 31, 2013. The primary capital ratio, capital and reserves to total assets and reserves, was 13.97% at December 31, 2014 as compared to 12.69% at December 31, 2013. United s average equity to average asset ratio was 13.71% and 12.07% for the years ended December 31, 2014 and 2013, respectively. All these financial measurements reflect a financially sound position.

During the fourth quarter of 2014, United s Board of Directors declared a cash dividend of $0.32 per share. Dividends per share of $1.28 for the year of 2014 represented an increase over the $1.25 per share paid for 2013. Total cash dividends declared to common shareholders were approximately $88.52 million for the year of 2014 as compared to $62.98 million for the year of 2013. The year 2014 was the forty-first consecutive year of dividend increases to United shareholders.

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

	2014	**2013**	**2012**
Return on average assets	1.11%	1.02%	0.98%
Return on average equity	8.13%	8.43%	8.35%
Dividend payout ratio	68.15%	73.55%	75.48%
Average equity to average assets ratio	13.71%	12.07%	11.78%

2013 COMPARED TO 2012

FINANCIAL CONDITION SUMMARY

United s total assets as of December 31, 2013 were $8.74 billion which was an increase of $315.31 million or 3.74% from December 31, 2012. The increase was primarily the result of a $193.17 million or 2.97% increase in portfolio loans and a $159.94 million or 21.93% increase in investment securities. The $193.17 million increase in portfolio loans, net of unearned income, was mainly due to a $119.69 million or 21.73% increase in construction and land development loans, a $28.31 million or 10.02% increase in consumer loans, and a $64.69 million or 1.68% increase in the total commercial, financial and agricultural loans category. Within the commercial, financial and agricultural loans category, commercial real estate loans increased $177.37 million or 10.19% while commercial loans (not secured by real estate) and owner-occupied commercial real estate loans decreased $38.73 million or 2.81% and $73.94 million or 10.14%, respectively. Partially offsetting these increases in portfolio loans was a decrease of $16.87 million or less than 1% in residential real estate loans. Investment securities increased $159.94 million or 21.93% due mainly to a $149.66 million increase in securities available

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

Partially offsetting these increases in total assets was a $15.46 million or 3.58% decrease in cash and cash equivalents, a $13.53 million or 76.15% decrease in loans held for sale, and a $6.57 million or 2.00% decrease in other assets. Of the $15.46 million decrease in cash and cash equivalents, cash and due from banks decreased $22.73 million or 14.43% and federal funds sold decreased $302 thousand. Partially offsetting this decrease in cash and cash equivalents was an increase in interest-bearing deposits with other banks of $7.57 million or 2.77% as United placed more excess cash in an interest-bearing account with the Federal Reserve. During the year of 2013, net cash of $142.20 million and $215.45 million were provided by operating activities and financing activities, respectively. Net cash of $373.11 million was used in investing activities. Loans held for sale decreased $13.53 million or 76.15% as loan sales exceeded loan originations in the secondary market during the year of 2013. Other assets decreased $6.57 million or 2.00% from year-end 2012 mainly as a result of decreases in prepaid FDIC assessments of $16.38 million due to a refund by the FDIC of unused accrued insurance premiums, OREO of $11.30 million due to sales and write-downs, deferred tax assets of $6.24 million, and core deposit intangibles of $1.97 million due to amortization. Partially offsetting these decreases from year-end 2012 was an increase in United s net pension asset due to an increase in the discount rate used in the year-end valuation and more than expected return on the plan assets, resulting in an $18.00 million pension asset. In addition, income tax receivable increased $2.26 million due to timing differences in payments and cash surrender values of bank-owned life insurance policies increased $3.47 million due to an increase in the cash surrender value.

The increase in total assets is reflected in a corresponding increase in total liabilities of $265.83 million or 3.58% from year-end 2012. The increase in total liabilities was due mainly to an increase of $406.56 million or 67.77% in borrowings, which was partially offset by a $131.42 million or 1.95% decrease in deposits and a $9.81 million or 13.39% decrease in accrued expenses from year-end 2012. Since year-end 2012, short-term borrowings increased $115.79 million or 36.76% due to a $115 million increase in overnight FHLB advances and a $22.24 million increase in fed funds purchased, which were partially offset by a $21.45 million decrease in securities sold under agreements to repurchase. Long-term borrowings increased $290.77 million or 102.05% since year-end 2012 as a result of a $290.66 million increase in long-term FHLB advances. In terms of composition, noninterest-bearing deposits increased $50.11 million or 2.75% due to an increase in non-interest bearing commercial deposits while interest-bearing deposits decreased $181.52 million or 3.68% from December 31, 2012. Accrued expenses and other liabilities at December 31, 2013 decreased $9.81 million or 13.39% from year-end 2012 mainly due to a $4.03 million decrease in income taxes payable due to timing differences in payments and a $3.09 million decrease in derivative liabilities. In addition, United s net pension liability declined $3.68 million due to an increase in the discount rate used in the year-end valuation and a higher than expected return on the plan assets, resulting in a $18 million pension asset at year-end 2013. Partially offsetting these decreases in accrued expenses and other liabilities was a $1.82 million increase in deferred compensation.

Shareholders equity at December 31, 2013 increased $49.48 million or 4.99% from December 31, 2012 as United continued to balance capital adequacy and the return to shareholders. The increase in shareholders equity was due mainly to earnings net of dividends which equaled $22.65 million for the year of 2013. Accumulated other comprehensive income increased $22.70 million or 34.53% due mainly to an increase of $13.20 million in the after tax adjustment to United s pension asset and a reversal of $3.74 million in after-tax non-credit OTTI losses due to investment sales. In addition, the accretion of pension costs for the year of 2013 was $3.05 million while the after-tax non-credit portion of OTTI losses for the year of 2013 was $4.34 million. Partially offsetting these increases to accumulated other comprehensive income is a decrease of $1.49 million, net of deferred income tax, in the fair value of United s available for sale investment portfolio.

EARNINGS SUMMARY

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

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

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

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

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

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

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

Net Interest Income

Net interest income for the year of 2013 was $269.84 million, which was a decrease of $7.87 million or 2.83% from the year of 2012. The $7.87 million decrease in net interest income occurred because total interest income decreased $17.74 million while total interest expense declined $9.88 million from the year of 2012. For the purpose of this remaining discussion, net interest income is presented on a tax-equivalent basis to provide a comparison among all types of interest earning assets. The tax-equivalent basis adjusts for the tax-favored status of income from certain loans and investments. Although this is a non-GAAP measure, United s management believes this measure is more widely used within the financial services industry and provides better comparability of net interest income arising from taxable and tax-exempt sources. United uses this measure to monitor net interest income performance and to manage its balance sheet composition.

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

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

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

Provision for Loan Losses

For the years ended December 31, 2013 and 2012, the provision for loan losses was $19.27 million and $17.86 million,

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

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

Other Income

Noninterest income was $66.51 million for the year of 2013, up $1.66 million or 2.57% from the year of 2012. Net losses on investment securities transactions for the year of 2013 were $5.81 million compared to net losses of $6.93 million for the year of 2012. Included in net losses on investment securities for the year of 2013 were noncash, before-tax other-than-temporary impairment charges of $7.33 million consisting primarily of $7.19 million on pooled trust preferred collateralized debt obligations (Trup Cdos) and $137 thousand on equity securities partially offset by a before-tax, net gain of $1.52 million on the sale of investment securities. Included in net losses on investment securities for the year of 2012 were noncash, before-tax other-than-temporary impairment charges of $7.38 million on certain investment securities consisting primarily of $5.97 million on Trup Cdos and $1.41 million on collateralized mortgage obligations (Cmos) as well as a before-tax, net gain of $446 thousand on the sale of investment securities. Excluding the results of the investment security transactions, noninterest income for the year of 2013 was flat from the year of 2012, increasing $543 thousand or less than 1%.

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

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

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

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

Other Expense

Noninterest expense for the year of 2013 was $192.04 million, a decrease of $11.17 million or 5.50% from the year of 2012.

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

Employee benefits expense increased $1.79 million or 8.46% due mainly an increase of $941 thousand in pension expense due to a change in the discount rate used in the valuation process. Also, health insurance expense increased $497 thousand and Federal Insurance Contributions Act (FICA) expense increased $140 thousand.

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

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

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

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

Other expenses decreased $5.35 million or 10.02% for the year of 2013 as compared to the year of 2012. Included in the results of 2012 was the previously mentioned accrual of $3.3 million with respect to class actions against United Bank, Inc. of West Virginia. Otherwise, the decrease for the year of 2013 was due mainly to lower general operating expenses as a result of the merger of banking subsidiaries in 2012. In particular, office supplies decreased $976 thousand, advertising expense decreased $494 thousand, and postage decreased $284 thousand. In addition, ATM costs and amortization expense on core deposit intangibles decreased $727 thousand and $883 thousand respectively. Partially offsetting these decreases in other expenses for the year of 2013 was an increase in merger expenses of $1.25 million.

Income Taxes

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

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

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

Management of interest rate risk focuses on maintaining consistent growth in net interest income within Board-approved

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

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

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

The following table shows United s estimated consolidated earnings sensitivity profile as of December 31, 2014 and 2013:

Change in Interest Rates (basis points)	**Percentage Change in Net Interest Income**	
	December 31, 2014	**December 31, 2013**
+200	(1.55%)	2.01%
+100	(1.31%)	0.21%
-100	2.90%	(0.80%)
-200	-	-

Given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, it is estimated that net interest income for United would decrease by 1.31% over one year as of December 31, 2014, as compared to an increase of 0.21% as of December 31, 2013. A 200 basis point immediate, sustained upward shock in the yield curve would decrease net interest income by an estimated 1.55% over one year as of December 31, 2014, as compared to an increase of 2.01% as of December 31, 2013. A 100 basis point immediate, sustained downward shock in the yield curve would increase net interest income by an estimated 2.90% over one year as of December 31, 2014 as compared to a decrease of 0.80% over one year as of December 31, 2013. With the federal funds rate at 0.25% at December 31, 2014 and 2013, management believed a 200 basis point immediate, sustained decline in rates was highly unlikely.

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

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

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

Extension Risk

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

At December 31, 2014, United s mortgage related securities portfolio had an amortized cost of $876 million, of which approximately $493 million or 56% 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 2.66%, under current projected prepayment assumptions. These securities are expected to have very little extension risk in a rising rate environment. Current models show that an immediate, sustained upward shock of 300 basis points, the average life of these securities would only extend to 5.4 years. The projected price decline of the fixed rate CMO portfolio in rates up 300 basis points would be 12.7%, 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) for an immediate, sustained upward shock of 300 basis points would be approximately 16.9%.

United had approximately $268 million in balloon and other securities with a projected yield of 2.00% and a projected average life of 5.2 years on December 31, 2014. This portfolio consisted primarily of Fannie Mae Delegated Underwriting and Servicing (DUS) mortgage backed securities (MBS) with a weighted average loan age (WALA) of 1.7 years and a weighted average maturity (WAM) of 5.7 years.

United had approximately $27 million in 15-year mortgage backed securities with a projected yield of 3.27% and a projected average life of 2.9 years as of December 31, 2014. This portfolio consisted of seasoned 15-year mortgage paper with a weighted average loan age (WALA) of 6.3 years and a weighted average maturity (WAM) of 8.3 years.

United had approximately $44 million in 20-year mortgage backed securities with a projected yield of 2.88% and a projected average life of 5.1 years on December 31, 2014. This portfolio consisted of seasoned 20-year mortgage paper with a weighted average loan age (WALA) of 2.8 years and a weighted average maturity (WAM) of 16.9 years.

United had approximately $19 million in 30-year mortgage backed securities with a projected yield of 3.41% and a projected average life of 4.7 years on December 31, 2014. This portfolio consisted of seasoned 30-year mortgage paper with a weighted average loan age (WALA) of 6 years and a weighted average maturity (WAM) of 23.5 years.

The remaining 3% of the mortgage related securities portfolio at December 31, 2014, included adjustable rate securities (ARMs), 10-year mortgage backed pass-through securities and other fixed rate mortgage backed securities.

Table of Contents

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework (2013 framework). Based on our assessment, we believe that, as of December 31, 2014, the Company s internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm who audited the Company s consolidated financial statements has also issued an attestation report on the effectiveness of the Company s internal control over financial reporting as of December 31, 2014. Ernst & Young s report on the effectiveness of the Company s internal control over financial reporting appears on the following page.

/s/ Richard M. Adams
Richard M. Adams, Chairman of the Board
and Chief Executive Officer
March 2, 2015

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

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors and the

Shareholders of United Bankshares, Inc.

We have audited United Bankshares, Inc. and subsidiaries internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)(the COSO criteria). United Bankshares, Inc. and subsidiaries management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

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

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

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

In our opinion, United Bankshares, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of United Bankshares, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated March 2, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Charleston, West Virginia
March 2, 2015

Table of Contents

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

To the Audit Committee of the Board of Directors and the

Shareholders of United Bankshares, Inc.

We have audited the accompanying consolidated balance sheets of United Bankshares, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Bankshares, Inc. and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), United Bankshares, Inc. s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 2, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Charleston, West Virginia
March 2, 2015

Table of Contents

CONSOLIDATED BALANCE SHEETS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except par value)

	December 31 2014	December 31 2013
Assets		
Cash and due from banks	$ 175,713	$ 134,808
Interest-bearing deposits with other banks	576,630	281,090
Federal funds sold	721	719
Total cash and cash equivalents	753,064	416,617
Securities available for sale at estimated fair value (amortized cost-$1,180,016 at December 31, 2014 and $813,049 at December 31, 2013)	1,180,386	775,284
Securities held to maturity (estimated fair value-$36,784 at December 31, 2014 and $38,293 at December 31, 2013)	39,310	40,965
Other investment securities	96,344	73,093
Loans held for sale	8,680	4,236
Loans	9,119,492	6,713,599
Less: Unearned income	(14,840)	(9,016)
Loans net of unearned income	9,104,652	6,704,583
Less: Allowance for loan losses	(75,529)	(74,198)
Net loans	9,029,123	6,630,385
Bank premises and equipment	77,520	69,897
Goodwill	709,794	375,547
Accrued interest receivable	32,334	26,666
Other assets	402,256	322,634
TOTAL ASSETS	$ 12,328,811	$ 8,735,324
Liabilities		
Deposits:		
Noninterest-bearing	$ 2,591,619	$ 1,874,520
Interest-bearing	6,453,866	4,747,051
Total deposits	9,045,485	6,621,571
Borrowings:		
Federal funds purchased	53,840	27,685
Securities sold under agreements to repurchase	434,155	188,069
Federal Home Loan Bank (FHLB) borrowings	830,335	592,069
Other long-term borrowings	222,636	198,628
Reserve for lending-related commitments	1,518	2,143
Accrued expenses and other liabilities	84,682	63,427
TOTAL LIABILITIES	10,672,651	7,693,592
Shareholders Equity		
Preferred stock, $1.00 par value; Authorized-50,000,000 shares; none issued	0	0
Common stock, $2.50 par value; Authorized-100,000,000 shares; issued- 69,314,407 and 50,867,630 at December 31, 2014 and 2013, respectively, including 18,548 and	173,286	127,169

437,363 shares in treasury at December 31, 2014 and 2013, respectively		
Surplus	742,960	237,674
Retained earnings	776,311	734,945
Accumulated other comprehensive loss	(35,764)	(43,047)
Treasury stock, at cost	(633)	(15,009)
TOTAL SHAREHOLDERS EQUITY	1,656,160	1,041,732
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 12,328,811	$ 8,735,324

See notes to consolidated financial statements

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Year Ended December 31		
	2014	2013	2012
Interest income			
Interest and fees on loans	$ 383,662	$ 286,033	$ 301,840
Interest on federal funds sold and other short-term investments	954	613	1,169
Interest and dividends on securities:			
Taxable	30,426	16,646	17,364
Tax-exempt	3,500	2,862	3,524
Total interest income	418,542	306,154	323,897
Interest expense			
Interest on deposits	27,461	26,531	32,248
Interest on short-term borrowings	1,134	895	303
Interest on long-term borrowings	14,239	8,887	13,639
Total interest expense	42,834	36,313	46,190
Net interest income	375,708	269,841	277,707
Provision for loan losses	21,937	19,267	17,862
Net interest income after provision for loan losses	353,771	250,574	259,845
Other income			
Fees from trust and brokerage services	18,141	16,447	15,845
Fees from deposit services	42,372	40,245	41,832
Bankcard fees and merchant discounts	4,207	3,591	2,996
Other service charges, commissions, and fees	2,049	2,247	2,229
Income from bank-owned life insurance	5,300	5,788	5,039
Income from mortgage banking	1,876	2,571	2,471
Net gain on sale of bank premises	8,976	0	0
Other income	1,153	1,426	1,360
Total other-than-temporary impairment losses	1,935	(860)	(4,955)
Portion of loss recognized in other comprehensive income	(8,413)	(6,472)	(2,421)
Net other-than-temporary impairment losses	(6,478)	(7,332)	(7,376)
Net gains on sales/calls of investment securities	3,366	1,523	446
Net investment securities losses	(3,112)	(5,809)	(6,930)
Total other income	80,962	66,506	64,842
Other expense			
Employee compensation	90,823	68,074	71,402
Employee benefits	20,457	22,970	21,178
Net occupancy expense	25,796	19,818	20,428
Other real estate owned (OREO) expense	7,740	6,441	8,556
Equipment expense	9,565	7,748	8,307
Data processing expense	14,455	11,394	12,532
Bankcard processing expense	1,391	1,332	1,315

FDIC insurance expense	7,565	6,188	6,064
Prepayment penalty on FHLB advance	1,971	0	0
Other expense	60,084	48,071	53,424
Total other expense	239,847	192,036	203,206
Income before income taxes	194,886	125,044	121,481
Income taxes	64,998	39,416	38,874
Net income	$ 129,888	$ 85,628	$ 82,607

Table of Contents

	Year Ended December 31		
	2014	**2013**	**2012**
Earnings per common share:			
Basic	$ 1.93	$ 1.70	$ 1.64
Diluted	$ 1.92	$ 1.70	$ 1.64
Dividends per common share	$ 1.28	$ 1.25	$ 1.24
Average outstanding shares:			
Basic	67,404,254	50,353,452	50,265,620
Diluted	67,648,673	50,426,078	50,298,019

See notes to consolidated financial statements

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Year Ended December 31		
	2014	**2013**	**2012**
Net income	$ 129,888	$ 85,628	$ 82,607
Change in net unrealized (loss) gain on available-for-sale (AFS) securities, net of tax	24,788	6,452	5,120
Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (HTM) securities, net of tax	5	5	4
Change in defined benefit pension plan, net of tax	(17,510)	16,244	(4,114)
Comprehensive income, net of tax	$ 137,171	$ 108,329	$ 83,617

71

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Common Stock				Accumulated Other		Total
		Par		Retained	Comprehensive Income	Treasury	Shareholders
	Shares	Value	Surplus	Earnings	(Loss)	Stock	Equity
Balance at January 1, 2012	50,867,630	$ 127,169	$ 238,761	$ 692,043	$ (66,758)	$ (22,371)	$ 968,844
Net income	0	0	0	82,607	0	0	82,607
Other comprehensive income, net of tax	0	0	0	0	1,010	0	1,010
Total comprehensive income, net of tax							83,617
Stock based compensation expense	0	0	1,908	0	0	0	1,908
Purchase of treasury stock (455 shares)	0	0	0	0	0	(13)	(13)
Distribution of treasury stock for deferred compensation plan (4,710 shares)	0	0	0	0	0	131	131
Cash dividends ($1.24 per share)	0	0	0	(62,351)	0	0	(62,351)
Grant of restricted stock (52,700 shares)	0	0	(1,816)	0	0	1,816	0
Forfeiture of restricted stock (840 shares)	0	0	29	0	0	(29)	0
Common stock options exercised (7,510 shares)	0	0	(143)	0	0	258	115
Balance at December 31, 2012	50,867,630	127,169	238,739	712,299	(65,748)	(20,208)	992,251
Net income	0	0	0	85,628	0	0	85,628
Other comprehensive income, net of tax	0	0	0	0	22,701	0	22,701
Total comprehensive income, net of tax							108,329
Stock based compensation expense	0	0	1,786	0	0	0	1,786
Purchase of treasury stock (1,596 shares)	0	0	0	0	0	(93)	(93)
Distribution of treasury stock for deferred compensation plan (3,827 shares)	0	0	0	0	0	77	77
Cash dividends ($1.25 per share)	0	0	0	(62,982)	0	0	(62,982)
Grant of restricted stock (52,825 shares)	0	0	(1,819)	0	0	1,819	0
Forfeiture of restricted stock (1,664 shares)	0	0	57	0	0	(57)	0
Common stock options exercised (100,302 shares)	0	0	(1,089)	0	0	3,453	2,364
Balance at December 31, 2013	50,867,630	127,169	237,674	734,945	(43,047)	(15,009)	1,041,732
Net income	0	0	0	129,888	0	0	129,888
Other comprehensive income, net of tax	0	0	0	0	7,283	0	7,283
Total comprehensive income, net of tax							137,171
Stock based compensation expense	0	0	2,195	0	0	0	2,195
Acquisition of Virginia Commerce Bancorp, Inc. (18,330,347 shares)	18,330,347	45,826	506,436	0	0	0	552,262
Purchase of treasury stock (749 shares)	0	0	0	0	0	(25)	(25)

Distribution of treasury stock for deferred compensation plan (3,640 shares)	0	0	0	0	0	81	81
Cash dividends ($1.28 per share)	0	0	0	(88,522)	0	0	(88,522)
Grant of restricted stock (66,949 shares)	0	0	(2,305)	0	0	2,305	0
Forfeiture of restricted stock (3,528 shares)	0	0	122	0	0	(122)	0
Common stock options exercised (468,933 shares)	116,430	291	(1,162)	0	0	12,137	11,266
Balance at December 31, 2014	69,314,407	$ 173,286	$ 742,960	$ 776,311	$ (35,764)	$ (633)	$ 1,656,160

See notes to consolidated financial statements

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(In thousands)	Year Ended December 31		
	2014	**2013**	**2012**
OPERATING ACTIVITIES			
Net income	$ 129,888	$ 85,628	$ 82,607
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	21,937	19,267	17,862
Depreciation, amortization and accretion	1,574	11,679	9,723
(Gain) loss on sales of bank premises, OREO and equipment	(8,523)	592	262
Loss on securities	3,112	5,809	6,930
Loans originated for sale	(96,437)	(135,260)	(146,966)
Proceeds from sales of loans	93,869	151,357	135,577
Gain on sales of loans	(1,876)	(2,571)	(2,471)
Stock-based compensation	2,195	1,786	1,908
Deferred income tax expense	10,097	2,990	337
Increase in cash surrender value of bank-owned life insurance policies	(3,375)	(6,043)	(5,039)
Amortization of net periodic pension costs	432	4,094	3,567
Changes in:			
Interest receivable	1,708	(364)	159
Other assets	(5,356)	9,721	17,264
Accrued expenses and other liabilities	(4,460)	(6,486)	7,719
NET CASH PROVIDED BY OPERATING ACTIVITIES	144,785	142,199	129,439
INVESTING ACTIVITIES			
Proceeds from maturities and calls of held to maturity securities	1,518	2,479	15,973
Proceeds from sales of securities available for sale	94,249	14,352	5,381
Proceeds from maturities and calls of securities available for sale	440,240	683,913	1,991,166
Purchases of securities available for sale	(445,477)	(845,908)	(1,926,898)
Redemption of bank-owned life insurance policies	8,930	2,573	0
Purchases of bank premises and equipment	(8,876)	(5,995)	(5,207)
Proceeds from sales of bank premises and equipment	11,430	203	2,238
Acquisition of Virginia Commerce Bancorp, Inc., net of cash paid	97,296	0	0
Proceeds from sales and redemptions of other investment securities	52,804	27,648	13,345
Purchases of other investment securities	(61,275)	(40,237)	(5,665)
Net change in loans	(395,638)	(212,137)	(298,474)
NET CASH USED IN INVESTING ACTIVITIES	(204,799)	(373,109)	(208,141)
FINANCING ACTIVITIES			
Cash dividends paid	(82,496)	(62,434)	(62,333)
Excess tax benefits from stock-based compensation arrangements	73	331	35
Acquisition of treasury stock	(2)	(93)	(12)
Proceeds from exercise of stock options	9,878	2,364	115
Distribution of treasury stock for deferred compensation plan	81	77	130
Repayment of long-term Federal Home Loan Bank borrowings	(436,734)	(54,342)	(55,398)
Proceeds of long-term Federal Home Loan Bank borrowings	790,000	345,000	0
Redemption of issued trust preferred securities	(28,676)	0	(5,155)
Changes in:			
Time deposits	262,989	(220,640)	(299,803)
Other deposits	140,266	89,395	237,001

Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	(258,918)	115,792	60,196
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	396,461	215,450	(125,224)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	336,447	(15,460)	(203,926)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	416,617	432,077	636,003
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 753,064	$ 416,617	$ 432,077

See notes to consolidated financial statements

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

December 31, 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

At the close of business on January 31, 2014, United acquired Virginia Commerce Bancorp, Inc. (Virginia Commerce), a Virginia corporation headquartered in Arlington, Virginia. The transaction was accounted for using the acquisition method and their results of operations have been included in the United s consolidated financial statements as of the acquisition date.

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

The accounting and reporting policies of United conform with U.S. generally accepted accounting principles. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. To conform to the 2014 presentation, certain reclassifications have been made to prior period amounts, which had no impact on net income, comprehensive income or shareholders equity. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations have been made. Such adjustments are of a normal and recurring nature.

The Company has evaluated events and transactions subsequent to December 31, 2014 through the date these financial statements were issued. Based on definitions and requirements of generally accepted accounting principles for Subsequent Events, the Company has not identified any events that would require adjustments to, or disclosure in the financial statements.

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

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

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

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

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

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

Loans: Loans are reported at the principal amount outstanding, net of unearned income. Interest on loans is accrued and credited to operations using methods that produce a level yield on individual principal amounts outstanding. Loan origination and commitment fees and related direct loan origination costs are deferred and amortized as an adjustment of loan yield over the estimated life of the related loan. Loan fees net of costs accreted and included in interest income were

$16,697,000, $7,427,000 and $10,765,000 for the years of 2014, 2013 and 2012, respectively. The accrual of interest income on commercial and most consumer loans generally is discontinued when a loan becomes 90 to 120 days past due as to principal or interest. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and interest accrued in prior years is charged to the allowance for loan losses. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection.

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

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

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

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

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

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

reviewed on a quarterly basis and adjusted as necessary based upon subsequent changes in circumstances. In determining the components of the allowance for credit losses, management considers the risk arising in part from, but not limited to, charge-off and delinquency trends, current economic and business conditions, lending policies and procedures, the size and risk characteristics of the loan portfolio, concentrations of credit, and other various factors. Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses.

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

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

Other Real Estate Owned: At December 31, 2014 and 2013, other real estate owned (OREO) included in other assets in the Consolidated Balance Sheets was $38,778,000 and $38,182,000, respectively. OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried at the lower of the investment in the assets or the fair value of the assets less estimated selling costs. Any adjustment to the fair value at the date of transfer is charged against the allowance for loan losses. Any subsequent valuation adjustments as well as any costs relating to operating, holding or disposing of the property are recorded in other expense in the period incurred. At December 31, 2014, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was $311,000.

Advertising Costs: Advertising costs are generally expensed as incurred and included in Other Expense on the Consolidated Statements of Income. Advertising expense was $4,759,000, $3,777,000 and $4,270,000 for the years of 2014, 2013, and 2012, respectively.

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

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

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

Intangible Assets: Intangible assets relating to the estimated fair value of the deposit base of the acquired institutions are being amortized on an accelerated basis over a one to seven year period. Management reviews intangible assets on an annual basis, or sooner if indicators of impairment exist, and evaluates changes in facts and circumstances that may indicate impairment in the carrying value. United incurred amortization expense of $4,021,000, $1,969,000 and $2,852,000 in 2014, 2013, and 2012, respectively, related to all intangible assets.

Goodwill is not amortized, but is tested for impairment at least annually or sooner if indicators of impairment exist. Intangible assets with definite useful lives (such as core deposit intangibles) are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment at least annually. Based on the most recent goodwill impairment test, no impairment was noted. As of December 31, 2014 and 2013, total goodwill approximated $709,794,000 and $375,547,000, respectively.

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

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

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

At inception of a hedge relationship, United formally documents the hedged item, the particular risk management objective, the nature of the risk being hedged, the derivative being used, how effectiveness of the hedge will be assessed and how the ineffectiveness of the hedge will be measured. United also assesses hedge effectiveness at inception and on an ongoing basis using regression analysis. Hedge ineffectiveness is measured by using the change in fair value method. The change in fair value method compares the change in the fair value of the hedging derivative to the change in the fair value of the hedged exposure, attributable to changes in the benchmark rate. Prior to January 1, 2006, United used the shortcut method for interest rate swaps that met the criteria as defined under the Derivatives and Hedging topic. Effective January 1, 2006, United adopted an internal policy accounting for all new derivative instruments entered thereafter whereby the shortcut method would no longer be used.

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

Stock-Based Compensation: Compensation expense related to stock options and restricted stock awards issued to participants is based upon the fair value of the award at the date of grant. The fair value of stock options is estimated at the

date of grant using a binomial lattice option pricing model, while the fair value of restricted stock awards is based upon the stock price at the date of grant. Compensation expense is recognized on a straight line basis over the vesting period for options and the respective period for stock awards.

Stock-based compensation expense was $2,195,000 in 2014, $1,786,000 in 2013 and $1,908,000 in 2012.

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

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

Earnings Per Common Share: Basic earnings per common share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding, excluding participating securities, for the respective period. For diluted earnings per common share, the weighted-average number of shares of common stock outstanding, excluding participating securities, for the respective period is increased by the number of shares of common stock that would be issued assuming the exercise of common stock options which have an exercise price below market price. The dilutive effect of stock options approximated 244,419 shares in 2014, 72,626 shares in 2013 and 32,399 shares in 2012. There are no other common stock equivalents.

Under the 2011 LTI Plan, United may award restricted common shares to key employees and non-employee directors. In the first quarter of 2014 and 2013, United granted 66,949 and 52,825 restricted shares, respectively, to participants with a four-year time-based vesting period. Recipients of restricted shares do not pay any consideration to United for the shares, have the right to vote all shares subject to such grant and receive all dividends with respect to such shares, whether or not the shares have vested. Presently, these nonvested participating securities have an immaterial impact on diluted earnings per share.

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

	Year Ended December 31		
(Dollars in thousands, except per share)	**2014**	**2013**	**2012**
Distributed earnings allocated to common stock	$ 88,353	$ 62,982	$ 62,286
Undistributed earnings allocated to common stock	41,305	22,512	20,245
Net earnings allocated to common shareholders	$ 129,658	$ 85,494	$ 82,531
Average common shares outstanding	67,404,254	50,353,452	50,265,620
Equivalents from stock options	244,419	72,626	32,399
Average diluted shares outstanding	67,648,673	50,426,078	50,298,019
Earnings per basic common share	$ 1.93	$ 1.70	$ 1.64
Earnings per diluted common share	$ 1.92	$ 1.70	$ 1.64

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

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

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

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

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

Recent Accounting Pronouncements: In August 2014, the FASB issued ASU 2014-14, Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40), Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure. ASU 2014-14 was issued to clarify the classification and measurement of certain foreclosed residential and nonresidential mortgage loans that are either fully or partially guaranteed under government programs. Specifically, creditors should reclassify loans that are within the scope of ASU 2014-14 to other receivables upon foreclosure, rather than reclassifying them to other real estate owned (OREO). ASU 2014-14 was effective for United on January 1, 2015, and did not have a significant impact on the Company s financial condition or results of operation.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. ASU 2014-12 amends the guidance in FASB ASC 718, Compensation-Stock Compensation , to bring consistency to the accounting for share-based payment awards that require a specific performance target to be achieved in order for employees to become eligible to vest in the awards. The amendments affect all entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. ASU 2014-12 is effective for United on January 1, 2016, and is not expected to have a significant impact on the Company s financial condition or results of operation.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. ASU 2014-11 modifies accounting for repurchase-to-maturity transactions and repurchase financing arrangements, as well as modifies required disclosures. Under ASU 2014-11, repurchase-to-maturity transactions, repurchase agreements executed as repurchase financings, and other typical repurchase agreements are accounted for as secured borrowings. ASU 2014-11 also eliminates off-balance-sheet accounting for transfers of financial assets with contemporaneous repurchase financings. ASU 2014-11 was effective for United on January 1, 2015, and did not have a significant impact on the Company s financial condition or results of operation.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, Revenue Recognition , and most industry-specific guidance throughout the Accounting Standards Codification. The amendments require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new revenue recognition standard sets forth a five step principle-based approach for determining revenue recognition. ASU 2014-09 is effective for United on January 1, 2017. Management is currently evaluating this guidance to determine the impact on the Company s financial condition or results of operation.

In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. ASU 2014-04 clarifies when banks and similar institutions should reclassify mortgage loans collateralized by residential real estate properties from the loan portfolio to other real estate owned (OREO). An entity can elect either a retrospective or a prospective transition method, and early adoption is permitted. ASU 2014-04 was effective for United on January 1, 2015, and did not have a significant impact on the Company s financial condition or results of operation.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income. ASU 2013-02 is intended to improve the reporting of reclassifications out of accumulated other comprehensive income of various components. ASU 2013-02 requires entities to disclose in a single location, either on the face of financial statement that reports net income or in the notes, the effects of reclassification out of accumulated other comprehensive income (AOCI). For items reclassified out of AOCI and into net income in their entirety, such as realized gains or losses on available-for-sale securities reclassified into net income on sale, entities must disclose the effect of the reclassification on each affected net income item. For AOCI reclassification items that are not reclassified in their entirety into

Table of Contents

net income, such as actuarial gains or losses amortized into pension cost that may be capitalized into inventory or other assets, entities must provide a cross reference to other required U.S. GAAP disclosures. ASU 2013-02 was effective for United on January 1, 2013 and did not have a significant impact on the Company s financial condition or results of operation.

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

NOTE B MERGERS AND ACQUISITIONS

As previously mentioned, at the close of business on January 31, 2014 (Acquisition Date), United acquired 100% of the outstanding common stock of Virginia Commerce Bancorp, Inc. (Virginia Commerce) of Arlington, Virginia. The acquisition of Virginia Commerce significantly enhances United s existing footprint in the Washington, D.C. Metropolitan Statistical Area. The results of operations of Virginia Commerce are included in the consolidated results of operations from the date of acquisition.

At consummation, Virginia Commerce had assets of $2,769,716,000, loans of $2,065,490,000 and deposits of $2,018,962,000. The transaction was accounted for under the purchase acquisition method of accounting and accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the Acquisition Date.

The aggregate purchase price was $585,533,000, including common stock issued valued at $547,894,000, stock options exchanged valued at $4,368,000, $33,263,000 paid in cash to redeem the warrant held by the U.S. Department of the Treasury (the Treasury) issued by Virginia Commerce in connection with the TARP Capital Purchase Program and $8,000 paid in cash to holders of Virginia Commerce common stock and restricted stock in lieu of fractional shares of United common stock. The cash portion of the purchase price was funded by cash on hand. The purchase price of the warrant was based on its fair market as agreed upon by United and the Treasury. As a result of the purchase by United, the warrant has been canceled. The number of shares issued in the transaction was 18,330,347, which were valued based on the closing market price of $29.89 for United s common shares on January 31, 2014. The purchase price has been allocated to the identifiable tangible and intangible assets resulting in additions to goodwill and core deposit intangibles of $335,644,000

and $17,143,000, respectively. The core deposit intangibles are being amortized over ten years. Because the consideration paid was greater than the net fair value of the acquired assets and liabilities, the Company recorded goodwill as part of the acquisition. None of the goodwill from the Virginia Commerce acquisition is deductible for tax purposes. As a result of the merger, United recorded a downward fair value adjustment of $88,129,000 on the loans acquired from Virginia Commerce, a downward fair value adjustment of $1,708,000 on certain other real estate owned properties, a premium on interest-bearing deposits of $6,007,000, a premium on term securities sold under agreements to repurchase of $3,700,000 and a discount of $16,384,000 on junior subordinated debt securities. The discount and premium amounts are being amortized or accreted on an accelerated basis over each asset s or liability s estimated remaining life at the time of acquisition. At December 31, 2014, the premium on the interest-bearing deposits and the securities sold under agreements to repurchase has an estimated remaining life of one year and 1.58 years, respectively, while the discount on the junior subordinated debt securities has an estimated remaining life of 19.58 years. United assumed $109,000 of liabilities to provide severance benefits to terminated employees of Virginia Commerce which has no remaining balance as of December 31, 2014.

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

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

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

(In thousands)	**January 31, 2014**
Contractually required principal and interest at acquisition	$ 2,685,339
Contractual cash flows not expected to be collected	(396,024)
Expected cash flows at acquisition	2,289,315
Interest component of expected cash flows	(274,539)
Basis in acquired loans at acquisition estimated fair value	$ 2,014,776

Included in the above table is information related to acquired impaired loans. Specifically, contractually required principal and interest, cash flows expected to be collected and estimated fair value of acquired impaired loans were $427,858,000, $189,277,000, and $179,199,000, respectively.

The following table shows the consideration paid for Virginia Commerce s common equity and the amounts of acquired identifiable assets and liabilities assumed as of the Acquisition Date.

(Dollars in thousands)	
Purchase price:	
Value of common shares issued (18,330,347 shares)	$ 547,894
Fair value of stock options assumed	4,368
Cash to redeem the Treasury warrant	33,263
Cash for fractional shares	8
Total purchase price	585,533
Identifiable assets:	
Cash and cash equivalents	130,569
Investment securities	476,541
Loans	2,014,776
Premises and equipment	10,786
Core deposit intangibles	17,143
Other assets	104,589
Total identifiable assets	$ 2,754,404
Identifiable liabilities:	
Deposits	$ 2,024,969
Short-term borrowings	263,816
Long-term borrowings	204,335
Other liabilities	11,395
Total identifiable liabilities	2,504,515
Net assets acquired including identifiable intangible assets	249,889
Resulting goodwill	$ 335,644

The following table provides a reconciliation of goodwill:

(In thousands)	
Goodwill at December 31, 2013	$ 375,547
Addition to goodwill from Virginia Commerce acquisition	335,644
Reduction to goodwill for options exercised from previous acquisitions	(55)
Reclassification from goodwill	(1,342)
Goodwill at December 31, 2014	$ 709,794

The operating results of United for the year ended December 31, 2014 include operating results of acquired assets and assumed liabilities subsequent to the Acquisition Date. The operations of United s metropolitan Washington D.C. geographic area, which primarily includes the acquired operations of Virginia Commerce, provided $100,759,000 in total revenues, which represents net interest income plus other income, and $44,856,000 in net income from the period from the Acquisition Date to December 31, 2014. These amounts are included in United s consolidated financial statements as of and for the year ended December 31, 2014. Virginia Commerce s results of operations prior to the Acquisition Date are not included in United s consolidated financial statements.

The following table presents certain unaudited pro forma information for the results of operations for the year ended December 31, 2014 and 2013, as if the Virginia Commerce merger had occurred on January 1, 2014 and 2013, respectively. These results combine the historical results of Virginia Commerce into United s consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair valuation adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on the indicated date nor are they intended to represent or be indicative of future results of operations. In particular, no adjustments have been made to eliminate the amount of Virginia Commerce s provision for credit losses for 2014 and 2013 that may not have been necessary had the acquired loans been recorded at fair value as of the beginning of 2014 and 2013. Additionally, United expects to achieve operating cost

savings and other business synergies as a result of the acquisition which are not reflected in the pro forma amounts.

(In thousands)	Proforma Year Ended December 31 2014	2013
Total Revenues (1)	$ 466,138	$ 459,405
Net Income	122,745	120,345

(1) Represents net interest income plus other income

NOTE C INVESTMENT SECURITIES

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

(In thousands)	December 31, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cumulative OTTI in AOCI [1]
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 88,559	$ 1,425	$ 3	$ 89,981	$ 0
State and political subdivisions	133,730	3,165	32	136,863	0
Residential mortgage-backed securities					
Agency	547,825	8,407	547	555,685	0
Non-agency	11,474	544	0	12,018	458
Commercial mortgage-backed securities					
Agency	316,707	2,393	2,001	317,099	0
Asset-backed securities	8,004	23	0	8,027	0
Trust preferred collateralized debt obligations	51,328	922	12,692	39,558	25,886
Single issue trust preferred securities	13,760	173	2,189	11,744	0
Other corporate securities	4,998	137	0	5,135	0
Marketable equity securities	3,631	648	3	4,276	0
Total	$ 1,180,016	$ 17,837	$ 17,467	$ 1,180,386	$ 26,344

	December 31, 2013 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cumulative OTTI in AOCI [1]
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 172,324	$ 178	$ 748	$ 171,754	$ 0
State and political subdivisions	60,861	1,874	26	62,709	0
Residential mortgage-backed securities					
Agency	215,788	2,491	1,815	216,464	0
Non-agency	16,369	163	0	16,532	458
Commercial mortgage-backed securities					
Agency	241,947	225	8,740	233,432	0
Asset-backed securities	9,257	1	31	9,227	0
Trust preferred collateralized debt obligations	73,862	210	30,623	43,449	34,299
Single issue trust preferred securities	14,346	305	2,019	12,632	0
Other corporate securities	4,996	219	0	5,215	0

Marketable equity securities	3,299	572	1	3,870	0
Total	$ 813,049	$ 6,238	$ 44,003	$ 775,284	$ 34,757

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

Table of Contents

The following is a summary of securities available for sale which were in an unrealized loss position at December 31, 2014 and 2013.

	Less than 12 months		12 months or longer	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2014				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 7,142	$ 3	$ 0	$ 0
State and political subdivisions	11,637	32	0	0
Residential mortgage-backed securities				
Agency	96,550	547	0	0
Commercial mortgage-backed securities				
Agency	21,674	56	146,897	1,945
Asset-backed securities	0	0	0	0
Trust preferred collateralized debt obligations	0	0	32,241	12,692
Single issue trust preferred securities	0	0	8,080	2,189
Marketable equity securities	23	3	0	0
Total	$ 137,026	$ 641	$ 187,218	$ 16,826
December 31, 2013				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 61,517	$ 748	$ 0	$ 0
State and political subdivisions	2,353	26	0	0
Residential mortgage-backed securities Agency	160,835	1,815	0	0
Commercial mortgage-backed securities Agency	208,979	8,740	0	0
Asset-backed securities	7,976	31	0	0
Trust preferred collateralized debt obligations	0	0	27,167	30,623
Single issue trust preferred securities	502	2	8,210	2,017
Marketable equity securities	0	0	25	1
Total	$ 442,162	$ 11,362	$ 35,402	$ 32,641

Marketable equity securities consist mainly of equity securities of financial institutions and mutual funds within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. The following table shows the proceeds from maturities, sales and calls of available for sale securities and the gross realized gains and losses on sales and calls of those securities that have been included in earnings as a result of any sales and calls. Gains or losses on sales and calls of available for sale securities were recognized by the specific identification method. The realized losses relate to sales of securities within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers and its subsidiaries.

	Year Ended		
(In thousands)	2014	2013	2012
Proceeds from maturities, sales and calls	$ 534,489	$ 698,264	$ 1,996,547
Gross realized gains	3,592	1,259	157
Gross realized losses	235	43	141

At December 31, 2014, gross unrealized losses on available for sale securities were $17,467,000 on 81 securities of a total portfolio of 451 available for sale securities. Securities in an unrealized loss position at December 31, 2014 consisted primarily of pooled trust preferred collateralized debt obligations (Trup Cdos), single issue trust preferred securities and

agency commercial mortgage-backed securities. The Trup Cdos and the single issue trust preferred securities relate mainly to securities of financial institutions. The agency commercial mortgage-backed securities relate to income-producing multifamily properties and provide a guaranty of full and timely payments of principal and interest by the issuing agency. In determining whether or not a security is other-than-temporarily impaired (OTTI), management considered the severity and the duration of the loss in conjunction with United s positive intent and the more likely than not ability to hold these securities to recovery of their cost basis or maturity.

Agency mortgage-backed securities

United s agency mortgage-backed securities portfolio relates to securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae. The total amortized cost of available for sale agency mortgage securities was $864,532,000 at December 31, 2014. Of the $864,532,000, $316,707,000 was related to agency commercial mortgage securities and $547,825,000 was related to agency residential mortgage securities. Each of the agency mortgage securities provides a guarantee of full and timely payments of principal and interest by the issuing agency. Based upon management s analysis and judgment, it was determined that none of the agency mortgage-backed securities were other-than-temporarily impaired at December 31, 2014.

Non-agency residential mortgage-backed securities

United s non-agency residential mortgage-backed securities portfolio relates to securities of various private label issuers. The Company has no exposure to real estate investment trusts (REITS) in its investment portfolio. The total amortized cost of available for sale non-agency residential mortgage securities was $11,474,000 at December 31, 2014. Of the $11,474,000, $2,842,000 was rated above investment grade and $8,632,000 was rated below investment grade. Approximately 35% of the portfolio includes collateral that was originated during the year of 2005 or before. The remaining 65% includes collateral that was originated in the years of 2006 and 2007. The entire portfolio of the non-agency residential mortgage securities are either the senior or super-senior tranches of their respective structure. In determining whether or not the non-agency mortgage-backed securities are other-than-temporarily impaired, management performs an in-depth analysis on each non-agency residential mortgage-backed security on a quarterly basis. The analysis includes a review of the following factors: weighted average loan to value, weighted average maturity, average FICO scores, historical collateral performance, geographic concentration, credit subordination, cross-collateralization, coverage ratios, origination year, full documentation percentage, event risk (repricing), and collateral type. Management completes a quarterly stress test to determine the level of loss protection remaining in each individual security and compares the protection remaining to the future expected performance of the underlying collateral. Additionally, management utilizes a third-party cash flow model to perform a cash flow test for each bond below investment grade. The model produces a bond specific set of cash flows based upon assumptions input by management. The input assumptions that are incorporated include the projected constant default rate (CDR) of the underlying mortgages, the loss severity upon default, and the prepayment rate on the underlying mortgage collateral. CDR and loss severities are forecasted by management after full evaluation of the underlying collateral including recent performance statistics. Therefore, based upon management s analysis and judgment, there was no additional credit-related or noncredit-related other-than-temporary impairment recognized on the non-agency residential mortgage-backed securities at December 31, 2014. There was no credit-related or noncredit-related other-than-temporary impairment recognized in earnings for the full year of 2014 on the non-agency residential mortgage-backed securities.

Single issue trust preferred securities

The majority of United s single-issue trust preferred portfolio consists of obligations from large cap banks (i.e. banks with market capitalization in excess of $10 billion). Management reviews each issuer s current and projected earnings trends, asset quality, capitalization levels, TARP participation status, and other key factors. Upon completing the review for the fourth quarter of 2014, it was determined that none of the single issue securities were other-than-temporarily impaired. All single-issue trust preferred securities are currently receiving interest payments. The available for sale single issue trust preferred securities ratings ranged from a low of B to a high of BBB-. The amortized cost of available for sale single issue trust preferred securities as of December 31, 2014 consisted of $2,991,000 million in split-rated bonds and $10,769,000 in below investment grade bonds. Of the $10,769,000 in below investment grade bonds, $10,269,000 was in an unrealized loss position for twelve months or longer as of December 31, 2014.

Trust preferred collateralized debt obligations (Trup Cdos)

At December 31, 2014, United determined that certain Trup Cdos were other-than-temporarily impaired. In order to determine how and when the Company recognizes OTTI, the Company first assesses its intentions regarding any sale of securities as well as the likelihood that it would be required to sell prior to recovery of the amortized cost. As of December 31, 2014, the Company has determined that it does not intend to sell any pooled trust preferred security and that it is not more likely than not that the Company will be required to sell such securities before recovery of their amortized cost.

To determine a net realizable value and assess whether other-than-temporary impairment existed, management performed detailed cash flow analysis to determine whether, in management s judgment, it was more likely that United would not recover the entire amortized cost basis of the security. The Company discounts the security-specific cash flow projection at the security-specific interest rate and compares the present value to the amortized cost. Management s cash flow analysis was performed for each security and considered the current deferrals and defaults within the underlying collateral, the likelihood that current deferrals would cure or ultimately default, potential future deferrals and defaults, potential prepayments, cash reserves, excess interest spread, credit analysis of the underlying collateral and the priority of payments in the cash flow structure. The underlying collateral analysis for each issuer took into consideration multiple factors including TARP participation, capital adequacy, earnings trends and asset quality. After completing its analysis of estimated cash flows, management determined that certain Trup Cdos experienced an adverse change in cash flows during the fourth quarter of 2014, as the expected discounted cash flows from these particular securities were less than the discounted cash flows originally expected at purchase or from the previous date of other-than-temporary impairment (cash flows are discounted at the contractual coupon rate for purposes of assessing OTTI).

The total credit-related other-than-temporary impairment recognized in earnings for the fourth quarter of 2014 related to the Trup Cdos was $704,000. The noncredit-related other-than-temporary impairment recognized in accumulated other comprehensive income (loss) in the fourth quarter on these securities resulted in a reduction of $2,154,000, or $1,400,000, net of taxes.

The credit-related other-than-temporary impairment recognized in earnings during 2014 related to these securities was $6,478,000, compared to $7,196,000 in 2013. The noncredit-related other-than-temporary impairment recognized in accumulated other comprehensive income (loss) (OCI) during 2014 on these securities, which are not expected to be sold, resulted in a reduction of $8,413,000, or $5,469,000, net of taxes. At December 31, 2014, the balance of the noncredit-related other-than-temporary impairment recognized on United s Trup Cdo portfolio was $25,886,000 as compared to $34,299,000 at December 31, 2013.

The amortized cost of available for sale Trup Cdos in an unrealized loss position for twelve months or longer as of December 31, 2014 consisted of $5,000,000 in investment grade bonds and $39,933,000 in below investment grade bonds.

The following is a summary of the available for sale Trup Cdos as of December 31, 2014.

				Amortized Cost		
Class	Amortized Cost	Fair Value	Unrealized Loss	Investment Grade	Split Rated	Below Investment Grade
			(In thousands)			
Senior Bank	$ 7,725	$ 6,660	$ 1,065	$ 5,000	$ 0	$ 2,725
Mezzanine Bank (now in senior position)	12,218	9,833	2,385	0	0	12,218
Mezzanine Bank	26,216	18,929	7,287	0	0	26,216
Mezzanine Bank & Insurance (combination)	5,169	4,136	1,033	0	0	5,169
Totals	$ 51,328	$ 39,558	$ 11,770	$ 5,000	$ 0	$ 46,328

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

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

The secondary market for Trup Cdos ultimately became illiquid and although the market has improved, trading activity remains limited on these securities. In making this determination, the Company holds discussions with institutional traders to identify trends in the number and type of transactions related to the Trup Cdos.

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

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