SCANSOURCE INC
Form 8-K
October 18, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 15, 2013

ScanSource, Inc.

(Exact name of registrant as specified in its charter)

South Carolina	**000-26926**	**57-0965380**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

6 Logue Court

Greenville, South Carolina 29615

(Address of principal executive offices) (zip code)

(864) 288-2432

(Registrant s telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b)

On October 15, 2013, Steven H. Owings notified the Board of Directors of ScanSource, Inc. (the Company) of his resignation from the Board of Directors of the Company, effective immediately. On October 16, 2013, pursuant to the authority granted to it by the Company s Bylaws, the Board of Directors decreased the size of the Board from its current number of six members and fixed the number of directors of the Company at five.

SIGNATURES

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

		ScanSource, Inc.
October 16, 2013	By:	***/s/ John J. Ellsworth***
	Name:	John J. Ellsworth
	Its:	General Counsel & Corporate Secretary

3

>

(Dollars in thousands)	2015 Amount	2015 Weighted-Average Rate	2014 Amount	2014 Weighted-Average Rate
Federal funds purchased	$22,230	0.25%	$53,840	0.20%
Securities sold under agreements to repurchase	290,798[1]	0.15%[1]	381,812[1]	0.15%
Total	$313,028		$435,652	

(1) Excludes a wholesale security sold under an agreement to repurchase assumed in the Virginia Commerce merger of $50,863 and $52,343, including an acquisition accounting adjustment to fair value, with an interest rate of 4.37% at December 31, 2015 and 2014, respectively, and scheduled to mature in May of 2018.

Federal funds purchased and securities sold under agreements to repurchase have been a significant source of funds for the company. United has various unused lines of credit available from certain of its correspondent banks in the aggregate amount of $254,000,000. These lines of credit, which bear interest at prevailing market rates, permit United to borrow funds in the overnight market, and are renewable annually subject to certain conditions.

The following table shows the distribution of United s federal funds purchased and securities sold under agreements to repurchase and the weighted-average interest rates thereon at the end of each of the last three years. Also provided are the maximum amount of borrowings and the average amounts of borrowings as well as weighted-average interest rates for the last three years. The table does not include the long-term wholesale security sold under an agreement to repurchase mentioned above assumed in the Virginia Commerce merger.

(Dollars in thousands)	**Federal Funds Purchased**	**Securities Sold Under Agreements To Repurchase**
At December 31:		
2015	$ 22,230	$ 290,798
2014	53,840	381,812
2013	27,685	188,069
Weighted-average interest rate at year-end:		
2015	0.25%	0.15%
2014	0.20%	0.15%
2013	0.20%	0.09%
Maximum amount outstanding at any month s end:		
2015	$ 52,000	$ 379,818
2014	53,840	527,904
2013	27,685	220,155
Average amount outstanding during the year:		
2015	$ 38,526	$ 283,011
2014	24,037	357,083
2013	12,595	199,823

(Dollars in thousands)	Federal Funds Purchased	Securities Sold Under Agreements To Repurchase
Weighted-average interest rate during the year:		
2015	0.21%	0.10%
2014	0.20%	0.12%
2013	0.20%	0.10%

At December 31, 2015, all the repurchase agreements were in overnight accounts. The rates offered on these funds vary according to movements in the federal funds and short-term investment market rates.

United has a $20,000,000 line of credit with an unrelated financial institution to provide for general liquidity needs. The line is an unsecured, revolving line of credit. The line is renewable on a 360 day basis and carries an indexed, floating-rate of interest. The line requires compliance with various financial and nonfinancial covenants. At December 31, 2015, United had no outstanding balance under this credit.

Interest paid on short-term borrowings approximated $835,000, $1,133,000 and $894,000 in 2015, 2014 and 2013, respectively.

NOTE K LONG-TERM BORROWINGS

United s subsidiary banks are members of the Federal Home Loan Bank (FHLB). Membership in the FHLB makes available short-term and long-term borrowings from collateralized advances. All FHLB borrowings are collateralized by a mix of single-family residential mortgage loans, commercial loans and investment securities. At December 31, 2015, the total carrying value of loans pledged as collateral for FHLB advances approximated $3,397,371,000. United had an unused borrowing amount as of December 31, 2015 of approximately $2,355,967,000 available subject to delivery of collateral after certain trigger points.

Advances may be called by the FHLB or redeemed by United based on predefined factors and penalties. In the fourth quarter of 2014, United prepaid a $15,000,000 long-term FHLB advance with an interest rate of 4.78%. The prepayment of the FHLB advance resulted in a before-tax penalty of $1,971,000.

At December 31, 2015 and 2014, FHLB advances and the related weighted-average interest rates were as follows:

(Dollars in thousands)	2015 Amount	2015 Weighted-Average Contractual Rate	2015 Weighted-Average Effective Rate	2014 Amount	2014 Weighted-Average Contractual Rate	2014 Weighted-Average Effective Rate
FHLB advances	$ 850,880	0.46%	0.46%	$ 830,335	0.37%	0.37%

Overnight funds of $110,000,000 were included in the $850,880,000 above at December 31, 2015. No overnight funds were included in the $830,335,000 above at December 31, 2014. The weighted-average effective rate considers the effect of any interest rate swaps designated as fair value hedges outstanding at year-end 2015 and 2014 to manage interest rate risk on its long-term debt. Additional information is provided in Note Q, Notes to Consolidated Financial Statements.

A long-term wholesale security sold under an agreement to repurchase was assumed in the Virginia Commerce merger. At December 31, 2015, the balance of the wholesale security sold under an agreement to repurchase was $50,863,000, including an acquisition accounting adjustment to fair value. The repurchase agreement had an interest rate of 4.37% at December 31, 2015 and is scheduled to mature in May of 2018.

Table of Contents

At December 31, 2015, United had a total of thirteen statutory business trusts that were formed for the purpose of issuing or participating in pools of trust preferred capital securities (Capital Securities) with the proceeds invested in junior subordinated debt securities (Debentures) of United. The Debentures, which are subordinate and junior in right of payment to all present and future senior indebtedness and certain other financial obligations of United, are the sole assets of the trusts and United s payment under the Debentures is the sole source of revenue for the trusts. At December 31, 2015 and 2014, the outstanding balance of the Debentures was $223,506,000 and $222,636,000, respectively, and was included in the category of long-term debt on the Consolidated Balance Sheets entitled Other long-term borrowings. The Capital Securities are not included as a component of shareholders equity in the Consolidated Balance Sheets. United fully and unconditionally guarantees each individual trust s obligations under the Capital Securities.

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

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

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

(Dollars in thousands)		Amount of Capital Securities		
Description	**Issuance Date**	**Issued**	**Interest Rate**	**Maturity Date**
Century Trust	March 23, 2000	$ 8,800	10.875% Fixed	March 8, 2030
United Statutory Trust III	December 17, 2003	$ 20,000	3-month LIBOR + 2.85%	December 17, 2033
United Statutory Trust IV	December 19, 2003	$ 25,000	3-month LIBOR + 2.85%	January 23, 2034
United Statutory Trust V	July 12, 2007	$ 50,000	3-month LIBOR + 1.55%	October 1, 2037
United Statutory Trust VI	September 20, 2007	$ 30,000	3-month LIBOR + 1.30%	December 15, 2037
Premier Statutory Trust II	September 25, 2003	$ 6,000	3-month LIBOR + 3.10%	October 8, 2033
Premier Statutory Trust III	May 16, 2005	$ 8,000	3-month LIBOR +1.74%	June 15, 2035
Premier Statutory Trust IV	June 20, 2006	$14,000	3-month LIBOR + 1.55%	September 23, 2036
Premier Statutory Trust V	December 14, 2006	$10,000	3-month LIBOR + 1.61%	March 1, 2037
Centra Statutory Trust I	September 20, 2004	$10,000	3-month LIBOR + 2.29%	September 20, 2034
Centra Statutory Trust II	June 15, 2006	$10,000	3-month LIBOR + 1.65%	July 7, 2036
Virginia Commerce Trust II	December 19, 2002	$15,000	6-month LIBOR + 3.30%	December 19, 2032
Virginia Commerce Trust III	December 20, 2005	$25,000	3-month LIBOR + 1.42%	February 23, 2036

At December 31, 2015 and 2014, the Debentures and their related weighted-average interest rates were as follows:

(Dollars in thousands)	2015		2014	
	Amount	**Weighted-Average Rate**	**Amount**	**Weighted-Average Rate**
Century Trust	$ 8,800	10.88%	$ 8,800	10.88%
United Statutory Trust III	20,619	3.38%	20,619	3.09%

United Statutory Trust IV	25,774	3.17%	25,774	3.08%
United Statutory Trust V	51,547	1.88%	51,547	1.79%
United Statutory Trust VI	30,928	1.81%	30,928	1.54%
Premier Statutory Trust II	6,186	3.42%	6,186	3.33%
Premier Statutory Trust III	8,248	2.25%	8,248	1.98%
Premier Statutory Trust IV	14,433	2.14%	14,433	1.80%
Premier Statutory Trust V	10,310	2.02%	10,310	1.85%
Centra Statutory Trust I	9,972	2.86%	9,915	2.54%

Table of Contents

(Dollars in thousands)	2015 Amount	2015 Weighted-Average Rate	2014 Amount	2014 Weighted-Average Rate
Centra Statutory Trust II	9,972	1.97%	9,915	1.88%
Virginia Commerce Trust II	11,554	4.13%	11,323	3.63%
Virginia Commerce Trust III	15,163	1.80%	14,638	1.65%
Total	$ 223,506		$ 222,636	

At December 31, 2015, the scheduled maturities of long-term borrowings were as follows:

Year	Amount
(In thousands)	
2016	$ 704,797
2017	0
2018	50,107
2019	34,243
2020 and thereafter	226,102
Total	$ 1,015,249

Interest paid on long-term borrowings approximated $10,553,000, $13,954,000 and $8,846,000 in 2015, 2014 and 2013, respectively.

NOTE L OTHER EXPENSE

The following details certain items of other expense for the periods indicated:

(In thousands)	Year Ended December 31 2015	2014	2013
Legal, consulting & other professional services	$ 9,310	$ 9,620	$ 7,250
Franchise & other taxes not on income	7,055	7,513	4,816
Automated Teller Machine (ATM) expenses	7,107	6,626	5,195

NOTE M INCOME TAXES

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

(In thousands)	Year Ended December 31 2015	2014	2013
Current expense:			
Federal	$ 58,373	$ 51,001	$ 32,378
State	5,428	3,900	4,048
Deferred expense:			
Federal and State	1,729	10,097	2,990
Total income taxes	$ 65,530	$ 64,998	$ 39,416

107

Table of Contents

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

	Year Ended December 31					
(Dollars in thousands)	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
Tax on income before taxes at statutory federal rate	$ 71,222	35.0%	$ 68,210	35.0%	$ 43,765	35.0%
Plus: State income taxes net of federal tax benefits	3,516	1.7	2,523	1.3	2,392	1.9
	74,738	36.7	70,733	36.3	46,157	36.9
Increase (decrease) resulting from:						
Tax-exempt interest income	(4,158)	(2.0)	(4,048)	(2.1)	(3,837)	(3.1)
Historic tax credit	(1,262)	(0.6)	0	0.0	0	0.0
Other items-net	(3,788)	(1.9)	(1,687)	(0.8)	(2,904)	(2.3)
Income taxes	$ 65,530	32.2%	$ 64,998	33.4%	$ 39,416	31.5%

For years ended 2015, 2014 and 2013, United incurred federal income tax expense applicable to the sales and calls of securities of $73,000, $1,178,000 and $533,000, respectively. Income taxes paid approximated $52,319,000, $60,431,000 and $49,114,000 in 2015, 2014 and 2013, respectively. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At December 31, 2015, United had no state net operating loss carryforwards.

Taxes not on income, which consists mainly of business franchise taxes, were $7,055,000, $7,513,000 and $4,816,000 for the years ended December 31, 2015, 2014 and 2013, respectively. These amounts are recorded in other expense in the Consolidated Statements of Income.

Significant components of United s deferred tax assets and liabilities (included in other assets in the Consolidated Balance Sheets) at December 31, 2015 and 2014 are as follows:

(In thousands)	2015	2014
Deferred tax assets:		
Allowance for credit losses	$ 27,874	$ 27,868
Other accrued liabilities	929	3,503
Unrecognized components of net periodic pension costs	20,901	21,868
Unrealized loss on securities available for sale	2,210	0
Other real estate owned	7,500	8,141
Deferred mortgage points	3,575	0
Purchase accounting intangibles	15,248	20,340
Total deferred tax assets	78,237	81,720
Deferred tax liabilities:		
Unrealized gain on securities available for sale	0	1,861
Deferred mortgage points	0	399
Accrued benefits payable	5,438	7,532
Premises and equipment	301	672
Other	1,856	939
Total deferred tax liabilities	7,595	11,403

Net deferred tax assets	$ 70,642	$ 70,317

In accordance with ASC topic 740, Income Taxes, United records a liability for uncertain income tax positions based on a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken on a tax return, in order for those tax positions to be recognized in the financial statements.

108

Table of Contents

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

(In thousands)	December 31 2015	2014
Unrecognized tax benefits at beginning of year	$ 3,453	$ 2,512
(Decrease) Increase in unrecognized tax benefits as a result of tax positions taken during the current period	207	983
Decreases in the unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(1,558)	(42)
Unrecognized tax benefits at end of year	$ 2,102	$ 3,453

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

United is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2012, 2013 and 2014 and certain State Taxing authorities for the years ended December 31, 2012 through 2014.

As of December 31, 2015 and 2014, the total amount of accrued interest related to uncertain tax positions was $569,000 for each period end. United accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. No interest or penalties were recognized in the results of operations for the years of 2015, 2014 and 2013.

NOTE N EMPLOYEE BENEFIT PLANS

United has a defined benefit retirement plan covering a majority of all employees. Pension benefits are based on years of service and the average of the employee s highest five consecutive plan years of basic compensation paid during the ten plan years preceding the date of determination. Contributions by United are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

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

Included in accumulated other comprehensive income at December 31, 2015 are unrecognized actuarial losses of $55,998,000 ($35,727,000 net of tax) that have not yet been recognized in net periodic pension cost. The amortization of this item expected to be recognized in net periodic pension cost during the fiscal year ended December 31, 2016 is $4,618,000 ($2,946,000 net of tax).

Net consolidated periodic pension cost included the following components:

(Dollars in thousands)	Year Ended December 31, 2015	2014	2013
Service cost	$ 2,787	$ 2,160	$ 2,672
Interest cost	5,902	5,379	4,913
Expected return on plan assets	(9,290)	(9,102)	(8,313)
Recognized net actuarial loss	4,980	1,994	4,821
Amortization of prior service cost	1	1	1

Net periodic pension cost	$ 4,380	$ 432	$ 4,094

109

Table of Contents

(Dollars in thousands)	Year Ended December 31,		
	2015	2014	2013
Weighted-Average Assumptions:			
Discount rate	4.35%	5.20%	4.40%
Expected return on assets	7.50%	7.50%	7.75%
Rate of Compensation Increase (prior to age 45)	3.50%	3.50%	3.75%
Rate of Compensation Increase (otherwise)	3.00%	3.00%	2.75%

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the years ended December 31, 2015 and 2014 and the accumulated benefit obligation at December 31, 2015 and 2014 are as follows:

(Dollars in thousands)	December 31,	
Change in Projected Benefit Obligation	**2015**	**2014**
Projected Benefit Obligation at the Beginning of the Year	$ 135,739	$ 105,186
Service Cost	2,787	2,160
Interest Cost	5,902	5,379
Actuarial Loss (Gain)	(9,760)	26,733
Benefits Paid	(9,265)	(3,719)
Projected Benefit at the End of the Year	$ 125,403	$ 135,739
Accumulated Benefit Obligation at the End of the Year	$ 113,679	$ 123,453
Change in Plan Assets		
Fair Value of Plan Assets at the Beginning of the Year	$ 125,885	$ 123,188
Actual Return on Plan Assets	(2,872)	6,416
Benefits Paid	(9,265)	(3,719)
Employer Contributions	0	0
Fair value of plan assets at end of year	$ 113,748	$ 125,885
Net Amount Recognized		
Funded Status	$ (11,655)	$ (9,854)
Unrecognized Transition Asset	0	0
Unrecognized Prior Service Cost	0	1
Unrecognized Net Loss	55,998	58,576
Net Amount Recognized	$ 44,343	$ 48,723
Weighted-Average Assumptions at the End of the Year		
Discount Rate	4.75%	4.35%
Rate of Compensation Increase (prior to age 45)	3.50%	3.50%
Rate of Compensation Increase (otherwise)	3.00%	3.00%

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

Plan Assets	Target Allocation 2016	Allowable Allocation Range	Percentage of Plan Assets at December 31, 2015	Percentage of Plan Assets at December 31, 2014
Equity Securities	61%	50-70%	67%	67%
Debt Securities	25%	20-50%	22%	22%
Other	14%	3-15%	11%	11%

Total	100%	100%

Equity securities include United common stock in the amounts of $3,915,000 (3%) at December 31, 2015 and $3,963,000 (3%) at December 31, 2014**.**

110

Table of Contents

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

At December 31, 2015, the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five years thereafter are as follows:

Year	Amount
(In thousands)	
2016	$ 4,331
2017	4,577
2018	4,860
2019	5,189
2020	5,542
2021 through 2025	33,240

United did not contribute to the plan in 2015 and 2014 as no contributions were required by funding regulations or law. For 2016, no contributions to the plan are required by funding regulations or law. However, United may make a discretionary contribution in 2016, the amount of which cannot be reasonably estimated at this time.

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

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

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

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

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

Table of Contents

The following tables present the balances of the plan assets, by fair value hierarchy level, as of December 31, 2015 and 2014:

(In thousands)		Fair Value Measurements at December 31, 2015 Using		
Description	**Balance as of December 31, 2015**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and Cash equivalents	$ 1,467	$ 1,467	$ 0	$ 0
Fixed Income Securities:				
Mortgage backed securities	63	0	63	0
Collateralized mortgage obligations	54	0	54	0
Municipal obligations	836	0	836	0
Corporate bonds	1,539	0	1,539	0
Foreign bonds, notes and debentures	93	0	93	0
Fixed Income Mutual Funds:				
Taxable	22,843	22,843	0	0
Alternative	5,067	5,067	0	0
Equity Securities:				
Common stock	20,464	20,464	0	0
Equity Mutual Funds:				
Domestic equity large cap	20,470	20,470	0	0
Domestic equity mid cap	5,804	5,804	0	0
Domestic equity small cap	14,080	14,080	0	0
International emerging equity	6,044	6,044	0	0
International equity developed	8,772	8,772	0	0
Alternative equity	6,152	6,152	0	0
Total	$ 113,748	$ 111,163	$ 2,585	$ 0

(In thousands)		Fair Value Measurements at December 31, 2014 Using		
Description	**Balance as of December 31, 2014**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and Cash equivalents	$ 2,317	$ 2,317	$ 0	$ 0
Fixed Income Securities:				
Mortgage backed securities	81	0	81	0
Collateralized mortgage obligations	222	0	222	0
Municipal obligations	1,108	0	1,108	0
Corporate bonds	1,776	0	1,776	0
Foreign bonds, notes and debentures	93	0	93	0
Fixed Income Mutual Funds:				

Taxable	10,097	10,097	0	0
Domestic	14,045	14,045	0	0
Alternative	5,881	5,881	0	0
Equity Securities:				
Preferred stock	207	207	0	0
Common stock	22,113	22,113	0	0
Equity Mutual Funds:				
Domestic equity large cap	25,318	25,318	0	0
Domestic equity mid cap	6,064	6,064	0	0

112

Table of Contents

(In thousands) Description	Balance as of December 31, 2014	Fair Value Measurements at December 31, 2014 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic equity small cap	13,541	13,541	0	0
International emerging equity	5,926	5,926	0	0
International equity developed	11,664	11,664	0	0
Alternative equity	5,432	5,432	0	0
Total	$ 125,885	$ 122,605	$ 3,280	$ 0

Preferred stock investments are in financial institutions. Common stock investments are diversified amongst various industries with no industry representing more than 5% of the total plan assets.

The United Bankshares, Inc. Savings and Stock Investment Plan (the Plan) is a defined contribution plan under Section 401(k) of the Internal Revenue Code. Each employee of United, who completes ninety (90) days of qualified service, is eligible to participate in the Plan. Each participant may contribute from 1% to 100% of compensation to his/her account, subject to Internal Revenue Service maximum deferral limits. Prior to December 31, 2008, after one year of eligible service, United matched 100% of the first 2% of salary deferred and 25% of the second 2% of salary deferred with United stock. Beginning January 1, 2009, United matched 100% of the first 3% of salary deferred and 25% of the next 1% of salary deferred with United stock. Vesting is 100% for employee deferrals and the company match at the time the employee makes his/her deferral. United s expense relating to the Plan approximated $1,894,000, $1,761,000 and $1,411,000 in 2015, 2014 and 2013, respectively.

The assets of United s defined benefit plan and 401(k) Plan each include investments in United common stock. At December 31, 2015 and 2014, the combined plan assets included 876,989 and 886,139 shares, respectively, of United common stock with an approximate fair value of $32,440,000 and $33,186,000, respectively. Dividends paid on United common stock held by the plans approximated $1,139,000, $1,133,000 and $1,172,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

United has certain other supplemental deferred compensation plans covering various key employees. Periodic charges are made to operations so that the liability due each employee is fully recorded as of the date of their retirement. Amounts charged to expense have not been significant in any year.

NOTE O STOCK BASED COMPENSATION

On May 16, 2011, United s shareholders approved the 2011 Long-Term Incentive Plan (2011 LTI Plan). The 2011 LTI Plan became effective as of July 1, 2011. An award granted under the 2011 LTI Plan may consist of any non-qualified stock options or incentive stock options, stock appreciation rights, restricted stock, or restricted stock units. These awards all relate to the common stock of United. The maximum number of shares of United common stock which may be issued under the 2011 LTI Plan is 1,500,000. Any and all shares may be issued in respect of any of the types of awards, provided that (1) the aggregate number of shares that may be issued in respect of restricted stock awards, and restricted stock units awards which are settled in shares is 350,000, and (2) the aggregate number of shares that may be issued pursuant to stock options is 1,150,000. The shares to be offered under the 2011 LTI Plan may be authorized and unissued shares or treasury shares. With respect to awards that are intended to satisfy the requirements for performance-based compensation under Code Section 162(m), the maximum number of options and stock appreciation rights, in the aggregate, which may be awarded pursuant to the 2011 LTI Plan to any individual participant during any calendar year is 100,000, and the maximum number of shares of restricted stock and/or shares subject to a restricted stock units award that may be granted pursuant to the 2011 LTI Plan to any individual participant during any calendar year is 50,000 shares. A participant may be any key employee of United or its affiliates or a non-employee member of United s Board of Directors. Subject to certain change in control provisions, stock options, SARs, restricted stock and restricted stock units will vest in 25% increments over the first four anniversaries of the awards unless United s Compensation Committee specifies otherwise in the award agreement. No award will vest sooner than 1/3 per year over the first three anniversaries of the award. Beginning in 2014, awards granted to executive officers of United have performance based vesting conditions. A Form S-8 was filed on September 2, 2011 with the Securities and Exchange Commission to register all the shares which were available for the 2011 LTI Plan. During the year of 2015, a total of 189,705 non-qualified stock options and 53,071 shares of restricted stock were granted under the 2011 LTI Plan.

113

Table of Contents

Compensation expense of $2,484,000, $2,195,000 and $1,786,000 related to the nonvested awards under the 2011 LTI Plan and the 2006 Stock Option Plan was incurred for the years 2015, 2014 and 2013, respectively. Compensation expense was included in employee compensation in the Consolidated Statements of Income.

Stock Options

United currently has options outstanding from various option plans other than the 2011 LTI Plan (the Prior Plans); however, no common shares of United stock are available for grants under the Prior Plans as these plans have expired. Awards outstanding under the Prior Plans will remain in effect in accordance with their respective terms. The maximum term for options granted under the plans is ten (10) years.

The fair value of the options for 2015 was estimated at the date of grant using a binomial lattice option pricing model with the following weighted-average assumptions: risk-free interest rates of 1.82%; dividend yield of 3.00%; volatility factors of the expected market price of United s common stock of 0.280; and a weighted-average expected option life of 6.88 years, respectively. The estimated fair value of the options at the date of grant was $7.23 for the options granted during 2015. ASC topic 718, Compensation Stock Compensation defines a lattice model as a model that produces an estimated fair value based on the assumed changes in prices of a financial instrument over successive periods of time. A binomial lattice model assumes at least two price movements are possible in each period of time.

A summary of activity under the United s stock option plans as of December 31, 2015, and the changes during the year of 2015 are presented below:

	Year ended December 31, 2015			
			Weighted Average	
(Dollars in thousands, except per share data)	Shares	Aggregate Intrinsic Value	Remaining Contractual Term (Yrs.)	Exercise Price
Outstanding at January 1, 2015	1,380,548			$ 27.94
Granted	189,705			36.92
Exercised	259,454			30.08
Forfeited or expired	103,689			35.72
Outstanding at December 31, 2015	1,207,110	$ 10,668	6.1	$ 28.15
Exercisable at December 31, 2015	780,715	$ 8,496	5.0	$ 26.11

The following table summarizes the status of United s nonvested awards for the year ended December 31, 2015:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2015	377,264	$ 6.29
Granted	189,705	7.23
Vested	121,673	6.33
Forfeited or expired	18,901	6.64
Nonvested at December 31, 2015	426,395	$ 6.68

As of December 31, 2015, the total unrecognized compensation cost related to nonvested option awards was $1,857,000 with a weighted-average expense recognition period of 1.2 years. The total fair value of awards vested during the year ended December 31, 2015, was $770,000.

Cash received from options exercised under the Plans for the years ended December 31, 2015, 2014 and 2013 was $7,871,000, $9,878,000, and $2,364,000, respectively. During 2015 and 2014, 259,454 and 468,933 shares, respectively, were issued in connection with stock option exercises. All shares issued in connection with stock option exercises for 2015 were issued from authorized and unissued stock. Of the 468,933 shares issued in connection with stock option exercises for

114

Table of Contents

2014, 352,503 were issued from available treasury stock while 116,430 shares were issued from authorized and unissued stock. The weighted-average grant-date fair value of options granted in the year of 2015, 2014, and 2013 was $7.23, $6.42, and $5.74, respectively. The total intrinsic value of options exercised under the Plans during the years ended December 31, 2015, 2014, and 2013 was $2,380,000, $4,832,000, and $507,000, respectively.

The Statement of Cash Flows topic of the FASB Accounting Standards Codification requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under previous standards. This requirement reduces net operating cash flows and increase net financing cash flows in periods after adoption. While the company cannot estimate what those amounts will be in the future (because they depend on, among other things, the date employees exercise stock options), United recognized cash flows from financing activities of $1,023,000, $73,000 and $331,000 from excess tax benefits related to share-based compensation arrangements for the year of 2015, 2014 and 2013, respectively.

Restricted Stock

Under the 2011 LTI Plan, United may award restricted common shares to key employees and non-employee directors. Restricted shares granted to participants have a four-year time-based vesting period. Recipients of restricted shares do not pay any consideration to United for the shares, have the right to vote all shares subject to such grant and receive all dividends with respect to such shares, whether or not the shares have vested. Presently, these nonvested participating securities have an immaterial impact on diluted earnings per share. As of December 31, 2015, the total unrecognized compensation cost related to nonvested stock awards was $2,642,000 with a weighted-average expense recognition period of 1.2 years.

The following summarizes the changes to United s restricted common shares for the year ended December 31, 2015:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at January 1, 2015	120,308	$ 28.29
Granted	53,071	36.92
Vested	38,313	28.32
Forfeited	5,294	31.39
Outstanding at December 31, 2015	129,772	$ 31.69

NOTE P COMMITMENTS AND CONTINGENT LIABILITIES

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

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily, and historically do not, represent future cash requirements. The amount of collateral obtained, if deemed necessary upon the extension of credit, is based on management s credit evaluation of the counterparty. United had approximately $2,587,957,000 and $2,763,129,000 of loan commitments outstanding as of December 31, 2015 and 2014, respectively, the majority of which contractually expire within one year.

115

Table of Contents

Commercial and standby letters of credit are agreements used by United s customers as a means of improving their credit standing in their dealings with others. Under these agreements, United guarantees certain financial commitments of its customers. A commercial letter of credit is issued specifically to facilitate trade or commerce. Typically, under the terms of a commercial letter of credit, a commitment is drawn upon when the underlying transaction is consummated as intended between the customer and a third party. As of December 31, 2015 and 2014, United had $226,000 and $216,000, respectively, of outstanding commercial letters of credit. A standby letter of credit is generally contingent upon the failure of a customer to perform according to the terms of an underlying contract with a third party. United has issued standby letters of credit of $135,146,000 and $160,230,000 as of December 31, 2015 and 2014, respectively. In accordance with the Contingencies Topic of the FASB Accounting Standards Codification, United has determined that substantially all of its letters of credit are renewed on an annual basis and the fees associated with these letters of credit are immaterial.

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.

NOTE Q DERIVATIVE FINANCIAL INSTRUMENTS

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

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. As of December 31, 2015, United has only fair value hedges.

For the years ended December 31, 2015 and 2014, the derivative portfolio also included derivative financial instruments not included in hedge relationships. These derivatives consist of interest rate swaps used for interest rate management purposes and derivatives executed with commercial banking customers to facilitate their interest rate management strategies. Gains and losses on other derivative financial instruments are netted in noninterest income.

The following table sets forth certain information regarding interest rate derivatives portfolio used for interest-rate risk management purposes and designated as accounting hedges at December 31, 2015 and 2014.

	Derivative Hedging Instruments			
	December 31, 2015		December 31, 2014	
(Dollars in thousands)	Notional Amount	Average Pay Rate	Notional Amount	Average Pay Rate
Fair Value Hedges:				
Pay Fixed Swap (Hedging Commercial Loans)	$ 97,157	3.64%	$ 40,429	5.07%
Total Derivatives Used in Fair Value Hedges	$ 97,157		$ 40,429	
Total Derivatives Used for Interest Rate Risk Management and Designated as Hedges	$ 97,157		$ 40,429	

Table of Contents

The following tables summarize the fair value of United s derivative financial instruments:

	Asset Derivatives			
	December 31, 2015		December 31, 2014	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other assets	$ 0	Other assets	$ 90
Total derivatives designated as hedging instruments		$ 0		$ 90
Derivatives not designated as hedging instruments				
Interest rate contracts	Other assets	$ 2,942	Other assets	$ 3,704
Total derivatives not designated as hedging instruments		$ 2,942		$ 3,704
Total asset derivatives		$ 2,942		$ 3,794

	Liability Derivatives			
	December 31, 2015		December 31, 2014	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other liabilities	$ 1,179	Other liabilities	$ 432
Total derivatives designated as hedging instruments		$ 1,179		$ 432
Derivatives not designated as hedging instruments				
Interest rate contracts	Other liabilities	$ 2,942	Other liabilities	$ 3,704
Total derivatives not designated as hedging instruments		$ 2,942		$ 3,704
Total liability derivatives		$ 4,121		$ 4,136

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

The effect of United s derivative financial instruments on its Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013 is presented as follows:

Year Ended

(In thousands)	Income Statement Location	December 31, 2015	December 31, 2014	December 31, 2013
Derivatives in fair value hedging relationships				
Interest rate contracts	Interest income/ (expense)	$ (813)	$ (1,047)	$ (522)
Total derivatives in fair value hedging relationships		$ (813)	$ (1,047)	$ (522)
Derivatives not designated as hedging instruments				
Interest rate contracts (1)	Other income	$ 0	$ 0	$ 0
Total derivatives not designated as hedging instruments		$ 0	$ 0	$ 0
Total derivatives		$ (813)	$ (1,047)	$ (522)

(1) Represents net gains and net losses from derivative assets not designated as hedging instruments.

117

Table of Contents

For the years ended December 31, 2015, 2014 and 2013, changes in the fair value of any interest rate swaps attributed to hedge ineffectiveness were recorded, but not significant to United s Consolidated Statements of Income.

NOTE R COMPREHENSIVE INCOME

The changes in accumulated other comprehensive income are as follows:

	For the Years Ended December 31		
(In thousands)	**2015**	**2014**	**2013**
Net Income	**$ 137,959**	**$ 129,888**	**$ 85,628**
Available for sale (AFS) securities:			
AFS securities with OTTI charges during the period	(113)	(6,478)	(7,534)
Related income tax effect	41	2,267	2,637
Income tax rate change	316	0	0
Less : OTTI charges recognized in net income	47	6,478	7,332
Related income tax benefit	(17)	(2,267)	(2,566)
Reclassification of previous noncredit OTTI to credit OTTI	0	8,413	12,425
Related income tax benefit	0	(2,944)	(4,349)
Net unrealized gains on AFS securities with OTTI	274	5,469	7,945
AFS securities all other:			
Change in net unrealized (losses) gains on AFS securities arising during the period	(6,672)	33,078	(1,082)
Related income tax effect	2,415	(11,577)	379
Net reclassification adjustment for gains included in net income	(133)	(3,357)	(1,216)
Related income tax expense	48	1,175	426
	(4,342)	19,319	(1,493)
Net effect of AFS securities on other comprehensive income	**(4,068)**	**24,788**	**6,452**
Held to maturity (HTM) securities:			
Accretion on the unrealized loss for securities transferred from AFS to the HTM investment portfolio prior to call or maturity	8	8	8
Related income tax expense	(3)	(3)	(3)
Net effect of HTM securities on other comprehensive income	**5**	**5**	**5**
Defined benefit pension plan:			
Net actuarial loss during the period	(2,285)	(28,876)	20,305
Related income tax expense (benefit)	827	10,106	(7,107)
Amortization of prior service cost recognized in net income	1	1	1
Related income tax benefit	0	0	0
Amortization of net actuarial loss recognized in net income	4,980	1,994	4,821
Related income tax benefit	(1,908)	(735)	(1,776)
Net effect of change in defined benefit pension plan on other comprehensive income	**1,615**	**(17,510)**	**16,244**
Total change in other comprehensive income, net of tax	**(2,448)**	**7,283**	**22,701**
Total Comprehensive Income	**$ 135,511**	**$ 137,171**	**$ 108,329**

118

Table of Contents

The components of accumulated other comprehensive income for the year ended December 31, 2015 are as follows:

Changes in Accumulated Other Comprehensive Income (AOCI) by Component [(a)]
For the Year Ended December 31, 2015

(Dollars in thousands)	Unrealized Gains/ Losses on AFS Securities	Accretion on the unrealized loss for securities transferred from AFS to the HTM	Defined Benefit Pension Items	Total
Balance at January 1, 2015	$ 1,553	($ 62)	($ 37,255)	($ 35,764)
Other comprehensive income before reclassification	(3,983)	5	0	(3,978)
Amounts reclassified from accumulated other comprehensive income	(85)	0	1,615	1,530
Net current-period other comprehensive income, net of tax	(4,068)	5	1,615	(2,448)
Balance at December 31, 2015	($ 2,515)	($ 57)	($ 35,640)	($ 38,212)

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

Reclassifications out of Accumulated Other Comprehensive Income (AOCI)

For the Year Ended December 31, 2015

(Dollars in thousands)

Details about AOCI Components	Amount Reclassified from AOCI	Affected Line Item in the Statement Where Net Income is Presented
Available for sale (AFS) securities:		
Reclassification of previous noncredit OTTI to credit OTTI	$ 0	Total other-than-temporary impairment losses
Net reclassification adjustment for losses (gains) included in net income	(133)	Net gains on sales/calls of investment securities
	(133)	Total before tax
Related income tax effect	48	Tax expense
	(85)	Net of tax
Pension plan:		
Change in pension asset	(2,285)(a)	
Amortization of prior service cost	1(b)	
Recognized net actuarial loss	4,980(b)	
	2,696	Total before tax
Related income tax effect	(1,081)	Tax expense

		1,615	Net of tax
Total reclassifications for the period	$	1,530	

(a) This AOCI component is included in the computation of changes in plan assets (see Note N, Employee Benefit Plans)

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

NOTE S UNITED BANKSHARES, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION

Condensed Balance Sheets

	December 31	
(In thousands)	**2015**	**2014**
Assets		
Cash and due from banks	$ 39,680	$ 38,984
Securities available for sale	3,168	2,132
Securities held to maturity	20	20
Other investment securities	100	102
Investment in subsidiaries:		
Bank subsidiaries	1,835,440	1,769,962
Nonbank subsidiaries	6,484	6,436
Other assets	13,904	13,029
Total Assets	$ 1,898,796	$ 1,830,665
Liabilities and Shareholders Equity		
Junior subordinated debentures of subsidiary trusts	$ 128,868	$ 128,868
Accrued expenses and other liabilities	57,293	45,637
Shareholders equity (including other accumulated comprehensive loss of $38,212 and $35,764 at December 31, 2015 and 2014, respectively)	1,712,635	1,656,160
Total Liabilities and Shareholders Equity	$ 1,898,796	$ 1,830,665

119

Table of Contents

Condensed Statements of Income

(In thousands)	Year Ended December 31 2015	2014	2013
Income			
Dividends from banking subsidiaries	$ 70,500	$ 97,000	$ 69,500
Net interest income	59	59	74
Management fees:			
Bank subsidiaries	28,955	19,400	17,665
Nonbank subsidiaries	27	27	27
Other income	58	96	555
Total Income	99,599	116,582	87,821
Expenses			
Operating expenses	30,016	24,043	20,595
Income Before Income Taxes and Equity in Undistributed Net Income of Subsidiaries	69,583	92,539	67,226
Applicable income tax benefit	(316)	(1,332)	(709)
Income Before Equity in Undistributed Net Income of Subsidiaries	69,899	93,871	67,935
Equity in undistributed net income of subsidiaries:			
Bank subsidiaries	68,012	35,978	17,652
Nonbank subsidiaries	48	39	41
Net Income	$ 137,959	$ 129,888	$ 85,628

Condensed Statements of Cash Flows

(In thousands)	Year Ended December 31 2015	2014	2013
Operating Activities			
Net income	$ 137,959	$ 129,888	$ 85,628
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(68,060)	(36,018)	(17,693)
Amortization of net periodic pension costs	384	34	373
Stock-based compensation	2,484	2,195	1,786
Net gain on securities transactions	(54)	(96)	(556)
Net change in other assets and liabilities	8,998	5,172	867
Net Cash Provided by Operating Activities	81,711	101,175	70,405
Investing Activities			
Net (purchases of) proceeds from sales of securities	(1,047)	(90)	2,341
Net cash paid in acquisition of subsidiary	0	(33,271)	0
Change in other investment securities	2	23	37
Net Cash (Used in) Provided by Investing Activities	(1,045)	(33,338)	2,378
Financing Activities			
Cash dividends paid	(88,864)	(82,496)	(62,434)
Acquisition of treasury stock	(1)	(2)	(93)
Proceeds from sale of treasury stock from deferred compensation plan	1	81	77

Excess tax benefits from stock-based compensation arrangements	1,023	73	331
Proceeds from exercise of stock options	7,871	9,878	2,364
Net Cash Used in Financing Activities	(79,970)	(72,466)	(59,755)
Increase (Decrease) in Cash and Cash Equivalents	696	(4,629)	13,028
Cash and Cash Equivalents at Beginning of Year	38,984	43,613	30,585
Cash and Cash Equivalents at End of Year	$ 39,680	$ 38,984	$ 43,613

120

Table of Contents

NOTE T REGULATORY MATTERS

The subsidiary banks are required to maintain average reserve balances with their respective Federal Reserve Bank. The average amount of those reserve balances maintained and required for the year ended December 31, 2015, were approximately $567,698,000 and $330,953,000, respectively. The average amount of those reserve balances maintained and required for the year ended December 31, 2014, was approximately $358,127,000 and $286,898,000, respectively.

The primary source of funds for the dividends paid by United Bankshares, Inc. to its shareholders is dividends received from its subsidiary banks. Dividends paid by United s subsidiary banks are subject to certain regulatory limitations. Generally, the most restrictive provision requires regulatory approval if dividends declared in any year exceed that year s net income, as defined, plus the retained net profits of the two preceding years.

During 2016, the retained net profits available for distribution to United Bankshares, Inc. by its banking subsidiaries as dividends without regulatory approval, are approximately $107,859,000, plus net income for the interim period through the date of declaration.

Under Federal Reserve regulation, the banking subsidiaries are also limited as to the amount they may loan to affiliates, including the parent company. Loans from the banking subsidiaries to the parent company are limited to 10% of the banking subsidiaries capital and surplus, as defined, or $145,475,000 at December 31, 2015, and must be secured by qualifying collateral.

United s subsidiary banks are subject to various regulatory capital requirements administered by federal banking agencies. Pursuant to capital adequacy guidelines, United s subsidiary banks must meet specific capital guidelines that involve various quantitative measures of the banks assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. United s subsidiary banks capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As previously mentioned, the new Basel III Capital Rules became effective for United and its banking subsidiaries on January 1, 2015 (subject to a phase-in period). These new quantitative measures established by regulation to ensure capital adequacy require United and its banking subsidiaries to maintain minimum amounts and ratios of total, Tier I capital, and common Tier I capital as defined in the regulations, to risk-weighted assets, as defined, and of Tier I capital, as defined, to average assets, as defined. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on United s financial statements. As of December 31, 2015, United exceeds all capital adequacy requirements to which it is subject.

At December 31, 2015, the most recent notification from its regulators, United and its subsidiary banks were categorized as well-capitalized. To be categorized as well-capitalized, United must maintain minimum total risk-based, Tier I risk-based, Common Tier I risk-based, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes would impact United s well-capitalized status.

Table of Contents

United s and its subsidiary banks , United Bank (WV) and United Bank (VA), capital amounts (in thousands of dollars) and ratios are presented in the following table.

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:						
Total Capital (to Risk- Weighted Assets):						
United Bankshares	$ 1,331,492	12.6%	$ 845,876	³8.0%	$ 1,057,345	³10.0%
United Bank (WV)	591,825	12.6%	377,225	³8.0%	471,532	³10.0%
United Bank (VA)	720,676	12.2%	471,303	³8.0%	589,129	³10.0%
Tier I Capital (to Risk- Weighted Assets):						
United Bankshares	$ 1,254,555	11.9%	634,407	³6.0%	845,876	³8.0%
United Bank (WV)	547,903	11.6%	282,919	³6.0%	377,225	³8.0%
United Bank (VA)	687,937	11.7%	353,477	³6.0%	471,303	³8.0%
Common Tier I Capital (to Risk Weighted Assets):						
United Bankshares	$ 1,022,755	9.7%	475,805	³4.5%	687,274	³6.5%
United Bank (WV)	547,903	11.6%	212,189	³4.5%	306,496	³6.5%
United Bank (VA)	687,937	11.7%	265,108	³4.5%	382,934	³6.5%
Tier I Capital (to Average Assets):						
United Bankshares	$ 1,254,555	10.7%	468,776	³4.0%	585,970	³5.0%
United Bank (WV)	547,903	10.2%	214,519	³4.0%	268,149	³5.0%
United Bank (VA)	687,937	10.5%	263,306	³4.0%	329,132	³5.0%
As of December 31, 2014:						
Total Capital (to Risk- Weighted Assets):						
United Bankshares	$ 1,269,893	13.2%	$ 772,453	³8.0%	$ 965,566	³10.0%
United Bank (WV)	547,205	12.5%	350,053	³8.0%	437,567	³10.0%
United Bank (VA)	691,718	12.9%	428,439	³8.0%	535,549	³10.0%
Tier I Capital (to Risk- Weighted Assets):						
United Bankshares	1,183,870	12.3%	386,226	³4.0%	579,340	³6.0%
United Bank (WV)	504,795	11.5%	175,027	³4.0%	262,540	³6.0%
United Bank (VA)	657,078	12.3%	214,220	³4.0%	321,330	³6.0%
Tier I Capital (to Average Assets):						
United Bankshares	1,183,870	10.3%	459,433	³4.0%	574,291	³5.0%
United Bank (WV)	504,795	9.5%	213,782	³4.0%	267,228	³5.0%
United Bank (VA)	657,078	10.0%	263,666	³4.0%	329,582	³5.0%

NOTE U FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Using a market approach valuation methodology, third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2). Management internally reviews the fair values provided by third party vendors on a monthly basis. Management s review consists of comparing fair values

assigned by third party vendors to trades and offerings observed by management. The review requires some degree of judgment as to the number or percentage of securities to review on the part of management which could fluctuate based on results of past reviews and in comparison to current expectations. Exceptions that are deemed to be material are reviewed by management. Additionally, to assess the reliability of the information received from third party vendors, management obtains documentation from third party vendors related to the sources, methodologies, and inputs utilized in valuing securities classified as Level 2. Management analyzes this information to ensure the underlying assumptions appear reasonable. Management also obtains an independent service auditor s report from third party vendors to provide reasonable assurance that appropriate controls are in place over the valuation process. Upon completing its review of the pricing from third party vendors at December 31, 2015, management determined that the prices provided by its third party pricing source were reasonable and in line with management s expectations for the market values of these securities. Therefore, prices obtained from third party vendors that did not reflect forced liquidation or distressed sales were not adjusted by management at December 31, 2015. Management utilizes a number of factors to determine if a market is inactive, all of which may require a significant level of judgment. Factors that management considers include: a significant widening of the bid-ask spread, a considerable decline in the volume and level of trading activity in the instrument, a significant variance in prices among market participants, and a significant reduction in the level of observable inputs. Any securities available for sale not valued based upon quoted market prices or third party pricing models that consider observable market data are considered Level 3. Currently, United considers its valuation of available-for-sale Trup Cdos as Level 3. The Fair Value Measurements and Disclosures topic assumes that fair values of financial assets are determined in an orderly transaction and not a forced liquidation or distressed sale at the measurement date. Based on financial market conditions, United feels that the fair values obtained from its third party vendor reflect forced liquidation or distressed sales for these Trup Cdos due to decreased volume and trading activity. Additionally, management held discussions with institutional traders to identify trends in the number and type of transactions related to the Trup Cdos sector. Based upon management s review of the market conditions for Trup Cdos, it was determined that an income approach valuation technique (present value technique) that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs is more representative of fair value than the valuation technique used by United s third party vendor. The present value technique discounts expected future cash flows of a security to arrive at a present value. Management considers the following items when calculating the appropriate discount rate: the implied rate of return when the market was last active, changes in the implied rate of return as markets moved from very active to inactive, recent changes in credit ratings, and recent activity showing that the market has built in increased liquidity and credit premiums. Management s internal credit review of each security was also factored in to determine the appropriate discount rate. The credit review considered each security s collateral, subordination, excess spread, priority of claims, principal and interest. Discount margins used in the valuation at December 31, 2015 ranged from LIBOR plus 4.25% to LIBOR plus 10.75%. Management completed a sensitivity analysis on the fair value of its Trup Cdos. Given a comprehensive 200 basis point increase in the discount rates, the total fair value of these securities would decline by approximately 17%, or $5.7 million.

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

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

Table of Contents

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. Unrealized gains and losses due to changes in the fair value of other derivative financial instruments not in hedge relationship are included in noninterest income and noninterest expense, respectively.

The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy:

(In thousands)		Fair Value at December 31, 2015 Using		
Description	**Balance as of December 31, 2015**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 73,786	$ 0	$ 73,786	$ 0
State and political subdivisions	133,778	0	133,778	0
Residential mortgage-backed securities				
Agency	477,982	0	477,982	0
Non-agency	9,571	0	9,571	0
Asset-backed securities	3,399	0	3,399	0
Commercial mortgage-backed securities				
Agency	305,935	0	305,935	0
Trust preferred collateralized debt obligations	34,686	0	0	34,686
Single issue trust preferred securities	11,693	0	11,693	0
Other corporate securities	10,049	0	10,049	0
Total available for sale debt securities	1,060,879	0	1,026,193	34,686
Available for sale equity securities:				
Financial services industry	2,723	800	1,923	0
Equity mutual funds (1)	1,596	1,596	0	0
Other equity securities	1,136	1,136	0	0
Total available for sale equity securities	5,455	3,532	1,923	0
Total available for sale securities	1,066,334	3,532	1,028,116	34,686
Derivative financial assets:				
Interest rate contracts	2,942	0	2,942	0
Liabilities				
Derivative financial liabilities:				
Interest rate contracts	4,121	0	4,121	0

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

(In thousands)

Description	Balance as of December 31, 2014	Fair Value at December 31, 2014 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 89,981	$ 0	$ 89,981	$ 0
State and political subdivisions	136,863	0	136,863	0
Residential mortgage-backed securities				
Agency	555,685	0	555,685	0
Non-agency	12,018	0	12,018	0
Asset-backed securities	8,027	0	8,027	0
Commercial mortgage-backed securities				
Agency	317,099	0	317,099	0
Trust preferred collateralized debt obligations	39,558	0	0	39,558
Single issue trust preferred securities	11,744	0	11,744	0
Other corporate securities	5,135	0	5,135	0
Total available for sale debt securities	1,176,110	0	1,136,552	39,558
Available for sale equity securities:				
Financial services industry	2,533	759	1,774	0
Equity mutual funds (1)	560	560	0	0
Other equity securities	1,183	1,183	0	0
Total available for sale equity securities	4,276	2,502	1,774	0
Total available for sale securities	1,180,386	2,502	1,138,326	39,558
Derivative financial assets:				
Interest rate contracts	3,794	0	3,794	0
Liabilities				
Derivative financial liabilities:				
Interest rate contracts	4,136	0	4,136	0

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

The following table presents additional information about financial assets and liabilities measured at fair value at December 31, 2015 and 2014 on a recurring basis and for which United has utilized Level 3 inputs to determine fair value:

(In thousands)	Available-for-sale Securities Trust preferred collateralized debt obligations

	2015	2014
Balance, beginning of year	$ 39,558	$ 43,449
Total gains or losses (realized/unrealized):		
Included in earnings (or changes in net assets)	(34)	(4,034)
Included in other comprehensive income	(4,838)	12,312
Purchases, issuances, and settlements	0	(12,169)
Transfers in and/or out of Level 3	0	0
Balance, ending of year	$ 34,686	$ 39,558
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date	0	0

125

Table of Contents

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

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

Loans held for sale: Loans held for sale are carried at the lower of cost or market value. These loans currently consist of one-to-four family residential loans originated for sale in the secondary market. Fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, United records any fair value adjustments on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale during the year ended December 31, 2015. Gains and losses on sale of loans are recorded within income from mortgage banking on the Consolidated Statements of Income.

Impaired Loans: Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Impairment is measured based upon the present value of expected future cash flows from the loan discounted at the loan s effective rate and the loan s observable market price or the fair value of collateral, if the loan is collateral dependent. Fair value is measured using a market approach based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing an appraisal conducted by an independent, licensed appraiser outside of the Company using comparable property sales (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property is over two years old, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Impaired loans allocated to the Allowance for Loan Losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for credit losses expense on the Consolidated Statements of Income.

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

Table of Contents

Intangible Assets: For United, intangible assets consist of goodwill and core deposit intangibles. Goodwill is tested for impairment at least annually or sooner if indicators of impairment exist. Goodwill impairment would be defined as the difference between the recorded value of goodwill (i.e. book value) and the implied fair value of goodwill. In determining the implied fair value of goodwill for purposes of evaluating goodwill impairment, United determines the fair value of the reporting unit using a market approach and compares the fair value to its carrying value. If the carrying value exceeds the fair value, a step two test is performed whereby the implied fair value is computed by deducting the fair value of all tangible and intangible net assets from the fair value of the reporting unit. Core deposit intangibles relate to the estimated value of the deposit base of acquired institutions. Management reviews core deposit intangible assets on an annual basis, or sooner if indicators of impairment exist, and evaluates changes in facts and circumstances that may indicate impairment in the carrying value. Other than those intangible assets recorded in the acquisition of Virginia Commerce, no fair value measurement of intangible assets was made during the year of 2015 and 2014.

The following table summarizes United s financial assets that were measured at fair value on a nonrecurring basis as of December 31, 2015 and 2014:

(In thousands)		Fair Value at December 31, 2015 Using			
Description	Balance as of December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	YTD Losses
Assets					
Impaired Loans	$ 69,368	$ 0	$ 29,186	$ 40,182	$ 8,485
OREO	32,228	0	32,228	0	1,141

(In thousands)		Fair Value at December 31, 2014 Using			
Description	Balance as of December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	YTD Losses
Assets					
Impaired Loans	$ 46,369	$ 0	$ 8,518	$ 37,851	$ 7,349
OREO	38,778	0	38,778	0	3,307

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

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

Securities held to maturity and other securities: The estimated fair values of held to maturity are based on quoted market prices, where available. If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data. Any securities held to maturity not valued based upon the methods above are valued based on a discounted cash flow methodology using appropriately adjusted discount rates reflecting nonperformance and liquidity risks. Other securities consist mainly of shares of Federal Home Loan Bank and Federal Reserve Bank stock that do not have readily determinable fair values and are carried at cost.

Loans: The fair values of loans are estimated using discounted cash flow analyses, adjusted for estimated prepayments based on historical experience, using market interest rates currently being offered for loans with similar terms to borrowers of similar creditworthiness. The rates used take into account the position of an appropriate yield curve adjusted for a spread that considers credit risk and liquidity concerns.

Table of Contents

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

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

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

The estimated fair values of United s financial instruments are summarized below:

(In thousands)	Carrying Amount	Fair Value	Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2015					
Cash and cash equivalents	$ 857,335	$ 857,335	$ 0	$ 857,335	$ 0
Securities available for sale	1,066,334	1,066,334	3,532	1,028,116	34,686
Securities held to maturity	39,099	36,320	0	33,300	3,020
Other securities	98,749	93,811	0	0	93,811
Loans held for sale	10,681	10,681	0	10,681	0
Loans	9,308,354	9,289,463	0	0	9,289,463
Derivative financial assets	2,942	2,942	0	2,942	0
Deposits	9,341,527	9,332,451	0	9,332,451	0
Short-term borrowings	423,028	423,028	0	423,028	0
Long-term borrowings	1,015,249	988,270	0	988,270	0
Derivative financial liabilities	4,121	4,121	0	4,121	0
December 31, 2014					
Cash and cash equivalents	$ 753,064	$ 753,064	$ 0	$ 753,064	$ 0
Securities available for sale	1,180,386	1,180,386	2,502	1,138,326	39,558
Securities held to maturity	39,310	36,784	0	34,764	2,020
Other securities	96,344	91,527	0	0	91,527
Loans held for sale	8,680	8,680	0	8,680	0
Loans	9,029,123	9,055,281	0	0	9,055,281
Derivative financial assets	3,794	3,794	0	3,794	0
Deposits	9,045,485	9,044,976	0	9,044,976	0
Short-term borrowings	435,652	435,652	0	435,652	0
Long-term borrowings	1,105,314	1,081,133	0	1,081,133	0
Derivative financial liabilities	4,136	4,136	0	4,136	0

NOTE V VARIABLE INTEREST ENTITIES

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

Table of Contents

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

The trusts utilized in these transactions are variable interest entities (VIEs) as the third-party equity holders lack a controlling financial interest in the trusts through their inability to make decisions that have a significant effect on the operations and success of the entities. United does not consolidate these trusts as it is not the primary beneficiary of these entities because United s equity interest does not absorb the majority of the trusts expected losses or receive a majority of their expected residual returns. Information related to United s statutory trusts is presented in Note K, Notes to Consolidated Financial Statements.

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

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

	As of December 31, 2015			**As of December 31, 2014**		
(In thousands)	**Aggregate Assets**	**Aggregate Liabilities**	**Risk Of Loss (1)**	**Aggregate Assets**	**Aggregate Liabilities**	**Risk Of Loss (1)**
Trust preferred securities	$ 240,468	$ 232,492	$ 7,976	$ 241,147	$ 233,222	$ 7,925

(1) Represents investment in VIEs.

NOTE W QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data for 2015 and 2014 is summarized below (dollars in thousands, except for per share data):

(Dollars in thousands)	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
2015				
Interest income	$ 104,549	$ 105,532	$ 106,309	$ 107,240
Interest expense	9,800	9,630	9,991	10,085
Net interest income	94,749	95,902	96,318	97,155
Provision for credit losses	5,354	5,716	5,182	6,322
Mortgage banking income	545	663	665	634
Securities gains (losses), net	12	3	111	29
Other noninterest income	17,634	18,832	17,036	17,462
Noninterest expense	57,655	57,730	57,684	58,618
Income taxes	15,304	17,145	16,217	16,864
Net income (1)	34,627	34,809	35,047	33,476
Per share data:				
Average shares outstanding (000s):				
Basic	69,208	69,306	69,391	69,432
Diluted	69,477	69,587	69,690	69,737
Net income per share:				
Basic	$ 0.50	$ 0.50	$ 0.50	$ 0.48

Diluted	$	0.50	$	0.50	$	0.50	$	0.48
Dividends per share	$	0.32	$	0.32	$	0.32	$	0.33

Table of Contents

(Dollars in thousands)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2014				
Interest income	$ 95,164	$ 104,799	$ 106,857	$ 111,722
Interest expense	9,862	10,867	10,939	11,166
Net interest income	85,302	93,932	95,918	100,556
Provision for credit losses	4,679	6,201	4,748	6,309
Mortgage banking income	259	438	774	405
Securities losses, net	185	(420)	(3,405)	528
Other noninterest income	25,943	18,976	18,797	18,482
Noninterest expense	61,026	57,103	57,694	64,024
Income taxes	15,860	16,375	16,382	16,381
Net income (1)	30,124	33,247	33,260	33,257
Per share data:				
Average shares outstanding (000s):				
Basic	62,435	68,956	69,045	69,089
Diluted	62,707	69,154	69,269	69,355
Net income per share:				
Basic	$ 0.48	$ 0.48	$ 0.48	$ 0.48
Diluted	$ 0.48	$ 0.48	$ 0.48	$ 0.48
Dividends per share	$ 0.32	$ 0.32	$ 0.32	$ 0.32

(1) For further information, see the related discussion Quarterly Results included in Management s Discussion and Analysis.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

This item is omitted since it is not applicable.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

United Bankshares, Inc. (the Company) maintains controls and procedures designed to ensure that it is able to collect the information it is required to disclose in the reports it files with the SEC, and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of the Company s disclosure controls and procedures as of the end of the period covered by this report conducted by the Company s management, with the participation of the Chief Executive and Chief Financial Officer, the Chief Executive and Chief Financial Officer believe that these controls and procedures are effective to ensure that the Company is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods.

Management s Report on Internal Control over Financial Reporting

Management s Report on internal control over financial reporting and the audit report of Ernst & Young LLP, the Company s independent registered public accounting firm, on internal control over financial reporting is included on pages 67-68 of this report and are incorporated in this Item 9A by reference.

Changes In Internal Control Over Financial Reporting

There have not been any changes in the Company s internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

Item 9B. OTHER INFORMATION

United entered into an employment contract with Richard M. Adams, the Chairman of the Board of Directors and Chief Executive Officer of the Company effective February 28, 2011. The original term of Mr. Adams employment contract was for three years, with the provision that the contract could be extended annually for one (1) year to maintain a rolling three (3) year contract.

At the Compensation Committee (the Committee) meeting of the Company on February 29, 2016, the Committee approved the extension of the employment contract with Mr. Adams for an additional year until March 31, 2019.

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K, PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding directors and executive officers of the registrant including their reporting compliance under Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference from United s definitive proxy statement for the 2016 Annual Meeting of Shareholders under the caption Directors Whose Terms Expire in 2016 and Nominees for Directors under the heading PROPOSAL 1: ELECTION OF DIRECTORS , under the caption Section 16(a) Beneficial Ownership Reporting Compliance under the heading COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT and under the captions Executive Officers and Family Relationships under the heading GOVERNANCE OF THE COMPANY.

United has adopted a code of ethics for its Chief Executive Officer, Chief Financial Officer, Controller and persons performing similar functions of the registrant in accordance with Section 406 of the Sarbanes-Oxley Act of 2002. A copy of the code of ethics is posted on United s web site at www.ubsi-inc.com.

Information related to the registrant s audit committee and its financial expert in accordance with Section 407 of the Sarbanes-Oxley Act of 2002 is incorporated by reference from United s definitive proxy statement for the 2016 Annual Meeting of Shareholders under the captions The Audit Committee and the Audit Committee Financial Expert under the heading GOVERNANCE OF THE COMPANY.

Since the disclosure of the procedures in the definitive proxy statement for the 2015 Annual Meeting of Shareholders, United has not adopted any changes to the procedures by which shareholders may recommend nominees to United s Board of Directors as set forth in Article II, Section 5 of the Restated Bylaws of United.

Item 11. EXECUTIVE COMPENSATION

Information regarding executive compensation is incorporated by reference from United s definitive proxy statement for the 2016 Annual Meeting of Shareholders under the heading of EXECUTIVE COMPENSATION , under the heading COMPENSATION DISCUSSION AND ANALYSIS (CD&A) , and under the heading REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management and securities authorized under equity compensation plans is incorporated by reference from United s definitive proxy statement for the 2016 Annual Meeting of Shareholders under the caption Directors Whose Terms Expire in 2016 and Nominees for Directors under the heading PROPOSAL 1: ELECTION OF DIRECTORS and under the captions Beneficial Ownership of Directors and Named Executive Officers , Principal Shareholders of United and Related Shareholder Matters under the heading COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions is incorporated by reference from United s definitive proxy statement for the 2016 Annual Meeting of Shareholders under the captions of Related Party Transactions and Independence of Directors under the heading GOVERNANCE OF THE COMPANY.

Table of Contents

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding approval of audit and non-audit services by the Audit Committee as well as fees paid to auditors is incorporated by reference from United s definitive proxy statement for the 2016 Annual Meeting of Shareholders under the captions Pre-Approval Policies and Procedures and Independent Registered Public Accounting Firm Fees Information under the heading AUDIT COMMITTEE AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K, PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) List of Documents Filed as Part of This Report:

(1) Financial Statements

United s consolidated financial statements required in response to this Item are incorporated by reference from Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

United is not filing separate financial statement schedules because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits Required by Item 601

Listing of Exhibits See the Exhibits Index on page 135 of this Form 10-K.

(b) Exhibits The exhibits to this Form 10-K begin on page 140.

(c) Consolidated Financial Statement Schedules All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable or pertain to items as to which the required disclosures have been made elsewhere in the financial statements and notes thereto, and therefore have been omitted.

All reports filed electronically by United with the Securities and Exchange Commission (SEC), including the annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, as well as any amendments to those reports, are accessible at no cost on United s web site at www.ubsi-inc.com. These filings are also accessible on the SEC s web site at www.sec.gov.

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K

INDEX TO EXHIBITS

Description	S-K Item 601 Table Reference	Sequential Page Number
Agreement and Plan of Reorganization with		
Bank of Georgetown	(2)	(a)
Joint Waiver and Agreement		(b)
Articles of Incorporation and Bylaws:	(3)	
(a) Restated and Amended Articles of Incorporation		(c)
(b) Bylaws		(d)
Material Contracts	(10)	
(a) Fourth Amended Employment Agreement for Richard M. Adams		(e)
(b) Third Amended Employment Agreement for Richard M. Adams		(f)
(c) Second Amended and Restated Supplemental Retirement Agreement for Richard M. Adams		(g)
(d) First Amendment to Second Amended and Restated Supplemental Retirement Agreement for Richard M. Adams		(h)
(e) Amended and Restated Change of Control Agreement for Richard M. Adams, Jr. and James J. Consagra, Jr.		(i)
(f) Form of the Amendment and First Restatement of the United Bankshares, Inc. Supplemental Executive Retirement Agreement (Tier 1 SERP) for Steven E. Wilson, James B. Hayhurst, Jr., and Joe L. Wilson		(j)
(g) Form of the First Amendment to Second Amendment and First Restatement of the United Bankshares, Inc. Supplemental Executive Retirement Agreement (Tier 1 SERP) for Steven E. Wilson, James B. Hayhurst, Jr., and Joe L. Wilson		(k)
(h) Form of the Amendment and First Restatement of the United Bankshares, Inc. Supplemental Executive		(l)

Retirement Agreement (Tier 2 SERP) for Richard M. Adams, Jr., Executive Vice-President and James J. Consagra, Jr., Executive Vice-President

(i) Employment Agreement with J. Paul McNamara (m)

135

Table of Contents

Description	S-K Item 601 Table Reference	Sequential Page Number
(j) Amendment and Restated Supplemental Executive Retirement Agreement: The Marathon Bank for Donald L. Unger		(n)
(k) Amended and Restated Deferred Compensation Agreement for Donald L. Unger		(o)
(l) First Amendment to Life Insurance Endorsement Split Dollar Plan Management Agreement: The Marathon Bank for Donald L. Unger		(p)
(m) Supplemental Executive Retirement Agreement for Craige Smith		(q)
(n) Supplemental Executive Retirement Agreement for Mark Tatterson		(r)
(o) Form of Independent Contractor Agreement with Peter A. Converse		(s)
(p) Second Amended and Restated United Bankshares, Inc. Non-Qualified Retirement and Savings Plan		(t)
(q) Amended and Restated United Bankshares, Inc. Management Stock Bonus Plan.		(u)
(r) United Bankshares, Inc., United Bank, Inc. and United Bank Deferred Compensation Plan for Directors		(v)
(s) United Bankshares, Inc., United Bank, Inc. and United Bank Rabbi Trust Agreement for Deferred Compensation Plan for Directors		(w)
(t) United Bankshares, Inc. 2011 Long-term Incentive Plan		(x)
(u) Form of Independent Contractor Agreement with James B. Hayhurst, Jr.		(y)
(v) Form of Independent Contractor Agreement with Steven E. Wilson		(z)
Statement Re: Computation of Ratios	(12)	Filed herewith
Subsidiaries of the Registrant	(21)	Filed herewith
Consent of Ernst & Young LLP	(23)	Filed herewith
Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer	(31.1)	Filed herewith

Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer	(31.2)	Filed herewith

136

Table of Contents

Description		S-K Item 601 Table Reference	Sequential Page Number
Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer	*	(32.1)	Filed herewith
Certification Pursuant to 18 U.S.C. Section1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer	*	(32.2)	Filed herewith
Interactive data file (XBRL)		(101)	(aa)

Footnotes

* Furnished not filed.

(a) Incorporated into this filing by reference to Exhibit 2.1 to the Form 8-K dated and filed November 9, 2015 for United Bankshares, Inc., File No. 0-13322.

(b) Incorporated into this filing by reference to Exhibit 10.2 to the Form 8-K dated November 29, 2013 and filed November 29, 2013 for United Bankshares, Inc., File No. 0-13322.

(c) Incorporated into this filing by reference to Exhibit 3.1 to the Form 8-K dated December 23, 2008 and filed December 31, 2008 for United Bankshares, Inc., File No. 0-13322.

(d) Incorporated into this filing by reference to Exhibit 3.2 to the Form 8-K dated January 25, 2010 and filed January 29, 2010 for United Bankshares, Inc., File No. 0-13322.

(e) Incorporated into this filing by reference to Exhibit 10.5 to the 2011 Form 10-K dated February 28, 2012 and filed February 29, 2012 for United Bankshares, Inc., File No. 0-13322.

(f) Incorporated into this filing by reference to Exhibit 10.1 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(g) Incorporated into this filing by reference to Exhibit 10.4 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(h) Incorporated into this filing by reference to Exhibit 10.6 to the 2011 Form 10-K dated February 28, 2012 and filed February 29, 2012 for United Bankshares, Inc., File No. 0-13322.

(i) Incorporated into this filing by reference to Exhibit 10.9 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(j) Incorporated into this filing by reference to Exhibit 10.5 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(k) Incorporated into this filing by reference to Exhibit 10.7 to the 2011 Form 10-K dated February 28, 2012 and filed February 29, 2012 for United Bankshares, Inc., File No. 0-13322.

(l) Incorporated into this filing by reference to Exhibit 10.6 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(m) Incorporated into this filing by reference to Exhibit 10.1 to Form S-4 Registration Statement of United Bankshares, Inc., Registration No. 33-106890 filed July 9, 2003.

(n) Incorporated into this filing by reference to Exhibit 10.7 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

Table of Contents

(o) Incorporated into this filing by reference to Exhibit 10.8 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(p) Incorporated into this filing by reference to Exhibit 10.11 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(q) Incorporated into this filing by reference to Exhibit 10.1 to the 2013 Form 10-K dated and filed on March 3, 2014 for United Bankshares, Inc., File No. 0-13322.

(r) Incorporated into this filing by reference to Exhibit 10.2 to the 2013 Form 10-K dated and filed on March 3, 2014 for United Bankshares, Inc., File No. 0-13322.

(s) Incorporated into this filing by reference to Exhibit 10.2 to the Form 8-K dated January 31, 2014 and filed February 3, 2014 for United Bankshares, Inc., File No. 0-13322.

(t) Incorporated into this filing by reference to Exhibit 10.3 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(u) Incorporated into this filing by reference to Exhibit 10.10 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(v) Incorporated into this filing by reference to Exhibit 10.12 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(w) Incorporated into this filing by reference to Exhibit 10.13 to the Form 8-K dated November 24, 2008 and filed November 26, 2008 for United Bankshares, Inc., File No. 0-13322.

(x) Incorporated into this filing by reference to Exhibit A to 2011 Proxy Statement dated April 8, 2011 and filed April 8, 2011 for United Bankshares, Inc., File No. 0-13322.

(y) Incorporated into this filing by reference to Exhibit 10.1 to the Form 8-K dated April 30, 2014 and filed May 2, 2014 for United Bankshares, Inc., File No. 0-13322.

(z) Incorporated into this filing by reference to Exhibit 10.1 to the Form 8-K dated December 31, 2014 and filed January 7, 2015 for United Bankshares, Inc., File No. 0-13322.

(aa) Exhibit not provided herein. The interactive data file (XBRL) exhibit is available through United s corporate website at www.ubsi-inc.com.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED BANKSHARES, INC.

(Registrant)

/s/ Richard M. Adams

Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Richard M. Adams	Chairman of the Board, Director, and Chief Executive Officer	February 29, 2016
/s/ W.Mark Tatterson	Chief Financial Officer Chief Accounting Officer	February 29, 2016
/s/ Theodore J. Georgelas	Director	February 29, 2016
/s/ Mark R. Nesselroad	Director	February 29, 2016
/s/ John M. McMahon	Director	February 29, 2016
/s/ Lawrence K. Doll	Director	February 29, 2016
/s/ Mary K. Weddle	Director	February 29, 2016
/s/ Peter A. Converse	Director	February 29, 2016
/s/ Robert G. Astorg	Director	February 29, 2016
/s/ J. Paul McNamara	Director	February 29, 2016
/s/ W. Douglas Fisher	Director	February 29, 2016
/s/ Gary G. White	Director	February 29, 2016
/s/ P. Clinton Winter, Jr.	Director	February 29, 2016