



# **United Bankshares, Inc.**

## **Second Quarter 2019 Earnings Review**

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**July 25, 2019**

# Forward-Looking Statements

This presentation and statements made by United Bankshares, Inc. (“United”) and its management may contain statements that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts and often use the words “projects”, “targets”, “intends”, “plans”, “believes,” “expects,” “anticipates” or similar expressions or future or conditional verbs such as “will”, “may”, “might”, “should”, “would” and “could”. These forward-looking statements involve certain risks and uncertainties. You should not place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no obligation to update or revise any forward-looking statements that are made from time to time. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: competitive pressures among depository institutions increase significantly; changes in interest rate environment may adversely affect net interest income; gain on sale margins; loan accretion; prepayment speeds, loan sale volumes, charge-offs and loan loss provisions; general economic conditions, either national or in the states in which United does business, are less favorable than expected; changes in the securities markets; continued diversification of assets and adverse changes to credit quality; any economic slowdown that could adversely affect credit quality and loan originations.

The foregoing list of factors is not exhaustive. For discussion of these and other factors that may cause actual results to differ from expectations, look under the caption “Risk Factors” of United’s Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC.

# 2Q19 HIGHLIGHTS



- Achieved record Net Income of \$67.2 million and Diluted Earnings Per Share of \$0.66
- Generated Return on Average Assets of 1.38%, Return on Average Equity of 8.12%, and Return on Average Tangible Equity\* of 14.90%
- Outperformed peer ROAA and ROATE
- Quarterly dividend of \$0.34 per share equates to a yield of 3.7% based upon recent stock price
- Strong expense control with an efficiency ratio of 52.6%
- Asset quality and capital position remain sound
- Repurchased 166,600 shares of common stock during Q2

\*Non GAAP measure. Refer to appendix.

# EARNINGS SUMMARY

In thousands, except per share data

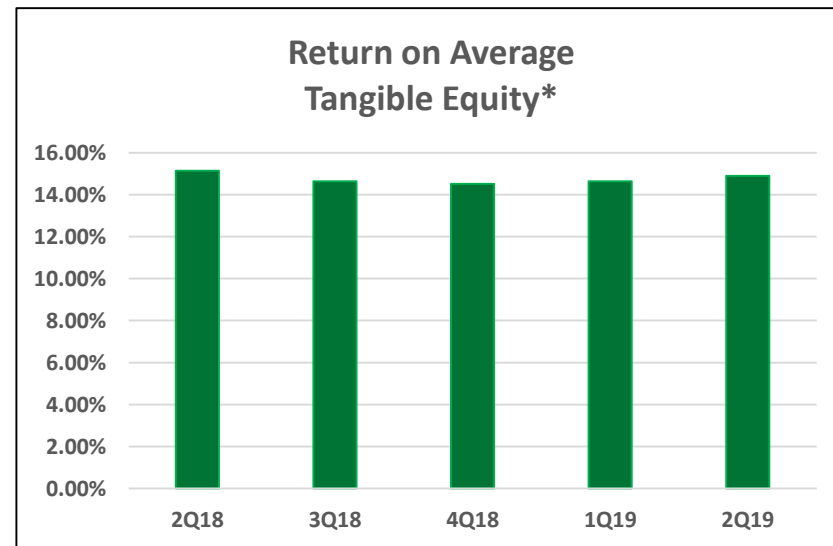
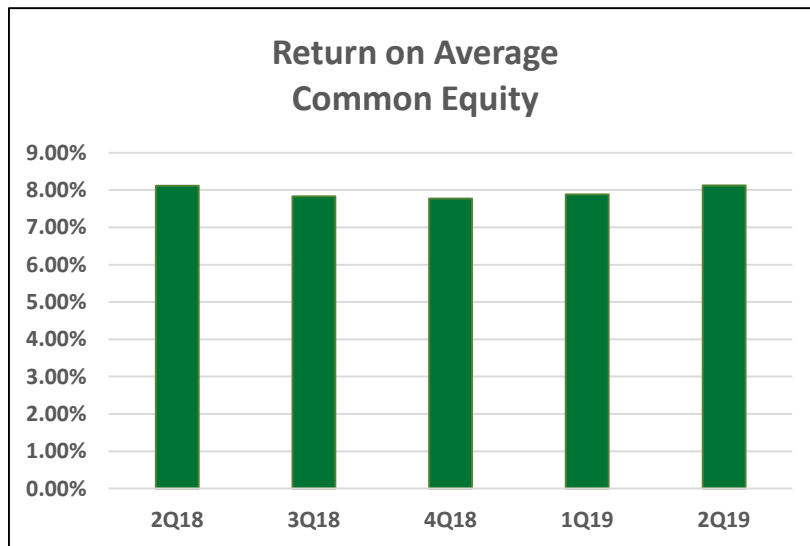
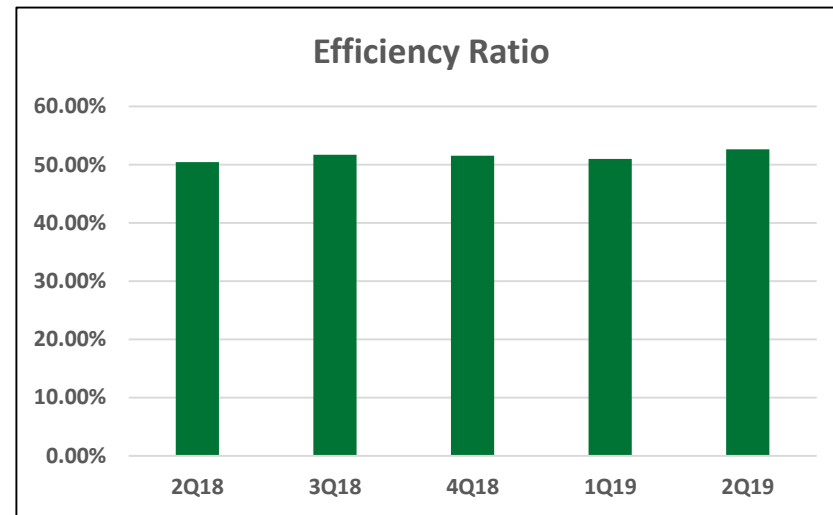
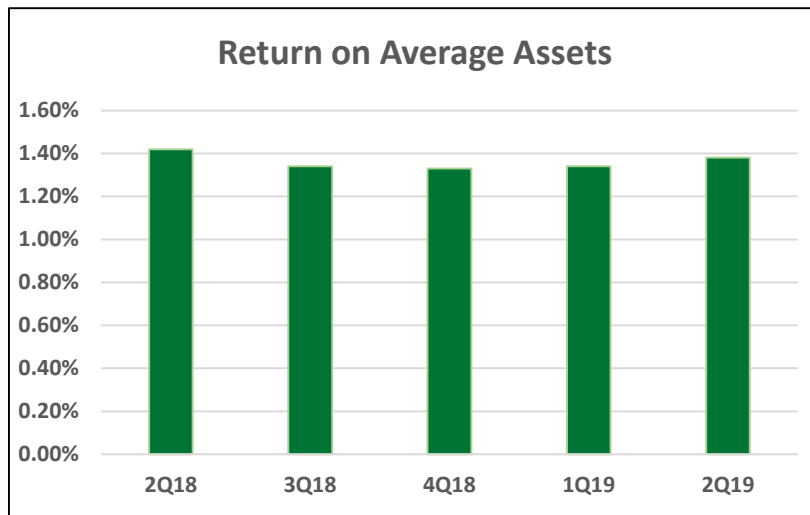
	Three Months Ended		
	2Q19	1Q19	2Q18
<b>Interest &amp; Fees Income</b>	\$ 199,245	\$ 189,097	\$ 178,000
<b><u>Interest Expense</u></b>	\$ 48,692	\$ 44,929	\$ 28,878
<b>Net Interest Income</b>	\$ 150,553	\$ 144,168	\$ 149,122
<b>Provision for Loan Losses</b>	\$ 5,417	\$ 4,996	\$ 6,204
<b>Noninterest Income</b>	\$ 39,795	\$ 31,223	\$ 36,007
<b><u>Noninterest Expense</u></b>	\$ 100,195	\$ 89,425	\$ 93,410
<b>Income Before Income Taxes</b>	\$ 84,736	\$ 80,970	\$ 85,515
<b><u>Income Taxes</u></b>	\$ 17,529	\$ 17,328	\$ 19,241
<b>Net Income</b>	\$ 67,207	\$ 63,642	\$ 66,274
<b>Diluted EPS</b>	\$0.66	\$0.62	\$0.63
<b>Weighted Average Diluted Shares</b>	102,048	102,163	104,953

## Linked Quarter (LQ)

- Net Income was \$67.2 million in 2Q19 compared to \$63.6 million in 1Q19.
- Diluted EPS were \$0.66 in 2Q19 compared to \$0.62 in 1Q19.
- Net Interest Income increased \$6.4 million compared to 1Q19 due primarily to an increase of \$6.0 million in loan accretion on acquired loans.
- Provision expense increased \$421 thousand and asset quality remained sound. Net charge-offs were 0.17% of loans.
- Non Interest Income increased \$8.6 million due primarily to a seasonal increase in mortgage banking revenues.
- Non Interest Expense increased \$10.8 million due primarily to higher commissions expense related to the increase in mortgage banking activity, and prepayment penalties related to the early termination of long-term Federal Home Loan Bank advances (\$5.1 million).

# PERFORMANCE RATIOS

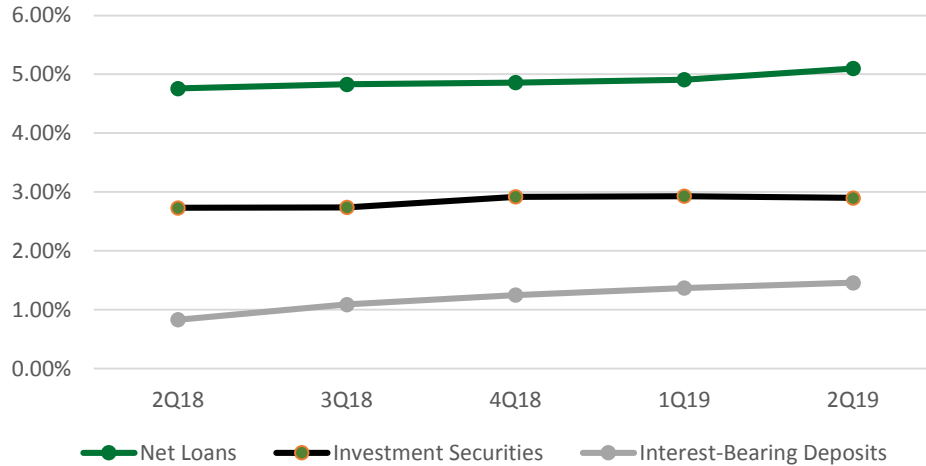
Strong and consistent profitability and expense control.



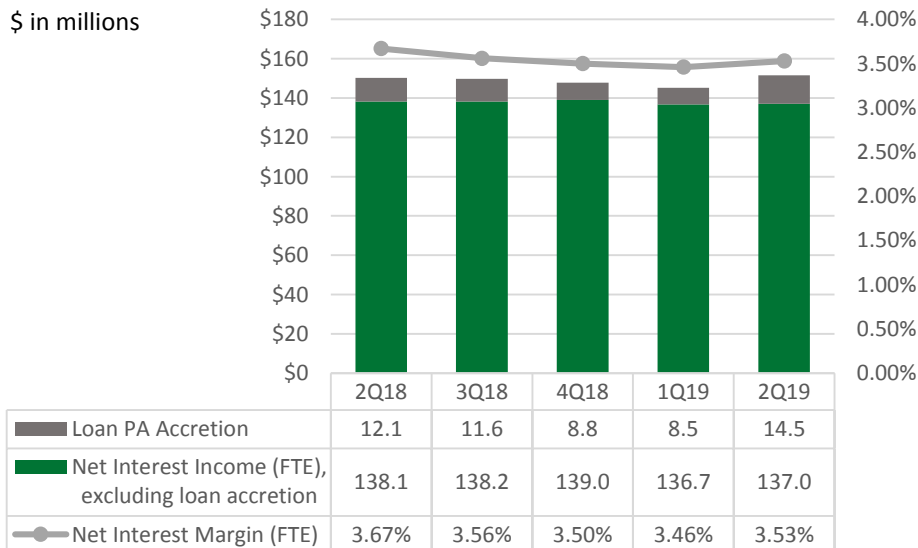
\*Non GAAP measure. Refer to appendix.

# NET INTEREST INCOME AND MARGIN

## Average Yields



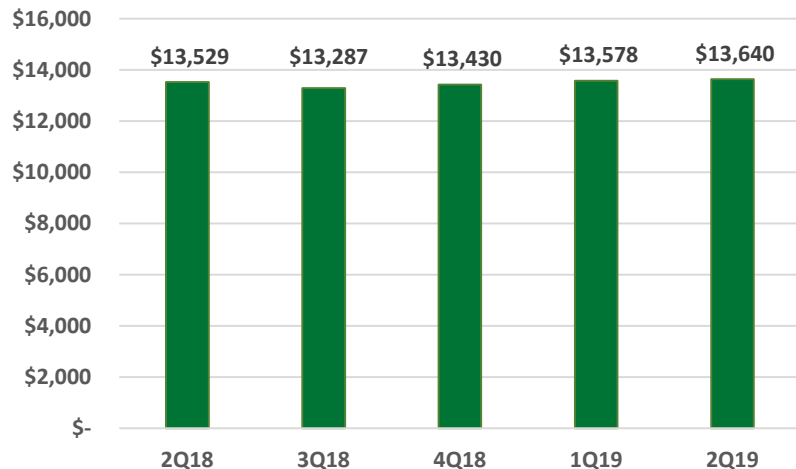
## Net Interest Income & Net Interest Margin



- Reported Net Interest Margin increased from 3.46% to 3.53% LQ.
- Linked quarter Net Interest Margin increase was primarily due to an increase in purchase accounting loan accretion of \$6 million.
- 2Q19 Net Interest Income, excluding purchase accounting loan accretion, was basically flat from 1Q19 due to the lower rate environment.
- Scheduled loan accretion for the remainder of FY 2019 is estimated at \$9 million, with scheduled accretion for FY 2020 of \$16 million.

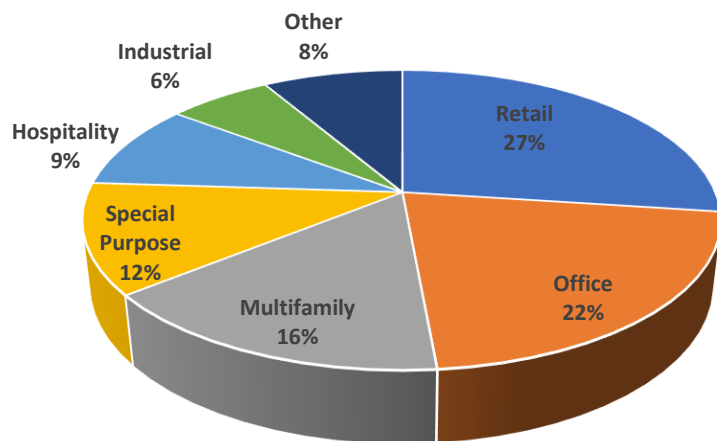
# LOAN SUMMARY (excludes Loans Held for Sale)

Loans, EOP



\$ in millions

Non Owner Occupied CRE

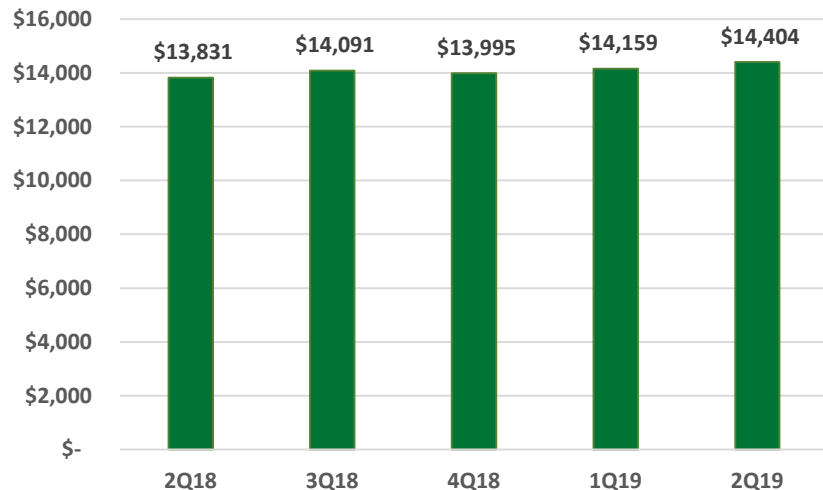


	2Q19	% of Total	LQ Change
Owner Occupied CRE	\$ 1,240	9.1%	\$ (35)
Non Owner Occupied CRE	\$ 4,194	30.7%	\$ (73)
Commercial	\$ 2,022	14.8%	\$ 26
Residential Real Estate	\$ 3,674	26.9%	\$ 124
Construction & Land Dev.	\$ 1,464	10.7%	\$ (23)
Bankcard	\$ 9	0.1%	\$ 0
<u>Consumer</u>	<u>\$ 1,037</u>	<u>7.6%</u>	<u>\$ 43</u>
<b>Total Gross Loans</b>	<b>\$ 13,640</b>	<b>100.0%</b>	<b>\$ 62</b>

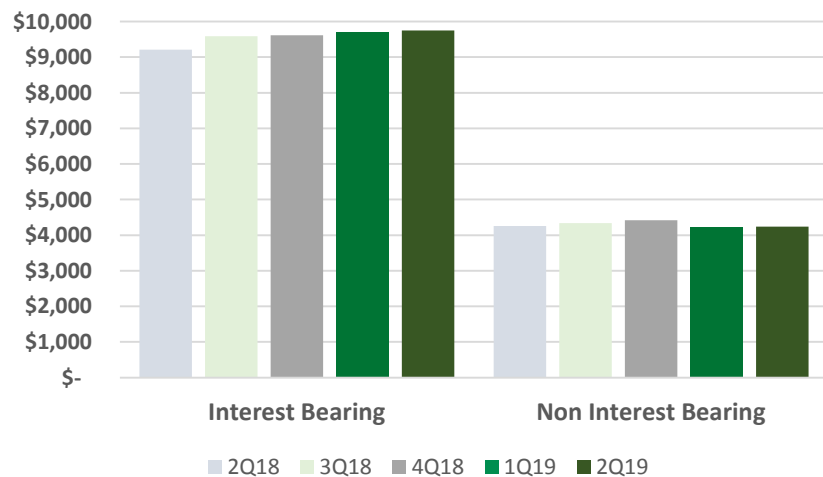
- LQ loan growth of 1.8% (annualized) led by Residential Real Estate, Consumer, and C&I loans.
- 2Q19 average loans increased 3.3% (annualized) compared to 1Q19.
- Non Owner Occupied CRE to Total Risk Based Capital was 262% at 2Q19.
- CRE portfolio continues to perform exceptionally well and remains diversified among underlying collateral types.

# DEPOSIT SUMMARY

Deposits, EOP



Average Deposits



\$ in millions

	2Q19	% of Total	LQ Change
Interest Bearing	\$ 10,073	69.9%	\$ 285
Non Interest Bearing	\$ 4,331	30.1%	\$ (40)
<b>Total Deposits</b>	<b>\$ 14,404</b>	<b>100.0%</b>	<b>\$ 245</b>

- Strong core deposit base with 30% of deposits in Non Interest Bearing accounts.
- LQ deposit growth of \$245 million driven by customer money markets, customer CD accounts, and brokered deposits.
- Enviable deposit franchise with an attractive mix of both high growth MSA's and stable, rural markets where United has a dominant market share position.
- #8 deposit market share position in the Washington D.C. MSA.
- #2 deposit market share position in the state of West Virginia.
- Since December of 2015, Interest Bearing Deposit Beta of approximately 46% and Total Deposit Beta of approximately 31%.

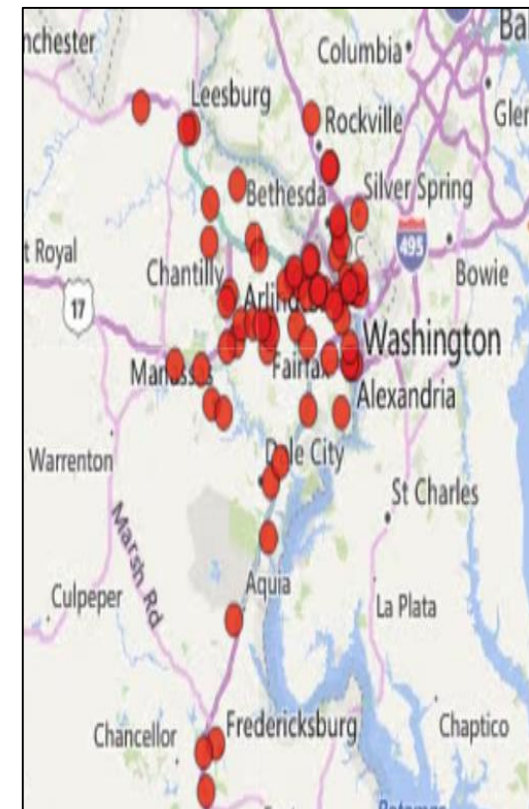


# ENHANCING FRANCHISE VALUE

## Deposit Market Share: Washington D.C. MSA

2013		
Institution	Deposits	Market Share
1 Wells Fargo & Co.	23,769,182	15.48%
2 Capital One Financial Corp.	22,128,708	14.41%
3 Bank of America Corp.	21,404,120	13.94%
4 SunTrust Banks Inc.	16,632,165	10.83%
5 BB&T Corp.	13,255,025	8.63%
6 PNC Financial Services Group	10,610,508	6.91%
7 Citigroup Inc.	6,617,764	4.31%
8 M&T Bank Corp.	4,062,737	2.65%
9 HSBC Holdings	3,270,777	2.13%
10 Eagle Bancorp Inc.	2,904,390	1.89%
11 Toronto-Dominion Bank	2,283,250	1.49%
12 Sandy Spring Bancorp Inc.	2,277,639	1.48%
13 Burke & Herbert Bank & Trust	2,204,402	1.44%
14 Virginia Commerce Bancorp Inc.	2,192,719	1.43%
<b>15 United Bankshares Inc.</b>	<b>2,133,969</b>	<b>1.39%</b>
16 Cardinal Financial Corp.	2,130,662	1.39%
17 WashingtonFirst Bankshares Inc.	970,001	0.63%
18 Middleburg Financial Corp.	922,039	0.60%
19 Old Line Bancshares Inc.	794,410	0.52%
20 Bank of Georgetown	772,085	0.50%
<b>Total For Institutions In Market</b>	<b>153,555,103</b>	

2018		
Institution	Deposits	Market Share
1 Bank of America Corp.	36,020,840	17.27%
2 Capital One Financial Corp.	32,472,108	15.57%
3 Wells Fargo & Co.	29,004,206	13.91%
4 Suntrust Banks Inc.	18,971,412	9.10%
5 BB&T Corp.	14,122,069	6.77%
6 PNC Financial Services Group	13,829,853	6.63%
7 Citigroup Inc.	8,831,000	4.23%
<b>8 United Bankshares Inc.</b>	<b>8,491,143</b>	<b>4.07%</b>
9 Eagle Bancorp Inc.	6,344,313	3.04%
10 Sandy Spring Bancorp Inc.	4,864,852	2.33%
11 M&T Bank Corp.	4,362,246	2.09%
12 Toronto-Dominion Bank	3,950,139	1.89%
13 HSBC Holdings	3,459,642	1.66%
14 Burke & Herbert Bank & Trust	2,329,599	1.12%
15 Access National Corp.	2,087,972	1.00%
16 Union Bankshares Corp.	1,836,408	0.88%
17 Revere Bank	1,523,792	0.73%
18 Old Line Bancshares Inc.	1,321,437	0.63%
19 FVCBankcorp Inc.	1,132,732	0.54%
20 Amalgamated Bank	978,551	0.47%
<b>Total For Institutions In Market</b>	<b>208,557,554</b>	



Source: SNL Financial

- Since 2014, United has completed 3 acquisitions in the Washington D.C. MSA, significantly increasing franchise value (Cardinal, Bank of Georgetown, & Virginia Commerce).
- United has increased deposit market share in the Washington D.C. MSA from #15 in 2013 to #8 in 2018, with total deposits increasing from \$2.1 billion to \$8.5 billion. During this time period, the Washington D.C. MSA has grown from \$154 billion in total market deposits to \$209 billion.

# STRONG DEPOSIT MARKET SHARE IN WV



	<u>6/30/2018</u>
1. BB&T Corp.	15.81%
2. United Bankshares, Inc.	13.31%
3. WesBanco, Inc.	9.17%
4. City Holding Company	7.56%
5. Huntington Bancshares Inc.	5.79%
6. JPMorgan Chase & Co.	5.64%
7. Summit Financial Group, Inc.	3.68%
8. MVB Financial Corp.	3.16%
9. First Community Bancshares Inc.	2.88%
10. Premier Financial Bancorp Inc.	2.59%

- With total deposits of \$4.4 billion in WV, United ranks #2 in deposit market share (second only to BB&T).
- United ranks #1 or #2 in deposit market share within its top 5 largest markets in the state of West Virginia. The five markets include Charleston, Morgantown, Parkersburg, Wheeling, and Beckley, WV.

# CREDIT QUALITY

	End of Period Balances	
(000s)	3/31/19	6/30/19
Non Accrual Loans	\$63,402	\$71,123
90-Day Past Due Loans	\$15,572	\$12,729
<u>Restructured Loans</u>	<u>\$56,778</u>	<u>\$58,750</u>
Total Non Performing Loans	\$135,752	\$142,602
<u>Other Real Estate Owned</u>	<u>\$17,465</u>	<u>\$14,469</u>
Total Non Performing Assets	\$153,217	\$157,071
Non Performing Loans / Loans	1.00%	1.05%
Non Performing Assets / Total Assets	0.78%	0.79%
Net Charge-offs / Average Loans	0.14%	0.17%

- Non Performing Assets (NPAs) increased modestly by \$3.9 million LQ, while decreasing \$(2.6) million YTD.
- Credit quality remains solid and is expected to be stable in 2019.

# CAPITAL RATIOS & PER SHARE DATA

	End of Period Ratios / Values	
	3/31/19	6/30/19**
Common Equity Tier 1 Ratio	12.0%	12.2%
Tier 1 Capital Ratio	12.0%	12.2%
Total Risk Based Capital Ratio	14.2%	14.3%
Leverage Ratio	10.2%	10.2%
Total Equity to Total Assets	16.7%	16.8%
*Tangible Equity to Tangible Assets (non GAAP)	9.8%	9.9%
Book Value Per Share	\$32.19	\$32.70
*Tangible Book Value Per Share (non GAAP)	\$17.37	\$17.87

\*Non GAAP measure. Refer to appendix. \*\*Regulatory ratios are estimates as of the earnings release date.

- Capital ratios remain significantly above regulatory “Well Capitalized” levels and exceed all internal capital targets.
- During the second quarter, United repurchased 166,600 shares of common stock, with 1,961,400 shares available to be repurchased under the approved plan as of June 30, 2019.

# GEORGE MASON MORTGAGE

	GMM	
(000s)	1Q19	2Q19
Applications	\$866,000	\$1,278,000
Loans Originated	\$454,588	\$801,926
Loans Sold	\$457,192	\$680,986
Purchase Money %	86%	81%
Realized Gain on Sale Margin	3.07%	2.89%
Locked Pipeline (EOP)	223,657	305,843
Total Income	\$16,161	\$23,612
Total Expense	\$14,842	\$18,771
Income Before Tax	\$1,319	\$4,841
Net Income After Tax	\$1,037	\$3,837



## GEORGE MASON MORTGAGE, LLC

*A Subsidiary of United Bank*

- George Mason Mortgage is the #1 purchase money lender in the Washington D.C. MSA.
- Better positioned for profitability going forward due to implementation of expense reduction initiatives and continued focus on gain on sale margins.
- GMM gain on sale revenue and business unit profitability will depend upon future production mix (in-house vs. secondary) and general market conditions.
- The impact from ASC 815 (formerly SAB 109) on a pretax basis was \$2.0 million in 1Q19 and \$3.8 million in 2Q19.

# 2019 OUTLOOK

The outlook below reflects a continuation of the current economic climate and interest rate environment. Our outlook may change if the expectations for these items vary from current expectations.

- **Loans & Deposits:** Annual loan and deposit growth rates expected in the low to mid single digits for 2019.
- **Net Interest Margin / Net Interest Income:** Slightly declining core NIM (excluding purchase accounting loan accretion / compared to 2Q19 net interest margin).
- **Asset Quality:** Stable asset quality metrics.
- **Non Interest Income:** 2019 NII growth, excluding George Mason Mortgage Company, gain on sale of premises, and gain / loss on investments, is estimated in the low single digits (compared to FY 2018).
- **Non Interest Expense:** 2019 NIE growth, excluding George Mason Mortgage Company, is estimated in the low single digits (compared to FY 2018).
- **Tax Rate:** 2019 Tax Rate estimated at approximately 21%.

# UBSI INVESTMENT THESIS

- **Excellent franchise with long-term growth prospects**
- **Current income opportunity with a dividend yield of 3.7% (based upon recent prices)**
- **High-performance bank with a low-risk profile**
- **Experienced management team with a proven track record of execution**
- **High level of insider ownership**
- **45 consecutive years of dividend increases evidences United's strong profitability, solid asset quality, and sound capital management over a very long period of time**
- **Attractive valuation with a current Price-to-Earnings Ratio of 14.6x (based upon median 2019 street consensus estimate of \$2.53, per Bloomberg)**



# **THE CHALLENGE TO BE THE BEST NEVER ENDS**

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# Reconciliation of non-GAAP Items

(dollars in thousands)	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019
(1) Return on Average Tangible Equity					
(A) Net Income (GAAP)	\$66,274	\$64,412	\$63,950	\$63,642	\$67,207
(B) Number of Days in the Quarter	91	92	92	90	91
Average Total Shareholders' Equity (GAAP)	\$3,276,099	\$3,262,949	\$3,263,357	\$3,276,822	\$3,320,987
Less: Average Total Intangibles	<u>(1,520,253)</u>	<u>(1,518,119)</u>	<u>(1,516,003)</u>	<u>(1,514,168)</u>	<u>(1,512,400)</u>
(C) Average Tangible Equity (non-GAAP)	\$1,755,846	\$1,744,830	\$1,747,354	\$1,762,654	\$1,808,587
Formula: $\frac{[(A) / (B)] * 365}{(C)}$					
Return on Average Tangible Equity (non-GAAP)	15.14%	14.65%	14.52%	14.64%	14.90%

July 2019

# Reconciliation of non-GAAP Items (cont.)

(dollars in thousands)

	3/31/2019	6/30/2019
<b>(2) Tangible Equity to Tangible Assets</b>		
Total Assets (GAAP)	\$ 19,645,133	\$ 19,882,539
Less: Total Intangibles (GAAP)	<u>(1,513,207)</u>	<u>(1,511,453)</u>
Tangible Assets (non-GAAP)	\$ 18,131,926	\$ 18,371,086
Total Shareholders' Equity (GAAP)	\$ 3,286,891	\$ 3,333,858
Less: Total Intangibles (GAAP)	<u>(1,513,207)</u>	<u>(1,511,453)</u>
Tangible Equity (non-GAAP)	\$ 1,773,684	\$ 1,822,405
Tangible Equity to Tangible Assets (non-GAAP)	9.8%	9.9%
<b>(3) Tangible Book Value Per Share:</b>		
Total Shareholders' Equity (GAAP)	\$ 3,286,891	\$ 3,333,858
Less: Total Intangibles (GAAP)	<u>(1,513,207)</u>	<u>(1,511,453)</u>
Tangible Equity (non-GAAP)	\$ 1,773,684	\$ 1,822,405
÷ EOP Shares Outstanding (Net of Treasury Stock)	102,118,029	101,963,030
Tangible Book Value Per Share (non-GAAP)	\$17.37	\$17.87

July 2019