

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended **December 31, 2020**

OR

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

For the transition period from _____ to _____

Commission File Number: **002-86947**

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

West Virginia

(State or other jurisdiction of
incorporation or organization)

55-0641179

(I.R.S. Employer
Identification No.)

**300 United Center
500 Virginia Street , East
Charleston, West Virginia**

(Address of principal executive offices)

25301

(Zip Code)

Registrant's telephone number, including area code: **(304) 424-8716**

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$2.50 per share	UBSI	NASDAQ Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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

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

UNITED BANKSHARES, INC.
FORM 10-K
(Continued)

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of United Bankshares, Inc. common stock, representing all of its voting stock that was held by non-affiliates on June 30, 2020, was approximately **\$3,433,844,255**.

As of January 31, 2021, United Bankshares, Inc. had **128,975,142** shares of common stock outstanding with a par value of **\$2.50**.

Documents Incorporated By Reference

Certain specifically designated portions of the Definitive Proxy Statement for the United Bankshares, Inc. 2021 Annual Shareholders’ Meeting to be held on May 12, 2021 are incorporated by reference in Part III of this Form 10-K.

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(Continued)

As of the date of filing this Annual report, neither the annual shareholders' report for the year ended December 31, 2020, nor the proxy statement for the annual United shareholders' meeting has been mailed to shareholders.

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**UNITED BANKSHARES, INC.
FORM 10-K, PART I**

Item 1. BUSINESS

Organizational History and Subsidiaries

United Bankshares, Inc. (“United,” “we,” “us,” “our,” or the “Company”) is a West Virginia corporation registered as a financial holding company pursuant to the Bank Holding Company Act of 1956, as amended. United was incorporated on March 26, 1982, organized on September 9, 1982, and began conducting business on May 1, 1984 with the acquisition of three wholly-owned subsidiaries. Since its formation in 1982, United has acquired thirty-two banking institutions. United has one banking subsidiary “doing business” under the name of United Bank, operating under the laws of Virginia. United Bank offers a full range of commercial and retail banking services and products. United also owns nonbank subsidiaries which engage in other community banking services such as asset management, real property title insurance, financial planning, mortgage banking, and brokerage services.

Web Site Address

United’s web site address is “www.ubsi-inc.com”. United makes available free of charge on its web site the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments thereto, as soon as reasonably practicable after United files such reports with the Securities and Exchange Commission (“SEC”). The reference to United’s web site does not constitute incorporation by reference of the information contained in the web site and should not be considered part of this document. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Business of United

As a financial holding company, United’s present businesses are community banking and mortgage banking. As of December 31, 2020, United’s consolidated assets approximated \$26.2 billion and total shareholders’ equity approximated \$4.3 billion.

United is permitted to acquire other banks and bank holding companies, as well as thrift institutions. United is also permitted to engage in certain non-banking activities which are closely related to banking under the provisions of the Bank Holding Company Act and the Federal Reserve Board’s Regulation Y. Management continues to consider such opportunities as they arise, and in this regard, management from time to time makes inquiries, proposals, or expressions of interest as to potential opportunities, although no agreements or understandings to acquire other banks or bank holding companies or non-banking subsidiaries or to engage in other nonbanking activities, other than those identified herein, presently exist.

On May 1, 2020, United completed its acquisition of Carolina Financial Corporation (“Carolina Financial”), the parent company of CresCom Bank (“CresCom”) with \$5.0 billion in assets, headquartered in Charleston, South Carolina. The acquisition of Carolina Financial broadened United’s footprint in the Southeast region with some of the most desirable banking markets in the nation. See Note B—Notes to Consolidated Financial Statements for a discussion of United’s merger with Carolina Financial. Prior to Carolina Financial, United more than doubled its size through three acquisitions in less than three and a half years. In January 2014, United closed its acquisition of Virginia Commerce Bancorp, Inc., followed by the November 2015 announcement of the Bank of Georgetown transaction which closed June 2016. In August 2016, United announced the Cardinal Financial Corporation acquisition which closed April 2017.

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Business of Subsidiaries

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

United Bank maintains a trust department which acts as trustee under wills, trusts and pension and profit sharing plans, as executor and administrator of estates, and as guardian for estates of minors and incompetents, and in addition performs a variety of investment and security services. United Bank provides services to its correspondent banks such as the buying and selling of federal funds.

George Mason Mortgage, LLC (“George Mason”), a wholly-owned subsidiary of United Bank, is engaged in the operation of a general mortgage and agency business, including the origination and acquisition of residential real estate loans for resale and generally the activities commonly conducted by a mortgage banking company. Residential real estate loans are sold without the servicing rights retained. These loans are for single-family, owner-occupied residences with either adjustable or fixed rate terms, with a variety of maturities tailored to effectively serve its markets.

Crescent Mortgage Company (“Crescent”), a wholly-owned subsidiary of United Bank, is primarily a correspondent/wholesale mortgage company approved to originate loans in 48 states partnering with community banks, credit unions and mortgage brokers. Much like George Mason, Crescent is also engaged in the operation of a general mortgage and agency business, including the origination and acquisition of residential real estate loans for resale and the activities commonly conducted by a mortgage banking company. However, depending on the pricing of residential real estate loans sold, Crescent may retain the servicing rights. In addition, at certain times, Crescent may purchase rights to service mortgage loans from third parties.

United Brokerage Services, Inc., a wholly-owned subsidiary of United Bank, is a fully-disclosed broker/dealer and a Registered Investment Advisor with the Financial Industry Regulatory Authority (“FINRA”), the Securities and Exchange Commission, and a member of the Securities Investor Protection Corporation. United Brokerage Services, Inc. offers a wide range of investment products as well as comprehensive financial planning and asset management services to the general public.

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

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

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

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Lending Activities

United's loan and lease portfolio, net of unearned income, increased \$3.9 billion or 28.29% in 2020 due mainly to the acquisition of Carolina Financial and the Payment Protection Program ("PPP") loans. The loan and lease portfolio is mainly comprised of commercial, real estate and consumer loans including credit card and home equity loans. Commercial, financial and agricultural loans and leases increased \$3.2 billion or 43.50% as commercial real estate loans increased \$1.5 billion or 28.50% and commercial loans and leases (not secured by real estate) increased \$1.8 billion or 77.43%. Construction and land development loans increased \$418.1 million or 29.69%. Residential real estate loans increased \$231.5 million or 5.79%. Consumer loans increased \$35.2 million or 3.02%.

Commercial Loans and Leases

The commercial loan and lease portfolio consists of loans and leases to corporate borrowers primarily in small to mid-size industrial and commercial companies, as well as automobile dealers, service, retail and wholesale merchants. Collateral securing these loans includes equipment, machinery, inventory, receivables, vehicles and commercial real estate. Commercial loans and leases are considered to contain a higher level of risk than other loan types although care is taken to minimize these risks. Numerous risk factors impact this portfolio including industry specific risks such as economy, new technology, labor rates and cyclicity, as well as customer specific factors, such as cash flow, financial structure, operating controls and asset quality. United diversifies risk within this portfolio by closely monitoring industry concentrations and portfolios to ensure that it does not exceed established lending guidelines. Diversification is intended to limit the risk of loss from any single unexpected economic event or trend. Underwriting standards require a comprehensive credit analysis and independent evaluation of virtually all larger balance commercial loans by the loan committee prior to approval.

Real Estate Loans

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

As of December 31, 2020, approximately \$359.7 million or 2.04% of United's loan portfolio were real estate loans that met the regulatory definition of a high loan-to-value loan. A high loan-to-value real estate loan is defined as any loan, line of credit, or combination of credits secured by liens on or interests in real estate that equals or exceeds a certain percentage established by United's primary regulator of the real estate's appraised value, unless the loan has other appropriate credit support. The certain percentage varies depending on the loan type and collateral. Appropriate credit support may include mortgage insurance, readily marketable collateral, or other acceptable collateral that reduces the loan-to-value ratio below the certain percentage.

Consumer Loans

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

Underwriting Standards

United's loan underwriting guidelines and standards are updated periodically and are presented for approval by the Board of Directors of United Bank. The purpose of the standards and guidelines is to grant loans on a sound and collectible basis; to invest available funds in a safe, profitable manner; to serve the legitimate credit

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needs of the communities of United's primary market area; and to ensure that all loan applicants receive fair and equal treatment in the lending process. It is the intent of the underwriting guidelines and standards to: minimize loan losses by carefully investigating the credit history of each applicant, verify the source of repayment and the ability of the applicant to repay, collateralize those loans in which collateral is deemed to be required, exercise care in the documentation of the application, review, approval, and origination process, and administer a comprehensive loan collection program.

United's underwriting standards and practices are designed to originate both fixed and variable rate loan products in a manner which is consistent with the prudent banking practices applicable to these exposures. Typically, both fixed and variable rate loan underwriting practices incorporate conservative methodology, including the use of stress testing for commercial loans, and other product appropriate measures designed to provide an adequate margin of safety for the full collection of both principal and interest within contractual terms. Consumer real estate secured loans are underwritten to the initial rate, and to a higher assumed rate commensurate with normal market conditions. Therefore, it is the intent of United's underwriting standards to insure that adequate primary repayment capacity exists to address both future increases in interest rates, and fluctuations in the underlying cash flows available for repayment. Historically, and at December 31, 2020, United has not offered "teaser rate" loans, and had no loan portfolio products which were specifically designed for "sub-prime" borrowers. Management defines "sub-prime" borrowers as consumer borrowers with a credit score of less than 660.

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

Loan Concentrations

United has commercial loans, including real estate and owner-occupied, income-producing real estate and land development loans, of approximately \$12.4 billion as of December 31, 2020. These loans are primarily secured by real estate located in West Virginia, southeastern Ohio, southwestern Pennsylvania, Virginia, Maryland, North Carolina, South Carolina and the District of Columbia. United categorizes these commercial loans by industry according to the North American Industry Classification System ("NAICS") to monitor the portfolio for possible concentrations in one or more industries. As of the most recent fiscal year-end, United has one such industry classification that exceeded 10% of total loans. As of December 31, 2020, approximately \$7.6 billion or 43.4% of United's total loan portfolio were for real estate and construction. The loans were originated by United's subsidiary bank using underwriting standards as set forth by management. United's loan administration policies are focused on the risk characteristics of the loan portfolio, including commercial real estate loans, in terms of loan approval and credit quality. It is the opinion of management that these loans do not pose any unusual risks and that adequate consideration has been given to the above loans in establishing the allowance for loan losses.

United does not have a loan classification concentration in the hotels and accommodations industry. As of December 31, 2020, approximately \$668.2 million or 3.79% of United's total loan portfolio were to hotels and other traveler accommodations. In addition, United does not have a loan classification concentration in the mining, quarrying and oil and gas extraction industry. As of December 31, 2020, approximately \$133.2 million or less than 1% of United's total loan portfolio were for the purpose of extracting, manufacturing and distributing oil, coal and natural gas.

Secondary Markets

United generally originates loans within the primary market area of United Bank. United may from time to time make loans to borrowers and/or on properties outside of its primary market area as an accommodation to its existing customers.

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United Bank, George Mason, and Crescent originate and acquire residential real estate loans for resale in the secondary market. Mortgage loan originations are generally intended to be sold in the secondary market on a best efforts or mandatory basis. Depending on the pricing in the marketplace, servicing rights are either sold or retained.

During 2020, United originated \$6.5 billion of real estate loans for sale in the secondary market and sold \$6.3 billion of loans designated as held for sale in the secondary market. Net gains on the sales of these loans during 2020 were \$266.1 million.

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

Loan Servicing

United through its mortgage banking subsidiary, Crescent, may retain the rights to service a portion of the loans sold in the third-party market, as part of its mortgage banking activities, for which United receives service fee income. In addition, at certain times United may purchase rights to service from third parties. These rights are known as mortgage servicing rights, or MSR, where the owner of the MSR acts on behalf of the mortgage loan owner and has the contractual right to receive a stream of cash flows in exchange for performing specified mortgage servicing functions. These duties typically include, but are not limited to, performing loan administration, collection, and default activities, including the collection and remittance of loan payments, responding to customer inquiries, accounting for principal and interest, holding custodial (impound) funds for the payment of property taxes and insurance premiums, counseling delinquent mortgagors, modifying loans and supervising foreclosures and property dispositions. United subservices the duties and responsibilities obligated to the owner of the MSR to a third party provider for which we pay a fee.

Investment Activities

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

Sources of funds for investment activities include "core deposits". Core deposits include certain demand deposits, savings and NOW accounts. These deposits are relatively stable and they are the lowest cost source of funds available to United. Short-term borrowings have also been a significant source of funds. These include federal funds purchased, securities sold under agreements to repurchase and FHLB borrowings.

United's investment portfolio is comprised of a significant amount of mortgage-backed securities, asset-backed securities and corporate securities. Obligations of States and Political Subdivisions are comprised of primarily "investment grade" rated municipal securities. Interest and dividends on securities for the years of 2020, 2019, and 2018 were \$66.8 million, \$74.3 million, and \$61.7 million, respectively. For the year of 2020, United realized net gains on sales of securities of \$3.2 million. For the years of 2019 and 2018, United realized net gains on sales of securities of \$373 thousand and net losses on sales of securities of \$862 thousand, respectively. In the year 2019, United recognized other-than-temporary impairment ("OTTI") charges of \$198 thousand and in the year 2018, United recognized OTTI charges of \$1.76 million.

Human Capital

At United, one of our key competitive advantages is our people. Investment in our human capital is a top priority for the Company. We are focused on recruiting, developing, and retaining a talented, diverse, equitable, and inclusive workforce. United's mission is excellence in service to our shareholders, to our customers, to our communities,

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and to our employees. Our core values are integrity, teamwork, hard work, and caring. As of December 31, 2020, United and its subsidiaries had approximately 3,051 full-time equivalent employees and officers. Of the 3,051 full-time equivalent employees and officers, approximately 2,403 are employed in the community banking segment, 579 are employed in the mortgage banking segment and 69 are in a general support and administrative function for the Company. None of these employees are represented by a collective bargaining unit and management considers employee relations to be excellent. We emphasize positive attitudes, communication, teamwork, goal attainment, personal growth, and the pursuit of excellence when it comes to delivering high-quality service to our customers and fellow employees.

At United, we are committed to continuing to develop and foster an inclusive culture that: is reflective of the communities we serve; celebrates diversity of thought, backgrounds, and experience; promotes respect and a shared purpose; and aligns with our core values. United has a cross-functional Diversity, Equity, and Inclusion Council (“DE&I Council”) to advise executive and senior leadership on the Company’s diversity, equity, and inclusion strategy and to implement and manage programs to accomplish and support these priorities. The DE&I Council works to strengthen diversity and inclusion leadership, talent management and career development, employee engagement, marketing and communications, training, lending practices and customer acquisition, and supplier diversity.

At United, we continuously strive to acquire and develop top talent across our diverse and inclusive workforce. Our primary focus is to attract and advance the careers of employees with different backgrounds, experiences, ideas, and skills. Our Leadership Development Program provides an opportunity for the Company’s rising talent from diverse backgrounds and lines of business to strengthen their leadership and communication skills, increase visibility within the organization, and establish an internal network, helping to foster a future pipeline of leaders across the institution. We also have a rigorous interdepartmental training program and exceptional college recruiting and internship programs focused on attracting candidates from a variety of colleges and universities within our footprint.

United makes every effort to ensure that our compensation and benefit packages are comprehensive and competitive to attract and retain talented employees. Our employees’ compensation packages include market-competitive salary, annual incentives and commissions, and a long-term incentive program. Our holistic benefit plans are designed to fully support our employees and their families through every stage of their life cycle, recognizing our employees’ individual needs and offering flexible benefit options. We are committed to providing a safe and healthy work environment for our employees and offer a variety of services to foster the best physical, mental, and social well-being of our workforce.

Supporting our community is a top priority for United and its employees. United Bank employees performed over 18,000 hours of community service in 2020 as well as an additional 78,800 hours processing PPP loans to help out our communities during the COVID-19 pandemic. United has been recognized for its bank-wide financial literacy programs, including its own Bank at Work and Premier Partners programs, as well as its participation in the American Bankers Association’s America Saves Week and Teach Children to Save campaigns. United promotes and supports volunteer work by its employees by providing paid time off for bank sponsored volunteer work during the workday or personal paid leave for volunteer work that is not bank sponsored.

We pride ourselves on our commitment to meeting the needs of our employees and the communities we serve, helping to fuel opportunities and combat any challenges. Throughout the COVID-19 pandemic, our primary objective was to protect the health, safety, happiness, and well-being of our employees, while continuing to provide the best possible services for our customers.

Competition

United faces a high degree of competition in all of the markets it serves. We face strong competition in gathering deposits, making loans and obtaining client assets for management by our investment or trust operations. United considers all of West Virginia to be included in its market area. This area includes the five largest West Virginia Metropolitan Statistical Areas (“MSA”): the Parkersburg MSA, the Charleston MSA, the Huntington

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MSA, the Morgantown MSA and the Wheeling MSA. United serves the Ohio counties of Lawrence, Belmont, Jefferson and Washington and Fayette county in Pennsylvania primarily because of their close proximity to the Ohio and Pennsylvania borders and United banking offices located in those counties or in nearby West Virginia. United's Virginia markets include the Maryland, northern Virginia and Washington, D.C. MSA, the Winchester MSA, the Harrisonburg MSA, and the Charlottesville MSA. Through its acquisition of Carolina Financial, United's market now also includes the Coastal, Midlands, and Upstate regions of South Carolina, including the Charleston (Charleston, Dorchester and Berkeley Counties), Myrtle Beach (Horry and Georgetown Counties), Columbia (Richland and Lexington Counties), and the Upstate (Greenville and Spartanburg Counties) areas as well as areas in North Carolina including Wilmington (New Hanover County), Raleigh-Durham (Durham and Wake Counties), Charlotte-Concord-Gastonia (NC and SC) and the southeastern coastal region of North Carolina (Bladen, Brunswick, Columbus, Cumberland, Duplin and Robeson Counties). United considers all of the above locations to be the primary market area for the business of its banking and mortgage banking subsidiaries.

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

As of December 31, 2020, there were 58 bank holding companies operating in the State of West Virginia registered with the Federal Reserve System and the West Virginia Board of Banking and Financial Institutions, 92 bank holding companies operating in the Commonwealth of Virginia registered with the Federal Reserve System and the Virginia State Corporation Commission, 59 bank holding companies operating in the State of North Carolina registered with the Federal Reserve System and the N.C. Office of the Commissioner of Banks and 61 bank holding companies operating in the State of South Carolina registered with the Federal Reserve System and the South Carolina State Board of Financial Institutions. These holding companies are headquartered in various states and control banks throughout West Virginia, Virginia, North Carolina and South Carolina, which compete for business as well as for the acquisition of additional banks

Regulation and Supervision

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

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

The Board of Governors, in its Regulation Y, permits financial holding companies to engage in preapproved non-banking activities closely related to banking or managing or controlling banks. Approval of the Board of Governors is necessary to engage in certain other non-banking activities which are not preapproved or to make acquisitions of corporations engaging in these activities. In addition, on a case-by-case basis, the Board of Governors may approve other non-banking activities. A financial holding company may also engage in financial activities, including securities underwriting and dealing, insurance agency and underwriting activities, and merchant banking activities.

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

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

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

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

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

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

Dividends and Stock Repurchases

The principal source of United's liquidity is dividends from United Bank. The prior approval of the Federal Reserve Board is required if the total of all dividends declared by a state-chartered member bank in any calendar year would exceed the sum of the bank's net profits for that year and its retained net profits for the preceding two calendar years, less any required transfers to surplus or to fund the retirement of preferred stock. Federal law also prohibits a state-chartered, member bank from paying dividends that would be greater than the bank's undivided profits. United Bank is also subject to limitations under Virginia state law regarding the level of dividends that may be paid.

In addition, United and United Bank are subject to other regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine under certain circumstances relating to the financial condition of a bank holding company or a bank that the payment of dividends would be an unsafe or

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unsound practice and to prohibit payment thereof. The appropriate federal regulatory authorities have stated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings. In addition, in the current financial and economic environment, the Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

In July 2019, the federal bank regulators adopted final rules (the "Capital Simplifications Rules") that, among other things, eliminated the standalone prior approval requirement in the Basel III Capital Rules for any repurchase of common stock. In certain circumstances, United's repurchases of its common stock may be subject to a prior approval or notice requirement under other regulations, policies or supervisory expectations of the Federal Reserve Board. Any redemption or repurchase of preferred stock or subordinated debt remains subject to the prior approval of the Federal Reserve Board.

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

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

On December 10, 2013, the banking agencies issued a final rule implementing Section 619 of the Dodd-Frank Act, commonly referred to as the "Volcker Rule". The Federal Reserve issued an order on December 18, 2014 extending the period which banking entities have to divest disallowed securities under the Volcker Rule to July 21, 2016. The Federal Reserve also announced its intention to grant an additional one year extension of the conformance period until July 21, 2017. On January 14, 2014, the banking agencies approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities ("Trup Cdos") from the prohibitions under the Volcker Rule. During the third quarter of 2014 United sold four Trup Cdos for a net gain of \$1.3 million in response to the Volcker Rule. Under the Volcker Rule, these four securities were identified by United as covered funds and were required to be divested of before July 21, 2017. United has sold its remaining Trup Cdos.

On May 24, 2018, President Trump signed into law the "Economic Growth, Regulatory Relief, and Consumer Protection Act (the EGRRCPA Act)" which provides certain limited amendments to the Dodd-Frank Act, as well as certain targeted modifications to other post-financial crisis regulatory requirements. In addition, the legislation establishes new consumer protections and amends various securities- and investment company-related requirements. The EGRRCPA Act primarily amends several other laws, including the Truth in Lending Act (TILA), Federal Credit Union Act, Federal Deposit Insurance Act, Fair Credit Reporting Act (FCRA) and Securities Act of 1933. The Act is divided into six titles, which aim to: improve consumer access to mortgage credit (Title I); provide regulatory relief and protect consumer access to credit (Title II); protect the credit information of consumers, including veterans and servicemembers (Title III); tailor regulations for certain bank holding companies, including raising the threshold levels for exemption from certain prudential standards and stress testing (Title IV); encourage capital formation by reforming certain Securities and Exchange Commission (SEC) regulations (Title V); and protect student borrowers (Title VI).

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Deposit Insurance

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

In October 2010, the FDIC adopted a new DIF restoration plan to ensure that the fund reserve ratio reaches 1.35% by September 30, 2020, as required by the Dodd-Frank Act. Under the new restoration plan, the FDIC will update its loss and income projections at least semi-annually for the fund and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking if required.

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

As part of its changes in April 2011, the FDIC established a new methodology for determining assessment rates for large and highly complex institutions, as defined in the rules. In October 2012, the FDIC announced revised changes to some of the definitions used to determine assessment rates for these large and highly complex insured depository institutions. The rule generally applies to FDIC-regulated banks with assets greater than \$10 billion and took effect April 1, 2013. In the second quarter of 2018, United Bank was reclassified as a large institution for deposit insurance assessment purposes. Generally, this new classification resulted in higher FDIC insurance premiums.

On September 30, 2018, the Deposit Insurance Fund Reserve Ratio reached 1.36%, exceeding the statutorily required minimum reserve ratio of 1.35% ahead of the September 30, 2020, deadline required under the Dodd-Frank Act. FDIC regulations provide for two changes to deposit insurance assessments upon reaching the minimum: (1) surcharges on insured depository institutions with total consolidated assets of \$10 billion or more (large banks) ceased on December 28, 2018; and (2) small banks will receive assessment credits for the portion of their assessments that contributed to the growth in the reserve ratio from between 1.15% and 1.35%, to be applied when the reserve ratio is at or above 1.38%. United benefited from both these changes.

United’s FDIC insurance expense totaled \$10.1 million, \$8.1 million, and \$11.5 million in 2020, 2019 and 2018, respectively.

Capital Requirements

United and United Bank are each required to comply with applicable capital adequacy standards established by the Federal Reserve Board (the “Basel III Capital Rules”). Since fully phased in on January 1, 2019, the Basel III Capital Rules require United and United Bank to maintain the following:

- A minimum ratio of Common Equity Tier 1 (“CET1”) to risk-weighted assets of at least 4.5%, plus a 2.5% “capital conservation buffer” (resulting in a minimum ratio of CET1 to risk-weighted assets of 7.0%);
- A minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5%);
- A minimum ratio of total capital (Tier 1 capital plus Tier 2 capital) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (resulting in a minimum total capital ratio of 10.5%); and
- A minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the “leverage ratio”).

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Banking institutions that fail to meet the effective minimum ratios once the capital conservation buffer is taken into account, as detailed above, will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution's "eligible retained income" (that is, the greater of (i) net income for the preceding four quarters, net of distributions and associated tax effects not reflected in net income and (ii) the average net income over the preceding four quarters).

The Basel III Capital Rules and the Capital Simplification Rules also provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 25% of CET1. Prior to the adoption of the Capital Simplification Rules in July 2019, amounts were deducted from CET1 to the extent that any one such category exceeded 10% of CET1 or all such items, in the aggregate, exceeded 15% of CET1. The Capital Simplification Rules took effect for United and United Bank as of January 1, 2020. These limitations did not impact our regulatory capital during any of the reported periods.

In addition, under the general risk-based capital rules, the effects of accumulated other comprehensive income items included in capital were excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive income items are not excluded; however, non-advanced approaches banking organizations, including United and United Bank, were able to make a one-time permanent election to continue to exclude these items. Both United and United Bank made this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of their available-for-sale securities portfolio. Under the Basel III Capital Rules, trust preferred securities no longer included in our Tier 1 capital may nonetheless be included as a component of Tier 2 capital on a permanent basis without phase-out.

In February 2019, the federal bank regulatory agencies issued a final rule (the "2019 CECL Rule") that revised certain capital regulations to account for changes to credit loss accounting under U.S. GAAP. The 2019 CECL Rule included a transition option that allows banking organizations to phase in, over a three-year period, the day-one adverse effects of adopting a new accounting standard related to the measurement of current expected credit losses ("CECL") on their regulatory capital ratios (three-year transition option). In March 2020, the federal bank regulatory agencies issued an interim final rule that maintains the three-year transition option of the 2019 CECL Rule and also provides banking organizations that were required under U.S. GAAP (as of January 2020) to implement CECL before the end of 2020 the option to delay for two years an estimate of the effect of CECL on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). We elected to adopt the five-year transition option.

The Basel III Capital Rules prescribe a standardized approach for risk weightings that expanded the risk-weighting categories from the general risk-based capital rules to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures (and higher percentages for certain other types of interests), and resulting in higher risk weights for a variety of asset categories. In November 2019, the federal banking agencies adopted a rule revising the scope of commercial real estate mortgages subject to a 150% risk weight.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms (the standards are commonly referred to as "Basel IV"). Among other things, these standards revise the Basel Committee's standardized approach for credit risk (including by recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as unused credit card lines of credit) and provides a new standardized approach for operational risk capital. Under the Basel framework, these standards will generally be effective on January 1, 2022.

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with an aggregate output floor phasing in through January 1, 2027. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to United or United Bank. The impact of Basel IV on us will depend on the manner in which it is implemented by the federal bank regulators.

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

Prompt Corrective Action

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

Effective January 1, 2015, under the Basel III Capital Rules, the current prompt corrective action requirements for an institution to be “well-capitalized” is a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 8% or greater, a CET1 ratio of 6.5% or greater and a Tier 1 leverage ratio of 5 percent or greater.

United Bank was considered a “well capitalized” institution as of December 31, 2020. Well-capitalized institutions are permitted to engage in a wider range of banking activities, including among other things, the accepting of “brokered deposits,” and the offering of interest rates on deposits higher than the prevailing rate in their respective markets.

Community Reinvestment Act

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

In December 2019, the FDIC and the Office of the Comptroller of the Currency (“OCC”) jointly proposed rules that would significantly change existing CRA regulations. The proposed rules are intended to increase bank activity in low- and moderate-income communities where there is significant need for credit, more responsible lending, greater access to banking services, and improvements to critical infrastructure. The proposals change four key areas: (i) clarifying what activities qualify for CRA credit; (ii) updating where activities count for CRA credit; (iii) providing a more transparent and objective method for measuring CRA performance; and (iv) revising CRA-related data collection, record keeping, and reporting. The OCC issued a final rule effective October 1, 2020; however, the FDIC did not join with the OCC when it issued the final rules. In September 2020, the FRB issued an Advance Notice of Proposed Rulemaking (“ANPR”) that invites public comment on an approach to modernize the regulations that implement the CRA by strengthening, clarifying, and tailoring them to reflect the current banking landscape and better meet the core purpose of the CRA. The ANPR seeks feedback on ways to evaluate how banks meet the needs of low- and moderate-income communities and address inequities in credit access. As such, we will continue to evaluate the impact of any changes to the regulations implementing the CRA and their impact to our financial condition, results of operations, and/or liquidity.

The Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”)

The CARES Act, which became law on March 27, 2020, provided over \$2 trillion to combat the coronavirus (“COVID-19”) and stimulate the economy. Many of the CARES Act’s programs, including the Paycheck Protection Program (“PPP”), are dependent upon the direct involvement of U.S. financial institutions and have been implemented through rules and guidance adopted by federal departments and agencies, including the U.S. Department of Treasury, the Federal Reserve and other federal banking agencies, including those with direct supervisory jurisdiction over United and United Bank. Furthermore, as the on-going COVID-19 pandemic evolves, federal regulatory authorities continue to issue additional guidance with respect to the implementation, lifecycle, and eligibility requirements for the various CARES Act programs as well as industry-specific recovery procedures for COVID-19. On December 27, 2020, President Trump signed into law the 2021 Consolidated Appropriations Act (the “CAA”), an approximately \$900 billion bill, which extended several provisions of the CARES Act as well as provided additional COVID-19 relief. In particular, the CAA extended weekly unemployment benefits, provided another round of economic stimulus payments to individuals and families, lengthened temporary suspensions and modifications of several-bank related provisions and provided more aid to small businesses. In addition, it is possible that Congress will enact supplementary COVID-19 response legislation, including amendments to the CARES Act or new bills comparable in scope to the CARES Act. The Company continues to assess the impact of the CARES Act and other statutes, regulations and supervisory guidance related to the COVID-19 pandemic.

Cybersecurity

In March 2015, federal regulators issued two related statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. The other statement indicates that a financial institution’s management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution’s operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. If United fails to observe the regulatory guidance, United could be subject to various regulatory sanctions, including financial penalties.

In October 2016, the federal banking regulators jointly issued an advance notice of proposed rulemaking on enhanced cyber risk management standards that are intended to increase the operational resilience of large and interconnected entities under their supervision. If established, the enhanced cyber risk management standards would be designed to help reduce the potential impact of a cyber-attack or other cyber-related failure on the financial system. The advance notice of proposed rulemaking addresses five categories of cyber standards: (i) cyber risk governance; (ii) cyber risk management; (iii) internal dependency management; (iv) external dependency management; and (v) incident response, cyber resilience, and situational awareness. In May 2019, the FRB announced that it would revisit the Advance Notice of Proposed Rulemaking in the future. In December 2020, the federal banking agencies issued a Notice of Proposed Rulemaking that would require banking organizations to notify their primary regulator within 36 hours of becoming aware of a “computer-security incident” or a “notification incident.” The Notice of Proposed Rulemaking also would require specific and immediate notifications by bank service providers that become aware of similar incidents.

In the ordinary course of business, United relies on electronic communications and information systems to conduct its operations and to store sensitive data. United employs an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. United employs a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of its defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date, United and United Bank have not experienced a

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significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, United's systems and those of its customers and third-party service providers are under constant threat and it is possible that United could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by United and its customers. See Item 1A. Risk Factors for a further discussion of risk related to cybersecurity.

Deposit Acquisition Limitation

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

Consumer Laws and Regulations

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

As discussed above, the Dodd-Frank Act centralized responsibility for consumer financial protection by creating the CFPB, and giving it responsibility for implementing, examining and enforcing compliance with federal consumer protection laws. The CFPB has broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans, and credit cards. The CFPB's functions include investigating consumer complaints, rulemaking, supervising and examining banks' consumer transactions, and enforcing rules related to consumer financial products and services. Banks with more than \$10 billion in assets, such as United Bank, are subject to supervision by the CFPB with respect to these federal consumer financial laws.

Incentive Compensation

The Federal Reserve Board reviews, as part of its regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as United, that are not "large, complex banking organizations." These reviews are tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of this supervisory initiative will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

In June 2010, the Federal Reserve Board, OCC and FDIC issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

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In April and May of 2016, the Federal Reserve Board, other federal banking agencies and the SEC (the “Agencies”) jointly published proposed rulemaking designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at a covered institution, which includes a bank or bank holding company with \$1 billion or more of assets, such as United. The proposed rule expanded beyond the June 2010 principals based guidance and broadened the scope to include community banks. The proposed rules (i) prohibit incentive-based compensation arrangements that encourage executive officers, employees, directors or principal shareholders to expose the institution to inappropriate risks by providing excessive compensation (based on the standards for excessive compensation adopted pursuant to the FDIA) and (ii) prohibit incentive-based compensation arrangements for executive officers, employees, directors or principal shareholders that could lead to a material financial loss for the institution. The proposed rule requires covered institutions to establish policies and procedures for monitoring and evaluating their compensation practices. As of February 2021, final rules have not been adopted. If these or other regulations are adopted in a form similar to that initially proposed, they will impose limitations on the manner in which we may structure compensation for our executives.

The scope and content of the U.S. banking regulators’ policies on incentive compensation are continuing to develop. It cannot be determined at this time whether or when a final rule will be adopted and whether compliance with such a final rule will adversely affect the ability of United and United Bank to hire, retain and motivate their key employees.

Item 1A. RISK FACTORS

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

RISKS RELATED TO THE COVID-19 PANDEMIC

United’s business, financial condition, liquidity and results of operations have been, and will likely continue to be, adversely affected by the COVID-19 pandemic.

The ongoing COVID-19 pandemic has created economic and financial disruptions that have adversely affected, and are likely to continue to adversely affect, United’s business, financial condition, liquidity and results of operations. The extent to which the COVID-19 pandemic will continue to negatively affect United’s business, financial condition, liquidity and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the continued effectiveness of United’s business continuity plan, the direct and indirect impact of the pandemic on United’s employees, customers, clients, counterparties and service providers, as well as other market participants, and actions taken by governmental authorities and other third parties in response to the pandemic.

The COVID-19 pandemic has contributed to:

- Increased unemployment and decreased consumer confidence and business generally, leading to an increased risk of delinquencies, defaults and foreclosures.
- Ratings downgrades, credit deterioration and defaults in many industries, including natural resources, hospitality, transportation and commercial real estate.

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- A sudden and significant reduction in the valuation of the equity, fixed-income and commodity markets and the significant increase in the volatility of those markets.
- A decrease in the rates and yields on U.S. Treasury securities, which may lead to decreased net interest income.
- Increased demands on capital and liquidity.
- A reduction in the value of the assets that the Company manages or otherwise administers or services for others, affecting related fee income and demand for the Company's services.
- Heightened cybersecurity, information security and operational risks as a result of work-from-home arrangements.

Governmental authorities have taken unprecedented measures to provide economic assistance to individual households and businesses, stabilize the markets and support economic growth. The success of these measures is unknown and they may not be sufficient to fully mitigate the negative impact of the COVID-19 pandemic. Additionally, some measures, such as a suspension of mortgage and other loan payments and foreclosures, may have a negative impact on United's business, financial condition, liquidity and results of operations. United also faces an increased risk of litigation and governmental and regulatory scrutiny as a result of the effects of COVID-19 on market and economic conditions and actions governmental authorities take in response to those conditions.

The length of the pandemic and the efficacy of the extraordinary measures being put in place to address it are unknown. Until the pandemic subsides, the Company expects continued draws on lines of credit, reduced revenues in our trust operations and other businesses and increased customer and client defaults, including defaults in unsecured loans.

Even after the pandemic subsides, the U.S. economy may experience a recession, and United anticipates the Company's businesses would be materially and adversely affected by a prolonged recession.

As a participating lender in the PPP, United and United Bank are subject to additional risks of litigation from United Bank's customers or other parties regarding United Bank's processing of loans for the PPP and risks that the SBA may not fund some or all PPP loan guarantees.

Under the PPP, small businesses and other entities and individuals can apply for loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria. United Bank is participating as a lender in the PPP. The PPP opened on April 3, 2020; however, because of the short timeframe between the passing of the CARES Act and the opening of the PPP, there was some ambiguity in the laws, rules and guidance regarding the operation of the PPP, which exposes United and United Bank to risks relating to noncompliance with the PPP. In addition, United Bank's participation in the PPP as a lender may adversely affect the Company's revenue and results of operations depending on the timing and amount of forgiveness, if any, to which borrowers are entitled.

Since the opening of the PPP, several other larger banks have been subject to litigation regarding the process and procedures that such banks used in processing applications for the PPP and claims related to agent fees. United and United Bank may be exposed to the risk of similar litigation, from both customers and non-customers that approached United Bank regarding PPP loans, regarding its process and procedures used in processing applications for the PPP, or litigation from agents with respect to agent fees. If any such litigation is filed against United or United Bank and is not resolved in a manner favorable to United or United Bank, it may result in significant financial liability or adversely affect their reputation. In addition, litigation can be costly, regardless of outcome. Any financial liability, litigation costs or reputational damage caused by PPP related litigation could have a material adverse impact on our business, financial condition and results of operations.

United Bank also has credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by United Bank, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a

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PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced by United Bank, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from United Bank. Additionally, if a borrower under the PPP loan fails to qualify for loan forgiveness, United Bank is at the heightened risk of holding the loan at an unfavorable interest rate as compared to loans to customers that United Bank would have otherwise extended credit. Rules providing for forgiveness have been constantly evolving, including an automatic forgiveness if the amount of the PPP loan was not larger than a specified floor.

CREDIT RISKS

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

The FASB's Accounting Standards Update 2016-13, effective for United as of January 1, 2020, substantially changes the accounting for credit losses on loans, leases and other financial assets held by banks, financial institutions and other organizations. The new standard requires the recognition of credit losses on loans, leases and other financial assets based on an entity's current estimate of expected losses over the lifetime of each loan, lease or other financial asset, referred to as the Current Expected Credit Loss ("CECL") model as opposed to the previous "incurred loss" model, which required recognition of losses on loans, leases and other financial assets only when those losses had incurred. Under the CECL model, United is required to present these certain financial assets, carried at amortized cost, at the net amount expected to be collected over the life of the financial asset. The measurement of expected credit losses is based on information about past events, including credit quality, our historical experience, current conditions, and reasonable and supportable macroeconomic forecasts that may affect the collectability of the reported amount. This measurement will take place at the time a financial asset is first added to the balance sheet and at least quarterly thereafter.

CECL also requires management judgment that is supported by new models and more data elements, including macroeconomic forecasts, than the previous allowance standard. This is expected to increase the complexity and associated risk, particularly in times of economic uncertainty or other unforeseen circumstances, which could impact United's results of operations and capital levels as well as place stress on our internal controls over financial reporting.

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

See the section captioned "Provision for Credit Losses" in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of this Form 10-K for further discussion related to our process for determining the appropriate level of the allowance for credit losses.

United is subject to credit risk in its loan portfolio, which risk is increasing as result of the COVID-19 pandemic.

There are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. United seeks to mitigate the risk inherent in its loan portfolio by adhering to prudent loan approval practices. Although United believes that its loan approval criteria are appropriate for the various kinds of loans the Company makes, United may incur losses on loans that meet our loan approval criteria. A significant decline in general economic conditions caused by inflation or deflation, recession, unemployment, changes in government fiscal and monetary policies, acts of terrorism, or other factors beyond our control could cause our borrowers to default on their loan payments, and the collateral values securing such loans to decline and be insufficient to repay any outstanding indebtedness. In such events, we could experience significant loan losses, which could have a material adverse effect on our financial condition and results of operations.

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As the overall economic climate in the U.S., generally, and in our market areas specifically, experience material disruption due to the COVID-19 pandemic, our borrowers may have difficulties in repaying their loans. Governmental actions providing payment relief to borrowers affected by COVID-19 could preclude our ability to initiate foreclosure proceedings in certain circumstances and, as a result, the collateral we hold may decrease in value or become illiquid, and the level of our nonperforming loans, charge-offs and delinquencies could rise and require significant additional provisions for credit losses. Additional factors related to the credit quality of certain commercial real estate and multifamily residential loans include the duration of state and local moratoriums on evictions for non-payment of rent or other fees. The payment on these loans that are secured by income producing properties are typically dependent on the successful operation of the related real estate property and may subject us to risks from adverse conditions in the real estate market or the general economy.

Bank regulatory agencies and various governmental authorities are urging financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. We are actively working to support our borrowers to mitigate the impact of the COVID-19 pandemic on them and on our loan portfolio, including through loan modifications that defer payments for those who experienced a hardship as a result of the COVID-19 pandemic. Although recent regulatory guidance provides that such loan modifications are exempt from the calculation and reporting of troubled debt restructurings (“TDRs”) and loan delinquencies, we cannot predict whether such loan modifications may ultimately have an adverse impact on our profitability in future periods. Our inability to successfully manage the increased credit risk caused by the COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operations.

OPERATIONAL RISKS

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

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

Unauthorized disclosure of sensitive or confidential client or customer information, whether through a cyber-attack, other breach of our computer systems or otherwise, could severely harm our business.

In the normal course of our business, we collect, process and retain sensitive and confidential client and customer information on our behalf and on behalf of other third parties. Despite the security measures we have in place, our facilities and systems may be vulnerable to cyber-attacks, security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and / or human errors, or other similar events.

Information security risks for financial institutions like us have increased recently in part because of new technologies, the use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions, employees working from home and the increased sophistication and

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activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers have engaged in attacks against large financial institutions, particularly denial of service attacks, designed to disrupt key business services such as customer-facing web sites. We are not able to anticipate or implement effective preventive measures against all security breaches of these types. Although we employ detection and response mechanisms designed to contain and mitigate security incidents, early detection may be thwarted by persistent sophisticated attacks and malware designed to avoid detection.

We also face risks related to cyber-attacks and other security breaches in connection with card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties. Some of these parties have in the past been the target of security breaches and cyber-attacks, and because the transactions involve third parties and environments that we do not control or secure, future security breaches or cyber-attacks affecting any of these third parties could impact us through no fault of our own, and in some cases we may have exposure and suffer losses for breaches or attacks relating to them. We also rely on numerous other third-party service providers to conduct other aspects of our business operations and face similar risks relating to them. While we conduct security assessments on our higher risk third parties, we cannot be sure that their information security protocols are sufficient to withstand a cyber-attack or other security breach.

Any cyber-attack or other security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer information could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business.

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

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

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

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

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

United's success is dependent upon the continued service and skills of its executive officers and senior management. If United loses the services of these key personnel, it could have a negative impact on United's

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business because of their skills, years of industry experience and the difficulty of promptly finding qualified replacement personnel. The services of Richard M. Adams, United's Chief Executive Officer, would be particularly difficult to replace. United and Mr. Adams are parties to an Employment Agreement providing for his continued employment by United through March 31, 2024.

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

United is dependent upon third parties for certain information system, data management and processing services and to provide key components of its business infrastructure. United has entered into subcontracts for the supply of current and future services, such as data processing, mortgage loan processing and servicing, and certain property management functions. These services must be available on a continuous and timely basis and be in compliance with any regulatory requirements. Failure to do so could substantially harm United's business.

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

- If an existing agreement expires or a certain service is discontinued by a vendor, then United may not be able to continue to offer its customers the same breadth of products and its operating results would likely suffer unless it is able to find an alternate supply of a similar service.
- Agreements United may negotiate in the future may commit it to certain minimum spending obligations. It is possible United will not be able to create the market demand to meet such obligations.
- If market demand for United's products increases suddenly, its current vendors might not be able to fulfill United's commercial needs, which would require it to seek new arrangements or new sources of supply, and may result in substantial delays in meeting market demand.
- United may not be able to control or adequately monitor the quality of services it receives from its vendors. Poor quality services could damage United's reputation with its customers.

In addition, these third party service providers are sources of operational and informational security risk to United, including risks associated with operational errors, information system interruptions or breaches, and unauthorized disclosures of sensitive or confidential client or customer information. If third party service providers encounter any of these issues, or if United has difficulty communicating with them, United could be exposed to disruption of operations, loss of service or connectivity to customers, reputational damage, and litigation risk that could have a material adverse effect on our results of operations or our business.

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

MARKET AND INTEREST RATE RISKS

Changes in economic and political conditions could adversely affect our earnings, as our borrowers' ability to repay loans and the value of the collateral securing our loans decline.

United's success depends, to a certain extent, upon local and national economic and political conditions, as well as governmental monetary policies. Conditions such as an economic recession, rising unemployment, changes in interest rates, money supply and other factors beyond its control may adversely affect United's and United Bank's asset quality, deposit levels and loan demand and, therefore, its earnings. Because United has a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral. Adverse changes in the economy may also have a negative effect on the ability of our borrowers to make timely repayments of their loans, which could have an adverse impact on our earnings. Consequently, declines in the economy in our market area could have a material adverse effect on our financial condition and results of operations.

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The value of certain investment securities is volatile and future declines in value could have a materially adverse effect on future earnings and regulatory capital.

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

United operates in a highly competitive market.

United faces a high degree of competition in all of the markets it serves. United faces strong competition in gathering deposits, making loans and obtaining client assets for management by its investment or trust operations. United considers all of West Virginia to be included in its market area. This area includes the five largest West Virginia Metropolitan Statistical Areas ("MSA"): the Parkersburg MSA, the Charleston MSA, the Huntington MSA, the Morgantown MSA and the Wheeling MSA. United serves the Ohio counties of Lawrence, Belmont, Jefferson and Washington and Fayette county in Pennsylvania primarily because of their close proximity to the Ohio and Pennsylvania borders and United banking offices located in those counties or in nearby West Virginia. United's Virginia markets include the Maryland, northern Virginia and Washington, D.C. MSA, the Winchester MSA, the Harrisonburg MSA, and the Charlottesville MSA. Through its acquisition of Carolina Financial, United's market now also includes the Coastal, Midlands, and Upstate regions of South Carolina, including the Charleston (Charleston, Dorchester and Berkeley Counties), Myrtle Beach (Horry and Georgetown Counties), Columbia (Richland and Lexington Counties), and the Upstate (Greenville and Spartanburg Counties) areas as well as areas in North Carolina including Wilmington (New Hanover County), Raleigh-Durham (Durham and Wake Counties), Charlotte-Concord-Gastonia (NC and SC) and the southeastern coastal region of North Carolina (Bladen, Brunswick, Columbus, Cumberland, Duplin and Robeson Counties). United considers all of the above locations to be the primary market area for the business of its banking and mortgage banking subsidiaries.

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

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

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

Changes in interest rates may adversely affect United's business.

United's earnings, like most financial institutions, are significantly dependent on its net interest income. Net interest income is the difference between the interest income United earns on loans and other assets which earn interest and the interest expense incurred to fund those assets, such as on savings deposits and borrowed money.

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Therefore, changes in general market interest rates, such as a change in the monetary policy of the Board of Governors of the Federal Reserve System or otherwise beyond those which are contemplated by United's interest rate risk model and policy, could have an effect on net interest income. For more information concerning United's interest rate risk model and policy, see the discussion in Quantitative and Qualitative Disclosures About Market Risk included in Part II, under Item 7A of this Form 10-K.

Interest rates on United's outstanding financial instruments might be subject to change based on regulatory developments.

The London Interbank Offered Rate ("LIBOR") and certain other "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences, which cannot be predicted. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. Since then, regulators, industry groups and certain committees (e.g., the Alternative Reference Rates Committee) have, among other things, published recommended fall-back language for LIBOR-linked financial instruments, identified recommended alternatives for certain LIBOR rates (e.g., the Secured Overnight Financing Rate as the recommended alternative to U.S. Dollar LIBOR), and proposed implementations of the recommended alternatives in floating rate instruments. On November 30, 2020, ICE Benchmark Administration Limited ("IBA"), the benchmark administrator for the U.S. Dollar ("USD") LIBOR announced a proposal to extend the publication of the most commonly used USD LIBOR settings until June 30, 2023. However, banking regulators issued guidance strongly encouraging banks to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. If LIBOR ceases to exist or if the methods of calculating LIBOR change from current methods for any reason, interest rates on our floating rate obligations, loans, deposits, derivatives, and other financial instruments tied to LIBOR rates, as well as the revenue and expenses associated with those financial instruments, may be adversely affected. On November 30, 2020, ICE Benchmark Administration Limited, the administrator of LIBOR, announced that it will consult on its intention to cease the publication of the one week and two month LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining LIBOR settings immediately following the LIBOR publication on June 30, 2023. The outcome of such consultation and its impact on LIBOR could materially affect the economics as well as the timing of the transition away from LIBOR. Any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of our floating rate obligations, loans, deposits, derivatives, and other financial instruments tied to LIBOR rates.

REGULATORY AND LITIGATION RISKS

United is subject to extensive government regulation and supervision.

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

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

The Consumer Financial Protection Bureau ("CFPB") may reshape the consumer financial laws through rulemaking and enforcement of the prohibitions against unfair, deceptive and abusive business practices. Compliance with any such change may impact the business operations of depository institutions offering consumer financial products or services, including United Bank.

The CFPB has broad rulemaking authority to administer and carry out the provisions of the Dodd-Frank Act with respect to financial institutions that offer covered financial products and services to consumers. The CFPB has also been directed to write rules identifying practices or acts that are unfair, deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The concept of what may be considered to be an "abusive" practice is relatively new under the law. Moreover, United Bank is supervised and examined by the CFPB for compliance with the CFPB's regulations and policies. The costs and limitations related to this additional regulatory reporting regimen have yet to be fully determined, although they may be material and the limitations and restrictions that will be placed upon United Bank with respect to its consumer product offering and services may produce significant, material effects on United Bank (and United's) profitability.

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

United and United Bank are each required to comply with applicable capital adequacy standards established by the Federal Reserve Board (the "FRB"). From time to time, the FRB changes these capital adequacy standards. In particular, the capital requirements applicable to United under the Basel III rules became fully effective on January 1, 2019. Under the Basel III rules, United is required to maintain a common equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6%, a total capital ratio of 8%, and a leverage ratio of 4%. In addition, United must maintain an additional capital conservation buffer of 2.5% of total risk weighted assets.

Banking institutions that fail to meet the effective minimum ratios including the capital conservation buffer will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution's "eligible retained income" (that is, four quarter trailing net income, net of distributions and tax effects not reflected in net income).

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

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United's earnings are significantly affected by the fiscal and monetary policies of the federal government and its agencies.

The policies of the Federal Reserve impact United significantly. The Federal Reserve regulates the supply of money and credit in the United States. Its policies directly and indirectly influence the rate of interest earned on loans and paid on borrowings and interest-bearing deposits and can also affect the value of financial instruments we hold. Those policies determine to a significant extent our cost of funds for lending and investing. Changes in those policies are beyond our control and are difficult to predict. Federal Reserve policies can also affect our borrowers, potentially increasing the risk that they may fail to repay their loans. For example, a tightening of the money supply by the Federal Reserve could reduce the demand for a borrower's products and services. This could adversely affect the borrower's earnings and ability to repay its loan, which could have a material adverse effect on our financial condition and results of operations.

United may be terminated as a servicer of mortgage loans, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions.

United, through its mortgage banking subsidiary, Crescent, acts as servicer for approximately \$3.6 billion of mortgage loans owned by third parties as of December 31, 2020. As a servicer for those loans, United has certain contractual obligations, including foreclosing on defaulted mortgage loans or, to the extent applicable, considering alternatives to foreclosure such as loan modifications or short sales. If United commits a material breach of its obligations as servicer, United may be subject to termination as servicer if the breach is not cured within a specified period of time following notice, causing United to lose servicing income.

In some cases, United may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If United has increased repurchase obligations because of claims that United did not satisfy our obligations as a servicer, or increased loss severity on such repurchases, United may have a significant reduction to net servicing income within its mortgage banking noninterest income. United may incur costs if United is required to, or if United elects to, re-execute or re-file documents or take other action in its capacity as a servicer in connection with pending or completed foreclosures. United may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, United may have liability to the borrower and/or to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to United. In addition, if certain documents required for a foreclosure action are missing or defective, United could be obligated to cure the defect or repurchase the loan. United may incur liability to securitization investors relating to delays or deficiencies in its processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of United's mortgage servicing rights may be negatively affected to the extent our servicing costs increase because of higher foreclosure costs. United may be subject to fines and other sanctions imposed by federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm United's reputation or negatively affect its home lending or servicing business.

United may be required to repurchase mortgage loans or indemnify buyers against losses in some circumstances, which could harm liquidity, results of operations and financial condition.

When mortgage loans are sold, whether as whole loans or pursuant to a securitization, United is required to make customary representations and warranties to purchasers, guarantors and insurers, including the government sponsored enterprises, about the mortgage loans and the manner in which they were originated. Whole loan sale agreements require repurchase or substitute mortgage loans, or indemnification of buyers against losses, in the event United breaches these representations or warranties. In addition, United may be required to repurchase mortgage loans as a result of early payment default of the borrower on a mortgage loan. With respect to loans that are originated through United's broker or correspondent channels, the remedies available against the originating

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broker or correspondent, if any, may not be as broad as the remedies available to purchasers, guarantors and insurers of mortgage loans against United. United faces further risk that the originating broker or correspondent, if any, may not have financial capacity to perform remedies that otherwise may be available. Therefore, if a purchaser, guarantor or insurer enforces its remedies against United, it may not be able to recover losses from the originating broker or correspondent. If repurchase and indemnity demands increase and such demands are valid claims and are in excess of United's provision for potential losses, its liquidity, results of operations and financial condition may be adversely affected.

SECURITY OWNERSHIP RISKS

United's stock price can be volatile.

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

- Actual or anticipated negative variations in quarterly results of operations;
- Negative recommendations by securities analysts;
- Poor operating and stock price performance of other companies that investors deem comparable to United;
- News reports relating to negative trends, concerns and other issues in the financial services industry or the economy in general;
- Negative perceptions in the marketplace regarding United and/or its competitors;
- New technology used, or services offered, by competitors;
- Adverse changes in interest rates or a lending environment with prolonged low interest rates;
- Adverse changes in the real estate market;
- Negative economic news;
- Failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- Adverse changes in government regulations; and
- Geopolitical conditions such as acts or threats of terrorism or military conflicts.

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

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

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

United's principal source of funds to pay dividends on its common stock is cash dividends from its subsidiaries. The payment of these dividends by its subsidiaries is also restricted by federal and state banking laws and regulations. As of December 31, 2020, approximately \$94.6 million was available for dividend payments from United Bank to United without regulatory approval.

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

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

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

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

Certain banking laws may have an anti-takeover effect.

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

GENERAL RISKS

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

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

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

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

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

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

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

Severe weather, natural disasters, public health issues, acts of war or terrorism, and other external events could significantly impact United's ability to conduct business.

Severe weather, natural disasters, public health issues, acts of war or terrorism, and other external events could affect the stability of United's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, adversely impact United's employee base, cause significant property damage, result in loss of revenue, and / or cause the Company to incur additional expenses. Although management has established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on United's business, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None

Item 2. PROPERTIES

Offices

United is headquartered in the United Center at 500 Virginia Street, East, Charleston, West Virginia. United's executive offices are located in Parkersburg, West Virginia at Fifth and Avery Streets. United operates two hundred and ten (210) full service offices—fifty (50) offices located throughout West Virginia, eighty-two (82) offices in the Shenandoah Valley region of Virginia and the Northern Virginia, Maryland and Washington, D.C. metropolitan area, forty-seven (47) offices in the Mountains, Piedmont, Coastal Plains and Tidewater regions of North Carolina, twenty-six (26) offices in the Coastal, Midlands, and Upstate regions of South Carolina, four (4) offices in southwestern Pennsylvania and one (1) office in southeastern Ohio. United owns all of its West Virginia facilities except for two in the Charleston area and one each in areas of Beckley, Huntington, Parkersburg, and Clarksburg, all of which are leased under operating leases. United owns most of its facilities in the Shenandoah Valley region of Virginia except for eight offices, two in Winchester, one each in Charlottesville, Front Royal, Stanardsville, Waynesboro, Weyers Cave and Woodstock, all of which are leased under operating leases. United leases all of its facilities under operating lease agreements in the Northern Virginia, Maryland and Washington, D.C. areas except for ten offices, two in Arlington, one each in Alexandria, Chantilly, Fredericksburg, Manassas, Purcellville, Stafford, Vienna and Woodbridge, which are owned facilities. United leases most of its facilities under operating lease agreements in North Carolina except for eighteen offices, two in Washington and Greenville, one each in Denver, Gastonia, Hickory, Sunset Beach, Shallotte, Chadbourne,

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Whiteville, New Bern, Fayetteville, Hope Mills, Rocky Mount, Wilmington, Elizabeth City and Winterville, which are owned facilities. In South Carolina, United owns all of its facilities except for five offices, one each in Charleston, Conway, North Myrtle Beach, Summerville and West Columbia, all of which are leased under operating leases. United owns all of its Pennsylvania facilities. In Ohio, United owns its one facility in Bellaire. United leases operations centers in the Charleston, West Virginia and Chantilly, Virginia areas and owns two operations centers in the Morgantown, West Virginia area and Washington, North Carolina.

Item 3. LEGAL PROCEEDINGS

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

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

**UNITED BANKSHARES, INC.
FORM 10-K, PART II**

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

Stock

As of January 31, 2021, 200,000,000 shares of common stock, par value \$2.50 per share, were authorized for United, of which 133,856,009 were issued, including 4,880,867 shares held as treasury shares. The outstanding shares are held by approximately 8,937 shareholders of record, as well as 36,143 shareholders in street name as of January 31, 2021. The unissued portion of United's authorized common stock (subject to registration approval by the SEC) and the treasury shares are available for issuance as the Board of Directors determines advisable. United offers its shareholders the opportunity to invest dividends in shares of United stock through its dividend reinvestment plan. United has also established stock option plans and a stock bonus plan as incentive for certain eligible officers. In addition to the above incentive plans, United is occasionally involved in certain mergers in which additional shares could be issued and recognizes that additional shares could be issued for other appropriate purposes.

In November of 2018, United's Board of Directors approved a stock repurchase plan, whereby United could buy up to 3,352,000 shares of the Company's common stock on the open market at prevailing prices through November 7, 2019. United repurchased 1,879,150 under this plan prior to its expiration. The Board of Directors approved a new plan in October of 2019 to repurchase up to 4,000,000 shares of the Company's common stock on the open market at prevailing prices. During 2020, United repurchased 660,000 shares under this repurchase plan. As of December 31, 2020, United still has 3,340,000 shares available for repurchase under the plan.

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

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

United's common stock is traded over the counter on the National Association of Securities Dealers Automated Quotations System, Global Select Market ("NASDAQ") under the trading symbol UBSI. The closing sale price reported for United's common stock on February 19, 2021, the last practicable date, was \$36.34.

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

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

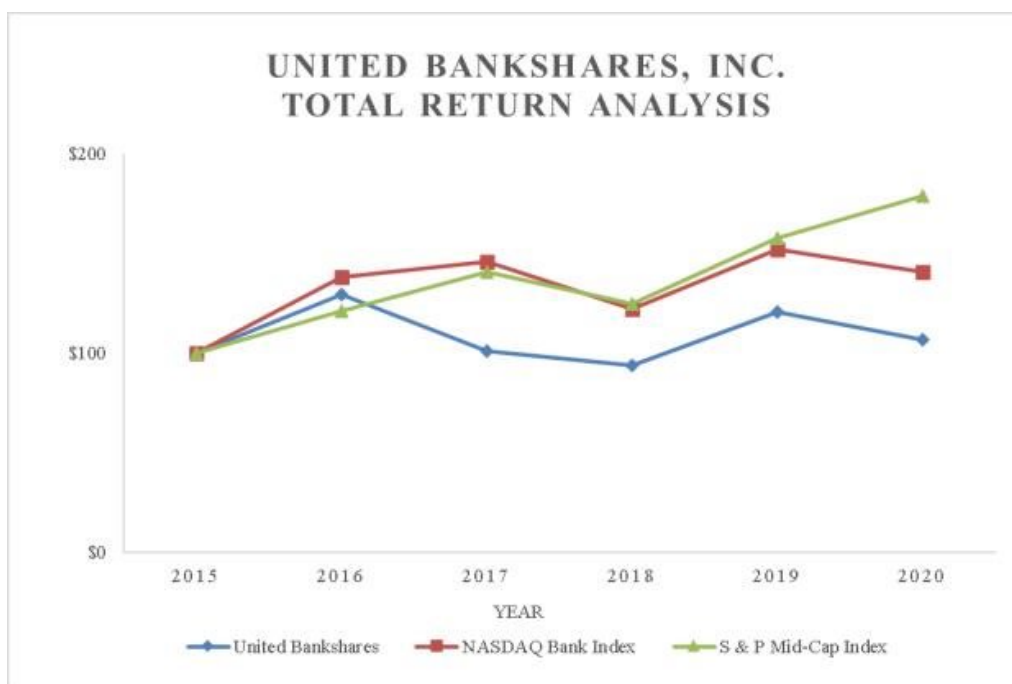
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There are no preemptive or conversion rights or, redemption or sinking fund provisions with respect to United’s stock. All of the issued and outstanding shares of United’s stock are fully paid and non-assessable.

Stock Performance Graph

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

The following graph compares United’s cumulative total shareholder return (assuming reinvestment of dividends) on its common stock for the five-year period ending December 31, 2020, with the cumulative total return (assuming reinvestment of dividends) of the Standard and Poor’s Midcap 400 Index and with the NASDAQ Bank Index. The cumulative total shareholder return assumes a \$100 investment on December 31, 2015 in the common stock of United and each index and the cumulative return is measured as of each subsequent fiscal year-end. There is no assurance that United’s common stock performance will continue in the future with the same or similar trends as depicted in the graph.



	Period Ending					
	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20
United Bankshares, Inc.	100.00	129.21	100.62	93.53	120.49	106.68
NASDAQ Bank Index	100.00	137.97	145.50	121.96	151.69	140.31
S&P Mid-Cap Index	100.00	120.73	140.32	124.75	157.40	178.88

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Issuer Repurchases

The table below includes certain information regarding United's purchase of its common shares during the three months ended December 31, 2020:

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (3)	Maximum Number of Shares that May Yet be Purchased Under the Plans (3)
10/01 – 10/31/2020	0	\$ 00.00	0	4,000,000
11/01 – 11/30/2020	5	\$ 24.85	0	4,000,000
12/01 – 12/31/2020	660,000	\$ 31.38	0	3,340,000
Total	660,005	\$ 31.38		

- (1) Includes shares exchanged in connection with the exercise of stock options under United's stock option plans. Shares are purchased pursuant to the terms of the applicable stock option plan and not pursuant to a publicly announced stock repurchase plan. For the quarter ended December 31, 2020, no shares were exchanged by participants in United's stock option plans.
- (2) Includes shares purchased in open market transactions by United for a rabbi trust to provide payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. For the quarter ended December 31, 2020, the following shares were purchased for the deferred compensation plan: November 2020 – 5 shares at an average price of \$24.85.
- (3) In October of 2019, United's Board of Directors approved a repurchase plan to repurchase up to 4,000,000 shares of United's common stock on the open market (the 2019 Plan). The timing, price and quantity of purchases under the plans are at the discretion of management and the plan may be discontinued, suspended or restarted at any time depending on the facts and circumstances.

Item 6. SELECTED FINANCIAL DATA

The following consolidated selected financial data is derived from United's audited financial statements as of and for the five years ended December 31, 2020. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes contained elsewhere in this report.

(Dollars in thousands, except per share data)	Five Year Summary				
	2020	2019	2018	2017	2016
Summary of Operations:					
Total interest income	\$ 798,382	\$ 762,562	\$ 717,715	\$ 623,806	\$ 470,341
Total interest expense	108,609	184,640	129,070	74,809	45,010
Net interest income	689,773	577,922	588,645	548,997	425,331
Provision for loan losses	106,562	21,313	22,013	28,406	24,509
Other income	354,746	150,484	128,712	131,645	70,032
Other expense	578,217	382,654	368,179	367,409	248,196
Income taxes	70,717	64,340	70,823	134,246	75,575
Net income	289,023	260,099	256,342	150,581	147,083
Cash dividends	171,876	139,508	141,610	131,755	98,696
Per common share:					
Net income:					
Basic	2.40	2.55	2.46	1.54	2.00
Diluted	2.40	2.55	2.45	1.54	1.99
Cash dividends	1.40	1.37	1.36	1.33	1.32
Book value per share	33.37	33.12	31.78	30.85	27.59
Selected Ratios:					
Return on average shareholders' equity	7.30%	7.80%	7.84%	5.09%	7.67%
Return on average assets	1.20%	1.34%	1.36%	0.85%	1.10%
Dividend payout ratio	59.47%	53.64%	55.24%	87.50%	67.10%
Selected Balance Sheet Data:					
Average assets	\$24,137,070	\$19,475,468	\$18,848,027	\$17,617,429	\$13,376,803
Investment securities	3,186,184	2,669,797	2,543,727	2,071,645	1,403,638
Loans held for sale	718,937	387,514	249,846	265,955	8,445
Total loans	17,591,413	13,712,129	13,422,222	13,011,421	10,341,137
Total assets	26,184,247	19,662,324	19,250,498	19,058,959	14,508,892
Total deposits	20,585,160	13,852,421	13,994,749	13,830,591	10,796,867
Long-term borrowings	864,369	1,838,029	1,499,103	1,363,977	1,172,026
Total liabilities	21,886,627	16,298,491	15,998,874	15,818,429	12,273,145
Shareholders' equity	4,297,620	3,363,833	3,251,624	3,240,530	2,235,747

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

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

United desires to provide its shareholders with sound information about past performance and future trends. Consequently, any forward-looking statements contained in this report, in a report incorporated by reference to this report, or made by management of United in this report, in any other reports and filings, in press releases and in oral statements, involve numerous assumptions, risks and uncertainties. Forward-looking statements can be identified by the use of the words “expect,” “may,” “could,” “intend,” “project,” “estimate,” “believe,” “anticipate,” and other words of similar meaning. Such forward-looking statements are based on assumptions and estimates, which although believed to be reasonable, may turn out to be incorrect, such as statements about the potential impacts of the COVID-19 pandemic. Therefore, undue reliance should not be placed upon these estimates and statements. United cannot assure that any of these statements, estimates, or beliefs will be realized and actual results may differ from those contemplated in these “forward-looking statements.” United undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

The discussion in Item 1A, “Risk Factors,” lists some of the factors that could cause United’s actual results to vary materially from those expressed or implied by any forward-looking statements, and such discussion is incorporated into this discussion by reference.

CORONAVIRUS PANDEMIC

As of December 31, 2019, there were reported cases of a “pneumonia of unknown cause” that were limited to one region of the world. By January 7, 2020, the exact strain, a new type of coronavirus, was identified, and initially named 2019-nCoV. On January 21, 2020 the first case of the new coronavirus was reported in the U.S. On January 30, 2020, the World Health Organization (“WHO”) declared the outbreak a “Public Health Emergency of International Concern.” In February of 2020, the WHO officially began calling the disease COVID-19. On March 11, 2020, the WHO characterized the COVID-19 outbreak as a pandemic. In the U.S., President Trump declared the COVID-19 pandemic a national emergency on March 13, 2020.

The COVID-19 pandemic has had a severe disruptive impact on the U.S. and global economy with businesses closing in response to the pandemic. The economic disruption caused by the virus outbreak has caused downturns and increased uncertainty and volatility in financial markets. Individual state governmental responses to the pandemic have included orders closing “non-essential” businesses temporarily and directing individuals to restrict their movements, observe social distancing and “shelter- in-place.” These actions, together with responses to the pandemic by businesses and individuals, have resulted in rapid decreases in commercial and consumer activity, temporary closures of many businesses that have led to a loss of revenues and a rapid increase in unemployment, material decreases in oil and gas prices, disrupted global supply chains, changes in consumer behavior because of the potential exposure to the virus, related emergency response legislation and an expectation that Federal Reserve policy will maintain a low interest rate environment for the foreseeable future.

On March 29, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, which authorized approximately \$2 trillion in relief to businesses and workers that have been affected by events related to COVID-19. The CARES Act includes the Paycheck Protection Program (“PPP”), a nearly \$350 billion program designed to aid small- and medium-sized businesses through federally guaranteed loans distributed through banks. These loans are intended to guarantee eight weeks of payroll and other costs to help those businesses remain viable and allow their workers to pay their bills. The CARES Act marked the third federal legislative response to the ongoing coronavirus outbreak, following the enactment on March 6, 2020 of supplemental appropriations in the “Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020” and the enactment on March 18, 2020 of provisions relating to, among other things, paid sick leave and COVID-19 testing in the “Families First Coronavirus Response Act.”

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On April 16, 2020, the Small Business Administration (“SBA”) announced that all available funds under the PPP had been exhausted and applications were no longer being accepted. In response, President Trump signed into law the “Paycheck Protection Program and Health Care Enhancement Act” on April 24, 2020. This legislation provides additional fiscal year (“FY”) 2020 emergency supplemental funding to increase by \$310 billion, the amount authorized and appropriated for commitments for the PPP authorized under section 7(a) of the Small Business Act, economic injury disaster loans and emergency grants under the CARES Act, to fund hospital and provider recovery and testing, and for other purposes. On June 5, 2020, President Trump signed into law the “Paycheck Protection Program Flexibility Act of 2020 (PPPFA),” which amended the PPP to give borrowers more freedom in how and when loan funds are spent while retaining the possibility of full forgiveness. Key components of the PPPFA are summarized below:

- The PPPFA amended the PPP to give borrowers more time to spend loan funds and still obtain forgiveness.
- Borrowers now have 24 weeks to spend loan proceeds, up from 8 weeks.
- The Act also reduces mandatory payroll spending from 75% to 60%.
- Two new exceptions let borrowers obtain full forgiveness even without fully restoring their workforce.
- Changes made by the PPPFA have been incorporated in new forgiveness applications released by the SBA.
- Time to pay off the loan has been extended to five years from the original two.
- The Act now allows businesses to delay paying payroll taxes even if they took a PPP loan.

New legislation signed by the President on July 4, 2020, extended the deadline to apply for a PPP loan through August 8, 2020. The original application deadline was June 30, 2020. The new legislation involved \$134 billion in unspent PPP funds when the application process shut down at the end of June. Those funds were once again available giving Congress time to decide how to re-appropriate anything left after August 8.

Loans covered by the PPP may be eligible for loan forgiveness for certain costs incurred related to payroll, group health care benefit costs and qualifying mortgage, rent and utility payments. On October 8, 2020, the SBA released a simpler loan forgiveness application for PPP loans of \$50,000 or less to streamline the PPP forgiveness process. The remaining loan balance after forgiveness of any amounts is still fully guaranteed by the SBA.

On December 27, 2020, President Trump signed into law the 2021 Consolidated Appropriations Act, an approximately \$900 billion bill to provide additional COVID-19 relief and among other measures, extended weekly unemployment benefits, provided another round of economic stimulus payments to individuals and families, lengthened temporary suspensions and modifications of several-bank related provisions and provided more aid to small businesses. Most notably, the 2021 Consolidated Appropriations Act reauthorized and appropriated up to \$284.5 billion for the PPP for both first-time and second-time borrowers to receive loan disbursements for a period ending March 31, 2021, expanded the list of eligible PPP expenses and created a simplified loan forgiveness application for loans under \$150 thousand.

In return for processing and booking the loan, the SBA will pay the lender a processing fee tiered by the size of the loan (5% for loans of not more than \$350 thousand; 3% for loans of more than \$350 thousand and less than \$2 million; and 1% for loans of at least \$2 million). For the year of 2020, United processed almost 9,000 loans totaling over \$1.29 billion under the PPP and recognized \$16.26 million of net fee income during the year of 2020 related to the PPP loans.

Impact on our Operations. In the states where United operates, many jurisdictions have declared health emergencies. The resulting closures of non-essential businesses and related economic disruption has impacted our operations as well as the operations of our customers. Financial services have been identified as a Critical Infrastructure Sector by the Department of Homeland Security. Accordingly, our business remains open. To address the issues arising as a result of COVID-19, and in order to facilitate the continued delivery of essential services while maintaining a high level of safety for our customers as well as our employees, United has implemented the following policies:

- Restricted all non-essential travel and large external gatherings and have instituted a mandatory quarantine period for anyone that has traveled to an impacted area.

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- Temporarily closed all of our financial center lobbies and other corporate facilities to non-employees, except for certain limited cases by appointment only. United continues to serve our consumer and business customers through our drive-through facilities, ATMs, internet banking, mobile app and telephone customer service capabilities.
- Expanded remote-access availability so that our work-force has the capability to work from home or other remote locations. All activities are performed in accordance with our compliance and information security policies designed to ensure customer data and other information is properly safeguarded.
- Instituted mandatory social distancing policies for those employees not working remotely. Members of certain operations teams have been split into separate buildings or locations to create redundancy for key functions across the organization.

As of December 31, 2020, we do not anticipate significant challenges to our ability to maintain our systems and controls in light of the measures we have taken to prevent the spread of COVID-19. The Company does not currently face any material resource constraint through the implementation of our business continuity plans.

United is currently unable to fully assess or predict the extent of the effects of COVID-19 on our operations as the ultimate impact will depend on factors that are currently unknown and/or beyond our control.

Impact on our Financial Position and Results of Operations. Significant uncertainties as to future economic conditions exist. While some industries have been impacted more severely than others, all businesses have been impacted to some degree. The economic pressures, existing and forecasted, as of end of each quarter during 2020, coupled with the implementation of an expected loss methodology for determining United's provision for credit losses as required by CECL contributed to an increased provision for credit losses for the year of 2020. Also, in United's mortgage banking segment, a market disruption caused by the COVID-19 pandemic resulted in significant losses on mortgage banking derivatives in the first quarter of 2020.

The Company's fee income has been reduced due to COVID-19. In keeping with guidance from regulators, the Company actively worked with COVID-19 affected customers during 2020 to waive fees from a variety of sources, such as, but not limited to, insufficient funds and overdraft fees, ATM fees, account maintenance fees, etc. Should the pandemic and the global response escalate further, it is possible that the Company could reduce such fees in future periods; however, at this time, the Company is unable to project the materiality of such an impact on the results of operations in future periods.

The Company's interest income could be reduced due to COVID-19. In keeping with guidance from regulators, the Company continues to work with COVID-19 affected borrowers to defer their payments, interest, and fees. While interest and fees continue to accrue to income, through normal GAAP accounting, should eventual credit losses on these deferred payments emerge, the related loans would be placed on nonaccrual status and interest income and fees accrued would be reversed. In such a scenario, interest income in future periods could be negatively impacted. At this time, the Company is unable to project the materiality of such an impact on future deferrals to COVID-19 affected borrowers, but recognizes the breadth of the economic impact may affect its borrowers' ability to repay in future periods.

Capital and liquidity. As of December 31, 2020, all of our capital ratios, and our subsidiary bank's capital ratios, were in excess of all regulatory requirements. While we believe that we have sufficient capital to withstand a second economic recession brought about by COVID-19, our reported and regulatory capital ratios could be adversely impacted by further credit loss expense. We rely on cash on hand as well as dividends from our subsidiary bank to service our debt. If our capital deteriorates such that our subsidiary bank is unable to pay dividends to us for an extended period of time, we may not be able to service our debt.

We maintain access to multiple sources of liquidity. Wholesale funding markets have remained open to us, but rates for short-term funding have been volatile throughout 2020. If funding costs become elevated for an extended period of time, it could have an adverse effect on our net interest margin. If an extended recession caused large numbers of our deposit customers to withdraw their funds, we might become more reliant on volatile or more expensive sources of funding.

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For a discussion of the United's liquidity and capital resources in light of the COVID-19 pandemic please refer to the sections with the captions of "Liquidity" and "Capital Resources" included in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").

Lending operations and accommodations to borrowers. In keeping with regulatory guidance to work with borrowers during this unprecedented situation and as outlined in the CARES Act, the Company is executing a payment deferral program for its customers that are adversely affected by the pandemic. Depending on the demonstrated need of the client and within the guidance of the CARES Act, the Company is deferring either the full loan payment or the principal component of the loan payment for stated period of time. Through December 31, 2020, United has made 5,967 eligible loan modifications on approximately \$3.18 billion of loans outstanding under section 4013, "Temporary Relief from Troubled Debt Restructurings," of the CARES Act. Of those amounts made, 1,002 of eligible loan modifications remain on approximately \$399.86 million of loans outstanding as of December 31, 2020. In accordance with the CARES Act, these deferrals are not considered troubled debt restructurings. It is possible that these deferrals could be extended further under the CARES Act; however, the volume of these future potential extensions is unknown. It is also possible that in spite of our best efforts to assist our borrowers and achieve full collection of our investment, these deferred loans could result in future charge-offs with additional credit loss expense charged to earnings; however, the amount of any future charge-offs on deferred loans is unknown.

With the passage of the PPP, administered by the Small Business Administration ("SBA"), the Company has actively participated in assisting its customers with applications for resources through the program. PPP loans generally have a two-year or five-year term and earn interest at 1%. The Company believes that the majority of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. As of December 31, 2020, the Company had 8,743 of PPP loans with a balance of approximately \$1.18 billion. The Company recognized approximately \$16.26 million in net fees on PPP loans during the year ended December 31, 2020. Remaining fees due from the SBA will be amortized and recognized over the life of the associated loans. It is the Company's understanding that loans funded through the PPP program are fully guaranteed by the U.S. government. Should those circumstances change, the Company could be required to establish an allowance for credit loss through additional credit loss expense charged to earnings.

Retail operations. The Company is committed to assisting our customers and communities in this time of need. Most branch locations have converted to drive-thru only in order to ensure the health and safety of our customers and team members. We have introduced temporary changes to help with the financial hardship caused by COVID-19 for both our customers and non-customers. This included waiving select deposit account fees including overdraft fees, ATM fees and excessive withdrawal fees for savings and money market accounts.

We continue to serve our customers that need emergency branch access for account issues, safe deposit access and similar items by appointment. The Company has been able to open and close accounts effectively, through its drive through facility, and our customer service center is successfully managing the volume of incoming calls.

The Company continues to monitor the safety of our staff. With reduced access to the lobby, our staffing is adequate to address the requests for time off by any of our employees who are impacted by health or childcare issues. For our retail staff being asked to work during this event, a temporary bonus was implemented in appreciation for their service.

ADOPTION OF THE CURRENT EXPECTED CREDIT LOSSES STANDARD

The Company has adopted Accounting Standards Update ("ASU") 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," as amended, on January 1, 2020, as required by the Financial Accounting Standards Board ("FASB"). ASU No. 2016-13 was adopted by United using a modified retrospective approach. At the January 1, 2020 date of adoption, based on forecasts of macroeconomic conditions and exposures at that time, the aggregate impact to United was a net increase to the allowance for credit losses of \$57.44 million and a decrease to retained earnings of \$44.33 million, with the difference being an adjustment to deferred tax assets. United has elected to phase-in the impact to retained earnings using a five-year transition provision, allowed by the Federal Reserve Board and other federal banking agencies in response to the COVID-19 pandemic, to delay for two years the full impact of ASU No. 2016-13 on regulatory capital, followed by a three-year transition period. The adoption of ASU No. 2016-13 had an insignificant impact on the Company's held to maturity and available for sale securities portfolios.

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ASU 2016-13 requires entities to report “expected” credit losses on financial instruments measured at amortized cost and other commitments to extend credit rather than the prior “incurred loss” model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. Based on poor economic conditions at December 31, 2020, September 30, 2020, June 30, 2020 and March 31, 2020, management recorded \$16.75 million, \$16.34 million, \$16.96 million and \$27.12 million in provision for credit losses related to United’s loan portfolio for the fourth quarter, third quarter, second quarter and first quarter of 2020, respectively. In addition, United recorded a provision for loan losses of \$28.95 million during the second quarter of 2020 on purchased non-credit deteriorated (“non-PCD”) loans and leases from the Carolina Financial acquisition. For a further discussion, see the “Provision for Credit Losses” section in this Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

ACQUISITION

On May 1, 2020, United acquired 100% of the outstanding common stock of Carolina Financial Corporation (“Carolina Financial”), headquartered in Charleston, South Carolina. Immediately following the Merger, CresCom Bank, a wholly-owned subsidiary of Carolina Financial, merged with and into United Bank, a wholly-owned subsidiary of United (the Bank Merger). United Bank survived the Bank Merger and continues to exist as a Virginia banking corporation. The acquisition of Carolina Financial affords United the opportunity to expand its existing footprint in North Carolina and South Carolina. The merger resulted in a combined company with more than 200 locations in some of the best banking markets in the United States. CresCom Bank owned and operated Crescent Mortgage Company (“Crescent”), which is based in Atlanta. Crescent is approved to originate loans in 48 states partnering with community banks, credit unions and mortgage brokers. As a result of the merger, Crescent became an indirectly-owned subsidiary of United. The Carolina Financial merger was accounted for under the acquisition method of accounting. At consummation, Carolina Financial had assets of \$5.01 billion, loans and leases, net of unearned income of \$3.29 billion and deposits of \$3.87 billion.

The results of operations of Carolina Financial are included in the consolidated results of operations from its date of acquisition. As a result of the Carolina Financial acquisition, the year of 2020 was impacted by increased levels of average balances, income, and expense as compared to the year of 2019. In addition, the year of 2020 included \$54.24 million of merger-related expenses from the Carolina Financial acquisition as compared to \$589 thousand for the year of 2019.

TRANSITION FROM THE LONDON INTERBANK OFFERED RATE (LIBOR)

In 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit the rates used to calculate LIBOR after 2021. ICE Benchmark Administration (the publisher of LIBOR) plans to discontinue publication of the one-week and two-month LIBOR on December 31, 2021, and to discontinue publication of overnight, one-month, three-month, six-month, and twelve-month LIBOR on June 30, 2023. Currently, it is unclear whether these banks, as a group or individually, will continue to submit the rates used to calculate LIBOR after 2021. It is also unclear whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes may be on the markets for LIBOR-indexed financial instruments.

Working groups comprised of various regulators and other industry groups have been formed in the United States and other countries in order to provide guidance on this topic. In particular, the Alternative Reference Rates Committee (“ARRC”) has been formed in the United States by the Federal Reserve Board and the Federal Reserve Bank of New York. The ARRC has identified the Secured Overnight Financing Rate (“SOFR”) as its preferred alternative reference rate for U.S. Dollar LIBOR. The ARRC has also published recommended fall-back language for LIBOR-linked financial instruments, among numerous other areas of guidance. At this time, however, it is unclear whether these recommendations will be broadly accepted by industry participants, whether they will continue to evolve, and what impact they will ultimately have on the broader markets that utilize LIBOR as a reference rate.

United has loans, derivative contracts, borrowings, and other financial instruments that are directly or indirectly dependent on LIBOR. The transition from LIBOR will cause changes to payment calculations for existing contracts that use

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LIBOR as the reference rate. These changes will create various risks surrounding the financial, operational, compliance and legal aspects associated with changing certain elements of existing contracts. United will also be subject to risks surrounding changes to models and systems that currently use LIBOR reference rates, as well as market and strategic risks that could arise from the use of alternative reference rates. Additionally, United could face reputational risks if this transition is not managed appropriately with its customers. While the full impact of the transition is not yet known, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

INTRODUCTION

The following discussion and analysis presents the more significant changes in financial condition as of December 31, 2020 and 2019 and the results of operations of United and its subsidiaries for each of the years then ended. This discussion and the consolidated financial statements and the notes to Consolidated Financial Statements include the accounts of United Bankshares, Inc. and its wholly-owned subsidiaries, unless otherwise indicated. Management has evaluated all significant events and transactions that occurred after December 31, 2020, but prior to the date these financial statements were issued, for potential recognition or disclosure required in these financial statements. Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K filed with the SEC on March 2, 2020 (the [2019 Form 10-K](#)) for a discussion and analysis of the more significant factors that affected periods prior to 2019.

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

USE OF NON-GAAP FINANCIAL MEASURES

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

Generally, United has presented a non-GAAP financial measure because it believes that this measure provides meaningful additional information to assist in the evaluation of United's results of operations or financial position. Presentation of a non-GAAP financial measure is consistent with how United's management evaluates its performance internally and this non-GAAP financial measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the banking industry. Specifically, this discussion contains certain references to financial measures identified as tax-equivalent ("FTE") net interest income and return on average tangible equity. Management believes these non-GAAP financial measures to be helpful in understanding United's results of operations or financial position.

Net interest income is presented in this discussion on a tax-equivalent basis. The tax-equivalent basis adjusts for the tax-favored status of income from certain loans and investments. Although this is a non-GAAP measure, United's management believes this measure is more widely used within the financial services industry and provides better comparability of net interest income arising from taxable and tax-exempt sources. United uses this measure to monitor net interest income performance and to manage its balance sheet composition.

Average tangible equity is calculated as GAAP total shareholders' equity minus total intangible assets. Tangible equity can thus be considered the most conservative valuation of the company. When considering net income, a return on average tangible equity can be calculated. Management provides a return on average equity to facilitate the understanding of as well as to assess the quality and composition of United's capital structure. By removing the effect of intangible assets that result from merger and acquisition activity, the "permanent" items of shareholders' equity are presented. This measure, along with others, is used by management to analyze capital adequacy and performance.

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However, this non-GAAP information should be considered supplemental in nature and not as a substitute for related financial information prepared in accordance with GAAP. Where the non-GAAP financial measure is used, the comparable GAAP financial measure, as well as reconciliation to that comparable GAAP financial measure, as well as a statement of the company's reasons for utilizing the non-GAAP financial measure, can be found within this discussion and analysis. Investors should recognize that United's presentation of this non-GAAP financial measure might not be comparable to a similarly titled measure at other companies.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is an estimate of the expected credit losses on financial assets measured at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term). Determining the allowance for loan losses requires management to make estimates of expected credit losses that are highly uncertain and require a high degree of judgment. At December 31, 2020, the allowance for loan losses was \$235.83 million and is subject to periodic adjustment based on management's assessment of expected credit losses in the loan portfolio. Such adjustment from period to period can have a significant impact on United's consolidated financial statements. To illustrate the potential effect on the financial statements of our estimates of the allowance for loan losses, a 10% increase in the allowance for loan losses would have required \$23.58 million in additional allowance (funded by additional provision for loan losses), which would have negatively impacted the year of 2020 net income by approximately \$18.63 million, after-tax or \$0.16 diluted per common share. Management's evaluation of the adequacy of the allowance for loan losses and the appropriate provision for loan losses is based upon a quarterly evaluation of the loan portfolio. This evaluation is inherently subjective and requires significant estimates, including estimates related to the amounts and timing of future cash flows, value of collateral, losses on pools of homogeneous loans and leases based on historical loss experience, and consideration of qualitative factors such as current economic trends, all of which are susceptible to constant and significant change. The allowance allocated to specific credits and loan pools grouped by similar risk characteristics is reviewed on a quarterly basis and adjusted as necessary based upon subsequent changes in circumstances. In determining the components of the allowance for loan losses, management considers the risk arising in part from, but not limited to, qualitative factors which include charge-off and delinquency trends, current business conditions and reasonable and supportable economic forecasts, lending policies and procedures, the size and risk characteristics of the loan portfolio, concentrations of credit, and other various factors. The methodology used to determine the allowance for loan losses is described in Note A, Notes to Consolidated Financial Statements. A discussion of the factors leading to changes in the amount of the allowance for loan losses is included in the Provision for Credit Losses section of this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"). For a discussion of concentrations of credit risk, see Item 1, under the caption of Loan Concentrations in this Form 10-K.

Income Taxes

United's calculation of income tax provision is inherently complex due to the various different tax laws and jurisdictions in which we operate and requires management's use of estimates and judgments in its determination. The

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current income tax liability also includes income tax expense related to our uncertain tax positions as required in ASC Topic 740, "Income Taxes." Changes to the estimated accrued taxes can occur due to changes in tax rates, implementation of new business strategies, resolution of issues with taxing authorities and recently enacted statutory, judicial and regulatory guidance. These changes can be material to the Company's operating results for any particular reporting period. The analysis of the income tax provision requires the assessments of the relative risks and merits of the appropriate tax treatment of transactions, filing positions, filing methods and taxable income calculations after considering statutes, regulations, judicial precedent and other information. United strives to keep abreast of changes in the tax laws and the issuance of regulations which may impact tax reporting and provisions for income tax expense. United is also subject to audit by federal and state authorities. Because the application of tax laws is subject to varying interpretations, results of these audits may produce indicated liabilities which differ from United's estimates and provisions. United continually evaluates its exposure to possible tax assessments arising from audits and records its estimate of probable exposure based on current facts and circumstances. The potential impact to United's operating results for any of the changes cannot be reasonably estimated. See Note O, Notes to Consolidated Financial Statements for information regarding United's ASC Topic 740 disclosures.

Use of Fair Value Measurements

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

At December 31, 2020, approximately 14.54% of total assets, or \$3.81 billion, consisted of financial instruments recorded at fair value. Of this total, approximately 80.81% or \$3.08 billion of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately 19.19% or \$730.73 million of these financial instruments were valued using unobservable market information or Level 3 measurements. Most of these financial instruments valued using unobservable market information were loans held for sale at our mortgage banking segment. At December 31, 2020, only \$13.06 million or less than 1% of total liabilities were recorded at fair value. This entire amount was valued using methodologies involving observable market data. United does not believe that any changes in the unobservable inputs used to value the financial instruments mentioned above would have a material impact on United's results of operations, liquidity, or capital resources. See Note W for additional information regarding ASC Topic 820 and its impact on United's financial statements.

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

2020 COMPARED TO 2019

United's total assets as of December 31, 2020 were \$26.18 billion, which was an increase of \$6.52 billion or 33.17% from December 31, 2019, primarily the result of the acquisition of Carolina Financial on May 1, 2020 and PPP loans. Portfolio loans and leases increased \$3.88 billion or 28.29%, cash and cash equivalents increased \$1.37 billion or 163.77%, investment securities increased \$516.39 million or 19.34%, loans held for sale increased \$331.42 million or 85.53%, goodwill increased \$318.83 million or 21.57%, other assets increased \$142.57 million or 32.26%, bank premises and equipment increased \$79.18 million or 81.93%, operating lease right-of-use assets increased \$11.74 million or 20.31%, and interest receivable increased \$8.75 million or 15.06%, all due primarily to the Carolina Financial merger. Total liabilities increased \$5.59 billion or 34.29% from year-end 2019. This increase in total liabilities was due mainly to increases of \$6.73 billion or 48.60% and \$32.03 million or 18.80% in deposits and accrued and other liabilities,

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respectively, mainly due to the Carolina Financial acquisition. Partially offsetting these increases was a decrease of \$1.21 billion or 54.50% in borrowings. Shareholders' equity increased \$933.79 million or 27.76% from year-end 2019 due primarily to the acquisition of Carolina Financial.

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

Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2020 increased \$1.37 billion or 163.77% from year-end 2019. In particular, interest-bearing deposits with other banks increased \$1.26 billion or 193.33% as United increased its liquidity due to the COVID-19 pandemic by placing excess cash in an interest-bearing account with the Federal Reserve. In addition, cash and due from banks increased \$112.13 million or 60.53% due to increases of \$73.87 million in cash and \$13.52 million in process with the Federal Reserve. Federal funds sold were flat, increasing \$3 thousand or less than 1%. During the year of 2020, net cash of \$140.45 million and \$137.59 million were provided by operating activities and investing activities, respectively, while net cash of \$1.09 billion was provided by financing activities. Further details related to changes in cash and cash equivalents are presented in the Consolidated Statements of Cash Flows.

Securities

Total investment securities at December 31, 2020 increased \$516.39 million or 19.34% from year-end 2019. Carolina Financial added \$580.79 million in investment securities, including purchase accounting amounts, upon consummation of the acquisition. Securities available for sale increased \$516.06 million or 21.17%. This change in securities available for sale reflects \$559.29 million acquired from Carolina Financial, \$705.57 million in sales, maturities and calls of securities, \$596.92 million in purchases, and an increase of \$74.64 million in market value. Securities held to maturity declined \$234 thousand or 16.18% from year-end 2019 due to maturities and calls of securities as well as the establishment of a \$23 thousand allowance for credit losses. Equity securities were \$10.72 million at December 31, 2020, an increase of \$1.82 million or 20.51% due mainly to net purchases and a change in value. Other investment securities were flat, decreasing \$1.27 million or less than 1% from year-end 2019 due to a decrease in Federal Home Loan Bank ("FHLB") stock. Partially offsetting this decrease in FHLB stock were purchases of Federal Reserve Bank ("FRB") stock and investment tax credits.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
		(In thousands)	
U.S. Treasury and obligations of U.S. Government corporations and agencies	\$ 65,804	\$ 58,127	\$ 86,285
States and political subdivisions	538,082	272,014	212,670
Mortgage-backed securities	1,571,643	1,439,747	1,611,906
Asset-backed securities	297,834	284,390	272,459
Trust preferred collateralized debt obligations	0	6,045	6,176
Single issue trust preferred securities	18,230	18,196	8,754
Corporate securities	376,753	348,405	162,634
TOTAL AVAILABLE FOR SALE SECURITIES, at amortized cost	<u>\$ 2,868,346</u>	<u>\$ 2,426,924</u>	<u>\$ 2,360,884</u>
TOTAL AVAILABLE FOR SALE SECURITIES, at fair value	<u>\$ 2,953,359</u>	<u>\$ 2,437,296</u>	<u>\$ 2,337,039</u>

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

	2020	2019	2018
	(In thousands)		
U.S. Treasury and obligations of U.S. Government corporations and agencies	\$ 0	\$ 0	\$ 5,074
States and political subdivisions	1,192(1)	1,426	5,473
Mortgage-backed securities	0	0	20
Single issue trust preferred securities	0	0	9,412
Other corporate securities	20	20	20
TOTAL HELD TO MATURITY SECURITIES, at amortized cost	\$ 1,212	\$ 1,446	\$ 19,999
TOTAL HELD TO MATURITY SECURITIES, at fair value	\$ 1,212(1)	\$ 1,447	\$ 18,655

Note: (1) net of allowance for credit losses of \$23 thousand.

At December 31, 2020, gross unrealized losses on available for sale securities were \$6.16 million. Securities with the most significant gross unrealized losses at December 31, 2020 consisted primarily of asset-backed securities and single issue trust preferred securities. The asset-backed securities relate mainly to securities that are backed by Federal Family Education Loan Program ("FFELP") student loan collateral which includes a minimum of a 97% government repayment guaranty, as well as additional credit support and subordination in excess of the government guaranteed portion. The single issue trust preferred securities relate to securities of financial institutions.

As of December 31, 2020, United's available for sale mortgage-backed securities had an amortized cost of \$1.57 billion, with an estimated fair value of \$1.63 billion. The portfolio consisted primarily of \$905.23 million in agency residential mortgage-backed securities with a fair value of \$928.89 million, \$21.64 million in non-agency residential mortgage-backed securities with an estimated fair value of \$21.78 million, and \$644.77 million in commercial agency mortgage-backed securities with an estimated fair value of \$675.15 million.

As of December 31, 2020, United's available for sale corporate securities had an amortized cost of \$692.82 million, with an estimated fair value of \$696.04 million. The portfolio consisted of \$18.23 million in single issue trust preferred securities with an estimated fair value of \$17.03 million. In addition to the single issue trust preferred securities, the Company held positions in various other corporate securities, including asset-backed securities with an amortized cost of \$297.83 million and a fair value of \$294.62 million and other corporate securities, with an amortized cost of \$376.75 million and a fair value of \$384.39 million.

United's available for sale single issue trust preferred securities had a fair value of \$17.03 million as of December 31, 2020. Of the \$17.03 million, \$11.23 million or 65.97% were investment grade; \$0.93 million or 5.46% were split rated; and \$4.87 million or 28.57% were unrated. The two largest exposures accounted for 70.41% of the \$17.03 million. These included Truist Bank at \$7.12 million and Emigrant Bank at \$4.86 million. All single issue trust preferred securities are currently receiving full scheduled principal and interest payments.

During 2020, United did not recognize any credit losses on its available for sale investment securities. Management does not believe that any individual security with an unrealized loss as of December 31, 2020 is impaired. United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not a deterioration of credit. Based on a review of each of the securities in the available for sale investment portfolio, management concluded that it was more likely than not that it would be able to realize the cost basis investment and appropriate interest payments on such securities. United has the intent and the ability to hold these securities until such time as the value recovers or the securities mature. As of December 31, 2020, there was no allowance for credit losses related to the Company's available for sale securities. However, United acknowledges that any securities in an unrealized loss position may be sold in future periods in response to significant, unanticipated changes in asset/liability management decisions, unanticipated future market movements or business plan changes.

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

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Loans held for sale

Loans held for sale increased \$331.42 million or 85.53% from year-end 2019 due mainly to the acquisition of Carolina Financial and its mortgage banking subsidiary, Crescent, and increased production. Carolina Financial added \$65.76 million in loans held for sale. In addition, loan originations exceeded loan sales in the secondary market during the year of 2020. Loan originations for the year of 2020 were \$6.53 billion while loans sales were \$6.26 billion. Loans held for sale were \$718.94 million at December 31, 2020 as compared to \$387.51 million at year-end 2019.

Portfolio Loans

Loans and leases, net of unearned income, increased \$3.88 billion or 28.29% from year-end 2019 mainly as a result of the Carolina Financial acquisition which added \$3.29 billion, including purchase accounting amounts, in portfolio loans and leases and the issuance of PPP loans. Since year-end 2019, commercial, financial and agricultural loans and leases increased \$3.24 billion or 43.50% as commercial loans and leases (not secured by real estate) increased \$1.77 billion or 77.43%, including \$1.18 billion in PPP loans, while commercial real estate loans increased \$1.47 billion or 28.50%. Consumer loans increased \$35.22 million or 3.02% due to an increase in indirect automobile financing in addition to the loans acquired from Carolina Financial. In addition, construction and land development loans increased \$418.14 million or 29.69% while residential real estate loans increased \$213.48 million or 5.79%. These increases were due primarily to the Carolina Financial acquisition. Otherwise, portfolio loans and leases, net of unearned income, increased \$619.98 million from year-end 2019. Unearned income on loans and leases increased \$29.75 million from year-end 2019 due mainly to the deferred loan fees on the PPP loans.

A summary of loans outstanding is as follows:

(In thousands)	December 31				
	2020	2019	2018	2017	2016
Commercial, financial & agricultural	\$10,694,832	\$ 7,452,649	\$ 7,553,044	\$ 7,811,906	\$ 6,088,775
Residential real estate	3,899,885	3,686,401	3,501,393	2,996,171	2,403,437
Construction & land development	1,826,349	1,408,205	1,410,468	1,504,907	1,255,738
Consumer	1,201,517	1,166,293	964,627	714,353	608,769
Less: Unearned income	(31,170)	(1,419)	(7,310)	(15,916)	(15,582)
Total loans	17,591,413	13,712,129	13,422,222	13,011,421	10,341,137
Allowance for loan losses	(235,830)	(77,057)	(76,703)	(76,627)	(72,771)
TOTAL LOANS, NET	\$17,355,583	\$13,635,072	\$13,345,519	\$12,934,794	\$10,268,366
Loans held for sale	\$ 718,937	\$ 387,514	\$ 249,846	\$ 265,955	\$ 8,445

The following table shows the maturity of commercial, financial, and agricultural loans and real estate construction and land development loans as of December 31, 2020:

(In thousands)	Less Than	One To	Over	Total
	One Year	Five Years	Five Years	
Commercial, financial & agricultural	\$ 1,656,374	\$ 5,617,981	\$ 3,420,477	\$ 10,694,832
Construction & land development	619,714	934,696	271,939	1,826,349
Total	\$ 2,276,088	\$ 6,552,677	\$ 3,692,416	\$ 12,521,181

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At December 31, 2020, commercial, financial and agricultural loans and real estate construction and land development loans by maturity are as follows:

(In thousands)	Less Than One Year	One to Five Years	Over Five Years	Total
Outstanding with fixed interest rates	\$ 668,010	\$ 4,881,785	\$ 1,807,207	\$ 7,357,002
Outstanding with adjustable rates	1,608,078	1,670,892	1,885,209	5,164,179
	<u>\$ 2,276,088</u>	<u>\$ 6,552,677</u>	<u>\$ 3,692,416</u>	<u>\$ 12,251,181</u>

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

Other Assets

Other assets increased \$142.57 million or 32.26% from year-end 2019. The Carolina Financial acquisition added \$156.31 million in other assets plus an additional \$3.41 million in core deposit intangibles and \$196 thousand for the Crescent trade name intangible. The cash surrender value of bank-owned life insurance policies increased \$75.21 million, of which \$71.88 million was acquired from Carolina Financial while the remaining increase was due to an increase in the cash surrender value. Deferred tax assets increased \$10.02 million due mainly to the deferred taxes recorded on the purchase accounting adjustments in the Carolina Financial acquisition while income tax receivable increased \$12.24 million. The remainder of the increase in other assets is the result of an increase of \$38.74 million in derivative assets from mortgage banking operations and Carolina Financial and an increase of \$7.08 million in OREO.

Deposits

Deposits represent United's primary source of funding. Total deposits at December 31, 2020 increased \$6.73 billion or 48.60% as the result of the Carolina Financial acquisition and economic stimulus. Carolina Financial added \$3.88 billion in deposits, including purchase accounting amounts. In terms of composition, noninterest-bearing deposits increased \$2.78 billion or 60.24% (\$893.07 million added from Carolina Financial acquisition) while interest-bearing deposits increased \$3.95 billion or 42.78% (\$2.99 billion added from Carolina Financial acquisition) from December 31, 2019. Organically, deposits grew \$2.86 billion from year-end 2019 due to new customers and the economic stimulus, liquidity concerns as well as a volatile stock market as a result of the COVID-19 pandemic.

Noninterest-bearing deposits consist of demand deposit and noninterest bearing money market ("MMDA") account balances. The \$2.78 billion increase in noninterest-bearing deposits was due mainly to increases in commercial noninterest-bearing deposits of \$1.67 billion or 69.51% and personal noninterest-bearing deposits of \$355.72 million or 47.84% mainly as the result of the Carolina Financial acquisition and the pandemic factors mentioned above. In addition, sweep activity to noninterest bearing MMDAs increased \$737.37 million or 59.49%.

Interest-bearing deposits consist of interest-bearing checking ("NOW"), regular savings, interest-bearing MMDA, and time deposit account balances. All major categories of interest-bearing deposits increased from year-end 2019 as the result of the Carolina Financial acquisition. In particular, interest-bearing MMDAs increased \$2.54 billion or 44.87% since year-end 2019 as commercial MMDAs increased \$1.22 billion, personal MMDAs increased \$976.09 million, and public funds MMDAs increased \$340.04 million. Brokered MMDAs decreased \$3.19 million. NOW accounts increased \$427.46 million or 114.85% since year-end 2019. Excluding sweep activity from NOW accounts to interest-bearing MMDAs to reduce United's reserve requirement at its Federal Reserve Bank, NOW accounts increased \$1.28 billion or 70.15% due to a \$810.50 million increase in personal NOW accounts, a \$273.79 million increase in public NOW accounts, and a \$192.59 million increase in commercial NOW accounts.

Regular savings increased \$400.93 million or 45.41% from year-end 2019 due to a \$367.25 million increase in personal savings accounts and a \$33.24 million increase in commercial savings accounts as the result of the Carolina Financial acquisition.

Time deposits under \$100,000 increased \$256.05 million or 35.37% from year-end 2019 due mainly to an increase in fixed rate certificates of deposits ("CDs") of \$195.95 million and an increase of \$50.11 million in listing service CDs due to the Carolina Financial acquisition. Time deposits over \$100,000 increased \$329.12 million or 20.57% as brokered

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deposits increased \$94.81 million and fixed rate CDs over \$100,000 increased \$344.18 million, both as a result of the Carolina Financial acquisition. Partially offsetting these increases in time deposits over \$100,000 was a \$115.59 million decrease in Certificate of Deposit Account Registry Service (“CDARS”) balances.

The table below summarizes the changes by deposit category since year-end 2019:

(Dollars in thousands)	December 31 2020	December 31 2019	\$ Change	% Change
Demand deposits	\$ 5,428,398	\$ 3,381,866	\$ 2,046,532	60.51%
Interest-bearing checking	799,635	372,175	427,460	114.85%
Regular savings	1,283,823	882,889	400,934	45.41%
Money market accounts	10,165,334	6,891,696	3,273,638	47.50%
Time deposits under \$100,000	979,988	723,941	256,047	35.37%
Time deposits over \$100,000 ⁽¹⁾	1,927,982	1,599,854	328,128	20.51%
Total deposits	\$ 20,585,160	\$ 13,852,421	\$ 6,732,739	48.60%

(1) Includes time deposits of \$250,000 or more of \$889,334 and \$803,414 at December 31, 2020 and December 31, 2019, respectively.

At December 31, 2020, the scheduled maturities of time deposits are as follows:

Year	Amount
	(In thousands)
2021	\$ 2,220,450
2022	441,567
2023	139,716
2024	73,368
2025 and thereafter	32,869
TOTAL	\$ 2,907,970

Maturities of time certificates of deposit of \$100,000 or more outstanding at December 31, 2020 are summarized as follows:

	Amount
	(In thousands)
3 months or less	\$ 629,224
Over 3 through 6 months	412,974
Over 6 through 12 months	463,897
Over 12 months	421,887
TOTAL	\$ 1,927,982

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

	2020			2019			2018		
	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate
(Dollars in thousands)									
Demand deposits	\$ 6,433,349	\$ 0	0.00%	\$ 4,388,664	\$ 0	0.00%	\$ 4,297,474	\$ 0	0.00%
NOW and money market deposits	7,617,049	40,322	0.53%	6,297,715	88,591	1.41%	6,062,294	57,723	0.95%
Savings deposits	1,149,201	2,087	0.18%	963,954	2,501	0.26%	1,043,348	2,161	0.21%
Time deposits	2,952,944	36,170	1.22%	2,342,969	44,557	1.90%	2,337,368	31,623	1.35%
TOTAL	\$ 18,152,543	\$ 78,579	0.43%	\$ 13,993,302	\$ 135,649	0.97%	\$ 13,740,484	\$ 91,507	0.67%

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

Borrowings

Total borrowings at December 31, 2020 decreased \$1.21 billion or 54.50% since year-end 2019. Carolina Financial added \$374.74 million, including purchase accounting amounts, upon consummation of the acquisition. During the year of 2020, short-term borrowings decreased \$232.35 million or 62.02% due to a \$250.00 million decrease in short term FHLB advances while securities sold under agreements to repurchase increased \$17.65 million. Carolina Financial added \$332.00 million in short-term borrowings, which were repaid by December 31, 2020. Long-term borrowings decreased \$973.66 million or 52.97% from year-end 2019 as long-term FHLB advances decreased \$1.02 billion as a result of early payoff of long-term FHLB advances while issuances of trust preferred capital securities increased \$33.81 million. Including purchase accounting amounts, Carolina Financial added \$42.74 million in long-term borrowings, which included subordinated debt of \$9.87 million.

The table below summarizes the change in the borrowing categories since year-end 2019:

(Dollars in thousands)	December 31 2020	December 31 2019	\$ Change	% Change
Federal funds purchased	\$ 0	\$ 0	\$ 0	0.00%
Short-term securities sold under agreements to repurchase	142,300	124,654	17,646	14.16%
Short-term FHLB advances	0	250,000	(250,000)	(100.00%)
Long-term FHLB advances	584,532	1,601,865	(1,017,333)	(63.51%)
Subordinated debt	9,865	0	9,865	100.00%
Issuances of trust preferred capital securities	269,972	236,164	33,808	14.32%
Total borrowings	<u>\$ 1,006,669</u>	<u>\$ 2,212,683</u>	<u>\$ (1,206,014)</u>	<u>(54.50%)</u>

For a further discussion of borrowings see Notes L and M, Notes to Consolidated Financial Statements.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at December 31, 2020 increased \$32.02 million or 18.80% from year-end 2019. Carolina Financial added \$33.15 million. In particular, accrued employee expenses increased \$21.97 million and derivative liabilities increased \$9.99 million. In addition, accrued mortgage escrow liabilities increased \$5.57 million and dividends payable increased \$9.16 million. Partially offsetting these increases was a decrease of \$12.46 million in the pension liability due to a \$20 million contribution in the third quarter of 2020 and a decrease of \$6.72 million in interest payable as result of timing differences.

Shareholders' Equity

Shareholders' equity at December 31, 2020 was \$4.30 billion, which was an increase of \$933.79 million or 27.76% from year-end 2019 mainly as the result of the Carolina Financial acquisition. The Carolina Financial transaction added approximately \$817.83 million in shareholders' equity as 28,031,501 shares were issued from United's authorized but unissued shares for the merger at a cost of approximately \$816.00 million.

Retained earnings increased \$72.82 million or 6.43% from year-end 2019. Earnings net of dividends for the year of 2020 were \$117.15 million. Amount recognized for the adoption of ASU 2016-13 was a reduction of \$44.33 million in retained earnings.

Accumulated other comprehensive income increased \$57.24 million or 164.15% from year-end 2019 due mainly to an increase of \$57.25 million in United's available for sale investment portfolio, net of deferred income taxes. The after-tax accretion of pension costs was \$3.95 million for the year of 2020 while the after-tax pension accounting adjustment at year-end 2020 resulted in a decline of \$7.32 million. During the year of 2020, United recognized an upward fair value adjustment of \$3.36 million on new cash flow hedges.

During the fourth quarter of 2020, United began repurchasing its common stock on the open market under repurchase plans approved by United's Board of Directors. United repurchased 660,000 shares in 2020 at a cost of \$20.71 million or an average share price of \$31.38.

RESULTS OF OPERATIONS

Overview

Net income for the year 2020 was \$289.02 million or \$2.40 per diluted share, an increase of \$28.92 million or 11.12% from \$260.10 million or \$2.55 per diluted share for the year of 2019. Higher net income for the year 2020 compared to the year of 2019 was primarily due to higher income from mortgage banking activities, driven by an elevated volume of mortgage loan originations and sales in the secondary market, as well as the impact from the Carolina Financial acquisition. Partially offsetting the increase in net income were additional merger-related expenses for the Carolina Financial acquisition, an increase in prepayment penalties on the early payoff of long-term FHLB advances and a higher provision for credit losses resulting from an adverse future macroeconomic forecast as a result of the COVID-19 pandemic under the CECL accounting standard.

As previously mentioned, United completed its acquisition of Carolina Financial on May 1, 2020. The results of operations for Carolina Financial are included in the consolidated results of operations from the date of acquisition, May 1, 2020. As a result of the acquisition, the year of 2020 reflected higher average balances, income, and expense as compared to the year of 2019. In addition, the year of 2020 included merger-related expenses of \$54.24 million as compared to \$589 thousand for the year of 2019.

United's return on average assets for the year of 2020 was 1.20% and return on average shareholders' equity was 7.30% as compared to 1.34% and 7.80% for the year of 2019. United's Federal Reserve peer group's (bank holding companies with total assets over \$10 billion) most recently reported annualized average return on assets and annualized average return on equity were 0.71% and 6.29%, respectively, for the first nine months of 2020. For the year of 2020, United's return on average tangible equity was 12.90%, as compared to 14.26% the year of 2019.

	Year Ended	
	December 31, 2020	December 31, 2019
(Dollars in thousands)		
Return on Average Tangible Equity:		
(a) Net Income (GAAP)	\$ 289,023	\$ 260,099
Average Total Shareholders' Equity (GAAP)	3,956,969	3,336,075
Less: Average Total Intangibles	(1,716,738)	(1,511,501)
(b) Average Tangible Equity (non-GAAP)	\$ 2,240,231	\$ 1,824,574
Return on Tangible Equity (non-GAAP) [(a) / (b)]	12.90%	14.26%

Net interest income for the year of 2020 was \$689.77 million, an increase of \$111.85 million or 19.35% from the prior year. The increase in net interest income occurred because total interest income increased \$35.82 million while total interest expense decreased \$76.03 million from the year of 2019.

The provision for credit losses was \$106.56 million for the year 2020 as compared to \$21.31 million for the year of 2019. Noninterest income was \$354.75 million for the year of 2020 which was an increase of \$204.26 million or 135.74% from the year of 2019. Noninterest expense was \$578.22 million which was an increase of \$195.56 million or 51.11% from the year of 2019.

Income taxes for the year of 2020 were \$70.72 million as compared to \$64.34 million for the year of 2019. United's effective tax rate was approximately 19.7% and 19.8% for years ended December 31, 2020 and 2019, respectively, as compared to 21.7% for 2018.

Business Segments

United operates in two business segments: community banking and mortgage banking.

Community Banking

Net income attributable to the community banking segment for the year of 2020 was \$190.34 million compared to net income of \$258.40 million for the year of 2019. As previously mentioned, the lower amount of net income in 2020 was driven primarily by additional merger-related expenses for the Carolina Financial acquisition, an increase in prepayment penalties on the early payoff of long-term FHLB advances and a higher provision for loan losses resulting from an adverse future macroeconomic forecast as a result of the COVID-19 pandemic under the new CECL accounting standard adopted by United on January 1, 2020. In addition, for the year of 2020, the community banking segment included the provision for loan losses of \$28.95 million recorded on purchased non-PCD loans and leases from Carolina Financial.

Net interest income increased \$94.36 million to \$677.91 million for the year of 2020, compared to \$583.55 million for the same period of 2019, due mainly to an increase in average earning assets as a result of the Carolina Financial acquisition. Provision for credit losses was \$106.56 million for the year ended December 31, 2020 compared to a provision of \$21.31 million for the same period of 2019. The increase for the year of 2020 was due mainly to the impact from the reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses adversely impacted by the COVID-19 pandemic and the provision for credit losses of \$28.95 million recorded on purchased non-PCD loans and leases from Carolina Financial.

Noninterest income for the year of 2020 increased \$15.14 million to \$90.09 million as compared to \$74.96 million for the year of 2019. The \$15.14 million increase in 2020 was due mainly to increased fees from brokerage services, fees from deposit services, net gains on the sales and calls of investment securities and a net gain of \$2.23 million on the sale and subsequent leaseback of a bank premise.

Noninterest expense was \$423.93 million for the year ended December 31, 2020, compared to \$314.71 million for the same period of 2019. The increase of \$109.22 million in noninterest expense was primarily attributable to the additional employees and branch offices from the Carolina Financial acquisition as most major categories of noninterest expense showed increases as well as increased merger-related expenses and prepayment penalties on the early payoff of long-term FHLB advances.

Mortgage Banking

The mortgage banking segment reported net income of \$116.71 million for the year of 2020 as compared to net income of \$10.16 million for the year of 2019. Noninterest income, which consists mainly of realized and unrealized gains associated with the fair value of commitments and loans held for sale, was \$276.19 million for the year of 2020 as compared to \$83.88 million for the year of 2019. The increase in 2020 was due mainly to increased sales of mortgage loans in the secondary market and the addition of mortgage banking operations from the Carolina Financial acquisition. Noninterest expense was \$140.63 million for the year of 2020 as compared to \$72.29 million the year of 2019. Noninterest expense consists mainly of salaries, commissions and benefits of mortgage segment employees. The increase in 2020 was due mainly to higher employee incentives and commissions related to the increased mortgage banking production as well as the additional expense associated with the employees added from the Carolina Financial acquisition.

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

Net Interest Income

Net interest income represents the primary component of United's earnings. It is the difference between interest income from earning assets and interest expense incurred to fund these assets. Net interest income is impacted by changes in the volume and mix of interest-earning assets and interest-bearing liabilities, as well as changes in market interest rates. Such changes, and their impact on net interest income in 2020 and 2019, are presented below.

Net interest income for the year of 2020 was \$689.77 million, which was an increase of \$111.85 million or 19.35% from the year of 2019. The \$111.85 million increase in net interest income occurred because total interest income increased \$35.82 million while total interest expense decreased \$76.03 million from the year of 2019. Generally, interest income for

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the year of 2020 increased from the year of 2019 due to an increase in earning assets, mainly as a result of the Carolina Financial acquisition and PPP loan activity, while interest expense decreased primarily due to a decline in market interest rates which resulted in lower funding costs. For the purpose of this remaining discussion, net interest income is presented on a tax-equivalent basis to provide a comparison among all types of interest earning assets. The tax-equivalent basis adjusts for the tax-favored status of income from certain loans and investments. Although this is a non-GAAP measure, United's management believes this measure is more widely used within the financial services industry and provides better comparability of net interest income arising from taxable and tax-exempt sources. United uses this measure to monitor net interest income performance and to manage its balance sheet composition.

Tax-equivalent net interest income for the year of 2020 was \$693.66 million, an increase of \$112.00 million or 19.26% from the year of 2019. Average earning assets for the year of 2020 increased \$4.22 billion or 24.61% from the year of 2019 due to a \$3.16 billion or 22.91% increase in average net loans and leases, including loans held for sale, a \$767.91 million or 104.64% increase in average short-term investments and a \$293.21 million or 11.17% increase in average investment securities. The net interest spread for the year of 2020 increased 8 basis points from the year of 2019 due to an 80 basis point decrease in the average cost of funds partially offset by a 72 basis point decrease in average yield on earning assets. Loan accretion on acquired loans and leases was \$41.77 million and \$38.80 million for the year of 2020 and 2019, respectively, an increase of \$2.96 million. The net interest margin of 3.24% for the year of 2020 was a decrease of 15 basis points from the net interest margin of 3.39% for the year of 2019.

United's tax-equivalent net interest income also includes the impact of acquisition accounting fair value adjustments. The following table provides the discount/premium and net accretion impact to tax-equivalent net interest income for the year ended December 31, 2020, 2019 and 2018.

	Year Ended		
	December 31 2020	December 31 2019	December 31 2018
(Dollars in thousands)			
Loan Accretion	\$ 41,766	\$ 38,803	\$ 43,197
Certificates of deposit	7,925	791	1,258
Long-term borrowings	1,278	1,074	1,074
Total	\$ 50,969	\$ 40,668	\$ 45,529

The following table reconciles the difference between net interest income and tax-equivalent net interest income for the year ended December 31, 2020, 2019 and 2018.

	Year Ended		
	December 31 2020	December 31 2019	December 31 2018
(Dollars in thousands)			
Net interest income (GAAP)	\$ 689,773	\$ 577,922	\$ 588,645
Tax-equivalent adjustment (non-GAAP) ⁽¹⁾	3,888	3,735	4,328
Tax-equivalent net interest income (non-GAAP)	\$ 693,661	\$ 581,657	\$ 592,973

- (1) The tax-equivalent adjustment combines amounts of interest income on federally nontaxable loans and investment securities using the statutory federal income tax rate of 21% for 2020, 2019, and 2018. All interest income on loans and investment securities was subject to state income taxes.

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The following table shows the consolidated daily average balance of major categories of assets and liabilities for each of the three years ended December 31, 2020, 2019 and 2018 with the consolidated interest and rate earned or paid on such amount. The interest income and yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 21% for the years ended December 31, 2020, 2019, and 2018. Interest income on all loans and investment securities was subject to state taxes.

	Year Ended December 31, 2020			Year Ended December 31, 2019			Year Ended December 31, 2018		
	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1)	Avg. Rate (1)
(Dollars in thousands)									
ASSETS									
Earning Assets:									
Federal funds sold, securities repurchased under agreements to resell & other short-term investments	\$ 1,501,771	\$ 9,780	0.65%	\$ 733,865	\$ 21,338	2.91%	\$ 843,079	\$ 19,268	2.29%
Investment Securities:									
Taxable	2,700,416	61,808	2.29%	2,485,767	70,789	2.85%	2,080,145	56,273	2.71%
Tax-exempt	217,836	6,285	2.89%	139,277	4,412	3.17%	231,009	6,904	2.99%
Total Securities	2,918,252	68,093	2.33%	2,625,044	75,201	2.86%	2,311,154	63,177	2.73%
Loans and leases, net of unearned income (2)	17,151,291	724,397	4.22%	13,879,662	669,758	4.83%	13,476,416	639,598	4.75%
Allowance for credit losses	(186,640)			(76,731)			(76,848)		
Net loans and leases	16,964,651		4.27%	13,802,931		4.85%	13,399,568		4.77%
Total earning assets	21,384,674	\$802,270	3.75%	17,161,840	\$766,297	4.47%	16,553,801	\$ 722,043	4.36%
Other assets									
	2,752,396			2,313,628			2,294,226		
TOTAL ASSETS	\$24,137,070			\$19,475,468			\$18,848,027		
LIABILITIES									
Interest-Bearing Funds:									
Interest-bearing deposits	\$11,719,194	\$ 78,579	0.67%	\$ 9,604,638	\$135,649	1.41%	\$ 9,443,010	\$ 91,507	0.97%
Short-term borrowings	145,768	1,027	0.70%	140,483	2,347	1.67%	224,948	2,245	1.00%
Long-term borrowings	1,645,783	29,003	1.76%	1,821,504	46,644	2.56%	1,509,604	35,318	2.34%
Total Interest-Bearing Funds	13,510,745	108,609	0.80%	11,566,625	184,640	1.60%	11,177,562	129,070	1.15%
Noninterest-bearing deposits	6,433,349			4,388,664			4,297,474		
Accrued expenses and other liabilities	236,007			184,104			104,047		
TOTAL LIABILITIES	20,180,101			16,139,393			15,579,083		
SHAREHOLDERS' EQUITY	3,956,969			3,336,075			3,268,944		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$24,137,070			\$19,475,468			\$18,848,027		
NET INTEREST INCOME		\$693,661			\$581,657			\$ 592,973	
INTEREST SPREAD			2.95%			2.87%			3.21%
NET INTEREST MARGIN			3.24%			3.39%			3.58%

- (1) The interest income and the yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 21% for 2020, 2019 and 2018.
- (2) Nonaccruing loans are included in the daily average loan amounts outstanding.

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

(In thousands)	2020 Compared to 2019				2019 Compared to 2018			
	Increase (Decrease) Due to				Increase (Decrease) Due to			
	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Rate/ Volume	Total
Interest income:								
Federal funds sold, securities purchased under agreements to resell and other short-term investments	\$ 22,346	\$ (16,585)	\$(17,319)	\$ (11,558)	\$ (2,501)	\$ 5,227	\$ (656)	\$ 2,070
Investment securities:								
Taxable	6,117	(13,920)	(1,178)	(8,981)	10,992	2,912	612	14,516
Tax-exempt (1)	2,490	(390)	(227)	1,873	(2,743)	416	(165)	(2,492)
Loans (1),(2)	153,343	(80,057)	(18,647)	54,639	19,240	10,720	200	30,160
TOTAL INTEREST INCOME	184,296	(110,952)	(37,371)	35,973	24,988	19,275	(9)	44,254
Interest expense:								
Interest-bearing deposits	\$ 29,815	\$ (71,074)	\$(15,811)	\$ (57,070)	\$ 1,568	\$ 41,549	\$ 1,025	\$ 44,142
Short-term borrowings	88	(1,306)	(102)	(1,320)	(845)	1,507	(560)	102
Long-term borrowings	(4,498)	(14,572)	1,429	(17,641)	7,298	3,321	707	11,326
TOTAL INTEREST EXPENSE	25,405	(86,952)	(14,484)	(76,031)	8,021	46,377	1,172	55,570
NET INTEREST INCOME	\$158,891	\$ (24,000)	\$(22,887)	\$112,004	\$16,967	\$(27,102)	\$(1,181)	\$(11,316)

- (1) Yields and interest income on federally tax-exempt loans and investment securities are computed on a fully tax-equivalent basis using the statutory federal income tax rate of 21% for 2020, 2019 and 2018.
- (2) Nonaccruing loans are included in the daily average loan amounts outstanding.

Provision for Credit Losses

The provision for loan and lease losses for the year of 2020 and 2019 was \$106.29 million and \$21.31 million, respectively. Net charge-offs for the year of 2020 were \$23.60 million as compared to \$20.96 million for year of 2019. The higher amount of provision expense for 2020 compared to 2019 was due mainly to a provision for loan losses of \$28.95 million recorded on purchased non-PCD loans and leases from Carolina Financial and the reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of current expected credit losses adversely impacted by the COVID-19 pandemic and future economic uncertainty. Net charge-offs as a percentage of average loans and leases were 0.14% for the year of 2020.

As of December 31, 2020, nonperforming loans and leases were \$132.21 million or 0.75% of loans and leases, net of unearned income as compared to nonperforming loans of \$131.07 million or 0.96% of loans, net of unearned income at December 31, 2019. Nonperforming loans and leases at December 31, 2020 included \$37.83 million of nonperforming loans and leases from the Carolina Financial acquisition. The components of nonperforming loans and leases include: 1) nonaccrual loans and leases, 2) loans and leases which are contractually past due 90 days or more as to interest or principal, but have not been put on a nonaccrual basis and 3) loans and leases whose terms have been restructured for economic or legal reasons due to financial difficulties of the borrowers.

Loans and leases past due 90 days or more were \$13.83 million at December 31, 2020, an increase of \$4.34 million or 45.69% from \$9.49 million at year-end 2019. This increase was primarily due to loans and leases that became delinquent due to impact of the COVID-19 pandemic that included loss of jobs and income as well as a Company-imposed moratorium on repossessions and foreclosures. At December 31, 2020, nonaccrual loans and leases were \$62.72 million, which was

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relatively flat compared to \$63.21 million at year-end 2019. Restructured loans were \$55.66 million at December 31, 2020, a decrease of \$2.71 million or 4.65% from \$58.37 million at year-end 2019. This decrease was primarily due to repayments and charge-offs of previously recognized impairments and repayment of several restructured loans. The loss potential on these loans has been properly evaluated and allocated within the Company's allowance for loan and lease losses.

Nonperforming assets include nonperforming loans and leases and real estate acquired in foreclosure or other settlement of loans ("OREO"). Total nonperforming assets of \$154.80 million, including OREO of \$22.60 million at December 31, 2020, represented 0.59% of total assets.

United maintains an allowance for loan and lease losses and a reserve for lending-related commitments. The combined allowance for loan and lease losses and reserve for lending-related commitments is considered the allowance for credit losses. At December 31, 2020, the allowance for credit losses was \$255.08 million as compared to \$78.79 million at December 31, 2019.

At December 31, 2020, the allowance for loan and lease losses was \$235.83 million as compared to \$77.06 million at December 31, 2019. The increase in the allowance for loan and lease losses was due to the adoption of CECL, the impact of COVID-19 and the loans and leases acquired from Carolina Financial. As a percentage of loans and leases, net of unearned income, the allowance for loan losses was 1.34% at December 31, 2020 and 0.56% at December 31, 2019. The ratio of the allowance for loan and lease losses to nonperforming loans and leases or coverage ratio was 178.38% and 58.79% at December 31, 2020 and 2019, respectively. The increase in these ratios was due mainly to the adoption of CECL which caused a change in the Company's methodology for determining the allowance for loan losses as well as the adverse impact of the COVID-19 pandemic on the reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of current expected credit losses and the allowance for loan losses recorded on loans and leases acquired from Carolina Financial.

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

	2020	2019	2018	2017	2016
	(Dollars in thousands)				
Balance of allowance for loan losses at beginning of year	\$ 77,057	\$ 76,703	\$ 76,627	\$ 72,771	\$ 75,726
Impact of the adoption of ASU 2016-13 on January 1, 2020	52,321	0	0	0	0
Impact of the adoption of ASU 2016-13 for PCD loans on January 1, 2020	5,121	0	0	0	0
Loans charged off:					
Commercial, financial & agricultural	25,679	21,973	19,963	23,731	26,130
Residential real estate	1,760	2,967	3,162	2,973	4,597
Construction & land development	2,027	1,303	2,731	3,337	2,659
Consumer	3,517	2,867	2,750	2,822	2,794
TOTAL CHARGE-OFFS	32,983	29,110	28,606	32,863	36,180
Recoveries:					
Commercial, financial & agricultural	6,279	6,412	4,696	6,238	7,198
Residential real estate	1,063	858	1,114	601	639
Construction & land development	1,513	175	197	726	433
Consumer	531	706	662	748	446
TOTAL RECOVERIES	9,386	8,151	6,669	8,313	8,716
NET LOANS CHARGED OFF	23,597	20,959	21,937	24,550	27,464
Provision for loan losses	106,293	21,313	22,013	28,406	24,509
BALANCE OF ALLOWANCE FOR LOAN LOSSES AT END OF YEAR	\$ 235,830	\$ 77,057	\$ 76,703	\$ 76,627	\$ 72,771
Reserve for lending-related commitments	19,250	1,733	1,389	679	1,044
BALANCE OF ALLOWANCE FOR CREDIT LOSSES AT END OF YEAR	\$ 255,080	\$ 78,790	\$ 78,092	\$ 77,306	\$ 73,815
Loans outstanding at the end of period (gross) (1)	\$17,591,413	\$13,713,548	\$13,429,532	\$13,027,337	\$10,356,719
Average loans outstanding during period (net of unearned income) (1)	\$16,584,938	\$13,570,789	\$13,258,619	\$12,399,901	\$ 9,983,828
Net charge-offs as a percentage of average loans outstanding	0.14%	0.15%	0.17%	0.20%	0.28%
Allowance for loan losses, as a percentage of nonperforming loans	178.38%	58.79%	53.71%	45.41%	64.25%

(1) Excludes loans held for sale.

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United continues to evaluate risks which may impact its loan and lease portfolios. As a result of the COVID-19 pandemic and resulting economic uncertainty given the rapidly changing economic impact, the Company reviewed its loan and lease portfolio segments, assessing the likely impact of COVID-19 on each segment and established relevant qualitative adjustment factors. Reserves are initially determined based on losses identified from the PD/LGD and Cohort models which utilize the Company's historical information. Then any qualitative adjustments are applied to account for the Company's view of the future. If current conditions underlying any qualitative adjustment factor were deemed to be materially different than historical conditions, then an adjustment was made for that factor.

The year of 2020 qualitative adjustments include analyses of the following:

- Past events – This includes portfolio trends related to business conditions; past due, nonaccrual, and graded loans and leases; and concentrations.
- Current conditions – United considered the impact of COVID-19 on the economy as well as loan deferrals and modifications made in light of the pandemic when making determinations related to factor adjustments, such as changes in economic and business conditions, collateral values, external factors and past due loans and leases, and the reasonable and supportable forecast. This is in contrast with the CECL adoption date (January 1, 2020) estimate as neither of these items were relevant for United's footprint at the beginning of the year. Additional considerations were made for the Carolina Financial acquisition, such as the experience of lending management and staff and the nature and volume of the portfolio.
- Reasonable and supportable forecasts – The forecast is determined on a portfolio-by-portfolio basis by relating the correlation of real GDP and the unemployment rate to loss rates to forecasts of those variables. The reasonable and supportable forecast selection is subjective in nature and requires more judgment compared to the other components of the allowance. Assumptions for the economic variables were the following:
 - The ranges for the economic variables of GDP and the unemployment rate have narrowed in the fourth quarter as compared to the third.
 - The forecast is less severe than third quarter while maintaining a gradual recovery pace extending beyond 2022.
 - Greater risk of loss is probable in the hotel and accommodations portfolio due to deteriorating economic conditions brought on by the pandemic which resulted in a more negative forecast relative to other portfolios.
 - Consideration was given to the \$900 billion economic stimulus bill passed in December 2020 during the forecast selection process.
 - Reversion to historical loss data occurs via a straight-line method during the year following the one-year reasonable and supportable forecast period.

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

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

	2020	2019	2018	2017	2016
	(In thousands)				
Commercial, financial & agricultural	\$ 150,642	\$ 61,403	\$ 53,323	\$ 56,959	\$ 45,243
Residential real estate	29,125	8,997	12,448	9,927	13,770
Construction & land development	39,077	3,354	7,992	7,187	10,606
Consumer	16,986	3,007	2,695	2,481	2,805
Allowance for estimated imprecision	0	296	245	73	347
Allowance for loan losses	<u>\$ 235,830</u>	<u>\$ 77,057</u>	<u>\$ 76,703</u>	<u>\$ 76,627</u>	<u>\$ 72,771</u>
Reserve for lending-related commitments	19,250	1,733	1,389	679	1,044
Allowance for credit losses	<u>\$ 255,080</u>	<u>\$ 78,790</u>	<u>\$ 78,092</u>	<u>\$ 77,306</u>	<u>\$ 73,815</u>

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

	2020	2019	2018	2017	2016
Commercial, financial & agricultural	60.80%	54.35%	56.27%	60.04%	58.88%
Residential real estate	22.17%	26.88%	26.09%	23.03%	23.24%
Construction & land development	10.38%	10.27%	10.51%	11.56%	12.14%
Consumer	6.65%	8.50%	7.13%	5.37%	5.74%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

United's review of the allowance for loan and lease losses at December 31, 2020 produced increased allocations in each of the four loan categories, primarily due to implementation of CECL and the adverse impact of the COVID-19 pandemic on reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses. The allocation related to the commercial, financial & agricultural loan pool increased \$89.24 million. The residential real estate allocation increased \$20.13 million. The real estate construction and development loan pool allocation increased \$35.72 million. The consumer loan pool experienced an increase of \$13.98 million.

An allowance is established for estimated lifetime losses for loans that are individually assessed. Nonperforming commercial loans and leases are regularly reviewed to identify expected credit losses. A loan is individually assessed for expected credit losses when the loan does not share similar characteristics with other loans in the portfolio. Measuring expected credit losses of a loan requires judgment and estimates, and the eventual outcomes may differ from those estimates. Expected credit losses are measured based upon the present value of expected future cash flows from the loan discounted at the loan's effective rate, the loan's observable market price or the fair value of collateral if the loan is collateral dependent. When the selected measure is less than the recorded investment in the loan, an expected credit loss has occurred. The allowance for loans and leases that were individually assessed was \$7.78 million at December 31, 2020 and \$16.50 million at December 31, 2019. In comparison to the prior year-end, this element of the allowance decreased by \$8.72 million primarily due to charge-off of previously recognized allocations for probable credit losses on individually assessed loans as well as repayment of individually assessed loans.

Management believes that the allowance for credit losses of \$255.08 million at December 31, 2020 is adequate to provide for expected losses on existing loans and lending-related commitments based on information currently available. United's loan administration policies are focused on the risk characteristics of the loan portfolio in terms of loan approval and credit quality. The commercial loan portfolio is monitored for possible concentrations of credit in one or more industries. Management has lending limits as a percentage of capital per type of credit concentration in an effort to ensure adequate diversification within the portfolio. Most of United's commercial loans are secured by real estate located in West Virginia, southeastern Ohio, Pennsylvania, Virginia, Maryland, North Carolina, South Carolina and the District of Columbia. It is the opinion of management that these commercial loans do not pose any unusual risks and that adequate consideration has been given to these loans in establishing the allowance for credit losses.

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The provision for credit losses related to held to maturity and available for sale investment securities for the year of 2020 was immaterial. The provision for credit losses related to held to maturity investment securities was \$19 thousand for the year of 2020. There was no provision recorded on available for sale investment securities for the year of 2020. Due to loan interest payment deferrals granted by United under the CARES Act, United assessed the collectability of the accrued interest receivables on these deferring loans during 2020. As a result of this assessment, United recorded a provision for credit losses and an allowance for credit losses of \$250 thousand for accrued interest receivables not expected to be collected as of December 31, 2020.

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

Other Income

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

Noninterest income for the year of 2020 was \$354.75 million, which was an increase of \$204.26 million or 135.74% from the year of 2019. The increase was due mainly to an increase in income from mortgage banking activities.

Income from mortgage banking activities totaled \$266.09 million for the year of 2020 compared to \$76.95 million for the year of 2019. The increase of \$189.14 million or 245.80% for the year of 2020 was the result of increased production and sales of mortgage loans in the secondary market and the acquisition of Carolina Financial and, in particular, the acquisition of its mortgage banking subsidiary, Crescent. Mortgage loan sales were \$6.26 billion in the year of 2020 as compared to \$2.44 billion in the year of 2019. Mortgage loans originated for sale were \$6.53 billion for the year of 2020 as compared to \$2.57 billion for the year of 2019.

Mortgage loan servicing income of \$6.21 million was added for the year of 2020 due to the acquisition of Carolina Financial.

United recognized a net gain of \$3.16 million on investment securities' activity in 2020 as compared to a net gain of \$175 thousand on investment securities activity in 2019. In particular, United recognized net gains of \$2.50 million on the sales, calls and redemption of available-for-sale securities investment securities and \$578 thousand on equity securities for the year of 2020 as compared to a net gains of \$97 thousand on the sales, calls and redemption of available-for-sale securities investment securities and \$133 thousand on equity securities for the year of 2019. In addition, United did not recognize any impairment on investment securities for the year of 2020 as compared to other-than-temporary impairment ("OTTI") of \$198 thousand for the year of 2019.

Fees from brokerage services for the year of 2020 were \$11.76 million, an increase of \$1.62 million or 16.00% from the year of 2019 due to increased volume.

Fees from deposit services for the year of 2020 were \$34.83 million, an increase of \$1.07 million or 3.15% from the year of 2019. Debit card income increased \$3.25 million which was partially offset by declines of \$1.87 million and \$1.22 million in overdraft fees and automated teller machine ("ATM") fees.

United recognized a net gain of \$2.23 million in the year of 2020 on the sale-leaseback of a bank premise.

Bankcard fees for the year of 2020 decreased \$608 thousand or 13.01% from the year of 2019 due to a decline in interchange income from decreased volume.

Other Expense

Just as management continues to evaluate areas where noninterest income can be enhanced, it strives to improve the efficiency of its operations to reduce costs. Other expense includes all items of expense other than interest expense, the provision for credit losses and income tax expense. Noninterest expense for the year of 2020 was \$578.22 million, which was an increase of \$195.56 million or 51.11% from the year of 2019. Generally, this increase in 2020 from 2019 was the result of additional general operating expenses and increased merger-related charges from the Carolina Financial acquisition, higher compensation in the mortgage banking segment due to increased production and an increase in prepayment penalties on long-term FHLB advances.

Employee compensation for the year of 2020 increased \$100.70 million or 57.89% from the year of 2019. This increase was due mainly to additional employees from the Carolina Financial acquisition. The remainder of the increase in employee compensation for the year of 2020 was due mainly to higher employee incentives and commissions expense primarily related to the increased mortgage banking production.

Employee benefits expense for the year of 2020 increased \$13.13 million or 36.72% as compared to the year of 2019. Federal Insurance Contributions Act (“FICA”) expense for the year of 2020 increased \$4.57 million due mainly to the additional employees from the Carolina Financial acquisition as well as the higher commissions expense. In addition, health insurance expense for the year of 2020 increased \$1.46 million due to higher premiums and additional employees from the Carolina Financial acquisition. For the year of 2020, postretirement expense, which includes expense associated with United’s pension plan, supplemental early retirement plans (“SERPs”) and Savings and Stock Investment Plan (“401K plan”), increased \$7.60 million from the year of 2019. United uses certain valuation methodologies to measure the fair value of the assets within United’s pension plan which are presented in Note P, Notes to Consolidated Financial Statements. The funded status of United’s pension plan is based upon the fair value of the plan assets compared to the projected benefit obligation. The determination of the projected benefit obligation and the associated periodic benefit expense involves significant judgment and estimation of future employee compensation levels, the discount rate and the expected long-term rate of return on plan assets. If United assumes a 1% increase or decrease in the estimation of future employee compensation levels while keeping all other assumptions constant, the benefit cost associated with the pension plan would increase by approximately \$814 thousand and decrease by approximately \$740 thousand, respectively. If United assumes a 1% increase or decrease in the discount rate while keeping all other assumptions constant, the benefit cost associated with the pension plan would decrease by approximately \$2.72 million and increase by approximately \$3.22 million, respectively. If United assumes a 1% increase or decrease in the expected long-term rate of return on plan assets while keeping all other assumptions constant, the benefit cost associated with the pension plan would decrease by approximately \$1.63 million and increase by approximately \$1.63 million, respectively.

Net occupancy expense increased \$6.45 million or 18.52% for the year of 2020 as compared to the prior year. The increase was due mainly to increases of \$3.07 million in building rental expense and \$1.41 million in depreciation due mainly to the offices added in the Carolina Financial acquisition. In addition, building maintenance expense increased \$965 thousand.

Equipment expense increased \$6.65 million or 46.81% for the year of 2020 as compared to the same periods in 2019. The increase was due mainly to increases in equipment maintenance of \$3.70 million and depreciation of \$2.81 million due mainly to the Carolina Financial acquisition.

Data processing expense increased \$13.19 million or 59.32% for the year of 2020 as compared to the year of 2019 due to additional processing as a result of the Carolina Financial acquisition. In addition, the increase for the year of 2020 was due to a \$9.66 million penalty to terminate the contract with Carolina Financial’s data processor.

Federal Deposit Insurance Corporation (“FDIC”) insurance expense for the year of 2020 increased \$2.06 million from the same periods in 2019 due to a Small Bank Assessment Credit in the third quarter of 2019 partially offset by the exclusion of a surcharge in 2020.

Mortgage loan servicing expense and impairment for the year of 2020 increased \$9.01 million from the same time periods in 2019. The increase was due to the acquisition of Carolina Financial. In addition, United recorded a \$1.38 million temporary impairment charge on its mortgage servicing rights during the year of 2020.

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During the year of 2020, United incurred penalties of \$10.39 million to prepay three long-term FHLB advances. United incurred similar penalties of \$5.11 million to prepay certain long-term FHLB advances during the year of 2019.

Other expense for the year of 2020 increased \$38.83 million or 48.03% from the year of 2019. Included in other expense for the year of 2020 were merger-related expenses of \$13.07 million for the Carolina Financial acquisition as compared to \$589 thousand for the year of 2019. The expense for the reserve for unfunded commitments for the year of 2020 increased \$10.97 million from the same time periods in 2019. The increase for the year of 2020 included \$1.82 million of expense related to the reserve for acquired unfunded commitments from Carolina Financial. In addition, the amortization of income tax credits, which reduces the effective tax rate, for the year of 2020 increased \$5.68 million. Other specific items that increased due mainly to the Carolina Financial acquisition were consulting and legal expense of \$4.12 million, loss on the sale and impairment of assets of \$2.49 million, ATM fees of \$1.96 million, credit report requests of \$1.32 million and office supplies of \$1.05 million. Partially offsetting these increases was a decrease of \$1.08 million in donations due mainly to a \$1 million donation to the West Virginia University Children's Hospital in the year of 2019.

Income Taxes

For the year ended December 31, 2020, income taxes were \$70.72 million, compared to \$64.34 million for 2019, an increase of \$6.38 million or 9.91%. The increase was due mainly to higher earnings partially offset by a slight decline in the effective tax rate due in large part to the previously mentioned income tax credits. United's effective tax rate was approximately 19.7% and 19.8% for years ended December 31, 2020 and 2019, respectively, as compared to 21.7% for 2018. For further details related to income taxes, see Note O, Notes to Consolidated Financial Statements.

Quarterly Results

Net income for the first quarter of 2020 was \$40.18 million as compared to earnings of \$63.64 million for the first quarter of 2019. The lower amount of net income was driven primarily by a higher provision for loan losses resulting from an adverse future macroeconomic forecast as a result of the COVID-19 pandemic. United's annualized return on average assets for the first three months of 2020 was 0.82% and return on average shareholders' equity was 4.82% as compared to 1.34% and 7.88% for the first three months of 2019. For the first three months of 2020, United's annualized return on average tangible equity was 8.77%, as compared to 14.64% for the first three months of 2019. Net interest income for the first three months of 2020 was \$141.52 million, a decrease of \$2.65 million or 1.84% from net interest income of \$144.17 million for the first three months of 2019. The decrease of \$2.65 million in net interest income occurred because total interest income decreased \$8.62 million while total interest expense only decreased \$5.97 million from the first quarter of 2019. The provision for credit losses was \$27.12 million for the first three months of 2020 as compared to \$5.00 million for the first three months of 2019. This increase was due to mainly the adoption of the Current Expected Credit Loss (CECL) accounting standard by United on January 1, 2020 and the reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses adversely impacted by the COVID-19 pandemic. Noninterest income was \$36.81 million for the first three months of 2020, an increase of \$5.58 million or 17.88% from the first three months of 2019. Noninterest expense for the first three months of 2020 increased \$11.71 million or 13.09% from the first three months of 2019. Income taxes decreased \$7.44 million or 42.93% for the first three months of 2020 as compared to the first three months of 2019. The effective tax rate was 19.75% and 21.40% for the first quarter of 2020 and 2019, respectively.

Net income for the second quarter of 2020 was \$52.69 million or \$0.44 per diluted share, as compared to \$67.21 million or \$0.66 per diluted share for the prior year second quarter. For the second quarter of 2020, United's annualized return on average assets was 0.87% and return on average shareholders' equity was 5.40% as compared to 1.38% and 8.12% for the second quarter of 2019. Net interest income for the second quarter of 2020 was \$170.60 million which was an increase of \$20.05 million or 13.32% from the second quarter of 2019. The increase in net interest income occurred because total interest income decreased \$528 thousand while total interest expense decreased \$20.58 million from the second quarter of 2019. The provision for credit losses was \$45.91 million for the second quarter of 2020 as compared to \$5.42 million for the second quarter of 2019. The higher amount of provision expense for 2020 compared to 2019 was due mainly to a provision for loan losses of \$28.95 million recorded on purchased non-PCD loans from Carolina Financial and

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the reasonable and supportable forecasts for future macroeconomic scenarios used in the estimation of expected credit losses adversely impacted by the COVID-19 pandemic under the new CECL accounting standard adopted by United on January 1, 2020. For the second quarter of 2020, noninterest income was \$88.39 million, which was an increase of \$48.60 million or 122.11% from the second quarter of 2019. For the second quarter of 2020, noninterest expense increased \$49.18 million or 49.08% from the second quarter of 2019. Income taxes for the second quarter of 2020 were \$11.02 million as compared to \$17.53 million for the second quarter of 2019. For the quarters ended June 30, 2020 and 2019, United's effective tax rate was 17.30% and 20.69%, respectively.

Net income for the third quarter of 2020 was \$103.78 million or \$0.80 per diluted share, as compared to \$65.97 million or \$0.65 per diluted share for the prior year third quarter. Net interest income for the third quarter of 2020 was \$185.66 million, which was an increase of \$43.75 million or 30.82% from the third quarter of 2019. The \$43.75 million increase in net interest income occurred because total interest income increased \$19.92 million while total interest expense decreased \$23.83 million from the third quarter of 2019. Provision for credit losses was \$16.78 million for the three months ended September 30, 2020 compared to a provision of \$5.03 million for the same period of 2019. For the third quarter of 2020, noninterest income was \$135.47 million, an increase of \$93.24 million or 220.83% from the third quarter of 2019 mainly as a result of mortgage banking activities. Income from mortgage banking activities totaled \$109.46 million for the third quarter of 2020 compared to \$24.02 million for the same period of 2019. For the third quarter of 2020, noninterest expense increased \$75.46 million or 78.49% compared to the same period in 2019 mainly due to additional general operating expenses and increased merger-related charges from the Carolina Financial acquisition and an increase in prepayment penalties on long-term FHLB advances which were recognized during the third quarter of 2020. Income tax expense was \$28.97 million as compared to \$17.01 million for the third quarter of 2019. The increase in the third quarter of 2020 from the third quarter of 2019 was due to overall higher earnings and a higher effective tax rate. For the quarters ended September 30, 2020 and 2019, United's effective tax rate was 21.82% and 20.50%, respectively.

Net income for the fourth quarter of 2020 was \$92.37 million or \$0.71 per diluted share as compared to earnings of \$63.29 million or \$0.62 per diluted share for the fourth quarter of 2019. Net interest income for the fourth quarter of 2020 was \$191.99 million, which was an increase of \$50.71 million or 35.89% from the fourth quarter of 2019. The \$50.71 million increase in net interest income occurred because total interest income increased \$25.05 million while total interest expense decreased \$25.66 million from the fourth quarter of 2019. Tax-equivalent net interest income, which adjusts for the tax-favored status of income from certain loans and investments, for the fourth quarter of 2020 was \$193.03 million, an increase of \$50.90 million or 35.81% from the fourth quarter of 2019. Average earning assets for the fourth quarter of 2020 increased \$5.96 billion or 34.71% from the fourth quarter of 2019 due to a \$4.39 billion or 31.62% increase in average net loans, including loans held for sale, a \$1.17 billion or 196.68% increase in average short-term investments and a \$395.05 million or 14.72% increase in average investment securities. For the quarters ended December 31, 2020 and 2019, the provision for loan and lease losses was \$16.75 million and \$5.87 million, respectively. The increase in the provision in relation to the prior year quarter was driven by the impact from the reasonable and supportable forecasts of future macroeconomic conditions used in the estimation of expected credit losses adversely impacted by the COVID-19 pandemic under CECL. Noninterest income for the fourth quarter of 2020 was \$94.08 million, which was an increase of \$56.84 million or 152.62% from the fourth quarter of 2019. The higher amount of noninterest income was due mainly to a rise of \$53.25 million in income from mortgage banking activities due to an elevated volume of mortgage loan originations and sales in the secondary market and the acquisition of Carolina Financial, in particular, the acquisition of its mortgage banking subsidiary, Crescent. Noninterest expense for the fourth quarter of 2020 was \$156.12 million, an increase of \$59.22 million or 61.11% from the fourth quarter of 2019. In particular, employee compensation increased \$32.60 million due mainly due to the Carolina Financial acquisition as well as due to higher employee incentives and commissions expense mainly related to higher mortgage banking production. Additionally, noninterest expense increased from the fourth quarter of 2019 due to a \$10.79 million increase in other expense, a \$3.36 million increase in mortgage loan servicing expense and impairment, a \$2.98 million increase in employee benefits, a \$2.87 million increase in equipment expense, and a \$2.25 million increase in net occupancy expense. Within other expense, the largest drivers of the increase included an increase in the expense for the reserve for unfunded commitments of \$3.33 million and an increase in the amortization of income tax credits of \$1.89 million.

Additional quarterly financial data for 2020 and 2019 may be found in Note Z, Notes to Consolidated Financial Statements.

The Effect of Inflation

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

The Effect of Regulatory Policies and Economic Conditions

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

Cash flows provided by operations in 2020 were \$140.45 million due mainly to net income of \$289.02 million for the year of 2020. In 2019, cash flows provided by operations were \$151.97 million due mainly to net income of \$260.10 million for the year of 2019. In 2020, net cash of \$137.59 million was provided by investing activities which was primarily due to net cash of \$629.11 million provided in the acquisition of Carolina Financial and \$123.00 million of proceeds from sales of investment securities over purchases. Partially offsetting these cash inflows from investing activities was loan growth of \$619.98 million, mainly from the PPP loans. In 2019, net cash of \$383.32 million was used in investing activities which was primarily due to net purchases of \$100.09 million in investment securities and net growth of \$285.25 million in loans. During the year of 2020, net cash of \$1.09 billion was provided by financing activities due primarily to net growth of \$2.86 billion in deposits. This source of cash from funding activities was partially offset by net repayment of \$232.35 million in short-term borrowings, net repayment of \$1.35 billion in long-term FHLB advances and cash dividends paid of \$162.71 million for year of 2020. During the year of 2019, net cash of \$48.45 million was provided by financing activities due primarily to net increases of \$340.00 million and \$23.33 million in long-term and short-term borrowings, respectively. Partially offsetting this source of cash from financing activities was the payment of cash dividends in the amount of \$138.94 million, a net withdrawal of \$141.54 million in deposits and the acquisition of treasury stock for \$35.67 million. The net effect of the cash flow activities was an increase in cash and cash equivalents of \$1.37 billion for the year of 2020 as compared to a decrease in cash and cash equivalents of \$182.90 million for the year of 2019. See the Consolidated Statement of Cash Flows in the Consolidated Financial Statements.

United enters into derivative contracts, mainly to protect against adverse interest rate movements on the value of certain assets or liabilities, under which it is required to either pay cash to or receive cash from counterparties depending on changes in interest rates. Derivative contracts are carried at fair value and not notional value on the consolidated balance sheet and therefore do not represent the amounts that may ultimately be paid under these contracts. Further discussion of derivative instruments is included in Note S, Notes to Consolidated Financial Statements.

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

The following table details the amounts of significant commitments and letters of credit as of December 31, 2020:

(In thousands)	Amount
Commitments to extend credit:	
Revolving open-end secured by 1-4 residential	\$ 688,670
Credit card and personal revolving lines	130,804
Commercial	4,911,402
Total unused commitments	\$5,730,876
Financial standby letters of credit	\$ 58,108
Performance standby letters of credit	76,807
Commercial letters of credit	5,092
Total letters of credit	\$ 140,007

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

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

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

United's capital position is financially sound. United seeks to maintain a proper relationship between capital and total assets to support growth and sustain earnings. United has historically generated attractive returns on shareholders' equity. United is well-capitalized based upon regulatory guidelines. United's risk-based capital ratio is 15.55% at December 31, 2020 while its Common Equity Tier 1 capital, Tier 1 capital and leverage ratios are 13.30%, 13.30% and 10.34%, respectively. The December 31, 2020 ratios reflects United's election of a five-year transition provision, allowed by the Federal Reserve Board and other federal banking agencies in response to the COVID-19 pandemic, to delay for two years the full impact of CECL on regulatory capital, followed by a three-year transition period. The regulatory requirements for a well-capitalized financial institution are a risk-based capital ratio of 10.0%, a Common Equity Tier 1 capital ratio of 6.5%, a Tier 1 capital ratio of 8.0% and a leverage ratio of 5.0%.

Total shareholders' equity was \$4.30 billion at December 31, 2020, increasing \$933.79 million or 27.76% from year-end 2019 as a result of the Carolina Financial acquisition. Common stock increased \$70.79 million or 26.84% due to 28,031,501 shares issued in the Carolina Financial acquisition. Surplus increased \$754.30 million or 35.24% mainly due to the Carolina Financial acquisition. In addition, United retained \$117.15 million in net earnings partially offset by a cumulative effective adjustment of \$44.33 million recognized in retained earnings for the adoption of ASU 2016-13 by United on January 1, 2020. Accumulated other comprehensive income increased \$57.24 million due mainly to an after-tax increase of \$56.54 million in the fair value of available for sale securities. Treasury stock increased \$21.35 million or 15.50% due to the repurchase of 660,000 shares of United common stock under a stock repurchase plan approved by United's Board of directors in November of 2019.

United's equity to assets ratio was 16.41% at December 31, 2020 as compared to 17.11% at December 31, 2019. The primary capital ratio, capital and reserves to total assets and reserves, was 17.22% at December 31, 2020 as compared to 17.44% at December 31, 2019. United's average equity to average asset ratio was 16.39% at December 31, 2020 as compared to 17.13% at December 31, 2019. All of these financial measurements reflect a financially sound position.

During the fourth quarter of 2020, United's Board of Directors declared a cash dividend of \$0.35 per share. Dividends per share of \$1.40 for the year of 2020 represented an increase over the \$1.37 per share paid for 2019. Total cash dividends declared to common shareholders were \$171.88 million for the year of 2020 as compared to \$139.51 million for the year of 2019. The year 2020 was the forty-seventh consecutive year of dividend increases to United shareholders.

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

	2020	2019	2018
Return on average assets	1.20%	1.34%	1.36%
Return on average equity	7.30%	7.80%	7.84%
Dividend payout ratio	59.47%	53.64%	55.24%
Average equity to average assets ratio	16.39%	17.13%	17.34%

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

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

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

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

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

The following table shows United’s estimated earnings sensitivity profile as of December 31, 2020 and December 31, 2019:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income	
	December 31, 2020	December 31, 2019
+200	(4.32%)	(2.37%)
+100	(2.61%)	(1.09%)
-100	0.03%	0.86%
-200	(0.05%)	(1.34%)

At December 31, 2020, given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, net interest income for United is estimated to decrease by 2.61% over one year as compared to a decrease of 1.09% at December 31, 2019. A 200 basis point immediate, sustained upward shock in the yield curve would decrease net interest income by an estimated 4.32% over one year as of December 31, 2020, as compared to a decrease of 2.37% as of December 31, 2019. A 100 basis point immediate, sustained downward shock in the yield curve would increase net interest income by an estimated 0.03% over one year as of December 31, 2020 as compared to an increase of 0.86%, over

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one year as of December 31, 2019. A 200 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 0.05% over one year as of December 31, 2020 as compared to a decrease of 1.34% over one year as of December 31, 2019.

In addition to the one year earnings sensitivity analysis, a two-year analysis is also performed. Compared to the one year analysis, United is projected to show improved performance in year two within the upward rate shock scenarios. Given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, net interest income for United is estimated to increase by 0.24% in year two as of December 31, 2020. A 200 basis point immediate, sustained upward shock in the yield curve would increase net interest income by an estimated 0.80% in year two as of December 31, 2020. A 100 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 2.16% in year two as of December 31, 2020. A 200 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 2.32% in year two as of December 31, 2020.

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

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

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

Extension Risk

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

At December 31, 2020, United's mortgage related securities portfolio had an amortized cost of \$1.6 billion, of which approximately \$599.5 million or 38% were fixed rate collateralized mortgage obligations ("CMOs"). These fixed rate CMOs consisted primarily of planned amortization class ("PACs"), sequential-pay and accretion directed ("VADMs") bonds having an average life of approximately 2.4 years and a weighted average yield of 2.17%, under current projected prepayment assumptions. These securities are expected to have very little extension risk in a rising rate environment. Current models show that an immediate, sustained upward shock of 300 basis points, the average life of these securities would only extend to 4.2 years. The projected price decline of the fixed rate CMO portfolio in rates up 300 basis points would be 8.18%, or less than the price decline of a 4-year treasury note. By comparison, the price decline of a 30-year 2.50% coupon mortgage backed security ("MBS") in rates higher by 300 basis points would be approximately 16.3%.

United had approximately \$593.5 million in fixed rate balloon and Commercial Mortgage Backed Securities with a projected yield of 2.23% and a projected average life of 5 years on December 31, 2020. This portfolio consisted primarily of Freddie Mac Multifamily K securities and Fannie Mae Delegated Underwriting and Servicing ("DUS") securities with a weighted average maturity ("WAM") of 7.9 years.

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United had approximately \$22.5 million in 15-year mortgage backed securities with a projected yield of 1.99% and a projected average life of 2.4 years as of December 31, 2020. This portfolio consisted of seasoned 15-year mortgage paper with a weighted average loan age (“WALA”) of 7.8 years and a weighted average maturity (“WAM”) of 8.2 years.

United had approximately \$150.1 million in 20-year mortgage backed securities with a projected yield of 1.32% and a projected average life of 3.4 years on December 31, 2020. This portfolio consisted of seasoned 20-year mortgage paper with a weighted average loan age (“WALA”) of 1.7 years and a weighted average maturity (“WAM”) of 18.3 years.

United had approximately \$120.5 million in 30-year mortgage backed securities with a projected yield of 2.28% and a projected average life of 3.4 years on December 31, 2020. This portfolio consisted of seasoned 30-year mortgage paper with a weighted average loan age (“WALA”) of 5.3 years and a weighted average maturity (“WAM”) of 21.7 years.

The remaining 5% of the mortgage related securities portfolio on December 31, 2020, included 10-year mortgage backed pass-through securities and other fixed rate mortgage backed securities.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 framework). Based on our assessment, we believe that, as of December 31, 2020, the Company’s internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP (“Ernst & Young”), the independent registered public accounting firm who audited the Company’s consolidated financial statements, has also issued an attestation report on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2020. Ernst & Young’s report on the effectiveness of the Company’s internal control over financial reporting appears on the following page.

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

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

March 1, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of United Bankshares, Inc.

Opinion on Internal Control over Financial Reporting

We have audited United Bankshares, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, United Bankshares, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated March 1, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Ernst & Young LLP

Charleston, West Virginia

March 1, 2021

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of United Bankshares, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of United Bankshares, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2021 expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Notes A, E and F to the consolidated financial statements, the Company changed its method of accounting for credit losses as of January 1, 2020. As explained below, auditing the company's allowance for credit losses, including the adoption of the new accounting standard for credit losses was a critical audit matter.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

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Allowance for Loan Losses

Description of the Matter On January 1, 2020, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments and recorded an increase in the allowance for loan losses (ALL) of \$57.4 million. The Company’s loan portfolio totaled \$17.6 billion as of December 31, 2020, and the associated ALL for the loan portfolio was \$235.8 million. As discussed in Notes A, E and F to the consolidated financial statements, the ALL is an estimate of the expected credit losses on loans at amortized cost to present the net amount expected to be collected as of the balance sheet date. The ALL is based on the credit losses expected to arise over the life of the asset. Management pools its loans based on similar risk characteristics and assigns an appropriate calculation method to estimate the expected credit losses. For loans that do not share risk characteristics, management evaluates the ALL on an individual basis based on the present value of expected future cash flows using the loan’s effective interest rate, or as a practical expedient, the loan’s observable market price or the fair value of the collateral if the loan is collateral-dependent. For loans not specifically reviewed on an individual basis, management measures the ALL using a probability of default/loss given default method or cohort method based on portfolio segment. Management also records qualitative adjustments to the allowance for past events, current conditions and reasonable and supportable forecasts that have not been fully captured in the allowance calculation.

How We Addressed the Matter in Our Audit Auditing management’s estimate used in determining the ALL for the loan portfolio involved a high degree of subjectivity in evaluating management’s determination of the forecast selection used to derive the reasonable and supportable forecast qualitative adjustment.

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s ALL process for the loan portfolio. Controls tested included, among others, those over the risk rating process, the identification of indicators of impairment, management’s review and approval of the calculations used to determine the ALL, including the underlying data and data inputs and outputs of those calculations, and management’s evaluation and review of the qualitative adjustments, including the reasonable and supportable forecast qualitative adjustment.

To test the Company’s reasonable and supportable qualitative adjustment for the loan portfolio, we tested the underlying data used in the estimate calculation to determine it was accurate, complete and relevant. Further, we evaluated management’s basis for the adjustment in relation to changes in economic conditions and forecasts. Our procedures included evaluating management’s inputs and assumptions used in determining the qualitative adjustment by comparing the information to internal and external source data including, among others, the economic forecasts utilized by the Company and third-party economic outlook reports. We involved our internal modeling specialists in evaluating the model methodology, performance and governance. In addition, we evaluated the overall ALL amount, inclusive of the qualitative adjustments, and whether the amount appropriately reflects losses expected in the loan portfolios as of the consolidated balance sheet date. For example, we evaluated the Company’s analysis of their historical loss experience and peer losses to the Company’s recorded ALL to test the ALL in totality. We also reviewed subsequent events and transactions and considered whether they corroborate or contradict the Company’s conclusion.

Accounting for Acquisitions

Description of the Matter During 2020, the Company completed the acquisition of Carolina Financial Corporation (CARO) for consideration of \$817.9 million, as disclosed in Note B to the consolidated financial statements. The transaction was accounted for by applying the acquisition method.

Auditing the Company’s accounting for the acquisition of CARO was complex due to the significant estimation required by management to determine the fair value of the net loans and leases acquired of \$3.2 billion. The Company determined the fair value of the acquired loans and leases by estimating the principal and interest cash flows expected to be collected on the loans and

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leases and discounting those cash flows at a market rate of interest. Management considered a number of factors in evaluating the acquisition-date fair value including expected credit losses, the prevailing market interest rates for comparable assets and liquidity from the perspective of a market participant. The significant estimation was primarily due to the judgement applied by the Company in determining the discount and loss rates used to calculate the expected cash flows for acquired loans and leases to establish the acquisition date fair value. These factors are forward looking and could be affected by future economic and market conditions.

*How We Addressed
the Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's accounting for the acquisition. Our tests included testing controls over the completeness and accuracy of the data and the estimation process supporting the fair value of loans acquired. We also tested management's review of significant assumptions used in the valuation models.

To test the estimated fair value of the loans and leases acquired, we performed audit procedures that included, among others, evaluating the Company's valuation methodology, evaluating the factors used by the Company's valuation specialist, and evaluating the completeness and accuracy of the underlying data supporting the factors and estimates. For example, when evaluating the discount and loss rates noted above, we compared the factors to current industry, market and economic information in addition to factors used in historical acquisitions. We involved our valuation specialists to assist with the evaluation of the methodology used by the Company and factors included in the fair value estimates.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1986.
Charleston, West Virginia
March 1, 2021

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CONSOLIDATED BALANCE SHEETS
UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except par value)

	December 31 2020	December 31 2019
Assets		
Cash and due from banks	\$ 297,369	\$ 185,238
Interest-bearing deposits with other banks	1,910,876	651,435
Federal funds sold	823	820
Total cash and cash equivalents	2,209,068	837,493
Securities available for sale at estimated fair value (amortized cost-\$2,868,346 at December 31, 2020 and \$2,426,924 at December 31, 2019, allowance for credit losses of \$0 at December 31, 2020)	2,953,359	2,437,296
Securities held to maturity, net of allowance for credit losses of \$23 at December 31, 2020 (estimated fair value-\$1,212 at December 31, 2020 and \$1,447 at December 31, 2019)	1,212	1,446
Equity securities at estimated fair value	10,718	8,894
Other investment securities	220,895	222,161
Loans held for sale (at fair value-\$698,341 at December 31, 2020 and \$384,375 at December 31, 2019)	718,937	387,514
Loans and leases	17,622,583	13,713,548
Less: Unearned income	(31,170)	(1,419)
Loans and leases, net of unearned income	17,591,413	13,712,129
Less: Allowance for loan and lease losses	(235,830)	(77,057)
Net loans and leases	17,355,583	13,635,072
Bank premises and equipment	175,824	96,644
Operating lease right-of-use assets	69,520	57,783
Goodwill	1,796,848	1,478,014
Mortgage servicing rights, net of valuation allowance of \$1,383 at December 31, 2020	20,955	0
Accrued interest receivable, net of allowance for credit losses of \$250 at December 31, 2020	66,832	58,085
Other assets	584,496	441,922
TOTAL ASSETS	\$ 26,184,247	\$ 19,662,324
Liabilities		
Deposits:		
Noninterest-bearing	\$ 7,405,260	\$ 4,621,362
Interest-bearing	13,179,900	9,231,059
Total deposits	20,585,160	13,852,421
Borrowings:		
Securities sold under agreements to repurchase	142,300	124,654
Federal Home Loan Bank ("FHLB") borrowings	584,532	1,851,865
Other long-term borrowings	279,837	236,164
Reserve for lending-related commitments	19,250	1,733
Operating lease liabilities	73,213	61,342
Accrued expenses and other liabilities	202,335	170,312
TOTAL LIABILITIES	21,886,627	16,298,491
Shareholders' Equity		
Preferred stock, \$1.00 par value; Authorized-50,000,000 shares, none issued	0	0
Common stock, \$2.50 par value; Authorized-200,000,000 shares; issued-133,809,374 and 105,494,290 at December 31, 2020 and December 31, 2019, respectively, including 4,620,867 and 3,940,619 shares in treasury at December 31, 2020 and December 31, 2019, respectively	334,523	263,736
Surplus	2,894,471	2,140,175
Retained earnings	1,205,395	1,132,579
Accumulated other comprehensive gain (loss)	22,370	(34,869)
Treasury stock, at cost	(159,139)	(137,788)
TOTAL SHAREHOLDERS' EQUITY	4,297,620	3,363,833
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$26,184,247	\$19,662,324

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF INCOME
UNITED BANKSHARES, INC. AND SUBSIDIARIES
(Dollars in thousands, except per share data)

	Year Ended December 31		
	2020	2019	2018
Interest income			
Interest and fees on loans and leases	\$ 721,829	\$ 666,950	\$ 636,720
Interest on federal funds sold and other short-term investments	9,780	21,338	19,268
Interest and dividends on securities:			
Taxable	61,808	70,789	56,273
Tax-exempt	4,965	3,485	5,454
Total interest income	<u>798,382</u>	<u>762,562</u>	<u>717,715</u>
Interest expense			
Interest on deposits	78,579	135,649	91,507
Interest on short-term borrowings	1,027	2,347	2,245
Interest on long-term borrowings	29,003	46,644	35,318
Total interest expense	<u>108,609</u>	<u>184,640</u>	<u>129,070</u>
Net interest income	<u>689,773</u>	<u>577,922</u>	<u>588,645</u>
Provision for credit losses	106,562	21,313	22,013
Net interest income after provision for credit losses	<u>583,211</u>	<u>556,609</u>	<u>566,632</u>
Other income			
Fees from trust services	13,903	13,873	12,930
Fees from brokerage services	11,758	10,136	9,347
Fees from deposit services	34,833	33,768	33,973
Bankcard fees and merchant discounts	4,066	4,674	5,168
Other service charges, commissions, and fees	2,596	2,241	2,228
Income from bank-owned life insurance	7,217	7,339	5,045
Income from mortgage banking activities	266,094	76,951	58,109
Mortgage loan servicing income	6,213	0	0
Net gain on the sale of bank premises	2,229	0	2,763
Net investment securities gains (losses)	3,155	175	(2,618)
Other income	2,682	1,327	1,767
Total other income	<u>354,746</u>	<u>150,484</u>	<u>128,712</u>
Other expense			
Employee compensation	274,661	173,962	164,468
Employee benefits	48,870	35,745	36,172
Net occupancy expense	41,303	34,850	36,462
Other real estate owned (OREO) expense	5,748	5,336	3,444
Equipment expense	20,861	14,210	13,846
Data processing expense	35,420	22,232	23,800
Mortgage loan servicing expense and impairment	9,431	423	271
Bankcard processing expense	1,735	1,877	1,971
FDIC insurance expense	10,132	8,070	11,464
FHLB prepayment penalties	10,385	5,105	0
Other expense	119,671	80,844	76,281
Total other expense	<u>578,217</u>	<u>382,654</u>	<u>368,179</u>
Income before income taxes	<u>359,740</u>	<u>324,439</u>	<u>327,165</u>
Income taxes	<u>70,717</u>	<u>64,340</u>	<u>70,823</u>
Net income	<u>\$ 289,023</u>	<u>\$ 260,099</u>	<u>\$ 256,342</u>

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CONSOLIDATED STATEMENTS OF INCOME
UNITED BANKSHARES, INC. AND SUBSIDIARIES
(Dollars in thousands, except per share data)

	Year Ended December 31		
	2020	2019	2018
Earnings per common share:			
Basic	\$ 2.40	\$ 2.55	\$ 2.46
Diluted	\$ 2.40	\$ 2.55	\$ 2.45
Dividends per common share	\$ 1.40	\$ 1.37	\$ 1.36
Average outstanding shares:			
Basic	120,017,247	101,585,599	104,015,976
Diluted	120,090,232	101,852,577	104,298,825

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Year Ended December 31		
	2020	2019	2018
Net income	\$ 289,023	\$ 260,099	\$ 256,342
Change in net unrealized gain (loss) on available-for-sale (“AFS”) securities, net of tax	57,249	26,245	(9,015)
Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (“HTM”) securities, net of tax	0	0	6
Change in net unrealized gain on cash flow hedge, net of tax	3,358	0	0
Change in defined benefit pension plan, net of tax	(3,368)	(4,145)	504
Comprehensive income, net of tax	<u>\$ 346,262</u>	<u>\$ 282,199</u>	<u>\$ 247,837</u>

See notes to consolidated financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Common Stock			Retained Earnings	Accumulated Other		Total Shareholders' Equity
	Shares	Par Value	Surplus		Comprehensive Income (Loss)	Treasury Stock	
Balance at January 1, 2018	105,069,821	\$ 262,675	\$ 2,129,077	\$ 891,816	\$ (42,025)	\$ (1,013)	\$ 3,248,000
Cumulative effect of adopting Accounting Standard Update 2016-01	0	0	0	136	(136)	0	0
Reclass due to adopting Accounting Standard Update 2018-02	0	0	0	6,353	(6,353)	0	0
Comprehensive income:							
Net income	0	0	0	256,342	0	0	256,342
Other comprehensive income, net of tax	0	0	0	0	(8,505)	0	(8,505)
Total comprehensive income, net of tax							247,837
Stock based compensation expense	0	0	4,073	0	0	0	4,073
Purchase of treasury stock (2,880,855 shares)	0	0	0	0	0	(100,724)	(100,724)
Distribution of treasury stock for deferred compensation plan (31 shares)	0	0	0	0	0	1	1
Cash dividends (\$1.36 per share)	0	0	0	(141,610)	0	0	(141,610)
Grant of restricted stock (97,004 shares)	97,004	243	(243)	0	0	0	0
Forfeiture of restricted stock (5,636 shares)	0	0	218	0	0	(218)	0
Common stock options exercised (72,296 shares)	72,296	180	1,337	0	0	0	0
Balance at December 31, 2018	105,239,121	263,098	2,134,462	1,013,037	(57,019)	(101,954)	3,248,000
Cumulative effect of adopting Accounting Standard Update 2016-02	0	0	0	(1,049)	0	0	(1,049)
Reclass due to adopting Accounting Standard Update 2017-12	0	0	0	0	50	0	50
Comprehensive income:							
Net income	0	0	0	260,099	0	0	260,099
Other comprehensive income, net of tax	0	0	0	0	22,100	0	22,100
Total comprehensive income, net of tax							282,199
Stock based compensation expense	0	0	4,914	0	0	0	4,914
Purchase of treasury stock (1,020,864 shares)	0	0	0	0	0	(35,673)	(35,673)
Distribution of treasury stock for deferred compensation plan (27 shares)	0	0	0	0	0	1	1
Cash dividends (\$1.37 per share)	0	0	0	(139,508)	0	0	(139,508)
Grant of restricted stock (126,427 shares)	126,427	316	(316)	0	0	0	0
Forfeiture of restricted stock (4,149 shares)	0	0	162	0	0	(162)	0
Common stock options exercised (128,742 shares)	128,742	322	953	0	0	0	0
Balance at December 31, 2019	105,494,290	263,736	2,140,175	1,132,579	(34,869)	(137,788)	3,300,000
Cumulative effect of adopting Accounting Standard Update 2016-13	0	0	0	(44,331)	0	0	(44,331)
Comprehensive income:							
Net income	0	0	0	289,023	0	0	289,023
Other comprehensive income, net of tax	0	0	0	0	57,239	0	57,239
Total comprehensive income, net of tax							346,262
Stock based compensation expense	0	0	5,980	0	0	0	5,980
Acquisition of Carolina Financial Corporation (28,031,501 shares)	28,031,501	70,079	747,751	0	0	0	818,830
Purchase of treasury stock (679,331 shares)	0	0	0	0	0	(21,317)	(21,317)
Distribution of treasury stock for deferred compensation plan (29 shares)	0	0	0	0	0	1	1
Cash dividends (\$1.40 per share)	0	0	0	(171,876)	0	0	(171,876)
Grant of restricted stock (182,847 shares)	182,847	457	(457)	0	0	0	0
Forfeiture of restricted stock (946 shares)	0	0	35	0	0	(35)	0
Common stock options exercised (100,736 shares)	100,736	251	987	0	0	0	0
Balance at December 31, 2020	\$133,809,374	\$ 334,523	\$ 2,894,471	\$ 1,205,395	\$ 22,370	\$ (159,139)	\$ 4,258,000

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Year Ended December 31		
	2020	2019	2018
OPERATING ACTIVITIES			
Net income	\$ 289,023	\$ 260,099	\$ 256,342
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	106,562	21,313	22,013
Amortization and accretion	(29,900)	(29,771)	(31,316)
Loss (Gain) on sales of bank premises, OREO, leases and equipment	1,214	294	(2,079)
Write-downs on bank premises, OREO, leases and equipment	3,803	3,618	1,307
Depreciation	13,464	9,329	10,255
(Gain) loss on securities	(3,155)	(175)	2,618
Loans originated for sale	(6,528,080)	(2,574,434)	(1,994,707)
Proceeds from sales of loans	6,528,508	2,513,717	2,041,508
Gain on sales of loans	(266,094)	(76,951)	(58,109)
Mortgage repurchase loan losses paid, net of recoveries	(888)	0	(59)
Stock-based compensation	5,980	4,914	4,073
Excess tax benefits from stock-based compensation arrangements	351	223	158
Deferred income tax (benefit) expense	(174)	14,205	9,353
Amortization of tax credit investments	9,950	4,271	1,502
Originations of mortgage servicing rights	(7,310)	0	0
Impairment of mortgage servicing rights	1,383	0	0
Increase in cash surrender value of bank-owned life insurance policies	(5,959)	(1,458)	(5,045)
Contribution to pension plan	(20,000)	0	(7,000)
Amortization of net periodic pension costs	3,004	3,635	2,566
Changes in:			
Loans held for sale	0	0	27,417
Interest receivable	1,106	2,512	(7,782)
Other assets	46,267	(23,449)	11,824
Accrued expenses and other liabilities	(8,608)	20,073	9,196
NET CASH PROVIDED BY OPERATING ACTIVITIES	140,447	151,965	294,035
INVESTING ACTIVITIES			
Proceeds from maturities and calls of held to maturity securities	211	7,000	328
Proceeds from sales of securities available for sale	192,085	374,764	171,202
Proceeds from maturities and calls of securities available for sale	515,983	337,793	270,754
Purchases of securities available for sale	(596,923)	(771,290)	(917,907)
Proceeds from sales of equity securities	1,650	2,011	2,005
Purchases of equity securities	(1,379)	(895)	(657)
Proceeds from sales and redemptions of other investment securities	148,766	80,270	36,358
Purchases of other investment securities	(137,395)	(129,747)	(57,154)
Redemption of bank-owned life insurance policies	5,729	2,829	0
Purchases of bank premises and equipment	(19,025)	(11,083)	(5,776)
Proceeds from sales of bank premises and equipment	4,354	251	8,397
Acquisition of Carolina Financial Corporation, net of cash paid	629,107	0	0
Proceeds from sales of OREO properties	14,398	10,026	10,816
Net change in loans and leases	(619,976)	(285,248)	(391,381)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	137,585	(383,319)	(873,015)
FINANCING ACTIVITIES			
Cash dividends paid	(162,713)	(138,939)	(142,350)
Acquisition of treasury stock	(21,317)	(35,673)	(100,724)
Proceeds from exercise of stock options	1,241	1,272	1,500
Distribution of treasury stock for deferred compensation plan	1	1	1
Repayment of long-term Federal Home Loan Bank borrowings	(1,847,000)	(1,135,000)	(755,000)
Proceeds from issuance of long-term Federal Home Loan Bank borrowings	500,000	1,475,000	950,000
Repayment of trust preferred issuance	0	0	(9,374)
Changes in:			
Time deposits	584,175	28,408	(293,184)
Other deposits	2,271,510	(169,945)	458,600
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	(232,354)	23,327	(176,260)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,093,543	48,451	(66,791)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,371,575	(182,903)	(645,771)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	837,493	1,020,396	1,666,167
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,209,068	\$ 837,493	\$ 1,020,396

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CONSOLIDATED STATEMENTS OF CASH FLOWS
UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Year Ended December 31		
	2020	2019	2018
Supplemental information			
Cash paid for:			
Interest on deposits and borrowed funds	\$ 115,347	\$182,549	\$124,679
Income taxes	65,378	56,459	55,336
Noncash investing activities:			
Transfers of loans to OREO	28,038	13,185	1,840
Transfers of held to maturity debt securities to available for sale debt securities	0	11,544	0
Acquisition of Carolina Financial:			
Assets acquired, net of cash	4,172,611	0	0
Liabilities assumed	4,302,722	0	0
Goodwill	318,834	0	0

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNITED BANKSHARES, INC. AND SUBSIDIARIES

December 31, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: United Bankshares, Inc. (“United”, the “Company”) is a financial holding company headquartered in Charleston, West Virginia. United considers all of West Virginia to be included in its market area. This area includes the five largest West Virginia Metropolitan Statistical Areas (“MSA”): the Parkersburg MSA, the Charleston MSA, the Huntington MSA, the Morgantown MSA and the Wheeling MSA. United serves the Ohio counties of Lawrence, Belmont, Jefferson and Washington and Fayette county in Pennsylvania primarily because of their close proximity to the Ohio and Pennsylvania borders and United banking offices located in those counties or in nearby West Virginia. United’s Virginia markets include the Maryland, northern Virginia and Washington, D.C. MSA, the Winchester MSA, the Harrisonburg MSA, and the Charlottesville MSA. Through its acquisition of Carolina Financial, United’s market now also includes the Coastal, Midlands, and Upstate regions of South Carolina, including the Charleston (Charleston, Dorchester and Berkeley Counties), Myrtle Beach (Horry and Georgetown Counties), Columbia (Richland and Lexington Counties), and the Upstate (Greenville and Spartanburg Counties) areas as well as areas in North Carolina including Wilmington (New Hanover County), Raleigh-Durham (Durham and Wake Counties), Charlotte-Concord-Gastonia (NC and SC) and the southeastern coastal region of North Carolina (Bladen, Brunswick, Columbus, Cumberland, Duplin and Robeson Counties). United considers all of the above locations to be the primary market areas for the business of its banking and mortgage banking subsidiaries.

Operating Segments: United operates in two business segments: community banking and mortgage banking. Through its community banking segment, United offers a full range of banking products and services through various delivery channels. Included among the banking products and services offered are the acceptance of deposits in checking, savings, time and money market accounts; the making and servicing of personal, credit card, commercial, and floor plan loans; and the making of construction and real estate loans. Also offered are trust and brokerage services, safe deposit boxes, and wire transfers. The mortgage banking segment engages primarily in the origination and acquisition of residential mortgages for sale into the secondary market through George Mason Mortgage, LLC (“George Mason”) and Crescent Mortgage Company (“Crescent”), indirectly owned subsidiaries of United. In addition, United through its mortgage banking subsidiary, Crescent, may retain the rights to service a portion of the loans sold in the third-party market, as part of its mortgage banking activities, for which United receives service fee income. In addition, at certain times United may purchase rights to service from third parties. These rights are known as mortgage servicing rights, or MSRs, where the owner of the MSR acts on behalf of the mortgage loan owner and has the contractual right to receive a stream of cash flows in exchange for performing specified mortgage servicing functions.

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

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

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The accounting and reporting policies of United conform with U.S. generally accepted accounting principles. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. To conform to the 2020 presentation, certain reclassifications have been made to prior period amounts, which had no impact on net income, comprehensive income or shareholders' equity. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations have been made. Such adjustments are of a normal and recurring nature.

The Company has evaluated events and transactions subsequent to December 31, 2020 through the date these financial statements were issued. Based on definitions and requirements of generally accepted accounting principles for "Subsequent Events," the Company has not identified any events that would require adjustments to, or disclosure in the financial statements.

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

Debt securities: The Company accounts for debt securities in two categories: held-to-maturity ("HTM") and available-for-sale ("AFS"). Premiums and discounts on debt securities are deferred and recognized into income over the contractual life of the asset using the effective interest method.

HTM securities are accounted for at amortized cost, but the Company must have both the positive intent and the ability to hold those securities to maturity. There are very limited circumstances under which securities in the HTM category can be sold without jeopardizing the cost basis of accounting for the remainder of the securities in this category. Substantially all of the Company's HTM debt securities are issued by state and political subdivisions (municipalities). As of December 31, 2020, United considers its HTM debt securities portfolio to be immaterial.

AFS securities are accounted for at fair value. Gains and losses realized on the sale of these securities are accounted for based on the specific identification method. Unrealized gains and losses for AFS securities are excluded from earnings and reported net of the related tax effect in the accumulated other comprehensive income component of shareholders' equity.

Allowance for Credit Losses (HTM Debt Securities): For held-to-maturity debt securities, the Company is required to utilize a current expected credit losses ("CECL") methodology to estimate expected credit losses. As of December 31, 2020, the Company recorded an allowance for credit losses of \$23,000 on its HTM debt securities portfolio.

Allowance for Credit Losses (AFS Debt Securities): The impairment model for available-for-sale ("AFS") debt securities differs from the CECL methodology applied for HTM debt securities because AFS debt securities are measured at fair value rather than amortized cost. Although ASC Topic 326, "Financial Instruments – Credit Losses" replaced the legacy other-than-temporary impairment ("OTTI") model with a credit loss model, it retained the fundamental nature of the legacy OTTI model. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either criteria is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities where neither of the criteria are met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the credit rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any remaining discount that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. An entity may no longer consider the length of time fair value has been less than amortized cost. Changes in the allowance for credit losses are recorded as a provision (or release) for credit losses. Losses are charged against the allowance when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2020, the Company determined that the unrealized loss positions in AFS securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded.

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Equity securities: Investments in equity securities with readily determinable fair values (marketable) are measured at fair value, with changes in the fair value recognized in Net investment securities gains (losses) in the Consolidated Statements of Income.

Other investment securities: Certain security investments such as Federal Reserve Bank stock and Federal Home Loan Bank stock that do not have readily determinable fair values (non-marketable) are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer, also referred to as the measurement alternative. Any adjustments to the carrying value of these investments are recorded in Other income in the Consolidated Statements of Income.

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

Loans: Loans are reported at the principal amount outstanding, net of unearned income. Interest on loans is accrued and credited to operations using methods that produce a level yield on individual principal amounts outstanding. Loan origination and commitment fees and related direct loan origination costs are deferred and amortized as an adjustment of loan yield over the estimated life of the related loan. Loan fees net of costs accreted and included in interest income were \$76,064,000, \$39,026,000, and \$44,547,000, for the years of 2020, 2019 and 2018, respectively. The accrual of interest income on commercial and most consumer loans generally is discontinued when a loan becomes 90 to 120 days past due as to principal or interest. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and interest accrued in prior years is charged to the allowance for loan losses. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection.

A loan is categorized as a troubled debt restructuring (“TDR”) if a concession is granted and there is deterioration in the financial condition of the borrower. A loan classified as a TDR will generally retain such classification until the loan is paid in full. However, a one-to-four-family residential mortgage TDR loan that yields a market rate and demonstrates the ability to pay under the terms of the restructured note through a sustained period of repayment performance, which is generally one year, is removed from the TDR classification. Interest income on TDRs is accrued at the reduced rate and the loan is returned to performing status once the borrower demonstrates the ability to pay under the terms of the restructured note through a sustained period of repayment performance, which is generally six months .

TDRs can take the form of a reduction of the stated interest rate, splitting a loan into separate loans and leases with market terms on one loan and concessionary terms on the other loan, receipts of assets from a debtor in partial or full satisfaction of a loan, the extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk, the reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement, or the reduction of accrued interest or any other concessionary type of renegotiated debt. Under United’s current loan policy, a loan is not recognized as a TDR until it becomes probable that the loan will be a TDR. In response to the coronavirus (“COVID-19”) pandemic and its economic impact on our customers, United has implemented a short-term modification program that complies with the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act to provide temporary payment relief to those borrowers directly impacted by COVID-19 who were not more than 30 days past due as of December 31, 2019. This program allows for a deferral of payments from the period beginning March 1, 2020 until the earlier of January 1, 2022 or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates. As provided for under the CARES Act, these loan modifications are exempt by law from classification as a TDR as defined by GAAP.

Loans Acquired Through Transfer: Acquired loans are recorded at fair value at the date of acquisition based on a discounted cash flow methodology that considers various factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and a discount

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rate reflecting the Company's assessment of risk inherent in the cash flow estimates. Certain purchased loans are individually evaluated while certain purchased loans are grouped together according to similar risk characteristics and are treated in the aggregate when applying various valuation techniques. These cash flow evaluations are inherently subjective as they require material estimates, all of which may be susceptible to significant change.

Prior to January 1, 2020, loans acquired in a business combination that had evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that the Company would be unable to collect all contractually required payments receivable were considered purchased credit impaired ("PCI"). PCI loans were individually evaluated and recorded at fair value at the date of acquisition with no initial valuation allowance based on a discounted cash flow methodology that considered various factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and a discount rate reflecting the Company's assessment of risk inherent in the cash flow estimates. The difference between the undiscounted cash flows expected at acquisition and the investment in the loan, or the "accretable yield," was recognized as interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "nonaccretable difference," were not recognized on the balance sheet and did not result in any yield adjustments, loss accruals or valuation allowances. Increases in expected cash flows, including prepayments, subsequent to the initial investment were recognized prospectively through adjustment of the yield on the loan over its remaining life. Decreases in expected cash flows were recognized as impairment. Valuation allowances on PCI loans reflected only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately were not to be received).

Subsequent to January 1, 2020, loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased credit deteriorated ("PCD") loans. At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial allowance for credit losses is added to the purchase price, there is no credit loss expense recognized upon acquisition of a PCD loan. Any difference between the unpaid principal balance of PCD loans and the amortized cost basis is considered to relate to noncredit factors and results in a discount or premium. Discounts and premiums are recognized through interest income on a level-yield method over the life of the loans. All loans and leases considered to be PCI prior to January 1, 2020 were converted to PCD on that date.

For loans and leases acquired after the adoption of ASC Topic 326, United will likely take several factors into consideration when determining if loans and leases meet the definition of PCD. ASC Topic 326 lists some, but not all, factors for consideration in the bifurcation of PCD versus non-PCD assets:

- Financial assets that are delinquent as of the acquisition date
- Financial assets that have been downgraded since origination
- Financial assets that have been placed on nonaccrual status

For acquired loans not deemed purchased credit deteriorated at acquisition, the differences between the initial fair value and the unpaid principal balance are recognized as interest income on a level-yield basis over the lives of the related loans.

Loans Held for Sale: Loans held for sale consist of one-to-four family conforming residential real estate loans originated for sale in the secondary market.

Loans held for sale within the mortgage banking segment are recorded under the fair value option at a fair value measured using valuations from investors for loans with similar characteristics adjusted for the Company's actual sales experience versus the investor's indicated pricing.

Loans held for sale within the community banking segment are carried at the lower of cost or fair value. The fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale.

Gains and losses on sale of loans are recorded within income from mortgage banking activities.

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Allowance for Loan and Lease Losses: On January 1, 2020, the Company adopted FASB ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), so the allowance calculation is based on the CECL methodology. Prior to January 1, 2020, the calculation was based on the incurred loss methodology. The allowance for loan losses is an estimate of the expected credit losses on financial assets measured at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term). Assets are charged off when United determines that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Charge-offs are recognized as a deduction from the allowance for loan losses. Expected recoveries of amounts previously charged-off, not to exceed the aggregate of the amount previously charged-off, are included in determining the necessary reserve at the balance sheet date.

United made a policy election to present the accrued interest receivable balance separately in its consolidated balance sheets from the amortized cost of a loan. United estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values or other relevant factors. A reversion to historical loss data occurs via a straight-line method during the year following the one-year reasonable and supportable forecast period.

United pools its loans and leases based on similar risk characteristics in estimating expected credit losses. United has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

- Method: Probability of Default/Loss Given Default (PD/LGD)
 - Commercial Real Estate Owner-Occupied
 - Commercial Real Estate Nonowner-Occupied
 - Commercial Other
- Method: Cohort
 - Residential Real Estate
 - Construction & Land Development
 - Consumer
 - Bankcard

Risk characteristics of commercial real estate owner-occupied loans and commercial other loans and leases are similar in that they are normally dependent upon the borrower's internal cash flow from operations to service debt. Commercial real estate nonowner-occupied loans differ in that cash flow to service debt is normally dependent on external income from third parties for use of the real estate such as rents, leases and room rates. Residential real estate loans are dependent upon individual borrowers who are affected by changes in general economic conditions, demand for housing and resulting residential real estate valuation. Construction and land development loans are impacted mainly by demand whether for new residential housing or for retail, industrial, office and other types of commercial construction within a given area. Consumer loan pool risk characteristics are influenced by general, regional and local economic conditions.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, but may also include other non-performing loans or TDRs, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. These individually evaluated loans are removed from their respective pools and typically represent collateral dependent loans. In addition, the Company individually evaluates "reasonably expected" TDRs, which are identified by the Company as a loan expected to be classified as a TDR.

Expected credit losses are estimated over the contractual term of the loans and leases, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancelable by United.

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For past loans and leases acquired through the completion of a transfer, including loans and leases acquired in a business combination, that had evidence of deterioration of credit quality since origination (“PCI”) and accounted for under ASC Topic 310, an entity did not have to reassess whether any loans and leases previously accounted for as PCI meet the definition of purchased credit deteriorated (“PCD”) loans and leases upon adoption of ASC Topic 326. Any changes in the allowance for credit losses for these loans and leases were accounted for as an adjustment to the loan’s amortized cost basis and not as a cumulative-effect adjustment to an entity’s beginning retained earnings. Non-PCI loans and leases are now classified as non-PCD loans and leases with the adoption of ASC Topic 326. In accordance with ASC Topic 326 guidance, United calculated a PCD rate adjustment for all PCD loans and leases at adoption. Such adjustment created a discount balance for any excess amount not deemed to be credit-related between the PCD recorded balance at the adoption date and the contractual principal and interest balances outstanding.

At the acquisition date, an initial allowance for expected credit losses is estimated and recorded as credit loss expense. The subsequent measurement of expected credit losses for all acquired loans is the same as the subsequent measurement of expected credit losses for originated loans. For allowance for credit losses under ASC Topic 326 calculation purposes, United includes its acquired loans and leases in their relevant pool unless they meet the criteria for specific review.

Prior to January 1, 2020, the allowance for loan losses calculation as well as the provision for loan losses was based on the incurred loss methodology. Under the incurred loss model, management estimated the losses on loans and leases when it was “probable” that the Company had already incurred losses based on information available at that time. Once a loss was probable, then the expected value of the estimated loss given default was calculated and incorporated into the allowance.

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

Other Real Estate Owned: At December 31, 2020 and 2019, other real estate owned (“OREO”) included in other assets in the Consolidated Balance Sheets was \$22,595,000 and \$15,515,000, respectively. OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried at the lower of the investment in the assets or the fair value of the assets less estimated selling costs. Any adjustment to the fair value at the date of transfer is charged against the allowance for loan losses. Any subsequent valuation adjustments as well as any costs relating to operating, holding or disposing of the property are recorded in other expense in the period incurred. At December 31, 2020, there was no recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process as compared to \$890,000 at December 31, 2019.

Intangible Assets: Intangible assets relating to the estimated fair value of the deposit base of the acquired institutions are being amortized on an accelerated basis over a one to ten-year period. Management reviews intangible assets on an annual basis, or sooner if indicators of impairment exist, and evaluates changes in facts and circumstances that may indicate impairment in the carrying value. United incurred amortization expense of \$6,605,000, \$7,016,000, and \$8,039,000, in 2020, 2019, and 2018, respectively, related to all intangible assets.

Goodwill and intangible assets with indefinite lives (such as a trade name intangible) are not amortized, but are tested for impairment at least annually or sooner if indicators of impairment exist. Intangible assets with definite useful lives (such as core deposit intangibles) are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment at least annually or as indicators of impairment are identified. Based on the most recent goodwill impairment test, no impairment was noted. As of December 31, 2020, and 2019, total goodwill approximated \$1,796,848,000 and \$1,478,014,000, respectively.

Mortgage Servicing Rights, Fees and Costs: The Company initially measures servicing assets and liabilities retained related to the sale of residential loans held for sale (“MSRs”) at fair value, if practicable. For subsequent measurement purposes, the Company measures servicing assets and liabilities based on the lower of cost or market using the amortization method.

MSRs are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of the MSRs is analyzed periodically and is adjusted to reflect changes in prepayment rates and other estimates.

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The Company evaluates potential impairment of MSRs based on the difference between the carrying amount and current estimated fair value of the servicing rights. In determining impairment, the Company aggregates all servicing rights and stratifies them into tranches based on predominant risk characteristics. If impairment exists, a valuation allowance is established for any excess of amortized cost over the current estimated fair value by a charge to income. If the Company later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

Service fee income is recorded for fees earned for servicing mortgage loans under servicing agreements with the Federal National Mortgage Association (“FNMA”), the Federal Home Loan Mortgage Corporation (“FHLMC”), Government National Mortgage Association (“GNMA”) and certain private investors. The fees are based on a contractual percentage of the outstanding principal balance of the loans serviced and are recorded in noninterest income. Amortization of MSRs and mortgage servicing costs are charged to expense when incurred.

Accrued interest receivable : Upon adoption of ASC Topic 326, the Company made the following elections regarding accrued interest receivable (“AIR”):

- Presenting accrued interest receivable balances separately from their underlying instruments within the consolidated statements of financial condition.
- Excluding accrued interest receivable that is included in the amortized cost of financing receivables from related disclosure requirements.
- Continuing our policy to write off accrued interest receivable by reversing interest income in cases where the Company does not reasonably expect to receive payment.
- Generally, not measuring an allowance for credit losses for accrued interest receivable due to the Company’s policy of writing off uncollectible accrued interest receivable balances in a timely manner. However, due to loan interest payment deferrals on certain loans and leases granted by United under the CARES Act, United assessed the collectability of the accrued interest receivables on these deferring loans and leases. As a result of this assessment, United recorded an allowance for credit losses of \$250,000 for accrued interest receivables not expected to be collected as of December 31, 2020.

Revenue Recognition : Interest and dividend income, loans fees, fees from trust and brokerage services, deposit services and bankcard fees are recognized and accrued as earned.

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

Fees from Trust Services

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

Fees from Brokerage Services

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

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Fees from Deposit Services

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

Bankcard Fees and Merchant Discounts

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

Advertising Costs: Advertising costs are generally expensed as incurred and included in Other Expense on the Consolidated Statements of Income. Advertising expense was \$5,611,000, \$5,082,000, and \$4,643,000, for the years of 2020, 2019, and 2018, respectively.

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

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

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

Derivative Financial Instruments: United accounts for its derivative financial instruments in accordance with ASC Topic 815 which requires all derivative instruments to be carried at fair value on the balance sheet. United has designated certain derivative instruments used to manage interest rate risk as hedge relationships with certain assets, liabilities or cash flows being hedged. Certain derivatives used for interest rate risk management are not designated in a hedge relationship.

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

For a fair value hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to the hedged financial instrument. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a fair value hedge are offset in current period earnings. For a cash flow hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to accumulated 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 accumulated other comprehensive income, net of tax and reclassified into earnings in the same line associated with the forecasted transaction when the forecasted transaction affects earnings. Prior to 2019, any ineffective portion of a cash flow hedge was recognized immediately in earnings

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At inception of a hedge relationship, United formally documents the hedged item, the particular risk management objective, the nature of the risk being hedged, the derivative being used, how effectiveness of the hedge will be assessed and how the ineffectiveness of the hedge will be measured. United also assesses hedge effectiveness at inception and on an ongoing basis using regression analysis. Hedge ineffectiveness is measured by using the change in fair value method. The change in fair value method compares the change in the fair value of the hedging derivative to the change in the fair value of the hedged exposure, attributable to changes in the benchmark rate.

United is subject to the Dodd-Frank Act clearing requirement for eligible derivatives. United has executed and cleared eligible derivatives through the London Clearing House (“LCH”). Variation margin at the LCH is distinguished as settled-to-market and settled daily based on the prior day value, rather than collateralized-to-market.

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

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

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.

Off-balance-sheet credit exposures : United maintains a reserve for lending-related commitments such as unfunded loan commitments and letters of credit. United estimates expected credit losses over the contractual period in which United is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by United. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Methodology is based on a loss rate approach that starts with the probability of funding based on historical experience. Similar to methodology discussed previously related to the loans and leases receivable portfolio, adjustments are made to the historical losses for current conditions and reasonable and supportable forecast. Adjustments to the reserve for lending-related commitments on off-balance sheet credit exposures is recorded as other expense in the consolidated statements of income. The reserve for lending-related commitments is separately classified on the balance sheet and is included in other liabilities. The combined allowance for loan losses and reserve for lending-related commitments is considered the allowance for credit losses on loans and leases.

Stock-Based Compensation : Compensation expense related to stock options and restricted stock awards issued to participants is based upon the fair value of the award at the date of grant. The fair value of stock options is estimated at the date of grant using a binomial lattice option pricing model, while the fair value of restricted stock awards is based upon the stock price at the date of grant. Compensation expense is recognized on a straight-line basis over the vesting period for options and the respective period for stock awards.

Stock-based compensation expense was \$5,980,000 in 2020, \$4,914,000 in 2019, and \$4,073,000 in 2018.

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

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

Earnings Per Common Share: United calculates earnings per common share in accordance with ASC Topic 260, "Earnings Per Share," which provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. United has determined that its outstanding non-vested restricted stock awards are participating securities.

Under the two-class method, basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method.

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

(Dollars in thousands, except per share)	Year Ended December 31		
	2020	2019	2018
Distributed earnings allocated to common stock	\$ 171,403	\$ 139,167	\$ 141,336
Undistributed earnings allocated to common stock	116,879	120,337	114,542
Net earnings allocated to common shareholders	<u>\$ 288,282</u>	<u>\$ 259,504</u>	<u>\$ 255,878</u>
Average common shares outstanding	120,017,247	101,585,599	104,015,976
Dilutive effect of stock compensation	72,985	266,978	282,849
Average diluted shares outstanding	<u>120,090,232</u>	<u>101,852,577</u>	<u>104,298,825</u>
Earnings per basic common share	\$ 2.40	\$ 2.55	\$ 2.46
Earnings per diluted common share	\$ 2.40	\$ 2.55	\$ 2.45

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

ASC Topic 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect United's market assumptions.

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

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

When determining the fair value measurements for assets and liabilities, United looks to active and observable markets to price identical assets or liabilities whenever possible and classifies such items in Level 1. When identical assets and liabilities are not traded in active markets, United looks to market observable data for similar assets and liabilities and classifies such items as Level 2. Nevertheless, certain assets and liabilities are not actively traded in observable markets

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

Recent Accounting Pronouncements :

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-06, “Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40).” The amendments in the ASU remove certain separation models for convertible debt instruments and convertible preferred stock that require the separation of a convertible debt instrument into a debt component and an equity or derivative component. The ASU also amends the derivative scope exception guidance for contracts in an entity’s own equity. The amendments remove three settlement conditions that are required for equity contracts to qualify for the derivative scope exception. In addition, the ASU expands disclosure requirements for convertible instruments and simplifies areas of the guidance for diluted earnings-per-share calculations that are impacted by the amendments. ASU No. 2020-06 is effective for public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Entities may elect to adopt the amendments through either a modified retrospective method of transition or a fully retrospective method of transition. ASU No. 2020-06 is not expected to have a material impact on the Company’s financial condition or results of operations.

In March 2020, the FASB issued ASU No. 2020-04, “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU provides “optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued.” ASU No. 2020-04 is effective for public business entities on March 12, 2020 through December 31, 2022. United is implementing a transition plan to identify and modify its loans and other financial instruments with attributes that are either directly or indirectly influenced by LIBOR. The Company is assessing ASU No. 2020-04 and its impact on the Company’s transition away from LIBOR for its loan and other financial instruments.

In February 2020, FASB issued ASU No. 2020-03, “Codification Improvements to Financial Instruments.” This update makes narrow-scope changes that are intended to improve the board’s standards for financial instruments accounting, including the credit losses standard issued in 2016, as part of FASB’s ongoing project to improve and clarify its Accounting Standards Codification and avoid unintended application. ASU No. 2020-03 was effective for public business entities upon issuance of this final update in March 2020. ASU No. 2020-03 did not have a material impact on the Company’s financial condition or results of operations.

In January 2020, the FASB issued ASU No. 2020-01, “Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815.” The new guidance addresses accounting for the transition into and out of the equity method and measuring certain purchased options and forward contracts to acquire investments. ASU No. 2020-01 is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2020; early adoption is permitted. ASU No. 2020-01 was adopted by United on January 1, 2021. The adoption did not have a material impact on the Company’s financial condition or results of operations.

In November 2019, the FASB issued ASU No. 2019-08, “Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer.” ASU No. 2019-08 requires companies to measure and classify (on the balance sheet) share-based payments to customers by applying the guidance in Topic 718, Compensation—Stock Compensation. As a result, the amount recorded as a reduction in revenue would be measured based on the grant-date fair value of the share-based payment. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2019. ASU No. 2019-08 was adopted by United on January 1, 2020. The adoption did not have a material impact on the Company’s financial condition or results of operations.

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In April 2019, the FASB issued ASU No. 2019-04, “Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.” The amendments clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments. The amendments also address partial-term fair valued hedges, fair value hedge basis adjustments. The amendments to the credit losses and hedging standards have the same effective dates as those standards, unless an entity has already adopted the standards. The amendments to recognition and measurement guidance are effective for fiscal years beginning after December 15, 2019; early adoption is permitted. ASU No. 2019-04 was adopted by United on January 1, 2020. The adoption did not have a material impact on the Company’s financial condition or results of operations.

In August 2018, the FASB issued ASU No. 2018-14, “Compensation – Retirement Benefits - Defined Benefits – General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans.” This update amends ASC Topic 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other post retirement plans. The ASU’s changes related to disclosures are part of the FASB’s disclosure framework project, which the FASB launched in 2014 to improve effectiveness of disclosures in notes to financial statements. ASU No. 2018-14 is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2020; early adoption is permitted. ASU No. 2018-14 was adopted by United on January 1, 2021. The adoption did not have a material impact on the Company’s financial condition or results of operations.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.” This amendment changes the fair value measurement disclosure requirements of ASC Topic 820 and is the result of a broader disclosure project called FASB Concepts Statement, Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements, which was finalized in August 2018. ASU No. 2018-13 is effective for all entities for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2019; early adoption is permitted for any eliminated or modified disclosure upon issuance of this ASU. ASU No. 2018-13 was adopted by United on January 1, 2020 and did not have a material impact on the Company’s financial condition or results of operations.

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-07, “Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.” This update has been issued as part of a simplification initiative which will expand the scope of ASC Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees and expands the scope through the amendments to address and improve aspects of the accounting for non-employee share-based payment transactions. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. ASU No. 2018-07 is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2018; early adoption is permitted. ASU No. 2018-07 was adopted by United on January 1, 2019. The adoption did not have a material impact on the Company’s financial condition or results of operations.

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

In February 2018, the FASB issued ASU No. 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” to help organizations address certain stranded income tax effects in accumulated other comprehensive income (AOCI) resulting from the Tax Cuts and Jobs Act (the “Tax Act”). This ASU provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act (or portion thereof) is recorded. The amendments are effective for all organizations for fiscal years beginning after December 15, 2018, and interim periods

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within those fiscal years. Early adoption is permitted. Organizations should apply the proposed amendments either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. United adopted ASU No. 2018-02 in the first quarter of 2018 and reclassified \$6,353,000 of stranded income tax effected amounts in AOCI to retained earnings.

In August 2017, the FASB issued ASU No. 2017-12, “Targeting Improvement to Accounting for Hedging Activities.” This ASU amends ASC 815 and its objectives are to improve the transparency and understandability of information conveyed to financial statement users about an entity’s risk management activities by better aligning the entity’s financial reporting for hedging relationships with those risk management activities and reduce the complexity and simplify the application of hedge accounting by preparers. This ASU makes certain targeted improvements to simplify the application of the hedge accounting, including to derivative instruments as well as allow a one-time election to reclassify fixed-rate, prepayable debt securities from a held-to-maturity classification to an available-for-sale classification. ASU No. 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. United adopted the standard on January 1, 2019 using the modified retrospective approach. As part of this adoption, the Company made a one-time election to transfer eligible HTM securities to the AFS category in order to optimize the investment portfolio management for capital and risk management considerations. The Company transferred HTM securities with a carrying amount of \$11,544,000, which resulted in a decrease of \$1,098,000 to AOCI.

In July 2017, the FASB issued ASU No. 2017-11, “Part I, Accounting for Certain Financial Instruments with Down Round Features and Part II, Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling interests with a Scope Exception.” Part I of this ASU simplifies the accounting for financial instruments that include down round features while the amendments in Part II, which do not have an accounting effect, address the difficulty of navigating the guidance in ASC 480, “Distinguishing Liabilities from Equity”, due to the existence of extensive pending content in the Codification. ASU No. 2017-11 is effective for interim and annual reporting periods beginning after December 15, 2018. ASU No. 2017-11 was adopted by United on January 1, 2019. The adoption did not have a material impact on the Company’s financial condition or results of operations.

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

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles – Goodwill and Other (Topic 350).” ASU No. 2017-04 eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value. ASU 2017-04 was adopted by United on January 1, 2020. The adoption of ASU 2017-04 did not have a material impact on the Company’s financial condition or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments – Credit Losses.” ASU No. 2016-13 changes the impairment model for most financial assets and certain other instruments that are not measured at fair value through net income. The standard replaces the “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost and requires entities to record allowances for available for sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment (OTTI) model. ASU No. 2016-13 also simplifies the accounting model for purchased credit-impaired debt securities and loans and leases. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. United engaged a third-party service provider to assist with the implementation of the new accounting standard. ASU No. 2016-13 was adopted by United on January 1, 2020 using a modified retrospective approach. At the January 1, 2020 date of adoption, based on forecasts of macroeconomic conditions and exposures at that time, the aggregate impact to United was a net increase to the allowance for credit losses of \$57,442,000 and a decrease to retained earnings of \$44,331,000, with the difference being an adjustment to deferred tax assets. United has elected to phase-in the impact to

retained earnings using a five-year transition provision, allowed by the Federal Reserve Board and other federal banking agencies in response to the coronavirus (COVID-19) pandemic, to delay for two years the full impact of ASU No. 2016-13 on regulatory capital, followed by a three-year transition period. The adoption of ASU No. 2016-13 had an insignificant impact on the Company's held to maturity and available for sale securities portfolios.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". ASU No. 2016-02 includes a lessee accounting model that recognizes two types of leases, finance leases and operating leases, while lessor accounting will remain largely unchanged from the current GAAP. ASU No. 2016-02 requires, amongst other things, that a lessee recognize on the balance sheet a right-of-use asset and a lease liability for leases with terms of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. In July 2018, the FASB issued ASU No. 2018-11 "Leases (Topic 842), Targeted Improvements." This update creates an additional transition method, and a lessor practical expedient to not separate lease and non-lease components if specified criteria are met. The new transition method allows companies to use the effective date of the new leases standard as the date of initial application transition. Companies that elect this transition option will not adjust their comparative period financial information for the effect of ASC Topic 842, nor will they make the new required lease disclosure for periods before the effective date. In addition, these companies will carry forward their ASC Topic 840 disclosures for comparative periods. The practical expedient permits lessors to make an accounting policy election by class of underlying asset to not separate lease and non-lease components if specified criteria are met. In July 2018, the FASB issued ASU No. 2018-10 "Codification Improvements to ASC Topic 842, Leases." This update includes narrow amendments to clarify how to apply certain aspects of the new leases standard. The amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. ASU 2018-10 does not make any substantive changes to the core provisions or principals of the new leases standard. United adopted the standard using the modified retrospective transition method on January 1, 2019. The Company has evaluated and has elected the practical expedients, which allows for existing leases to be accounted for consistent with current guidance, with the exception of the balance sheet recognition for lessees. Adoption of the standard resulted in the recognition of additional net lease assets and lease liabilities of \$ 67,040,000 and \$ 70,692,000, respectively, as of January 1, 2019. Of the difference between these two amounts, \$ 1,049,000 was recorded as an adjustment to retained earnings.

NOTE B—MERGERS AND ACQUISITIONS

On May 1, 2020 ("Acquisition Date"), United acquired 100% of the outstanding shares of Carolina Financial Corporation ("Carolina Financial"), a Delaware corporation headquartered in Charleston, South Carolina. Carolina Financial was merged with and into United (the "Merger"), pursuant to the terms of the Agreement and Plan of Merger, dated November 17, 2019, by and between United and Carolina Financial (the "Merger Agreement"). Upon completion of the Merger, Carolina Financial ceased to exist and United survived and continues to exist as a West Virginia corporation.

Under the terms of the Merger Agreement, each outstanding share of common stock of Carolina Financial was converted into the right to receive 1.13 shares of United common stock, par value \$2.50 per share. Also pursuant to the Merger Agreement, as of the effective time of the Merger, each outstanding Carolina Financial stock option, whether vested or unvested as of the date of the Merger, at such option holder's election, (i) vested and converted into an option to acquire United common stock adjusted based on the 1.13 exchange ratio, or (ii) was entitled to receive cash consideration equal to the difference between (a) the option's exercise price and (b) \$28.99, representing the volume weighted average trading price of the Carolina Financial common stock on NASDAQ for the twenty full trading days ending on the second trading day immediately preceding the closing date (the "CFC Closing Price") multiplied by the number of shares of Carolina Financial common stock subject to such stock option. Also, at the effective time of the Merger, each restricted stock grant, restricted stock unit grant or any other award of a share of Carolina Financial common stock subject to vesting, repurchase or other lapse restriction under a Carolina Financial stock plan (other than a stock option) (each, a "Stock Award") that was outstanding immediately prior to the effective time of the Merger, vested in accordance with the terms of the Carolina Financial stock plan and at the election of the holder (i) converted into the right to receive shares of United common stock based on the 1.13 exchange ratio or (ii) converted into cash in an amount equal to the CFC Closing Price multiplied by the shares of Carolina Financial common stock subject to the Stock Award.

Immediately following the Merger, CresCom Bank, a wholly-owned subsidiary of Carolina Financial, merged with and into United Bank, a wholly-owned subsidiary of United (the "Bank Merger"). United Bank survived the Bank Merger and

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continues to exist as a Virginia banking corporation. CresCom Bank owned and operated Crescent Mortgage Company (“Crescent”), which is based in Atlanta, Georgia. As a result of the Bank Merger, Crescent is now a wholly-owned subsidiary of United Bank. For the years of 2020 and 2019, United recorded acquisition-related costs of \$54,240,000 and \$589,000, respectively.

The Merger was accounted for under the acquisition method of accounting. The results of operations of Carolina Financial are included in the consolidated results of operations from the Acquisition Date. The acquisition of Carolina Financial affords United the opportunity to expand its existing footprint in North Carolina and South Carolina. Carolina Financial had banking locations in North Carolina and South Carolina. As of the Acquisition Date, Carolina Financial had \$ 5,005,012 ,000 in total assets, \$ 3,292,635 ,000 in loans and leases, net of unearned income and \$ 3,873,183 ,000 in deposits.

The aggregate purchase price was approximately \$817,877,000, including common stock valued at \$815,997,000, stock options assumed valued at \$1,833,000, and cash paid for fractional shares of \$47,000. The number of shares issued in the transaction was 28,031,501, which were valued based on the closing market price of \$29.11 for United’s common shares on May 1, 2020. The preliminary purchase price has been allocated to the identifiable tangible and intangible assets resulting in preliminary additions to goodwill, core deposit intangibles and the Crescent trade name intangible of \$318,834,000, \$3,408,000 and \$196,000, respectively. The goodwill recognized results from the expected synergies and potential earnings from the combination of United and Carolina Financial. The core deposit intangible is expected to be amortized on an accelerated basis over ten years. The Crescent trade name provides a source of market recognition to attract potential clients and retain existing relationships. United believes the Crescent trade name provides a competitive advantage and is likely going to be used into perpetuity and thus will not be subject to amortization, but rather be evaluated for impairment.

Because the consideration paid was greater than the net fair value of the acquired assets and liabilities, the Company recorded goodwill as part of the acquisition. None of the goodwill from the Carolina Financial acquisition is expected to be deductible for tax purposes. United used an independent third party to help determine the fair values of the assets and liabilities acquired from Carolina Financial. As a result of the merger, United recorded preliminary fair value discounts of \$47,425,000 on the loans and leases acquired, \$620,000 on investment securities, \$272,000 on OREO, \$4,831,000 on trust preferred issuances and \$135,000 on subordinated notes, respectively, and premiums of \$5,908,000 on buildings acquired, \$4,357,000 on land acquired, \$12,818,000 on interest-bearing deposits, and \$468,000 on long-term FHLB advances, respectively. United also recorded an allowance for credit losses, including a reserve for unfunded commitments, of \$50,562,000 on the loans and commitments acquired split between \$19,797,000 for purchased credit deteriorated (“PCD”) loans and \$30,765,000 for non-PCD loans. The discounts and premium amounts, except for discount on the land and OREO acquired, are being accreted or amortized on an accelerated or straight-line basis, based on the type of asset or liability, over each asset’s or liability’s estimated remaining life at the time of acquisition. At December 31, 2020, the discounts on subordinated debt and trust preferred issuances had an average estimated remaining life of 6.00 years and 16.25 years, respectively, and the premiums on the buildings, interest-bearing deposits each had an average estimated remaining life of 31.00 years, and 4.60 years, respectively. The estimated fair values of the acquired assets and assumed liabilities, including identifiable intangible assets are preliminary as of December 31, 2020 and are subject to refinement as additional information relative to closing date fair values becomes available. Any subsequent adjustments to the fair values of acquired assets and liabilities assumed, identifiable intangible assets, or other purchase accounting adjustments will result in adjustments to goodwill within the measurement period following the date of acquisition.

Portfolio loans and leases acquired from Carolina Financial were recorded at their fair value at the Acquisition Date based on a discounted cash flow methodology. The estimated fair value incorporates adjustments related to market loss assumptions and prevailing market interest rates for comparable assets and other market factors such as liquidity from the perspective of a market participant. Also, acquired portfolio loans and leases were evaluated upon acquisition and classified as either PCD, which indicates that the loan has experienced a more-than-insignificant deterioration in credit quality since origination, or non-PCD. United considered a variety of factors in evaluating the acquired loans and leases for a more-than-insignificant deterioration in credit quality, including but not limited to risk grades, delinquency, nonperforming status, current or previous troubled debt restructurings or bankruptcies, watch list credits and other qualitative factors that indicated a deterioration in credit quality since origination. For PCD loans and leases, an initial allowance is determined based on the same methodology as other portfolio loans and leases. This initial allowance for credit losses is allocated to individual PCD loans and leases and added to the acquisition date fair values to establish the initial amortized cost basis for the PCD loans and leases. The difference between the unpaid principal balance (“UPB”), or par value, of PCD loans and leases and the amortized cost basis is considered to relate to noncredit factors and resulted in a discount of \$ 7,212 ,000 at

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Acquisition Date. This discount will be recognized through interest income on a level-yield method over the life of the loans which is estimated to be a weighted-average of 4.6 years. For non-PCD acquired loans and leases, the differences between the initial fair value and the UPB, or par value, are recognized as interest income on a level-yield basis over the lives of the related loans and leases which is estimated to be a weighted-average of 7.3 years. The total fair value mark on the non-PCD loans and leases at the Acquisition Date was \$40,213,000. At the Acquisition Date, an initial allowance for expected credit losses of \$28,948,000 was recorded with a corresponding charge to the provision for credit losses in the Consolidated Statements of Income. Subsequent changes in the allowance for credit losses related to PCD and non-PCD loans and leases are recognized in the provision for credit losses.

The following table provides a reconciliation of the difference between the purchase price and the par value of portfolio PCD loans and leases acquired from Carolina Financial as of the Acquisition Date:

(Dollars in thousands)	
Purchase price of PCD loans and leases at acquisition	\$ 1,023,531
Allowance for credit losses at acquisition	18,635
Non-credit discount at acquisition	7,212
Par value (UPB) of acquired PCD loans and leases at acquisition	<u>\$ 1,049,378</u>

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

(Dollars in thousands)	
Purchase price:	
Value of common shares issued (28,031,501 shares)	\$ 815,997
Fair value of stock options assumed	1,833
Cash for fractional shares	47
Total purchase price	<u>817,877</u>
Identifiable assets:	
Cash and cash equivalents	629,154
Investment securities	580,791
Loans held for sale	65,757
Net loans and leases	3,246,940
Premises and equipment	79,127
Operating lease right-of-use asset	9,861
Crescent trade name intangible	196
Core deposit intangible	3,408
Mortgage servicing rights	20,123
Other assets	166,408
Total identifiable assets	<u>\$4,801,765</u>
Identifiable liabilities:	
Deposits	\$3,884,977
Short-term borrowings	332,000
Long-term borrowings	42,738
Operating lease liability	9,861
Other liabilities	33,146
Total identifiable liabilities	<u>4,302,722</u>
Preliminary fair value of net assets acquired including identifiable intangible assets	<u>499,043</u>
Preliminary resulting goodwill	<u>\$ 318,834</u>

The operating results of United for the year ended December 31, 2020 include operating results of acquired assets and assumed liabilities subsequent to the Carolina Financial Acquisition Date. The operations of United's North Carolina and South Carolina geographic area, which includes the acquired operations of Carolina Financial, and Crescent provided \$158,413,000 in total revenues (net interest income plus other income), and \$82,829,000 in net income from the period from the Carolina Financial Acquisition Date to December 31, 2020. These amounts are included in United's consolidated financial statements as of and for the year ended December 31, 2020. Carolina Financial's results of operations prior to the Carolina Financial Acquisition Date are not included in United's consolidated results of operations.

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The following table presents certain unaudited pro forma information for the results of operations for the year ended December 31, 2020 and 2019, as if the Carolina Financial merger had occurred on January 1, 2020 and 2019, respectively. These results combine the historical results of Carolina Financial into United's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair valuation adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on the indicated date nor are they intended to represent or be indicative of future results of operations. In particular, no adjustments have been made to eliminate the amount of Carolina Financial's provision for credit losses for 2020 and 2019 that may not have been necessary had the acquired loans and leases been recorded at fair value as of the beginning of 2020 and 2019. Additionally, United expects to achieve operating cost savings and other business synergies as a result of the acquisition which are not reflected in the pro forma amounts.

(Dollars in thousands)	Proforma Year Ended December 31	
	2020	2019
Total Revenues ⁽¹⁾	\$1,095,981	\$ 938,477
Net Income	269,032	343,444

⁽¹⁾ Represents net interest income plus other income

NOTE C—INVESTMENT SECURITIES

Securities Available for Sale

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

(Dollars in thousands)	December 31, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance For Credit Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 65,804	\$ 543	\$ 3	\$ 0	\$ 66,344
State and political subdivisions	538,082	27,330	252	0	565,160
Residential mortgage-backed securities					
Agency	905,230	24,134	473	0	928,891
Non-agency	21,639	137	0	0	21,776
Commercial mortgage-backed securities					
Agency	644,774	31,009	638	0	675,145
Asset-backed securities	297,834	204	3,415	0	294,623
Single issue trust preferred securities	18,230	167	1,370	0	17,027
Other corporate securities	376,753	7,648	8	0	384,393
Total	\$ 2,868,346	\$ 91,172	\$ 6,159	\$ 0	\$ 2,953,359

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(Dollars in thousands)	December 31, 2019				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cumulative OTTI in AOCI ⁽¹⁾
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 58,127	\$ 555	\$ 6	\$ 58,676	\$ 0
State and political subdivisions	272,014	3,644	3,296	272,362	0
Residential mortgage-backed securities					
Agency	826,857	10,923	1,246	836,534	0
Non-agency	3,429	404	0	3,833	86
Commercial mortgage-backed securities					
Agency	609,461	8,319	2,807	614,973	0
Asset-backed securities	284,390	0	8,251	276,139	0
Trust preferred collateralized debt obligations	6,045	0	1,342	4,703	842
Single issue trust preferred securities	18,196	170	1,592	16,774	0
Other corporate securities	348,405	4,897	0	353,302	0
Total	\$ 2,426,924	\$ 28,912	\$ 18,540	\$ 2,437,296	\$ 928

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

United has made a policy election to exclude accrued interest from the amortized cost basis of available-for-sale debt securities and report accrued interest separately in “Accrued interest receivable” in the consolidated balance sheets. Available-for-sale debt securities are placed on non-accrual status when we no longer expect to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on non-accrual status. Accordingly, United does not currently recognize an allowance for credit loss against accrued interest receivable on available-for-sale debt securities. The table above excludes accrued interest receivable of \$10,663,000 and \$9,890,000 at December 31, 2020 and December 31, 2019, respectively, that is recorded in “Accrued interest receivable.”

The following is a summary of securities available for sale which were in an unrealized loss position at December 31, 2020 and December 31, 2019.

(Dollars in thousands)	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2020						
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 297	\$ 3	\$ 0	\$ 0	\$ 297	\$ 3
State and political subdivisions	30,480	252	0	0	30,480	252
Residential mortgage-backed securities						
Agency	131,114	467	3,867	6	134,981	473
Non-agency	0	0	0	0	0	0
Commercial mortgage-backed securities						
Agency	83,395	638	0	0	83,395	638
Asset-backed securities	0	0	266,104	3,415	266,104	3,415
Trust preferred collateralized debt obligations	0	0	0	0	0	0
Single issue trust preferred securities	0	0	13,804	1,370	13,804	1,370
Other corporate securities	8,494	8	0	0	8,494	8
Total	\$ 253,780	\$ 1,368	\$283,775	\$ 4,791	\$537,555	\$ 6,159

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(Dollars in thousands)	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2019						
U.S. Treasury securities and obligations of U.S.						
Government corporations and agencies	\$ 1,415	\$ 6	\$ 0	\$ 0	\$ 1,415	\$ 6
State and political subdivisions	144,307	3,291	885	5	145,192	3,296
Residential mortgage-backed securities						
Agency	108,072	502	71,736	744	179,808	1,246
Non-agency	0	0	0	0	0	0
Commercial mortgage-backed securities						
Agency	173,039	2,676	45,251	131	218,290	2,807
Asset-backed securities	135,174	3,252	140,965	4,999	276,139	8,251
Trust preferred collateralized debt obligations	2,703	842	2,000	500	4,703	1,342
Single issue trust preferred securities	0	0	13,562	1,592	13,562	1,592
Other corporate securities	0	0	0	0	0	0
Total	564,710	10,569	274,399	7,971	839,109	18,540

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

(In thousands)	Year Ended		
	2020	2019	2018
Proceeds from maturities, sales and calls	\$ 708,068	\$ 712,557	\$ 441,956
Gross realized gains	4,618	1,542	1,594
Gross realized losses	2,116	1,445	2,364

At December 31, 2020, gross unrealized losses on available for sale securities were \$6,159,000 on 71 securities of a total portfolio of 987 available for sale securities. Securities with the most significant gross unrealized losses at December 31, 2020 consisted primarily of asset-backed securities and single issue trust preferred securities. The asset-backed securities relate mainly to securities that are backed by Federal Family Education Loan Program (“FFELP”) student loan collateral which includes a minimum of a 97 % government repayment guaranty, as well as additional credit support and subordination in excess of the government guaranteed portion. The single issue trust preferred securities relate to securities of financial institutions.

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

State and political subdivisions

United’s state and political subdivisions portfolio relates to securities issued by various municipalities located throughout the United States. The total amortized cost of available for sale state and political subdivision securities was \$538,082,000 at December 31, 2020. As of December 31, 2020, approximately 60 % of the portfolio was supported by the general obligation of the issuing municipality, which allows for the securities to be repaid by any means available to the municipality. The majority of the portfolio was rated AA or higher, and no securities within the portfolio were rated below investment grade as of December 31, 2020. In addition to monitoring the credit ratings of these securities, management also evaluates the financial performance of the underlying issuers on an ongoing basis. Based upon management’s analysis and judgment, it was determined that none of the state and political subdivision securities had credit losses at December 31, 2020.

Agency mortgage-backed securities

United's agency mortgage-backed securities portfolio relates to securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae. The total amortized cost of available for sale agency mortgage-backed securities was \$1,550,004,000 at December 31, 2020. Of the \$1,550,004,000 amount, \$644,774,000 was related to agency commercial mortgage-backed securities and \$905,230,000 was related to agency residential mortgage-backed securities. Each of the agency mortgage-backed securities provides a guarantee of full and timely payments of principal and interest by the issuing agency. Based upon management's analysis and judgment, it was determined that none of the agency mortgage-backed securities had credit losses at December 31, 2020.

Non-agency residential mortgage-backed securities

United's non-agency residential mortgage-backed securities portfolio relates to securities of various private label issuers. The total amortized cost of available for sale non-agency residential mortgage-backed securities was \$21,639,000 at December 31, 2020. Of the \$21,639,000, 94 % was rated AAA and 6 % was unrated. As of December 31, 2020, none of the non-agency residential mortgage-backed securities were in an unrealized loss position and were therefore not considered to have credit losses.

Asset-backed securities

As of December 31, 2020, United's asset-backed securities portfolio had a total amortized cost balance of \$297,834,000 . Of the \$297,834,000, 93 % was rated AA+ or better and 7 % was unrated. The majority of the portfolio relates to securities that are backed by Federal Family Education Loan Program ("FFELP") student loan collateral which includes a minimum of a 97 % government repayment guaranty, as well as additional credit support and subordination in excess of the government guaranteed portion. Upon reviewing this portfolio for the fourth quarter of 2020, it was determined that none of the asset-backed securities had credit losses.

Single issue trust preferred securities

The majority of United's single issue trust preferred portfolio consists of obligations from large cap banks (i.e. banks with market capitalization in excess of \$10 billion). All single issue trust preferred securities are currently receiving interest payments. The amortized cost of available for sale single issue trust preferred securities as of December 31, 2020 consisted of \$11,503,000 in investment grade bonds, \$978,000 in split rated bonds, and \$5,749,000 in unrated bonds. Management reviews each issuer's current and projected earnings trends, asset quality, capitalization levels, and other key factors. Upon completing the review for the fourth quarter of 2020, it was determined that none of the single issue trust preferred securities had credit losses.

Corporate securities

As of December 31, 2020, United's Corporate securities portfolio had a total amortized cost balance of \$376,753,000 . The majority of the portfolio consisted of debt issuances of corporations representing a variety of industries, including financial institutions. Of the \$376,753,000 , 86 % was investment grade rated and 14 % was unrated. For corporate securities, management has evaluated the near-term prospects of the investment in relation to the severity of any unrealized loss. Based upon management's analysis and judgment, it was determined that none of the corporate securities had credit losses at December 31, 2020.

The amortized cost and estimated fair value of securities available for sale at December 31, 2020 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

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Maturities of mortgage-backed securities with an amortized cost of \$1,571,643,000 and an estimated fair value of \$1,625,812,000 at December 31, 2020 are included below based upon contractual maturity.

(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 150,575	\$ 151,651
Due after one year through five years	495,922	514,441
Due after five years through ten years	688,264	714,416
Due after ten years	1,533,585	1,572,851
Total	\$ 2,868,346	\$ 2,953,359

Equity securities at fair value

Equity securities consist mainly of equity securities of financial institutions and mutual funds within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. The fair value of United's equity securities was \$10,718,000 at December 31, 2020 and \$8,894,000 at December 31, 2019.

(In thousands)	Year Ended	
	December 31, 2020	December 31, 2019
Net gains recognized during the period	\$ 651	\$ 276
Net gains recognized during the period on equity securities sold	579	133
Unrealized gains recognized during the period on equity securities still held at period end	147	177
Unrealized losses recognized during the period on equity securities still held at period end	(75)	(34)

Other investment securities

During the fourth quarter of 2020, United evaluated all of its cost method investments to determine if certain events or changes in circumstances during the fourth quarter of 2020 had a significant adverse effect on the fair value of any of its cost method securities. United determined that there was no individual security that experienced an adverse event during the fourth quarter. There were no other events or changes in circumstances during the fourth quarter which would have an adverse effect on the fair value of its cost method securities.

The carrying value of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law, approximated \$1,942,087,000 and \$1,540,717,000 at December 31, 2020 and December 31, 2019, respectively.

The fair value of mortgage-backed securities is affected by changes in interest rates and prepayment speeds. When interest rates decline, prepayment speeds generally accelerate due to homeowners refinancing their mortgages at lower interest rates. This may result in the proceeds being reinvested at lower interest rates. Rising interest rates may decrease the assumed prepayment speed. Slower prepayment speeds may extend the maturity of the security beyond its estimated maturity. Therefore, investors may not be able to invest at current higher market rates due to the extended expected maturity of the security. United had a net unrealized gain of \$54,169,000 at December 31, 2020 and a net unrealized gain of \$15,593,000 at December 31, 2019 on all mortgage-backed securities.

The following table sets forth the maturities of all securities (based on amortized cost) at December 31, 2020, and the weighted-average yields of such securities (calculated on the basis of the cost and the effective yields weighted for the scheduled maturity of each security).

(Dollars in thousands)	Within 1 Year		After 1 But Within 5 Years		After 5 But Within 10 Years		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	U.S. Treasury and other U.S. Government agencies and corporations	\$ 49,994	2.42%	\$ 2,103	1.25%	\$ 13,707	1.91%	\$ 0
States and political subdivisions (1)	1,545	4.23%	14,011	2.58%	109,611	2.74%	414,129	2.70%
Residential mortgage-backed securities								
Agency	0	0.00%	13,448	2.33%	169,612	2.39%	722,170	1.94%

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(Dollars in thousands)	<u>Within 1 Year</u>		<u>After 1 But</u>		<u>After 5 But</u>		<u>After 10 Years</u>	
	<u>Amount</u>	<u>Yield</u>	<u>Amount</u>	<u>Yield</u>	<u>Amount</u>	<u>Yield</u>	<u>Amount</u>	<u>Yield</u>
Non-agency	0	0.00%	0	0.00%	0	0.00%	21,639	3.01%
Commercial mortgage-backed								
Agency	41,103	2.40%	250,340	2.65%	289,452	1.78%	63,879	2.52%
Asset-backed securities	0	0.00%	0	0.00%	0	0.00%	297,834	0.89%
Single issue trust preferred securities	0	0.00%	0	0.00%	10,503	3.51%	7,727	2.48%
Other corporate securities	58,148	2.64%	216,020	1.85%	96,378	3.64%	6,227	0.01%
Equity securities	0	0.00%	0	0.00%	0	0.00%	10,718	1.03%
Other investment securities	0	0.00%	100	2.55%	1,250	2.05%	219,545	1.57%

(1) Tax-equivalent adjustments (using a 21% federal rate) have been made in calculating yields on obligations of states and political subdivisions.

There are no securities with a single issuer, other than the U.S. government and its agencies and corporations, the book value of which in the aggregate exceeds 10% of United's total shareholders' equity.

NOTE D—LOANS AND LEASES

Major classes of loans and leases are as follows:

(In thousands)	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Commercial, financial, and agricultural		
Owner-occupied	\$ 1,622,687	\$ 1,201,652
Nonowner-occupied	5,017,727	3,965,960
Other commercial	4,054,418	2,285,037
Total commercial, financial & agricultural	10,694,832	7,452,649
Residential real estate	3,899,885	3,686,401
Construction & land development	1,826,349	1,408,205
Consumer:		
Bankcard	8,937	10,074
Other Consumer	1,192,580	1,156,219
Less: Unearned income	(31,170)	(1,419)
Total Loans and Leases, net of unearned income	<u>\$17,591,413</u>	<u>\$13,712,129</u>

The table above does not include loans held for sale of \$718,937,000 and \$387,514,000 at December 31, 2020 and December 31, 2019, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

At December 31, 2020 and 2019, loans-in-process of \$57,214,000 and \$49,456,000 and overdrafts from deposit accounts of \$42,193,000 and \$22,219,000, respectively, are included within the appropriate loan classifications above. The outstanding loan balances in the table above also include unamortized loan fees of \$91,562,000 and \$71,542,000 at December 31, 2020 and December 31, 2019, respectively.

United's subsidiary bank has made loans, in the normal course of business, to the directors and officers of United and its subsidiaries, and to their associates. The aggregate dollar amount of these loans was \$35,756,000 and \$38,558,000 at December 31, 2020 and 2019, respectively. During 2020, \$3,855,000 of new loans were made and repayments totaled \$6,657,000.

NOTE E — CREDIT QUALITY

Management monitors the credit quality of its loans and leases on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of each loan. United considers a loan to be past due when it is 30 days or more past its contractual payment due date.

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For all loan classes, past due loans and leases are reviewed on a monthly basis to identify loans and leases for nonaccrual status. Generally, when collection in full of the principal and interest is jeopardized, the loan is placed on nonaccrual status. The accrual of interest income on commercial and most consumer loans generally is discontinued when a loan becomes 90 to 120 days past due as to principal or interest. However, regardless of delinquency status, if a loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days), then the loan will not be placed on nonaccrual status. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for credit losses. United's method of income recognition for loans and leases that are classified as nonaccrual is to recognize interest income on a cash basis or apply the cash receipt to principal when the ultimate collectibility of principal is in doubt. Nonaccrual loans and leases will not normally be returned to accrual status unless all past due principal and interest has been paid and the borrower has evidenced their ability to meet the contractual provisions of the note. Generally, a loan is categorized as a TDR if a concession is granted and there is deterioration in the financial condition of the borrower. The portfolio of TDR loans is monitored monthly.

In response to the coronavirus ("COVID-19") pandemic and its economic impact on our customers, United implemented a short-term modification program that complies with the Coronavirus Aid, Relief, and Economic Security ("CARES") Act to provide temporary payment relief to those borrowers directly impacted by COVID-19 who were not more than 30 days past due as of December 31, 2019. This program allows for a deferral of payments from the period beginning March 1, 2020 until the earlier of January 1, 2022 or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates. As provided for under the CARES Act, these loan modifications are exempt by law from classification as a TDR as defined by GAAP. Through December 31, 2020, United has made 5,967 eligible loan modifications on \$3,178,740,000 of loans outstanding under section 4013, "Temporary Relief from Troubled Debt Restructurings," of the CARES Act. Of those amounts made, 1,002 of eligible loan modifications remain on \$399,857,000 of loans outstanding as of December 31, 2020.

As of December 31, 2020, United had TDRs of \$55,657,000. Of the \$55,657,000 aggregate balance of TDRs at December 31, 2020, \$41,185,000 was on nonaccrual and \$197,000 was 30-89 days past due. As of December 31, 2019, United had TDRs of \$58,369,000. Of the \$58,369,000 aggregate balance of TDRs at December 31, 2019, \$48,387,000 was on nonaccrual and \$902,000 was 30-89 days past due. All these amounts are included in the appropriate categories in the "Age Analysis of Past Due Loans" table on a subsequent page. As of December 31, 2020, there was a commitment to lend additional funds of \$31,000 to a debtor owing a receivable whose terms have been modified in a TDR. During the year of 2020, \$215,000 were advanced to this debtor under a loan that had been previously modified.

The following tables sets forth the balances of TDRs at December 31, 2020 and December 31, 2019 and the reasons for modification:

(In thousands)		
Reason for modification	December 31, 2020	December 31, 2019
Interest rate reduction	\$ 10,774	\$ 1,685
Interest rate reduction and change in terms	2,346	1,733
Forgiveness of principal	214	0
Concession of principal and term	22	0
Extended maturity	4,414	0
Change in terms	37,887	54,951
Total	\$ 55,657	\$ 58,369

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The following table sets forth United's troubled debt restructurings that have been restructured during the year ended December 31, 2020 and 2019, segregated by class of loans:

	Troubled Debt Restructurings For the Year Ended					
	December 31, 2020			December 31, 2019		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
(Dollars in thousands)						
Commercial real estate:						
Owner-occupied	21	\$ 18,579	\$ 16,659	2	\$ 1,179	\$ 1,144
Nonowner-occupied	7	2,577	2,525	0	0	0
Other commercial	21	3,830	2,858	3	5,962	5,722
Residential real estate	22	4,271	3,284	3	2,258	1,970
Construction & land development	13	4,607	3,760	3	2,287	2,104
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	3	69	20	0	0	0
Total	<u>87</u>	<u>\$ 33,933</u>	<u>\$ 29,106</u>	<u>11</u>	<u>\$ 11,686</u>	<u>\$ 10,940</u>

The following table sets forth United's troubled debt restructurings, based on their post-modification outstanding recorded balance, that have been restructured during the year ended December 31, 2020 and 2019, segregated by the reason for modification:

(In thousands)	Reason for modification	Year Ended	
		December 31, 2020	December 31, 2019
	Interest rate reduction	\$ 9,560	\$ 241
	Interest rate reduction and change in terms	662	0
	Forgiveness of principal	214	0
	Concession of principal and term	22	0
	Extended maturity	4,414	0
	Change in terms	14,234	10,699
	Total	<u>\$ 29,106</u>	<u>\$ 10,940</u>

The loans and leases were evaluated individually for allocation within United's allowance for loan losses. The modifications had an immaterial impact on the financial condition and results of operations for United.

The following table presents troubled debt restructurings, by class of loan, that had charge-offs during the year ended December 31, 2020 and 2019. These loans were restructured during the twelve months ended December 31, 2020 and 2019 and subsequently defaulted, resulting in principal charge-offs during the year of 2020 and 2019.

(In thousands)	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Troubled Debt Restructurings				
Commercial real estate:				
Owner-occupied	0	\$ 0	0	\$ 0
Nonowner-occupied	0	0	0	0
Other commercial	0	0	2	1,477
Residential real estate	0	0	0	0
Construction & land development	1	690	0	0
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	0
Total	<u>1</u>	<u>\$ 690</u>	<u>2</u>	<u>\$ 1,477</u>

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The following table sets forth United’s age analysis of its past due loans and leases, segregated by class of loans and leases:

**Age Analysis of Past Due Loans and Leases
As of December 31, 2020**

(In thousands)	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current & Other	Total Financing Receivables	90 Days or More Past Due & Accruing
Commercial real estate:						
Owner-occupied	\$ 4,556	\$ 28,479	\$ 33,035	\$ 1,589,652	\$ 1,622,687	\$ 0
Nonowner-occupied	6,837	29,292	36,129	4,981,598	5,017,727	1,284
Other commercial	13,796	26,274	40,070	4,014,348	4,054,418	1,001
Residential real estate	32,743	24,892	57,635	3,842,250	3,899,885	8,574
Construction & land development	1,919	5,885	7,804	1,818,545	1,826,349	461
Consumer:						
Bankcard	362	156	518	8,419	8,937	156
Other consumer	14,765	2,757	17,522	1,175,058	1,192,580	2,356
Total	\$ 74,978	\$ 117,735	\$ 192,713	\$17,429,870	\$ 17,622,583	\$ 13,832

**Age Analysis of Past Due Loans and Leases
As of December 31, 2019**

(In thousands)	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current & Other (1)	Total Financing Receivables	90 Days or More Past Due & Accruing
Commercial real estate:						
Owner-occupied	\$ 8,878	\$ 11,209	\$ 20,087	\$ 1,181,565	\$ 1,201,652	\$ 544
Nonowner-occupied	6,318	16,129	22,447	3,943,513	3,965,960	471
Other commercial	5,238	51,541	56,779	2,228,258	2,285,037	668
Residential real estate	31,727	24,343	56,070	3,630,331	3,686,401	6,256
Construction & land development	2,219	16,043	18,262	1,389,943	1,408,205	0
Consumer:						
Bankcard	445	218	663	9,411	10,074	218
Other consumer	10,991	1,607	12,598	1,143,621	1,156,219	1,337
Total	\$ 65,816	\$ 121,090	\$ 186,906	\$ 13,526,642	\$ 13,713,548	\$ 9,494

(1) Other includes loans with a recorded investment of \$96,004 acquired and accounted for under ASC Topic 310-30 “Loans and Debt Securities Acquired with Deteriorated Credit Quality”.

The following table sets forth United’s nonaccrual loans and leases, segregated by class of loans and leases:

(In thousands)	At December 31, 2020			At December 31, 2019	Interest Income Recognized
	Nonaccruals	With No Related Allowance for Credit Losses	90 Days or More Past Due & Accruing	Nonaccruals	For The Year Ended December 31, 2020
Commercial Real Estate:					
Owner-occupied	\$ 28,479	\$ 28,479	\$ 0	\$ 10,665	\$ 111
Nonowner-occupied	28,008	16,070	1,284	15,658	87
Other Commercial	25,273	13,149	1,001	50,873	16
Residential Real Estate	16,318	14,769	8,574	18,087	4
Construction	5,424	4,484	461	16,043	0
Consumer:					
Bankcard	0	0	156	0	0
Other consumer	401	401	2,356	270	0
Total	\$ 103,903	\$ 77,352	\$ 13,832	\$ 111,596	\$ 218

For the adoption of ASU 2016-13, United elected the practical expedient to measure expected credit losses on collateral dependent loans and leases based on the difference between the loan’s amortized cost and the collateral’s fair value,

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adjusted for selling costs. The following table presents the amortized cost basis of collateral-dependent loans and leases in which repayment is expected to be derived substantially through the operation or sale of the collateral and where the borrower is experiencing financial difficulty, by class of loans and leases as of December 31, 2020:

(In thousands)	Collateral Dependent Loans and Leases					
	At December 31, 2020					
	Residential Property	Business Assets	Land	Commercial Property	Other	Total
Commercial real estate:						
Owner-occupied	\$ 1,480	\$ 138	\$ 0	\$ 18,097	\$ 21,737	\$ 41,452
Nonowner-occupied	16,400	0	2,898	10,167	18,230	47,695
Other commercial	5,424	20,429	0	258	2,345	28,456
Residential real estate	21,006	229	34	0	803	22,072
Construction & land development	39	0	17,408	0	746	18,193
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	0	1	1
Total	<u>\$ 44,349</u>	<u>\$ 20,796</u>	<u>\$ 20,340</u>	<u>\$ 28,522</u>	<u>\$ 43,862</u>	<u>\$ 157,869</u>

United categorizes loans and leases into risk categories based on relevant information about the ability of borrowers to service their debt: current financial information, historical payment experience, credit documentation, underlying collateral (if any), public information and current economic trends, among other factors.

United uses the following definitions for risk ratings:

- Pass
- Special Mention
- Substandard
- Doubtful

For United's loans with a corporate credit exposure, United analyzes loans individually to classify the loans as to credit risk. Review and analysis of criticized (special mention-rated loans in the amount of \$1,000,000 or greater) and classified (substandard-rated and worse in the amount of \$500,000 and greater) loans is completed once per quarter. Review of notes with committed exposure of \$2,000,000 or greater is completed at least annually. For loans with a consumer credit exposure, United internally assigns a grade based upon an individual loan's delinquency status. United reviews and updates, as necessary, these grades on a quarterly basis.

Special mention loans, with a corporate credit exposure, have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or in the Company's credit position at some future date. Borrowers may be experiencing adverse operating trends (declining revenues or margins) or an ill proportioned balance sheet (e.g., increasing inventory without an increase in sales, high leverage, tight liquidity). Adverse economic or market conditions, such as interest rate increases or the entry of a new competitor, may also support a special mention rating. Nonfinancial reasons for rating a credit exposure special mention include management problems, pending litigation, an ineffective loan agreement or other material structural weakness, and any other significant deviation from prudent lending practices. For loans with a consumer credit exposure, loans that are past due 30-89 days are generally considered special mention.

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

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

Based on the most recent analysis performed, the risk category of loans and leases by class of loans and leases is as follows:

Commercial Real Estate – Owner-occupied

(In thousands)	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
As of December 31, 2020									
Internal Risk Grade:									
Pass	\$ 280,779	\$152,851	\$162,027	\$198,610	\$282,214	\$ 443,312	\$ 22,303	\$ 0	\$1,542,096
Special Mention	0	1,206	3,772	754	2,013	20,792	0	453	28,990
Substandard	1,935	62	0	1,117	3,788	43,354	864	149	51,269
Doubtful	0	0	0	0	0	332	0	0	332
Total	\$ 282,714	\$154,119	\$165,799	\$200,481	\$288,015	\$ 507,790	\$ 23,167	\$ 602	\$1,622,687
YTD charge-offs	0	0	0	0	0	(2,195)	0	0	(2,195)
YTD recoveries	0	0	0	0	0	795	0	0	795
YTD net charge-offs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (1,400)	\$ 0	\$ 0	\$ (1,400)

Commercial Real Estate – Nonowner-occupied

(In thousands)	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
As of December 31, 2020									
Internal Risk Grade:									
Pass	\$ 929,001	\$592,109	\$596,260	\$481,894	\$502,417	\$1,496,135	\$ 118,404	\$ 2,112	\$4,718,332
Special Mention	0	105,104	0	391	8,902	78,591	0	0	192,988
Substandard	392	14,620	7,435	1,564	10,824	71,572	0	0	106,407
Doubtful	0	0	0	0	0	0	0	0	0
Total	\$ 929,393	\$711,833	\$603,695	\$483,849	\$522,143	\$1,646,298	\$ 118,404	\$ 2,112	\$5,017,727
YTD charge-offs	(38)	0	(300)	0	(3,394)	(2,402)	0	0	(6,134)
YTD recoveries	0	0	0	0	0	1,023	0	0	1,023
YTD net charge-offs	\$ (38)	\$ 0	\$ (300)	\$ 0	\$ (3,394)	\$ (1,379)	\$ 0	\$ 0	\$ (5,111)

Other commercial

(In thousands)	Term Loans and leases Origination Year						Revolving loans and leases amortized cost basis	Revolving loans and leases converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
As of December 31, 2020									
Internal Risk Grade:									
Pass	\$1,702,787	\$370,059	\$200,588	\$112,170	\$119,582	\$ 257,638	\$ 1,172,699	\$ 2,668	\$3,938,191
Special Mention	333	384	4,754	1,300	138	8,231	40,048	86	55,274
Substandard	1,649	830	2,241	2,606	6,565	30,308	16,222	360	60,781
Doubtful	0	0	0	0	37	135	0	0	172
Total	\$ 1,704,769	\$371,273	\$207,583	\$116,076	\$126,322	\$ 296,312	\$ 1,228,969	\$ 3,114	\$4,054,418
YTD charge-offs	0	0	(959)	(23)	(3,525)	(12,843)	0	0	(17,350)
YTD recoveries	94	864	18	12	684	2,789	0	0	4,461
YTD net charge-offs	\$ 94	\$ 864	\$ (941)	\$ (11)	\$ (2,841)	\$ (10,054)	\$ 0	\$ 0	\$ (12,889)

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Residential Real Estate

(In thousands)	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
As of December 31, 2020									
Internal Risk Grade:									
Pass	\$603,714	\$624,142	\$640,535	\$292,700	\$282,547	\$975,913	\$436,728	\$4,224	\$3,860,503
Special Mention	0	267	0	192	2,325	6,623	800	0	10,207
Substandard	0	282	440	3,263	3,516	20,967	201	227	28,896
Doubtful	0	0	0	0	0	279	0	0	279
Total	\$603,714	\$624,691	\$640,975	\$296,155	\$288,388	\$1,003,782	\$437,729	\$4,451	\$3,899,885
YTD charge-offs	0	0	0	0	(1)	(1,759)	0	0	(1,760)
YTD recoveries	0	0	0	101	0	961	1	0	1,063
YTD net charge-offs	\$0	\$0	\$0	\$101	\$ (1)	\$ (798)	\$1	\$0	\$ (697)

Construction and Land Development

(In thousands)	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
As of December 31, 2020									
Internal Risk Grade:									
Pass	\$420,977	\$663,113	\$304,579	\$127,377	\$83,252	\$53,713	\$145,431	\$0	\$1,798,442
Special Mention	0	0	4,689	557	0	1,420	995	0	7,661
Substandard	0	250	1,535	0	216	17,499	746	0	20,246
Doubtful	0	0	0	0	0	0	0	0	0
Total	\$420,977	\$663,363	\$310,803	\$127,934	\$83,468	\$72,632	\$147,172	\$0	\$1,826,349
YTD charge-offs	0	0	0	0	0	(2,027)	0	0	(2,027)
YTD recoveries	0	0	0	0	0	1,513	0	0	1,513
YTD net charge-offs	\$0	\$0	\$0	\$0	\$0	\$ (514)	\$0	\$0	\$ (514)

Bankcard

(In thousands)	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
As of December 31, 2020									
Internal Risk Grade:									
Pass	\$0	\$0	\$0	\$0	\$0	\$0	\$8,419	\$0	\$8,419
Special Mention	0	0	0	0	0	0	362	0	362
Substandard	0	0	0	0	0	0	156	0	156
Doubtful	0	0	0	0	0	0	0	0	0
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$8,937	\$0	\$8,937
YTD charge-offs	0	0	0	0	0	0	(221)	0	(221)
YTD recoveries	0	0	0	0	0	0	52	0	52
YTD net charge-offs	\$0	\$0	\$0	\$0	\$0	\$0	\$ (169)	\$0	\$ (169)

Other Consumer

(In thousands)	Term Loans Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
As of December 31, 2020									
Internal Risk Grade:									
Pass	\$419,768	\$401,958	\$231,172	\$74,550	\$34,435	\$7,466	\$6,110	\$0	\$1,175,459
Special Mention	0	0	0	0	0	14,763	2	0	14,765
Substandard	3	0	0	0	0	2,352	0	0	2,355
Doubtful	0	0	0	0	0	1	0	0	1
Total	\$419,771	\$401,958	\$231,172	\$74,550	\$34,435	\$24,582	\$6,112	\$0	\$1,192,580
YTD charge-offs	(136)	(1,013)	(1,040)	(393)	(228)	(484)	(2)	0	(3,296)
YTD recoveries	3	74	113	30	43	216	0	0	479
YTD net charge-offs	\$ (133)	\$ (939)	\$ (927)	\$ (363)	\$ (185)	\$ (268)	\$ (2)	\$0	\$ (2,817)

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The following tables set forth United’s credit quality indicators information, by class of loans, as of December 31, 2019:

Credit Quality Indicators

Corporate Credit Exposure				
As of December 31, 2019				
Commercial Real Estate				
(In thousands)	Owner-occupied	Nonowner-occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	\$ 1,136,589	\$ 3,850,886	\$ 2,136,266	\$ 1,334,950
Special mention	14,449	44,134	75,511	4,614
Substandard	50,346	70,940	72,451	68,641
Doubtful	268	0	809	0
Total	<u>\$ 1,201,652</u>	<u>\$ 3,965,960</u>	<u>\$ 2,285,037</u>	<u>\$ 1,408,205</u>

Credit Quality Indicators

Consumer Credit Exposure			
As of December 31, 2019			
(In thousands)	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	\$ 3,645,654	\$ 9,411	\$ 1,143,608
Special mention	12,038	445	10,993
Substandard	28,572	218	1,618
Doubtful	137	0	0
Total	<u>\$ 3,686,401</u>	<u>\$ 10,074</u>	<u>\$ 1,156,219</u>

NOTE F—ALLOWANCE FOR CREDIT LOSSES

United adopted the CECL methodology for measuring credit losses as of January 1, 2020. All disclosures as of and for the year ended December 31, 2020 are presented in accordance with ASC 326. The Company did not recast comparative financial periods and has presented those disclosures under previously applicable GAAP. As a result of the adoption of ASC 326 for the year of 2020, there is a lack of comparability in both the allowance for loan losses and provisions for credit losses for the periods presented.

The allowance for loan losses is an estimate of the expected credit losses on financial assets measured at amortized cost to present the net amount expected to be collected as of the balance sheet date. For a detailed discussion of the CECL methodology used to estimate the allowance for loan losses, see Note A, “Summary of Significant Accounting Policies.”

United made a policy election to present the accrued interest receivable balance separately in its consolidated balance sheets from the amortized cost of a loan. Accrued interest receivable was \$56,143,000 (net of an allowance for credit losses of \$250,000) and \$48,130,000 at December 31, 2020 and December 31, 2019, respectively, related to loans and leases are included separately in “Accrued interest receivable” in the consolidated balance sheets. Due to loan interest payment deferrals granted by United under the CARES Act, United assessed the collectability of the accrued interest receivables on these deferring loans and leases. As a result of this assessment, United recorded an allowance for credit losses of \$250,000 for accrued interest receivables not expected to be collected as of December 31, 2020. For all classes of loans and leases receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due, unless the loan is well secured and in the process of collection. Interest received on nonaccrual loans and leases, generally is either applied against principal or reported as interest income, according to management’s judgment as to the collectability of principal.

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The following table represents the accrued interest receivable as of December 31, 2020 and the accrued interest receivables written off by reversing interest income as of December 31, 2020:

(In thousands)	Accrued Interest Receivable	Accrued Interest Receivables Written Off by Reversing Interest Income
	At December 31, 2020	For the Year Ended December 31, 2020
Commercial Real Estate:		
Owner-occupied	\$ 5,001	\$ 163
Nonowner-occupied	15,989	185
Other Commercial	12,320	87
Residential Real Estate	12,558	173
Construction	7,314	509
Consumer:		
Bankcard	0	0
Other consumer	3,211	125
	<u>\$ 56,393</u>	<u>\$ 1,242</u>
Less: Allowance for credit losses	(250)	
Total	<u>\$ 56,143</u>	

United maintains an allowance for loan losses and a reserve for lending-related commitments such as unfunded loan commitments and letters of credit. For a detailed discussion of the methodology used to estimate the reserve for lending-related commitments, see Note A, "Summary of Significant Accounting Policies." The reserve for lending-related commitments of \$19,250,000 and \$1,733,000 at December 31, 2020 and December 31, 2019, respectively, is separately classified on the balance sheet and is included in other liabilities. The combined allowance for loan losses and reserve for lending-related commitments is considered the allowance for credit losses.

For the year ended December 31, 2020, the allowance for credit losses increased significantly from the year ended December 31, 2019 primarily due to the adoption of the current expected credit loss ("CECL") model under ASC 326 on January 1, 2020 and the macroeconomic factors surrounding the COVID-19 pandemic considered in the determination of the allowance for loan and lease losses at December 31, 2020. Reserves are initially determined based on losses identified from the PD/LGD and Cohort models which utilize the Company's historical information. Then any qualitative adjustments are applied to account for the Company's view of the future. If current conditions underlying any qualitative adjustment factor were deemed to be materially different than historical conditions, then an adjustment was made for that factor.

The year of 2020 qualitative adjustments include analyses of the following:

- **Past events** – This includes portfolio trends related to business conditions; past due, nonaccrual, and graded loans and leases; and concentrations.
- **Current conditions** – United considered the impact of COVID-19 on the economy as well as loan deferrals and modifications made in light of the pandemic when making determinations related to factor adjustments, such as changes in economic and business conditions, collateral values, external factors and past due loans and leases. This is in contrast with the CECL adoption date (January 1, 2020) estimate as neither of these items were relevant for United's footprint at the beginning of the year. Additional considerations were made for the Carolina Financial acquisition, such as the experience of lending management and staff and the nature and volume of the portfolio.
- **Reasonable and supportable forecasts** – The forecast is determined on a portfolio-by-portfolio basis by relating the correlation of real GDP and the unemployment rate to loss rates to forecasts of those variables. The reasonable and supportable forecast selection is subjective in nature and requires more judgment compared to the other components of the allowance. Assumptions for the economic variables were the following:
 - The ranges for the economic variables of GDP and the unemployment rate have narrowed in the fourth quarter as compared to the third.
 - The forecast is less severe than third quarter while maintaining a gradual recovery pace extending beyond 2022.

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- Greater risk of loss is probable in the hotel and accommodations portfolio due to deteriorating economic conditions brought on by the pandemic which resulted in a more negative forecast relative to other portfolios.
- Consideration was given to the \$900 billion economic stimulus bill passed in December 2020 during the forecast selection process.
- Reversion to historical loss data occurs via a straight-line method during the year following the one-year reasonable and supportable forecast period.

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

Allowance for Loan and Lease Losses and Carrying Amount of Loans and Leases									
For the Year Ended December 31, 2020									
(In thousands)	Commercial Real Estate		Other Commercial	Residential Real Estate	Construction & Land Development	Bankcard	Other Consumer	Allowance for Estimated Imprecision	Total
	Owner- occupied	Nonowner- occupied							
Allowance for Loan and Lease Losses:									
Beginning balance	\$ 5,554	\$ 8,524	\$ 47,325	\$ 8,997	\$ 3,353	\$ 74	\$ 2,933	\$ 297	\$ 77,057

Impact of the adoption of ASU 2016-13 on January 1, 2020	9,737	9,023	(4,829)	13,097	14,817	28	10,745	(297)	52,321
Impact of the adoption of ASU 2016-13 for PCD loans on January 1, 2020	1,843	121	938	174	2,045	0	0	0	5,121
Initial allowance for PCD loans (acquired during the period)	1,955	6,418	7,032	652	2,570	0	8	0	18,635
Charge-offs	(2,195)	(6,134)	(17,350)	(1,760)	(2,027)	(221)	(3,296)	0	(32,983)
Recoveries	795	1,023	4,461	1,063	1,513	52	479	0	9,386
Provision	5,665	30,175	40,561	6,902	16,806	389	5,795	0	106,293
Ending balance	<u>\$ 23,354</u>	<u>\$ 49,150</u>	<u>\$ 78,138</u>	<u>\$ 29,125</u>	<u>\$ 39,077</u>	<u>\$ 322</u>	<u>\$ 16,664</u>	<u>\$ 0</u>	<u>\$ 235,830</u>

**Allowance for Loan Losses and Carrying Amount of Loans
For the Year Ended December 31, 2019**

(In thousands)	Commercial Real Estate					Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
	Owner-occupied	Nonowner-occupied	Other Commercial	Residential Real Estate					
Allowance for Loan Losses:									
Beginning balance	\$ 5,063	\$ 6,919	\$ 41,341	\$ 12,448	\$ 7,992	\$ 2,695	\$ 245	\$ 76,703	
Charge-offs	(7,905)	(1,093)	(12,975)	(2,967)	(1,303)	(2,867)	0	(29,110)	
Recoveries	3,733	80	2,599	858	175	706	0	8,151	
Provision	4,663	2,618	16,360	(1,342)	(3,511)	2,473	52	21,313	
Ending balance	<u>\$ 5,554</u>	<u>\$ 8,524</u>	<u>\$ 47,325</u>	<u>\$ 8,997</u>	<u>\$ 3,353</u>	<u>\$ 3,007</u>	<u>\$ 297</u>	<u>\$ 77,057</u>	
Ending Balance: individually evaluated for impairment	\$ 973	\$ 2,979	\$ 11,931	\$ 354	\$ 262	\$ 0	\$ 0	\$ 16,499	
Ending Balance: collectively evaluated for impairment	\$ 4,581	\$ 5,545	\$ 35,394	\$ 8,643	\$ 3,091	\$ 3,007	\$ 297	\$ 60,558	

**Allowance for Loan Losses and Carrying Amount of Loans
For the Year Ended December 31, 2019**

(In thousands)	Commercial Real Estate		Other Commercial	Residential Real Estate	Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
	Owner-occupied	Nonowner-occupied						
Ending Balance: loans acquired with deteriorated credit quality	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Financing receivables:								
Ending balance	\$1,201,652	\$ 3,965,960	\$ 2,285,037	\$ 3,686,401	\$ 1,408,205	\$1,166,293	\$ 0	\$13,713,548
Ending Balance: individually evaluated for impairment	\$ 16,703	\$ 27,121	\$ 54,108	\$ 11,526	\$ 14,047	\$ 0	\$ 0	\$ 123,505
Ending Balance: collectively evaluated for impairment	\$1,160,556	\$ 3,925,249	\$ 2,194,432	\$ 3,665,140	\$ 1,382,369	\$1,166,293	\$ 0	\$13,494,039
Ending Balance: loans acquired with deteriorated credit quality	\$ 24,393	\$ 13,590	\$ 36,497	\$ 9,735	\$ 11,789	\$ 0	\$ 0	\$ 96,004

A progression of the allowance for credit losses, which includes the allowance for loan losses and the reserve for lending-related commitments, for the periods presented is summarized as follows:

(In thousands)	Year Ended December 31		
	2020	2019	2018
Balance of allowance for loan and lease losses at beginning of period	\$ 77,057	\$ 76,703	\$ 76,627
Cumulative effect adjustment for CECL	57,442	0	0
	134,499	76,703	76,627
Initial allowance for acquired PCD loans	18,635	0	0
Gross charge-offs	(32,983)	(29,110)	(28,606)
Recoveries	9,386	8,151	6,669
Net charge-offs	(23,597)	(20,959)	(21,937)
Provision for loan and lease losses	106,293	21,313	22,013
Balance of allowance for loan and lease losses at end of period	\$235,830	\$ 77,057	\$ 76,703
Reserve for lending-related commitments	19,250	1,733	1,389
Balance of allowance for credit losses at end of period	\$255,080	\$ 78,790	\$ 78,092

NOTE G—BANK PREMISES AND EQUIPMENT

Bank premises and equipment are summarized as follows:

(In thousands)	December 31	
	2020	2019
Land	\$ 54,389	\$ 32,085
Buildings and improvements	166,926	105,759
Leasehold improvements	39,681	40,789
Furniture, fixtures and equipment	99,277	71,377
	360,273	250,010
Less allowance for depreciation and amortization	(184,449)	(153,366)
Net bank premises and equipment	\$ 175,824	\$ 96,644

Depreciation expense was \$13,464,000, \$9,329,000, and \$10,255,000 for years ending December 31, 2020, 2019 and 2018, respectively, while amortization expense was \$251,000, \$141,000 and \$102,000 for the years ended December 31, 2020, 2019 and 2018, respectively.

NOTE H—LEASES

United determines if an arrangement is a lease at inception. United and certain subsidiaries have entered into various noncancelable-operating leases for branch and loan production offices as well as operating facilities. Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities on the Consolidated Balance Sheets. Operating leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets. Presently, United does not have any finance leases.

United’s operating leases are subject to renewal options under various terms. United’s operating leases have remaining terms of 1 to 12 years, some of which include options to extend leases generally for periods of 5 years. United rents or subleases certain real estate to third parties. Our sublease portfolio consists of operating leases to other organizations for former branch offices.

ROU assets represent United’s right to use an underlying asset for the lease term and lease liabilities represent United’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of United’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend the lease when it is reasonably certain that United will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The components of lease expense were as follows:

(In thousands)	Classification	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating lease cost	Net occupancy expense	\$ 22,575	\$ 19,508
Sublease income	Net occupancy expense	(1,039)	(825)
Net lease cost		<u>\$ 21,536</u>	<u>\$ 18,683</u>

Supplemental balance sheet information related to leases was as follows:

(In thousands)	Classification	December 31, 2020	December 31, 2019
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 69,520	\$ 57,783
Operating lease liabilities	Operating lease liabilities	\$ 73,213	\$ 61,342

Other information related to leases was as follows:

	December 31, 2020
Weighted-average remaining lease term:	
Operating leases	5.61 years
Weighted-average discount rate:	
Operating leases	2.49%

Supplemental cash flow information related to leases was as follows:

(In thousands)	Year Ended	
	December 31, 2020	December 31, 2019
Cash paid for amounts in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 22,409	\$ 19,601
ROU assets obtained in the exchange for lease liabilities	30,864	7,630

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Maturities of lease liabilities by year and in the aggregate, under operating leases with initial or remaining terms of one year or more, for years subsequent to December 31, 2020, consists of the following as of December 31, 2020 and 2019:

Year	Amount	
	As of	As of
	December 31, 2020	December 31, 2019
2021	\$ 20,172	\$ 17,725
2022	16,196	15,180
2023	12,723	11,522
2024	8,242	8,751
2025	5,516	5,127
Thereafter	15,330	8,190
Total lease payments	78,179	66,495
Less: imputed interest	(4,966)	(5,153)
Total	\$ 73,213	\$ 61,342

NOTE I—INTANGIBLE ASSETS

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

(In thousands)	December 31, 2020					
	Community Banking		Mortgage Banking		Total	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Core deposit intangible assets	\$ 101,767	(\$ 76,120)	\$ 0	\$ 0	\$ 101,767	(\$ 76,120)
Non-amortized intangible assets:						
George Mason trade name	\$ 0		\$ 1,080		\$ 1,080	
Crescent trade name	0		196		196	
Total	\$ 0		\$ 1,276		\$ 1,276	
Goodwill not subject to amortization	\$ 1,791,533		\$ 5,315		\$ 1,796,848	

(In thousands)	December 31, 2019					
	Community Banking		Mortgage Banking		Total	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Core deposit intangible assets	\$ 98,359	(\$ 69,508)	\$ 0	\$ 0	\$ 98,359	(\$ 69,508)
Non-amortized intangible assets:						
George Mason trade name	\$ 0		\$ 1,080		\$ 1,080	
Goodwill not subject to amortization	\$ 1,472,699		\$ 5,315		\$ 1,478,014	

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The following table provides a reconciliation of goodwill:

(In thousands)	<u>Community Banking</u>	<u>Mortgage Banking</u>	<u>Total</u>
Goodwill at December 31, 2019	\$ 1,472,699	\$ 5,315	\$1,478,014
Preliminary addition to goodwill from Carolina Financial acquisition	318,834	0	318,834
Goodwill at December 31, 2020	<u>\$ 1,791,533</u>	<u>\$ 5,315</u>	<u>\$1,796,848</u>

The following table sets forth the anticipated amortization expense for intangible assets for the years subsequent to 2020:

<u>Year</u>	<u>Amount</u>
(In thousands)	
2021	\$ 5,866
2022	4,983
2023	4,680
2024	3,255
2025	2,942
2026 and thereafter	3,921

NOTE J—MORTGAGE SERVICING RIGHTS

Mortgage loans serviced for others are not included in the accompanying Consolidated Balance Sheets. The value of mortgage servicing rights (“MSRs”) is included on the Company’s Consolidated Balance Sheets.

The unpaid principal balances of loans serviced for others were approximately \$3,587,953,000 at December 31, 2020.

The estimated fair value of the mortgage servicing rights was \$20,955,000 at December 31, 2020. The estimated fair value of servicing rights at December 31, 2020 was determined using a net servicing fee of 0.26%, average discount rates ranging from 9.50% to 14.07% with a weighted average discount rate of 10.62%, average constant prepayment rates (“CPR”) ranging from 7.98% to 18.42% with a weighted average prepayment rate of 14.60%, depending upon the stratification of the specific servicing right, and a delinquency rate, including loans on forbearance of 2.88%. Please refer to Note W in these Notes to Consolidated Financial Statements for additional information concerning the fair value of MSRs.

As disclosed in Note B of these Notes to Consolidated Financial Statements, the Company acquired \$20,123,000 of mortgage servicing rights from its acquisition of Carolina Financial Corporation on May 1, 2020. The following presents the activity in mortgage servicing rights, including their valuation allowance for the year ended December 31, 2020:

(In thousands)	<u>Year Ended December 31, 2020</u>
MSRs beginning balance	\$ 0
Addition from acquisition of subsidiary	20,123
Amount capitalized	7,310
Purchased servicing	0
Amount amortized	(5,095)
MSRs ending balance	<u>\$ 22,338</u>
MSRs valuation allowance beginning balance	\$ 0
MSRs impairment	(1,383)
MSRs valuation allowance ending balance	<u>\$ (1,383)</u>
MSRs, net of valuation allowance	<u>\$ 20,955</u>

The Company recorded temporary impairments of \$1,383,000 on mortgage servicing rights for the year ended December 31, 2020. The Company does not hedge the mortgage servicing rights positions and the impact of falling long-term interest rates increased prepayment speed assumptions reducing the value of the MSR asset.

The estimated amortization expense is based on current information regarding future loan payments and prepayments. Amortization expense could change in future periods based on changes in the volume of prepayments and economic factors.

NOTE K—DEPOSITS

The book value of deposits consisted of the following:

(In thousands)	December 31	
	2020	2019
Demand deposits	\$ 5,428,398	\$ 3,381,866
Interest-bearing checking	799,635	372,175
Regular savings	1,283,823	882,889
Money market accounts	10,165,334	6,891,696
Time deposits under \$100,000	979,988	723,941
Time deposits over \$100,000	1,927,982	1,599,854
Total deposits	\$20,585,160	\$ 13,852,421

Included in time deposits over \$100,000 at December 31, 2020 and 2019 were time deposits of \$250,000 or more of \$ 889,334,000 and \$803,414,000, respectively. Interest paid on deposits approximated \$81,080,000, \$136,360,000, and \$87,219,000 in 2020, 2019 and 2018, respectively.

United's subsidiary banks have received deposits, in the normal course of business, from the directors and officers of United and its subsidiaries, and their associates. Such related party deposits were accepted on substantially the same terms, including interest rates and maturities, as those prevailing at the time for comparable transactions with unrelated persons. The aggregate dollar amount of these deposits was \$15,585,000 and \$15,350,000 at December 31, 2020 and 2019, respectively.

NOTE L—SHORT-TERM BORROWINGS

At December 31, 2020 and 2019, short-term borrowings and the related weighted-average interest rates were as follows:

(Dollars in thousands)	2020		2019	
	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
Federal funds purchased	\$ 0	0.00%	\$ 0	0.00%
Securities sold under agreements to repurchase	142,300	0.17%	124,654	1.09%
Total	\$ 142,300		\$ 124,654	

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 \$230,000,000. 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. In the year of 2018, 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:		
2020	\$ 0	\$ 142,300
2019	0	124,654
2018	23,400	152,927
Weighted-average interest rate at year-end:		
2020	0.00%	0.17%
2019	0.00%	1.09%

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(Dollars in thousands)	Federal Funds Purchased	Securities Sold Under Agreements To Repurchase
2018	2.40%	0.96%
Maximum amount outstanding at any month's end:		
2020	\$ 0	\$ 187,889
2019	0	161,175
2018	25,790	328,484
Average amount outstanding during the year:		
2020	\$ 1	\$ 142,418
2019	1,899	131,187
2018	16,773	194,956
Weighted-average interest rate during the year:		
2020	1.64%	0.37%
2019	2.52%	1.33%
2018	1.86%	0.61%

At December 31, 2020, 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, 2020, United had no outstanding balance under this credit.

Interest paid on short-term borrowings approximated \$1,027,000, \$2,359,000, and \$2,238,000 in 2020, 2019 and 2018, respectively.

NOTE M—LONG-TERM BORROWINGS

United's subsidiary bank is a member of the Federal Home Loan Bank ("FHLB"). Membership in the FHLB makes available short-term and long-term borrowings from collateralized advances. All FHLB borrowings are collateralized by a mix of single-family residential mortgage loans, commercial loans and investment securities. At December 31, 2020, the total carrying value of loans pledged as collateral for FHLB advances approximated \$5,086,303,000. United had an unused borrowing amount as of December 31, 2020 of approximately \$6,654,763,000 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.

At December 31, 2020 and 2019, FHLB advances and the related weighted-average interest rates were as follows:

(Dollars in thousands)	2020			2019		
	Amount	Weighted- Average Contractual Rate	Weighted- Average Effective Rate	Amount	Weighted- Average Contractual Rate	Weighted- Average Effective Rate
FHLB advances	\$ 584,532	0.60%	0.75%	\$ 1,851,865	2.03%	2.03%

No overnight funds were included in the \$584,532,000 above at December 31, 2020. Overnight funds of \$250,000,000 were included in the \$1,851,865,000 above at December 31, 2019. The weighted-average effective rate considers the effect of any interest rate swaps designated as fair value hedges outstanding at year-end 2020 and 2019 to manage interest rate risk on its long-term debt. Additional information is provided in Note S, Notes to Consolidated Financial Statements.

At December 31, 2020, United had a total of nineteen 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

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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. United also assumed \$10,000,000 in aggregate principal amount of fixed-to-floating rate subordinated notes in the Carolina Financial acquisition. At December 31, 2020 and 2019, the outstanding balance of the Debentures was \$269,972,000 and \$236,164,000, 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.

In accordance with the fully-phased in “Basel III Capital Rules” as published by United’s primary federal regulator, the Federal Reserve, United is unable to consider the Capital Securities as Tier 1 capital, but rather the Capital Securities are included as a component of United’s Tier 2 capital. United can include the Capital Securities in its Tier 2 capital on a permanent basis.

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

(Dollars in thousands) Description	Issuance Date	Amount of Capital Securities		Stated Interest Rate	Maturity Date
		Issued			
United Statutory Trust III	December 17, 2003	\$ 20,000		3-month LIBOR + 2.85%	December 17, 2033
United Statutory Trust IV	December 19, 2003	\$ 25,000		3-month LIBOR + 2.85%	January 23, 2034
United Statutory Trust V	July 12, 2007	\$ 50,000		3-month LIBOR + 1.55%	October 1, 2037
United Statutory Trust VI	September 20, 2007	\$ 30,000		3-month LIBOR + 1.30%	December 15, 2037
Premier Statutory Trust II	September 25, 2003	\$ 6,000		3-month LIBOR + 3.10%	October 8, 2033
Premier Statutory Trust III	May 16, 2005	\$ 8,000		3-month LIBOR + 1.74%	June 15, 2035
Premier Statutory Trust IV	June 20, 2006	\$ 14,000		3-month LIBOR + 1.55%	September 23, 2036
Premier Statutory Trust V	December 14, 2006	\$ 10,000		3-month LIBOR + 1.61%	March 1, 2037
Centra Statutory Trust I	September 20, 2004	\$ 10,000		3-month LIBOR + 2.29%	September 20, 2034
Centra Statutory Trust II	June 15, 2006	\$ 10,000		3-month LIBOR + 1.65%	July 7, 2036
Virginia Commerce Trust II	December 19, 2002	\$ 15,000		6-month LIBOR + 3.30%	December 19, 2032
Virginia Commerce Trust III	December 20, 2005	\$ 25,000		3-month LIBOR + 1.42%	February 23, 2036
Cardinal Statutory Trust I	July 27, 2004	\$ 20,000		3-month LIBOR + 2.40%	September 15, 2034
UFBC Capital Trust I	December 30, 2004	\$ 5,000		3-month LIBOR + 2.10%	March 15, 2035
Carolina Financial Capital Trust I	December 19, 2002	\$ 5,000		Prime + 0.50%	December 31, 2032
Carolina Financial Capital Trust II	November 5, 2003	\$ 10,000		3-month LIBOR + 3.05%	January 7, 2034
Greer Capital Trust I	October 12, 2004	\$ 6,000		3-month LIBOR + 2.20%	October 18, 2034
Greer Capital Trust II	December 28, 2006	\$ 5,000		3-month LIBOR + 1.73%	January 30, 2037
First South Preferred Trust I	September 26, 2003	\$ 10,000		3-month LIBOR + 2.95%	September 30, 2033

At December 31, 2020 and 2019, the Debentures and their related weighted-average interest rates were as follows:

(Dollars in thousands)	2020		2019	
	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
United Statutory Trust III	\$20,619	3.08%	\$ 20,619	4.75%
United Statutory Trust IV	25,774	3.06%	25,774	4.79%
United Statutory Trust V	51,547	1.78%	51,547	3.65%
United Statutory Trust VI	30,928	1.52%	30,928	3.19%
Premier Statutory Trust II	6,186	3.34%	6,186	5.09%
Premier Statutory Trust III	8,248	1.96%	8,248	3.63%
Premier Statutory Trust IV	14,433	1.80%	14,433	3.48%
Premier Statutory Trust V	10,310	1.84%	10,310	3.52%
Centra Statutory Trust I	10,000	2.53%	10,000	4.20%
Centra Statutory Trust II	10,000	1.89%	10,000	3.64%
Virginia Commerce Trust II	12,705	3.57%	12,475	5.22%
Virginia Commerce Trust III	17,794	1.63%	17,268	3.33%

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(Dollars in thousands)	2020		2019	
	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
Cardinal Statutory Trust I	15,223	2.62%	14,825	4.29%
UFBC Capital Trust I	3,656	2.32%	3,551	3.99%
Carolina Financial Capital Trust I	4,998	3.75%	0	0.00%
Carolina Financial Capital Trust II	9,340	3.29%	0	0.00%
Greer Capital Trust I	5,075	2.42%	0	0.00%
Greer Capital Trust II	3,876	1.94%	0	0.00%
First South Preferred Trust I	9,260	3.19%	0	0.00%
Total	<u>\$269,972</u>		<u>\$236,164</u>	

At December 31, 2020, the scheduled maturities of long-term borrowings were as follows:

Year	Amount
(In thousands)	
2021	\$ 551,065
2022	19,391
2023	0
2024	0
2025	9,312
2026 and thereafter	284,601
Total	<u>\$ 864,369</u>

Interest paid on long-term borrowings approximated \$33,240,000, \$43,830,000, and \$35,222,000 in 2020, 2019 and 2018, respectively.

NOTE N—OTHER EXPENSE

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

(In thousands)	Year Ended December 31		
	2020	2019	2018
Legal, consulting & other professional services	\$ 16,482	\$ 12,360	\$ 13,248
Franchise & other taxes not on income	12,122	11,330	11,428
Expense for reserve on lending-related commitments	11,315	344	710
Automated Teller Machine (ATM) expenses	9,295	7,336	6,892

NOTE O—INCOME TAXES

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

(In thousands)	Year Ended December 31		
	2020	2019	2018
Current expense:			
Federal	\$ 60,508	\$ 43,337	\$ 52,041
State	10,656	6,798	9,429
Deferred expense:			
Federal	(174)	12,522	8,298
Tax Act remeasurement	0	0	(120)
State	(273)	1,683	1,175
Total income taxes	<u>\$ 70,717</u>	<u>\$ 64,340</u>	<u>\$ 70,823</u>

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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:

(Dollars in thousands)	Year Ended December 31					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Tax on income before taxes at statutory federal rate	\$ 75,546	21.0%	\$ 68,132	21.0%	\$ 68,704	21.0%
Plus: State income taxes net of federal tax benefits	8,202	2.3	6,690	2.1	8,362	2.6
	83,748	23.3	74,822	23.1	77,066	23.6
Increase (decrease) resulting from:						
Tax-exempt interest income	(3,011)	(0.8)	(2,813)	(0.9)	(3,298)	(1.0)
Tax credits	(9,860)	(2.7)	(5,636)	(1.7)	(2,054)	(0.6)
Deferred taxes due to the Tax Act	(0)	0.0	(0)	0.0	(120)	0.0
Other items-net	(160)	(0.1)	(2,033)	(0.7)	(771)	(0.3)
Income taxes	<u>\$ 70,717</u>	<u>19.7%</u>	<u>\$ 64,340</u>	<u>19.8%</u>	<u>\$ 70,823</u>	<u>21.7%</u>

For years ended 2020, 2019 and 2018, United incurred federal income tax expense of \$663,000, \$54,000, and a federal tax benefit of \$180,000, respectively, applicable to the sales and calls of securities. Income taxes paid approximated \$65,378,000, \$56,459,000, and \$55,336,000 in 2020, 2019 and 2018, 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, 2020, United had no federal or state net operating loss carryforwards.

Taxes not on income, which consists mainly of business franchise taxes, were \$12,122,000, \$11,330,000, and \$11,428,000, for the years ended December 31, 2020, 2019 and 2018, 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, 2020 and 2019 are as follows:

(In thousands)	2020	2019
Deferred tax assets:		
Allowance for credit losses	\$ 59,492	\$ 18,358
Accrued benefits payable	14,097	13,459
Other accrued liabilities	655	992
Pension plan accruals	409	3,313
Unrealized loss on securities available for sale	0	0
Other real estate owned	980	2,482
Lease liabilities under operating leases	17,059	14,293
Deferred mortgage points	6,518	0
Purchase accounting intangibles	820	5,917
Total deferred tax assets	<u>100,030</u>	<u>58,814</u>
Deferred tax liabilities:		
Premises and equipment	5,878	2,963
Unrealized gain on securities available for sale	20,087	2,755
Right-of-use assets under operating leases	16,198	13,464
Deferred mortgage points	0	389
Derivatives	1,020	0
Trust fees	0	0
Purchase accounting intangibles	0	0
Other	1,312	2,300
Total deferred tax liabilities	<u>44,495</u>	<u>21,871</u>
Net deferred tax assets	<u>\$ 55,535</u>	<u>\$ 36,943</u>

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At December 31, 2020 and 2019, United believes that all of the deferred tax amounts shown above are more likely than not to be realized based on an assessment of all available positive and negative evidence and therefore no valuation allowance has been recorded.

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.

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

(In thousands)	December 31	
	2020	2019
Unrecognized tax benefits at beginning of year	\$ 1,568	\$ 2,005
Increase in unrecognized tax benefits as a result of tax positions taken during the current period	1,158	152
Decreases in the unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(523)	(589)
Unrecognized tax benefits at end of year	<u>\$ 2,203</u>	<u>\$ 1,568</u>

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, 2017, 2018 and 2019 and certain State Taxing authorities for the years ended December 31, 2017 through 2019.

As of December 31, 2020, and 2019, the total amount of accrued interest related to uncertain tax positions was \$668,000 and \$667,000, respectively. 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 2020, 2019 and 2018.

NOTE P—EMPLOYEE BENEFIT PLANS

United has a defined benefit retirement plan covering qualified 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.

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Net periodic pension costs, except for service cost, are recognized in employee benefits on the consolidated statements of income. Service cost is recognized in employee compensation. Net consolidated periodic pension cost included the following components:

(Dollars in thousands)	Year Ended December 31,		
	2020	2019	2018
Service cost	\$ 2,742	\$ 2,173	\$ 2,566
Interest cost	5,222	5,931	5,341
Expected return on plan assets	(11,010)	(9,434)	(10,260)
Recognized net actuarial loss	6,050	4,965	4,919
Net periodic pension cost	<u>\$ 3,004</u>	<u>\$ 3,635</u>	<u>\$ 2,566</u>
Weighted-Average Assumptions:			
Discount rate	3.42%	4.52%	3.83%
Expected return on assets	6.75%	7.00%	7.00%
Rate of compensation increase (prior to age 40)	5.00%	n/a	n/a
Rate of compensation increase (ages 40-54)	4.00%	n/a	n/a
Rate of c ompensation Increase (prior to age 45)	n/a	3.50%	3.50%
Rate of c ompensation Increase (otherwise)	3.50%	3.00%	3.00%

Amounts related to the Plan recognized as a component of other comprehensive income were as follows:

(In thousands)	Year Ended December 31,		
	2020	2019	2018
Net actuarial loss	\$ 10,583	\$ 10,324	\$ 4,232
Amortization of:			
Prior service cost	0	0	0
Actuarial loss	(6,050)	(4,965)	(4,919)
Total recognized in other comprehensive income	<u>\$ 4,533</u>	<u>\$ 5,359</u>	<u>\$ (687)</u>

Included in accumulated other comprehensive income at December 31, 2020 are unrecognized actuarial losses of \$65,426,000 (\$50,182,000 net of tax) that have not yet been recognized in net periodic pension cost.

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, 2020 and 2019 and the accumulated benefit obligation at December 31, 2020 and 2019 are as follows:

(Dollars in thousands)	December 31,	
	2020	2019
Change in Projected Benefit Obligation		
Projected Benefit Obligation at the Beginning of the Year	\$ 173,777	\$ 142,632
Service Cost	2,742	2,173
Interest Cost	5,222	5,931
Actuarial Loss	18,391	28,364
Benefits Paid	(5,357)	(5,323)
Projected Benefit at the End of the Year	\$ 194,775	\$ 173,777
Accumulated Benefit Obligation at the End of the Year	\$ 176,635	\$ 157,154
Change in Plan Assets		
Fair Value of Plan Assets at the Beginning of the Year	\$ 159,560	\$ 137,408
Actual Return on Plan Assets	18,819	27,475
Benefits Paid	(5,357)	(5,323)
Employer Contributions	20,000	0
Fair value of plan assets at end of year	\$ 193,022	\$ 159,560
Net Amount Recognized		
Funded Status	\$ (1,753)	\$ (14,217)
Unrecognized Transition Asset	0	0
Unrecognized Prior Service Cost	0	0
Unrecognized Net Loss	65,426	60,894
Net Amount Recognized	<u>\$ 63,673</u>	<u>\$ 46,677</u>
Weighted-Average Assumptions at the End of the Year		
Discount Rate	2.81%	3.42%
Rate of compensation Increase (prior to age 40)	5.00%	5.00%
Rate of compensation Increase (ages 40-54)	4.00%	4.00%
Rate of compensation Increase (prior to age 45)	n/a	n/a
Rate of compensation Increase (otherwise)	3.50%	3.50%

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

Plan Assets	Target Allocation 2021	Allowable Allocation Range	Percentage of Plan Assets at	
			December 31, 2020	December 31, 2019
Equity Securities	60%	50-70%	58%	63%
Debt Securities	39%	20-50%	37%	35%
Other	1%	3-15%	5%	2%
Total			100%	100%

Equity securities include United common stock in the amounts of \$3,429,000 (2%) at December 31, 2020 and \$4,091,000 (3%) at December 31, 2019 .

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 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, 2020, 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:

<u>Year</u> (In thousands)	<u>Amount</u>
2021	\$ 6,583
2022	6,630
2023	7,076
2024	7,429
2025	7,884
2026 through 2030	44,383

United made a discretionary contribution of \$20,000,000 during the third quarter of 2020. United did not contribute to the plan in 2019 as no contributions were required by funding regulations or law. During the first quarter of 2018, United made discretionary contributions of \$7,000,000. For 2021, no contributions to the plan are required by funding regulations or law. However, United may make a discretionary contribution in 2021, 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

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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).

The following tables present the balances of the plan assets, by fair value hierarchy level, as of December 31, 2020 and 2019:

(In thousands)	Balance as of December 31, 2020	Fair Value Measurements at December 31, 2020 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Cash and Cash equivalents	\$ 10,285	\$ 10,285	\$ 0	\$ 0
Fixed Income Mutual Funds:				
Taxable	70,331	70,331	0	0
Equity Securities:				
Common stock	28,102	28,102	0	0
Equity Mutual Funds:				
Global equity	4,968	4,968	0	0
Domestic equity large cap	34,186	34,186	0	0
Domestic equity small cap	22,165	22,165	0	0
International emerging equity	8,018	8,018	0	0
International equity developed	14,967	14,967	0	0
Total	<u>\$ 193,022</u>	<u>\$ 193,022</u>	<u>\$ 0</u>	<u>\$ 0</u>

(In thousands)	Balance as of December 31, 2019	Fair Value Measurements at December 31, 2019 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Cash and Cash equivalents	\$ 2,504	\$ 2,504	\$ 0	\$ 0
Fixed Income Mutual Funds:				
Taxable	55,588	55,588	0	0
Equity Securities:				
Common stock	23,932	23,932	0	0
Equity Mutual Funds:				
Global equity	5,247	5,247	0	0
Domestic equity large cap	28,743	28,743	0	0
Domestic equity small cap	22,216	22,216	0	0
International emerging equity	8,228	8,228	0	0
International equity developed	13,102	13,102	0	0
Total	<u>\$ 159,560</u>	<u>\$ 159,560</u>	<u>\$ 0</u>	<u>\$ 0</u>

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,

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subject to Internal Revenue Service maximum deferral limits. United matches 100% of the first 5% 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 \$6,531,000, \$4,565,000, and \$4,486,000 in 2020, 2019 and 2018, respectively.

The assets of United's defined benefit plan and 401(k) Plan each include investments in United common stock. At December 31, 2020 and 2019, the combined plan assets included 1,437,641 and 1,176,283 shares, respectively, of United common stock with an approximate fair value of \$46,580,000 and \$45,475,000, respectively. Dividends paid on United common stock held by the plans approximated \$1,776,000, \$1,566,000, and \$1,401,000 for the years ended December 31, 2020, 2019, and 2018, 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 Q—STOCK BASED COMPENSATION

On May 12, 2020, United's shareholders approved the 2020 Long-Term Incentive Plan ("2020 LTI Plan"). The 2020 LTI Plan became effective May 13, 2020. An award granted under the 2020 LTI Plan may consist of any non-qualified stock options or incentive stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units, performance units or other-stock-based award. These awards all relate to the common stock of United. The maximum number of shares of United common stock which may be issued under the 2020 LTI Plan is 2,300,000. The 2020 LTI Plan will be administered by a board committee appointed by United's Board of Directors (the "Board"). Unless otherwise determined by the Board, the Compensation Committee of the Board (the "Committee") shall administer the 2020 LTI Plan. The maximum number of options and stock appreciation rights, in the aggregate, which may be awarded to any individual key employee during any calendar year is 100,000. The maximum number of options and stock appreciation rights, in the aggregate, which may be awarded to any non-employee director during any calendar year is 10,000 or, if such Award is payable in cash, the Fair Market Value equivalent thereof. The maximum number of shares of restricted stock or shares subject to a restricted stock units award that may be granted during any calendar year is 225,000 shares to any individual key employee and 10,000 shares to any individual non-employee director. Subject to certain change in control provisions, the 2020 LTI Plan provides that all awards of will vest as the Committee determines in the award agreement, provided that no awards will vest sooner than 1/3 per year over the first three anniversaries of the award. United adopted a clawback policy that applies to named executive officers and other executive officers and permits the Committee to cancel certain awards and to recoup gains realized from previous awards should United be required to prepare an accounting restatement due to materially inaccurate performance metrics. A Form S-8 was filed on May 29, 2020 with the Securities and Exchange Commission to register all the shares which were available for the 2020 LTI Plan. The 2020 LTI Plan replaces the 2016 LTI Plan.

During the year of 2020, a total of 183,551 non-qualified stock options and 182,847 of restricted stock were granted under the 2016 LTI Plan. Compensation expense of \$5,980,000, \$4,914,000, and \$4,073,000 related to the nonvested awards under United's Long-Term Incentive Plans was incurred for the years 2020, 2019 and 2018, 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 2020 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 2020 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 1.30%; dividend yield of 3.00%; volatility factors of the expected market price of United's common stock of 0.2516; and a weighted-average expected option life of 7.36 years, respectively. The estimated fair value of the options at the date of grant was \$5.65 for the options granted during 2020. 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.

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A summary of activity under the United’s stock option plans as of December 31, 2020, and the changes during the year of 2020 are presented below:

	Year ended December 31, 2020			
	Shares	Aggregate Intrinsic Value	Remaining Contractual Term (Yrs.)	Weighted Average Exercise Price
(Dollars in thousands, except per share amounts)				
Outstanding at January 1, 2020	1,715,316			\$ 34.49
Assumed in Carolina Financial merger	117,116			12.14
Granted	183,551			32.51
Exercised	(100,736)			12.50
Forfeited or expired	(10,690)			26.04
Outstanding at December 31, 2020	<u>1,904,557</u>	<u>\$ 3,691</u>	<u>5.2</u>	<u>\$ 34.14</u>
Exercisable at December 31, 2020	<u>1,359,652</u>	<u>\$ 3,691</u>	<u>4.0</u>	<u>\$ 32.99</u>

The following table summarizes the status of United’s nonvested awards for the year ended December 31, 2020:

	Shares	Weighted-Average Grant Date Fair Value Per Share
	Nonvested at January 1, 2020	589,737
Granted	183,551	5.65
Vested	(226,032)	7.68
Forfeited or expired	(2,351)	7.32
Nonvested at December 31, 2020	<u>544,905</u>	<u>\$ 6.93</u>

As of December 31, 2020, the total unrecognized compensation cost related to nonvested option awards was \$2,208,000 with a weighted-average expense recognition period of 1.1 years. The total fair value of awards vested during the year ended December 31, 2020, was \$1,737,000.

Cash received from options exercised under the Plans for the years ended December 31, 2020, 2019 and 2018 was \$1,241,000, \$1,272,000, and \$1,500,000, respectively. During 2020 and 2019, 100,736 and 128,742 shares, respectively, were issued in connection with stock option exercises. All shares issued in connection with stock option exercises for 2020 and 2019 were issued from authorized and unissued stock. The weighted-average grant-date fair value of options granted in the year of 2020, 2019, and 2018 was \$5.65, \$7.16, and \$7.56, respectively. The total intrinsic value of options exercised under the Plans during the years ended December 31, 2020, 2019, and 2018 was \$1,917,000, \$1,932,000, and \$1,057,000, respectively.

ASC Topic 230, “Statement of Cash Flows,” requires the benefits of tax deductions in excess of recognized compensation cost to be reported as an operating cash flow. This requirement reduces net operating cash flows. 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 used in operating activities of \$351,000, \$223,000, and \$158,000 from excess tax benefits related to share-based compensation arrangements for the year of 2020, 2019 and 2018, respectively.

Restricted Stock

Under the 2020 LTI Plan, United may award restricted common shares to key employees and non-employee directors. Restricted shares granted to participants will vest no sooner than 1/3 per year over the first three anniversaries of the award. Unless determined by the Committee or the Board and provided in the award agreement, 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, 2020, the total unrecognized compensation cost related to nonvested stock awards was \$7,183,000 with a weighted-average expense recognition period of 1.3 years.

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The following summarizes the changes to United's restricted common shares for the year ended December 31, 2020:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at January 1, 2020	247,896	\$ 39.20
Granted	182,847	32.18
Vested	(88,821)	39.31
Forfeited	(946)	36.58
Outstanding at December 31, 2020	<u>340,976</u>	<u>\$ 35.41</u>

NOTE R—COMMITMENTS AND CONTINGENT LIABILITIES

Lending-related Commitments

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 \$5,730,876,000 and \$3,610,777,000 of loan commitments outstanding as of December 31, 2020 and December 31, 2019, respectively, approximately 42% of which contractually expire within one year. Included in the December 31, 2020 amount are commitments to extend credit of \$374,003,000 related to mortgage loan funding commitments of United's mortgage banking segment and are of a short-term nature.

Commercial and standby letters of credit are agreements used by United's customers as a means of improving their credit standing in their dealings with others. Under these agreements, United guarantees certain financial commitments of its customers. A commercial letter of credit is issued specifically to facilitate trade or commerce. Typically, under the terms of a commercial letter of credit, a commitment is drawn upon when the underlying transaction is consummated as intended between the customer and a third party. As of December 31, 2020 and December 31, 2019, United had \$5,092,000 of commercial letters of credit outstanding. 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 \$134,916,000 and \$145,105,000 as of December 31, 2020 and December 31, 2019, 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.

Mortgage Repurchase Reserve

United's mortgage banking segment provides for its estimated exposure to repurchase loans previously sold to investors for which borrowers failed to provide full and accurate information on their loan application or for which appraisals have not been acceptable or where the loan was not underwritten in accordance with the loan program specified by the loan investor, and for other exposure to its investors related to loan sales activities. United evaluates the merits of each claim and estimates its reserve based on actual and expected claims received and considers the historical amounts paid to settle such claims. United's mortgage banking segment has a reserve of \$1,216,000 as of December 31, 2020.

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

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Legal Proceedings

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

Regulatory Matters

A variety of consumer products, including mortgage and deposit products, and certain fees and charges related to such products, have come under increased regulatory scrutiny. It is possible that regulatory authorities could bring enforcement actions, including civil money penalties, or take other actions against United in regard to these consumer products. United could also determine of its own accord, or be required by regulators, to refund or otherwise make remediation payments to customers in connection with these products. It is not possible at this time for management to assess the probability of a material adverse outcome or reasonably estimate the amount of any potential loss related to such matters.

NOTE S—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.

During the second quarter of 2020, United entered into a new interest rate swap derivative designated as a cash flow hedge. The notional amount of the cash flow hedge derivative totaled \$250,000,000. The derivative is intended to hedge the changes in cash flows associated with floating rate FHLB borrowings. United is required to pay-fixed 0.59 % and receive-variable 1-month LIBOR with monthly resets. The tenor of the interest rate swap derivative is 10 years with an expiration date in June 2030. During the third quarter of 2020, United entered into an additional interest rate swap derivative designated as a cash flow hedge. The notional amount of the cash flow hedge derivative totaled \$250,000,000. The derivative is intended to hedge the changes in cash flows associated with floating rate FHLB borrowings. United is required to pay-fixed 0.19% and receive-variable 1-month LIBOR with monthly resets. The tenor of the interest rate swap derivative is 4 years with an expiration date in August 2024. As of December 31, 2020, United has determined that no forecasted transactions related to its cash flow hedges resulted in gains or losses pertaining to cash flow hedge reclassification from AOCI to income because the forecasted transactions became probable of not occurring. United estimates that \$1,353,000 will be reclassified from AOCI as an increase to interest expense over the next 12-months following December 31, 2020 related to the cash flow hedges. As of December 31, 2020, the maximum length of time over which forecasted transactions are hedged is nine years.

United is subject to the Dodd-Frank Act clearing requirement for eligible derivatives. United has executed and cleared eligible derivatives through the London Clearing House ("LCH"). Variation margin at the LCH is distinguished as settled-to-market and settled daily based on the prior day value, rather than collateralized-to-market. The total notional amount of interest rate swap derivatives cleared through the LCH include \$500,000,000 for asset derivatives as of December 31, 2020. The related fair value on a net basis approximate zero.

The following tables disclose the derivative instruments' location on the Company's Consolidated Balance Sheets and the notional amount and fair value of those instruments at December 31, 2020 and December 31, 2019.

	Asset Derivatives					
	December 31, 2020			December 31, 2019		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
(In thousands)						
Cash Flow Hedges:						
Interest rate swap contracts (hedging FHLB borrowings)	Other assets	\$ 500,000	\$ 4,378	Other assets	\$ 0	\$ 0
Total Cash Flow Hedges		<u>\$ 500,000</u>	<u>\$ 4,378</u>		<u>\$ 0</u>	<u>\$ 0</u>

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	Asset Derivatives					
	December 31, 2020			December 31, 2019		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
(In thousands)						
Derivatives not designated as hedging instruments						
Forward loan sales commitments	Other assets	\$ 62,418	\$ 1,581	Other assets	\$ 27,260	\$ 9
Interest rate lock commitments	Other assets	973,350	38,332	Other assets	117,252	4,518
Total derivatives not designated as hedging instruments		<u>\$ 1,035,768</u>	<u>\$ 39,913</u>		<u>\$ 144,512</u>	<u>\$ 4,527</u>
Total asset derivatives		<u>\$ 1,535,768</u>	<u>\$ 44,291</u>		<u>\$ 144,512</u>	<u>\$ 4,527</u>

	Liability Derivatives					
	December 31, 2020			December 31, 2019		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
(In thousands)						
Derivatives designated as hedging instruments						
Fair Value Hedges:						
Interest rate swap contracts (hedging commercial loans)	Other liabilities	\$ 77,011	\$ 6,782	Other liabilities	\$ 82,243	\$ 2,394
Total Fair Value Hedges		<u>\$ 77,011</u>	<u>\$ 6,782</u>		<u>\$ 82,243</u>	<u>\$ 2,394</u>
Total derivatives designated as hedging instruments		<u>\$ 77,011</u>	<u>\$ 6,782</u>		<u>\$ 82,243</u>	<u>\$ 2,394</u>
Derivatives not designated as hedging instruments						
TBA mortgage-backed securities	Other liabilities	\$ 789,000	\$ 6,276	Other liabilities	\$ 274,000	\$ 671
Total derivatives not designated as hedging instruments		<u>\$ 789,000</u>	<u>\$ 6,276</u>		<u>\$ 274,000</u>	<u>\$ 671</u>
Total liability derivatives		<u>\$ 866,011</u>	<u>\$ 13,058</u>		<u>\$ 356,243</u>	<u>\$ 3,065</u>

The following table represents the carrying amount of the hedged assets/(liabilities) and the cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets/(liabilities) that are designated as a fair value accounting relationship as of December 31, 2020 and December 31, 2019.

	Location in the Statement of Condition	December 31, 2020		
		Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Remaining for any Hedged Assets/(Liabilities) for which Hedge Accounting has been Discontinued
(In thousands)				
Derivatives in Fair Value Hedging Relationships				
Interest rate swaps	Loans and leases, net of unearned income	\$ 77,810	\$ (6,782)	\$ 0

	Location in the Statement of Condition	December 31, 20 20		
		Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Remaining for any Hedged Assets/(Liabilities) for which Hedge Accounting has been Discontinued
(In thousands)				
Derivatives in Fair Value Hedging Relationships				
Interest rate swaps	Loans and leases, net of unearned income	\$ 81,397	\$ (2,394)	\$ 0

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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, 2020, 2019 and 2018 is presented as follows:

(In thousands)	Income Statement Location	Year Ended		
		December 31, 2020	December 31, 2019	December 31, 2018
Derivatives in hedging relationships Cash Flow Hedges:				
Interest rate swap contracts	Interest on long-term borrowings	\$ (578)	\$ 0	\$ 0
Fair Value Hedges:				
Interest rate swap contracts	Interest and fees on loans and leases	\$ (1,414)	\$ (95)	\$ (170)
Total derivatives in hedging relationships		<u>\$ (1,992)</u>	<u>\$ (95)</u>	<u>\$ (170)</u>
Derivatives not designated as hedging instruments				
Forward loan sales commitments	Income from Mortgage Banking Activities	(725)	925	530
TBA mortgage-backed securities	Income from Mortgage Banking Activities	(3,825)	2,331	(2,690)
Interest rate lock commitments	Income from Mortgage Banking Activities	21,299	3,607	(2,413)
Total derivatives not designated as hedging instruments		<u>\$ 16,749</u>	<u>\$ 6,863</u>	<u>\$ (4,573)</u>
Total derivatives		<u>\$ 14,757</u>	<u>\$ 6,768</u>	<u>\$ (4,743)</u>

For the years ended December 31, 2020, 2019 and 2018, 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 T—COMPREHENSIVE INCOME

The changes in accumulated other comprehensive income are as follows:

(In thousands)	For the Years Ended December 31		
	2020	2019	2018
Net Income	\$ 289,023	\$ 260,099	\$ 256,342
Available for sale ("AFS") securities:			
AFS securities with OTTI charges during the period	0	(641)	(1,456)
Related income tax effect	0	149	339
Less : OTTI charges recognized in net income	0	198	1,456
Related income tax effect	0	(46)	(339)
Reclassification of previous noncredit OTTI to credit OTTI	0	2,188	0
Related income tax effect	0	(510)	0
Net unrealized gains on AFS securities with OTTI	<u>0</u>	<u>1,338</u>	<u>0</u>
AFS securities – all other:			
Change in net unrealized gains (losses) on AFS securities arising during the period	77,142	32,570	(14,715)
Related income tax effect	(17,974)	(7,589)	5,109
Net reclassification adjustment for (gains) losses included in net income	(2,502)	(97)	770
Related income tax effect	583	23	(179)
	<u>57,249</u>	<u>24,907</u>	<u>(9,015)</u>

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(In thousands)	For the Years Ended December 31		
	2020	2019	2018
Net effect of AFS securities on other comprehensive income	57,249	26,245	(9,015)
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	0	0	8
Related income tax effect	0	0	(2)
Net effect of HTM securities on other comprehensive income	0	0	6
Cash flow hedge derivatives:			
Unrealized gain on cash flow hedge before reclassification to interest expense	3,800	0	0
Related income tax effect	(885)	0	0
Net reclassification adjustment for losses included in net income	578	0	0
Related income tax effect	(135)	0	0
Net effect of cash flow hedge derivatives on other comprehensive income	3,358	0	0
Defined benefit pension plan:			
Net actuarial loss during the period	(10,583)	(10,324)	(4,232)
Related income tax expense	3,263	2,384	1,063
Amortization of prior service cost recognized in net income	0	0	0
Related income tax effect	0	0	0
Amortization of net actuarial loss recognized in net income	6,050	4,965	4,919
Related income tax effect	(2,098)	(1,170)	(1,246)
Net effect of change in defined benefit pension plan on other comprehensive income	(3,368)	(4,145)	504
Total change in other comprehensive income, net of tax	57,239	22,100	(8,505)
Total Comprehensive Income	\$ 346,262	\$ 282,199	\$ 247,837

The components of accumulated other comprehensive income for the year ended December 31, 2020 are as follows:

Changes in Accumulated Other Comprehensive Income (AOCI) by Component ^(a)
For the Year Ended December 31, 2020

(Dollars in thousands)	Unrealized Gains/Losses on AFS Securities	Unrealized Gains/Losses on Cash Flow Hedges	Defined Benefit Pension Items	Total
Balance at January 1, 2020	\$ 7,956	\$ 0	\$ (42,825)	\$ (34,869)
Other comprehensive income before reclassification	59,168	2,915	0	62,083
Amounts reclassified from accumulated other comprehensive income	(1,919)	443	(3,368)	(4,844)
Net current-period other comprehensive income, net of tax	57,249	3,358	(3,368)	57,239
Balance at December 31, 2020	<u>\$ 65,205</u>	<u>\$ 3,358</u>	<u>\$ (46,193)</u>	<u>\$ 22,370</u>

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

Reclassifications out of Accumulated Other Comprehensive Income (AOCI)
For the Year Ended December 31, 2020

(In thousands)	Amount Reclassified from AOCI	Affected Line Item in the Statement Where Net Income is Presented
Details about AOCI Components		
Available for sale (“AFS”) securities:		
Net reclassification adjustment for gains included in net income	\$ (2,502)	Net investment securities gains
	(2,502)	Total before tax
Related income tax effect	583	Tax expense
	(1,919)	Net of tax

**Reclassifications out of Accumulated Other Comprehensive Income (AOCI)
For the Year Ended December 31, 2020**

<i>(In thousands)</i>	Amount Reclassified from AOCI	Affected Line Item in the Statement Where Net Income is Presented
Details about AOCI Components		
Cash flow hedge:		
Net reclassification adjustment for losses included in net income	\$ 578	Interest expense
	578	Total before tax
Related income tax effect	(135)	Tax expense
	443	Net of tax
Pension plan:		
Recognized net actuarial loss	(10,583)(a)	
Amortization of net actuarial loss	6,050(b)	
	(4,533)	Total before tax
Related income tax effect	1,165	Tax expense
	(3,368)	Net of tax
Total reclassifications for the period	<u>\$ (4,844)</u>	

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

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

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

Condensed Balance Sheets

<i>(In thousands)</i>	December 31	
	2020	2019
Assets		
Cash and due from banks	\$ 158,147	\$ 126,697
Securities available for sale	7,138	7,451
Securities held to maturity	20	20
Equity securities	4,737	4,126
Other investment securities	10,725	10,053
Investment in subsidiaries:		
Bank subsidiaries	4,466,132	3,519,661
Nonbank subsidiaries	30,287	22,439
Goodwill	(16,397)	(16,008)
Other assets	14,591	12,286
Total Assets	<u>\$4,675,380</u>	<u>\$ 3,686,725</u>
Liabilities and Shareholders' Equity		
Subordinated notes	\$ 9,865	\$ 0
Junior subordinated debentures of subsidiary trusts	269,972	236,164
Accrued expenses and other liabilities	97,923	86,728
Shareholders' equity (including other accumulated comprehensive gain of \$22,370 at December 31, 2020 and other accumulated comprehensive loss of \$34,869 at December 31, 2019)	4,297,620	3,363,833
Total Liabilities and Shareholders' Equity	<u>\$4,675,380</u>	<u>\$ 3,686,725</u>

Condensed Statements of Income

<i>(In thousands)</i>	Year Ended December 31		
	2020	2019	2018
Income			
Dividends from banking subsidiaries	\$ 232,000	\$ 249,000	\$ 215,000
Net interest income	202	126	227
Management fees:			
Bank subsidiaries	30,464	27,325	25,026
Nonbank subsidiaries	27	27	27
Other income	556	147	(596)
Total Income	<u>263,249</u>	<u>276,625</u>	<u>239,684</u>
Expenses			

Condensed Statements of Income

(In thousands)	Year Ended December 31		
	2020	2019	2018
Operating expenses	53,880	38,569	37,214
Income Before Income Taxes and Equity in Undistributed Net Income of Subsidiaries	209,369	238,056	202,470
Applicable income tax benefit	(4,196)	(2,123)	(2,470)
Income Before Equity in Undistributed Net			
Income of Subsidiaries	213,565	240,179	204,940
Equity in undistributed net income of subsidiaries:			
Bank subsidiaries	75,054	19,557	51,392
Nonbank subsidiaries	404	363	10
Net Income	\$ 289,023	\$ 260,099	\$ 256,342

Condensed Statements of Cash Flows

(In thousands)	Year Ended December 31		
	2020	2019	2018
Operating Activities			
Net income	\$ 289,023	\$ 260,099	\$ 256,342
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(75,458)	(19,920)	(51,402)
Amortization of net periodic pension costs	315	302	293
Stock-based compensation	5,980	4,914	4,073
Excess tax benefits from stock-based compensation arrangements	351	223	158
Net gain on securities transactions	0	0	607
Net change in other assets and liabilities	(7)	1,770	(1,904)
Net Cash Provided by Operating Activities	220,204	247,388	208,167
Investing Activities			
Net proceeds from sales (purchases) of securities	380	236	9,446
Net proceeds from sales of equity securities	(54)	1,116	1,348
Net cash paid in acquisition of subsidiary	(47)	0	0
Increase in investment in subsidiaries	(5,573)	(7,000)	(2,400)
Change in other investment securities	(672)	(9,890)	0
Net Cash (Used in) Provided by Investing Activities	(5,966)	(15,538)	8,394
Financing Activities			
Cash dividends paid	(162,713)	(138,939)	(142,350)
Acquisition of treasury stock	(21,317)	(35,673)	(100,724)
Proceeds from sale of treasury stock from deferred compensation plan	1	1	1
Proceeds from exercise of stock options	1,241	1,272	1,500
Net Cash Used in Financing Activities	(182,788)	(173,339)	(241,573)
Increase (Decrease) in Cash and Cash Equivalents	31,450	58,511	(25,012)
Cash and Cash Equivalents at Beginning of Year	126,697	68,186	93,198
Cash and Cash Equivalents at End of Year	\$ 158,147	\$ 126,697	\$ 68,186

NOTE V—REGULATORY MATTERS

United Bank is required to maintain average reserve balances with its Federal Reserve Bank. The average amount of those consolidated reserve balances maintained and required for the year ended December 31, 2020, were approximately \$1,409,598,000 and \$71,883,000, respectively. The average amount of those consolidated reserve balances maintained and required for the year ended December 31, 2019, was approximately \$653,653,000 and \$255,894,000, respectively.

The primary source of funds for the dividends paid by United to its shareholders is dividends received from United Bank.

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Dividends paid by United Bank 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 2020, the retained net profits available for distribution to United by United Bank as dividends without regulatory approval, are approximately \$146,003,000, plus net income for the interim period through the date of declaration.

Under Federal Reserve regulation, United Bank is also limited as to the amount they may loan to affiliates, including the parent company. Loans from United Bank to the parent company are limited to 10% of the banking subsidiaries' capital and surplus, as defined, or \$368,755,000 at December 31, 2020, 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 United Bank on January 1, 2015 (subject to a phase-in period). These new quantitative measures established by regulation to ensure capital adequacy require United and United Bank 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, 2020, United exceeds all capital adequacy requirements to which it is subject.

At December 31, 2020, the most recent notification from its regulators, United and United Bank 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.

United's and United Bank's 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, 2020:						
Total Capital (to Risk-Weighted Assets):						
United Bankshares	\$ 2,945,669	15.6%	\$ 1,515,403	≥ 8.0%	\$ 1,894,254	≥ 10.0%
United Bank	2,800,753	14.8%	1,511,961	≥ 8.0%	1,889,951	≥ 10.0%
Tier I Capital (to Risk-Weighted Assets):						
United Bankshares	\$ 2,519,595	13.3%	\$ 1,136,552	≥ 6.0%	\$ 1,515,403	≥ 8.0%
United Bank	2,669,210	14.1%	1,133,971	≥ 6.0%	1,511,961	≥ 8.0%
Common Tier I Capital (to Risk Weighted Assets):						
United Bankshares	\$ 2,519,595	13.3%	\$ 852,414	≥ 4.5%	\$ 1,231,265	≥ 6.5%
United Bank	2,669,210	14.1%	850,478	≥ 4.5%	1,228,468	≥ 6.5%
Tier I Capital (to Average Assets):						
United Bankshares	\$ 2,519,595	10.3%	\$ 975,099	≥ 4.0%	\$ 1,218,873	≥ 5.0%
United Bank	2,669,210	11.0%	974,912	≥ 4.0%	1,218,640	≥ 5.0%
As of December 31, 2019:						
Total Capital (to Risk-Weighted Assets):						
United Bankshares	\$ 2,217,547	14.7%	\$ 1,206,812	≥ 8.0%	\$ 1,508,515	≥ 10.0%
United Bank	2,106,457	14.0%	1,204,264	≥ 8.0%	1,505,330	≥ 10.0%

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(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier I Capital (to Risk-Weighted Assets):						
United Bankshares	\$ 1,890,757	12.5%	\$ 905,109	≥ 6.0%	\$ 1,206,812	≥ 8.0%
United Bank	2,027,667	13.5%	903,198	≥ 6.0%	1,204,264	≥ 8.0%
Common Tier I Capital (to Risk Weighted Assets):						
United Bankshares	\$ 1,890,757	12.5%	\$ 678,832	≥ 4.5%	\$ 980,535	≥ 6.5%
United Bank	2,027,667	13.5%	677,399	≥ 4.5%	978,465	≥ 6.5%
Tier I Capital (to Average Assets):						
United Bankshares	\$ 1,890,757	10.5%	\$ 721,691	≥ 4.0%	\$ 902,114	≥ 5.0%
United Bank	2,027,667	11.3%	720,232	≥ 4.0%	900,290	≥ 5.0%

United’s mortgage banking entities, George Mason and Crescent, are subject to net worth requirements issued by the U.S. Department of Housing and Urban Development (“HUD”). Failure to meet minimum capital requirements of HUD can result in certain mandatory and possibly additional discretionary actions that, if undertaken, could have a direct material effect on George Mason’s and Crescent’s operations.

For George Mason and Crescent, the maximum net worth requirement of HUD at December 31, 2020 was \$ 2,500,000. George Mason’s net worth and Crescent’s net worth were \$ 128,542,000 and \$ 91,762,000 at December 31, 2020, which both exceeded the HUD requirements.

NOTE W—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 and equity securities : Securities available for sale and equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (“Level 1”). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Using a market approach valuation methodology, third party vendors compile prices based on observable market inputs, which include benchmark yields, reported trades, issuer spreads, benchmark securities, and “To Be Announced” prices (“Level 2”). Management internally reviews the fair values provided by third party vendors on a monthly basis. Management also performs a quarterly price testing analysis at the individual security level which compares the pricing provided by the third party vendors to an independent pricing source’s valuation of the same securities. Variances that are deemed to be material are reviewed by management. Additionally, to further 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, 2020, 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, 2020. 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 does not have any available-for-sale securities considered as Level 3.

Loans held for sale : For residential mortgage loans sold in the mortgage banking segment, the loans closed are recorded at fair value using the fair value option which is measured using valuations from investors for loans with similar

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characteristics (“Level 2”) with some adjusted for the Company’s actual sales experience versus the investor’s indicated pricing (“Level 3”). The unobservable input for Level 3 valuations is the Company’s historical sales prices. For December 31, 2020, the range of historical sales prices increased the investor’s indicated pricing by a range of 0.09% to 0.33% with a weighted average increase of 0.22%.

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 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 accumulated 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 accumulated other comprehensive income, net of tax and reclassified into earnings in the same line associated with the forecasted transaction when the forecasted transaction affects earnings.

The Company records its interest rate lock commitments and forward loan sales commitments at fair value determined as the amount that would be required to settle each of these derivative financial instruments at the balance sheet date. In the normal course of business, United’s mortgage banking subsidiaries enter into contractual interest rate lock commitments to extend credit to borrowers with fixed expiration dates. The commitments become effective when the borrowers “lock-in” a specified interest rate within the timeframes established by the mortgage companies. All borrowers are evaluated for credit worthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the interest rate lock by the borrower and the sale date of the loan to the investor. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, United’s mortgage banking subsidiaries enter into either a forward sales contract to sell loans to investors when using best efforts or a TBA mortgage-backed security under mandatory delivery. As TBA mortgage-backed securities are actively traded in an open market, TBA mortgage-backed securities fall into a Level 1 category. The forward sales contracts lock in an interest rate and price for the sale of loans similar to the specific rate lock commitments. Under the Company’s best efforts model, the rate lock commitments to borrowers and the forward sales contracts to investors through to the date the loan closes are undesignated derivatives and accordingly, are marked to fair value through earnings. These valuations fall into a Level 2 category. For residential mortgage loans sold in the mortgage banking segment, the interest rate lock commitments are recorded at fair value which is measured using valuations from investors for loans with similar characteristics (“Level 2”) with some adjusted for the Company’s actual sales experience versus the investor’s indicated pricing (“Level 3”). The unobservable input for Level 3 valuations is the Company’s historical sales prices. For December 31, 2020, the range of historical sales prices increased the investor’s indicated pricing by a range of 0.09% to 0.33% with a weighted average increase of 0.22%.

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

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The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy:

(In thousands)	Balance as of December 31, 2020	Fair Value at December 31, 2020 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 66,344	\$ 0	\$ 66,344	\$ 0
State and political subdivisions	565,160	0	565,160	0
Residential mortgage-backed securities				
Agency	928,891	0	928,891	0
Non-agency	21,776	0	21,776	0
Commercial mortgage-backed securities				
Agency	675,145	0	675,145	0
Asset-backed securities	294,623	0	294,623	0
Single issue trust preferred securities	17,027	0	17,027	0
Other corporate securities	384,393	6,207	378,186	0
Total available for sale securities	2,953,359	6,207	2,947,152	0
Equity securities:				
Financial services industry	134	134	0	0
Equity mutual funds (1)	4,602	4,602	0	0
Other equity securities	5,982	5,982	0	0
Total equity securities	10,718	10,718	0	0
Loans held for sale	698,341	0	43,608	654,733
Derivative financial assets:				
Interest rate swap contracts	4,378	0	4,378	0
Forward sales commitments	1,581	0	1,581	0
TBA mortgage-backed securities	0	0	0	0
Interest rate lock commitments	38,332	0	6,321	32,011
Total derivative financial assets	44,291	0	12,280	32,011
Liabilities				
Derivative financial liabilities:				
Interest rate swap contracts	6,782	0	6,782	0
TBA mortgage-backed securities	6,276	0	6,276	0
Total derivative financial liabilities	13,058	0	13,058	0

(In thousands)	Balance as of December 31, 2019	Fair Value at December 31, 2019 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 58,676	\$ 0	\$ 58,676	\$ 0
State and political subdivisions	272,362	0	272,362	0
Residential mortgage-backed securities				
Agency	836,534	0	836,534	0
Non-agency	3,833	0	3,833	0
Commercial mortgage-backed securities				

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(In thousands)	Balance as of December 31, 2019	Fair Value at December 31, 2019 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description				
Agency	614,973	0	614,973	0
Asset-backed securities	276,139	0	276,139	0
Trust preferred collateralized debt obligations	4,703	0	0	4,703
Single issue trust preferred securities	16,774	0	16,774	0
Other corporate securities	353,302	6,586	346,716	0
Total available for sale securities	2,437,296	6,586	2,426,007	4,703
Equity securities:				
Financial services industry	154	154	0	0
Equity mutual funds (1)	3,971	3,971	0	0
Other equity securities	4,769	4,769	0	0
Total equity securities	8,894	8,894	0	0
Loans held for sale	384,375	0	0	384,375
Derivative financial assets:				
Forward sales commitments	9	0	9	0
Interest rate lock commitments	4,518	0	0	4,518
Total derivative financial assets	4,527	0	9	4,518
Liabilities				
Derivative financial liabilities:				
Interest rate swap contracts	2,394	0	2,394	0
TBA mortgage-backed securities	671	0	671	0
Total derivative financial liabilities	3,065	0	3,065	0

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

There were no transfers between Level 1, Level 2 and Level 3 for financial assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2020 and 2019.

The following table presents additional information about financial assets and liabilities measured at fair value at December 31, 2020 and 2019 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	
	2020	2019
Balance, beginning of year	\$ 4,703	\$ 5,917
Total gains or losses (realized/unrealized):		
Included in earnings (or changes in net assets)	309	(155)
Included in other comprehensive income	0	(1,059)
Sales	(5,012)	0
Balance, ending of year	\$ 0	\$ 4,703
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

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(In thousands)	Loans held for sale	
	2020	2019
Balance, beginning of period	\$ 384,375	\$ 247,104
Originations	5,699,581	2,941,722
Sales	(5,652,693)	(2,888,257)
Total gains or losses during the period recognized in earnings	223,470	83,806
Transfers in and/or out of Level 3	(0)	(0)
Balance, end of period	\$ 654,733	\$ 384,375
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

(In thousands)	Derivative Financial Assets Interest Rate Lock Commitments	
	2020	2019
Balance, beginning of period	\$ 4,518	\$ 4,103
Transfers other	27,493	415
Balance, end of period	\$ 32,011	\$ 4,518
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date	\$ 0	\$ 0

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

Fair Value Option

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

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

(In thousands) Description	Year Ended December 31, 2020	Year Ended December 31, 2019
Income from mortgage banking activities	\$ 14,947	\$ 3,705

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

(In thousands) Description	December 31, 2020		December 31, 2019		Fair Value Over/ (Under) Unpaid Principal Balance	
	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value		
Loans held for sale	\$ 672,458	\$ 698,341	\$ 25,883	\$ 375,274	\$ 384,375	\$ 9,101

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

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Loans held for sale : Loans held for sale within the community banking segment that are delivered on a best efforts basis are carried at the lower of cost or fair value. The fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (“Level 2”). As such, United records any fair value adjustments for these loans held for sale on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale during the year ended December 31, 2020. Gains and losses on sale of loans are recorded within income from mortgage banking activities on the Consolidated Statements of Income.

Individually assessed loans : In the determination of the allowance for loan losses, loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. 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”). For individually assessed loans, a specific reserve is established through the allowance for loan losses, if necessary, by estimating the fair value of the underlying collateral on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for credit losses expense on the Consolidated Statements of Income.

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

Intangible Assets : For United, intangible assets consist of goodwill and core deposit intangibles. Goodwill is tested for impairment at least annually or sooner if indicators of impairment exist. Goodwill impairment would be defined as the difference between the recorded value of goodwill (i.e. book value) and the implied fair value of goodwill. In determining the implied fair value of goodwill for purposes of evaluating goodwill impairment, United determines the fair value of the reporting unit and compares the fair value to its carrying value. United may elect to perform a qualitative analysis to determine whether or not it is more-likely-than not that the fair value of a reporting unit is less than its carrying amount. If United elects to bypass this qualitative analysis, or concludes via qualitative analysis that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, United may use either a market or income quantitative approach, whichever is more practical, to determine the fair value of the reporting unit to compare to its carrying value as step one. If the fair value is greater than the carrying value, then the reporting unit’s goodwill is deemed not to be impaired. If the fair value is less than the carrying value, then a second step is performed which measures the amount of impairment by comparing the carrying amount of the goodwill to its implied fair value. If the implied fair value of the goodwill exceeds

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the carrying amount, there is no impairment. If the carrying amount exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess. At each reporting date, the Company considers potential indicators of impairment. United performed its annual goodwill impairment test on the Company's reporting units as of September 30, 2020. The goodwill impairment test did not identify any goodwill impairment. In subsequent periods, economic uncertainty and volatility surrounding COVID-19 and the performance of the Company's stock as well as possible other impairment indicators could cause us to perform a goodwill impairment test which could result in an impairment charge being recorded for that period if the carrying value of goodwill was found to exceed fair value. 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 Carolina Financial in the second quarter of 2020, no other fair value measurement of intangible assets was made during the year of 2020 and 2019.

Mortgage Servicing Rights ("MSRs"): A mortgage servicing right asset represents the amount by which the present value of the estimated future net cash flows to be received from servicing loans are expected to more than adequately compensate the Company for performing the servicing. The Company initially measures servicing assets and liabilities retained related to the sale of residential loans held for sale ("mortgage servicing rights") at fair value, if practicable. For subsequent measurement purposes, the Company measures servicing assets and liabilities based on the lower of cost or market quarterly on a nonrecurring basis. The quarterly determination of fair value of servicing rights is provided by a third party and is estimated using a present value cash flow model. The most important assumptions used in the valuation model are the anticipated rate of the loan prepayments and discount rates. Although some assumptions in determining fair value are based on standards used by market participants, some are based on unobservable inputs and therefore are classified in Level 3 of the valuation hierarchy. The unobservable inputs for Level 3 valuations are market discount rates, anticipated prepayment speeds, projected delinquency rates, and ancillary fee income net of servicing costs. For December 31, 2020, the average range of discount rates was 9.50% to 14.07% with a weighted average discount rate of 10.62%; the average range of constant prepayment rates was 7.98% to 18.42% with a weighted average prepayment rate of 14.60%; the net servicing fee was 0.26%; and the delinquency rate, including loans on forbearance was 2.88%.

The Company recorded a \$1,383,000 temporary impairment of mortgage servicing rights in the year ended December 31, 2020. The Company does not hedge the mortgage servicing rights positions and the impact of falling long-term interest rates increased prepayment speed assumptions reducing the value of MSRs asset.

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

		<u>Carrying value at December 31, 2020</u>				
(In thousands)	<u>Balance as of December 31, 2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>YTD Gains (Losses)</u>	
<u>Description</u>						
Assets						
Loans held for sale	\$ 20,596	\$ 0	\$ 20,596	\$ 0	\$ (197)	
Individually assessed loans	37,498	0	14,467	23,031	1,318	
OREO	22,595	0	22,595	0	(1,618)	
Mortgage servicing rights	20,955	0	0	20,955	(1,383)	

		<u>Carrying value at December 31, 2019</u>				
(In thousands)	<u>Balance as of December 31, 2019</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>YTD Gains (Losses)</u>	
<u>Description</u>						
Assets						
Loans held for sale	\$ 3,139	\$ 0	\$ 3,139	\$ 0	\$ (4)	
Impaired Loans	68,213	0	55,792	12,421	1,831	
OREO	15,515	0	15,495	20	(785)	

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Fair Value of Other Financial Instruments

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

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

Securities held to maturity and other securities: The estimated fair values of securities held to maturity are based on quoted market prices, where available. If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider 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 and leases: The fair values of certain mortgage loans (e.g., one-to-four family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. The fair values of other loans and leases (e.g., commercial real estate and rental property mortgage loans, commercial and industrial loans, financial institution loans and agricultural loans) are estimated using discounted cash flow analyses, using market interest rates currently being offered for loans and leases with similar terms to borrowers of similar creditworthiness, which include adjustments for liquidity concerns. For acquired PCD loans, fair value is assumed to equal United's carrying value, which represents the present value of expected future principal and interest cash flows, as adjusted for any Allowance for Credit Losses recorded for these loans.

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

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

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

Summary of Fair Values for All Financial Instruments

The estimated fair values of United's financial instruments 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, 2020					
Cash and cash equivalents	\$ 2,209,068	\$ 2,209,068	\$ 0	2,209,068	\$ 0
Securities available for sale	2,953,359	2,953,359	6,207	2,947,152	0
Securities held to maturity	1,212	1,212	0	192	1,020
Equity securities	10,718	10,718	10,718	0	0

(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)
Other securities	220,895	209,850	0	0	209,850
Loans held for sale	718,937	718,937	0	64,204	654,733
Net loans	17,355,583	16,559,797	0	0	16,559,797
Derivative financial assets	44,291	44,291	0	12,280	32,011
Mortgage servicing rights	20,955	20,955	0	0	20,955
Deposits	20,585,160	20,583,607	0	20,583,607	0
Short-term borrowings	142,300	142,300	0	142,300	0
Long-term borrowings	864,369	815,991	0	815,991	0
Derivative financial liabilities	13,058	13,058	0	13,058	0

December 31, 2019

Cash and cash equivalents	\$ 837,493	\$ 837,493	\$ 0	\$ 837,493	\$ 0
Securities available for sale	2,437,296	2,437,296	6,586	2,426,007	4,703
Securities held to maturity	1,446	1,447	0	427	1,020
Equity securities	8,894	8,894	8,894	0	0
Other securities	222,161	211,053	0	0	211,053
Loans held for sale	387,514	387,514	0	3,139	384,375
Net loans	13,635,072	13,185,955	0	0	13,185,955
Derivative financial assets	4,527	4,527	0	9	4,518
Deposits	13,852,421	13,843,077	0	13,843,077	0
Short-term borrowings	374,654	374,654	0	374,654	0
Long-term borrowings	1,838,029	1,820,297	0	1,820,297	0
Derivative financial liabilities	3,065	3,065	0	3,065	0

NOTE X—VARIABLE INTEREST ENTITIES

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

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

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

United, through its banking subsidiary, also makes limited partner equity investments in various low income housing and

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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:

(In thousands)	As of December 31, 2020			As of December 31, 2019		
	Aggregate Assets	Aggregate Liabilities	Risk Of Loss ⁽¹⁾	Aggregate Assets	Aggregate Liabilities	Risk Of Loss ⁽¹⁾
Trust preferred securities	\$ 295,466	\$ 284,788	\$ 10,678	\$ 257,941	\$ 248,680	\$ 9,261

(1) Represents investment in VIEs.

NOTE Y—SEGMENT INFORMATION

United operates in two business segments: community banking and mortgage banking. Through its community banking segment, United offers a full range of products and services through various delivery channels. In particular, the community banking segment includes both commercial and consumer lending and provides customers with such products as commercial loans, real estate loans, business financing and consumer loans. In addition, this segment provides customers with several choices of deposit products including demand deposit accounts, savings accounts and certificates of deposit as well as investment and financial advisory services to businesses and individuals, including financial planning, retirement/estate planning, and investment management. The mortgage banking segment engages primarily in the origination and acquisition of residential mortgages for sale into the secondary market through United's mortgage banking subsidiaries, George Mason and Crescent. Crescent may retain servicing rights on their mortgage loans sold. At certain times, Crescent may purchase rights to service loans from third parties. These rights are known as mortgage servicing rights provide the owner with the contractual right to receive a stream of cash flows in exchange for performing specified mortgage servicing functions.

The community banking segment provides the mortgage banking segment (George Mason and Crescent) with short-term funds to originate mortgage loans through a warehouse line of credit and charges the mortgage banking segment interest based on the 30-day LIBOR rate. These transactions are eliminated in the consolidation process.

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

Information about the reportable segments and reconciliation of this information to the consolidated financial statements at and for the years ended December 31, 2020, 2019 and 2018 is as follows:

(In thousands)	At and For the Year Ended December 31, 2020				
	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
Net interest income	\$ 677,907	\$ 8,853	\$ (9,658)	\$ 12,671	\$ 689,773
Provision for credit losses	106,562	0	0	0	106,562
Other income	90,092	276,185	730	(12,261)	354,746
Other expense	423,934	140,628	13,245	410	578,217
Income taxes	47,162	27,698	(4,143)	0	70,717
Net income (loss)	\$ 190,341	\$ 116,712	\$ (18,030)	\$ 0	\$ 289,023
Total assets (liabilities)	\$ 25,892,396	\$ 870,151	\$ 31,623	\$ (609,923)	\$ 26,184,247
Average assets (liabilities)	23,927,889	651,778	7,283	(449,880)	24,137,070

	At and For the Year Ended December 31, 2019				
(In thousands)	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
Net interest income	\$ 583,547	\$ 916	\$(12,472)	\$ 5,931	\$ 577,922
Provision for credit losses	21,313	0	0	0	21,313
Other income	74,956	83,884	392	(8,748)	150,484
Other expense	314,710	72,288	(1,527)	(2,817)	382,654
Income taxes	64,080	2,355	(2,095)	0	64,340
Net income (loss)	\$ 258,400	\$ 10,157	\$ (8,458)	\$ 0	\$ 260,099
Total assets (liabilities)	\$19,564,036	\$507,124	\$ 17,777	\$ (426,613)	\$19,662,324
Average assets (liabilities)	19,401,397	358,087	8,411	(292,427)	19,475,468

	At and For the Year Ended December 31, 2018				
(In thousands)	Community Banking	Mortgage Banking	Other	Intersegment Eliminations	Consolidated
Net interest income	\$ 593,108	\$ 1,315	\$(11,886)	\$ 6,108	\$ 588,645
Provision for credit losses	22,013	0	0	0	22,013
Other income	72,539	68,555	(667)	(11,715)	128,712
Other expense	301,123	72,632	31	(5,607)	368,179
Income taxes	73,861	(505)	(2,533)	0	70,823
Net income (loss)	\$ 268,650	\$ (2,257)	\$ (10,051)	\$ 0	\$ 256,342
Total assets (liabilities)	\$19,191,215	\$320,299	\$ 3,222	\$ (264,238)	\$19,250,498
Average assets (liabilities)	18,798,880	279,618	6,104	(236,575)	18,848,027

NOTE Z—QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data for 2020 and 2019 is summarized below (dollars in thousands, except for per share data):

(Dollars in thousands)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2020				
Interest income	\$ 180,482	\$ 198,717	\$ 210,269	\$ 208,914
Interest expense	38,964	28,115	24,605	16,925
Net interest income	141,518	170,602	185,664	191,989
Provision for credit losses	27,119	45,911	16,781	16,751
Mortgage banking income	17,631	68,213	109,457	70,793
Securities gains (losses), net	196	1,510	860	589
Other noninterest income	18,979	18,667	25,151	22,700
Noninterest expense	101,133	149,374	171,593	156,117
Income taxes	9,889	11,021	28,974	20,833
Net income ⁽¹⁾	40,183	52,686	103,784	92,370
Per share data:				
Average shares outstanding (000s):				
Basic	101,295	119,824	129,373	129,372
Diluted	101,399	119,888	129,455	129,479
Net income per share:				
Basic	\$ 0.40	\$ 0.44	\$ 0.80	\$ 0.71
Diluted	\$ 0.40	\$ 0.44	\$ 0.80	\$ 0.71
Dividends per share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35
2019				
Interest income	\$ 189,097	\$ 199,245	\$ 190,351	\$ 183,869
Interest expense	44,929	48,692	48,433	42,586
Net interest income	144,168	150,553	141,918	141,283
Provision for credit losses	4,996	5,417	5,033	5,867
Mortgage banking income	13,681	21,704	24,019	17,547
Securities losses, net	(159)	109	116	109
Other noninterest income	17,701	17,982	18,089	19,586
Noninterest expense	89,425	100,195	96,134	96,900
Income taxes	17,328	17,529	17,010	12,473

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(Dollars in thousands)	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Net income (1)	63,642	67,207	65,965	63,285
<u>Per share data:</u>				
<u>Average shares outstanding (000s):</u>				
Basic	101,895	101,774	101,432	101,250
Diluted	102,163	102,048	101,712	101,538
<u>Net income per share:</u>				
Basic	\$ 0.62	\$ 0.66	\$ 0.65	\$ 0.62
Diluted	\$ 0.62	\$ 0.66	\$ 0.65	\$ 0.62
Dividends per share	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.35

(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 68 - 69 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, 2020 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. OTHER INFORMATION

None

**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 2021 Annual Meeting of Shareholders under the caption "Directors Whose Terms Expire in 2021 and Nominees for Directors" under the heading "PROPOSAL 1: ELECTION OF DIRECTORS", under the caption "Delinquent Section 16(a) Reports" 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 2021 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 2021 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 2021 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 2021 Annual Meeting of Shareholders under the caption "Directors Whose Terms Expire in 2021 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 2021 Annual Meeting of Shareholders under the captions of "Related Party Transactions" and "Independence of Directors" under the heading "GOVERNANCE OF THE COMPANY."

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 2021 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."

**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 149 of this Form 10-K.

(b) Exhibits — The exhibits to this Form 10-K begin on page 153.

(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.

UNITED BANKSHARES, INC.
FORM 10-K
INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated November 17, 2019, by and between United Bankshares, Inc. and Carolina Financial Corporation (incorporated into this filing by reference to Exhibit 2.1 to the Form 8-K dated November 17, 2019 and filed November 18, 2019 for United Bankshares, Inc., File No. 002-86947)
3.1	Amended and Restated Articles of Incorporation (incorporated into this filing by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q dated March 31, 2017 and filed May 9, 2017 for United Bankshares, Inc., File No.002-86947)
3.2	Restated Bylaws (incorporated into this filing by reference to Exhibit 3.1 to the Current Report on Form 8-K dated and filed on March 20, 2020 for United Bankshares, Inc., File No.002-86947)
4.1	Description of Registrant’s Securities (incorporated into this filing by reference to the Annual Report on Form 10-K dated December 31, 2019 and filed March 2, 2020 for United Bankshares, Inc., File No.002-86947)
10.1	Fourth Amended Employment Agreement for Richard M. Adams (incorporated into this filing by reference to Exhibit 10.5 to the 2011 Form 10-K dated December 31, 2011 and filed February 29, 2012 for United Bankshares, Inc., File No. 002-86947)
10.2	Third Amended Employment Agreement for Richard M. Adams (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. 002-86947)
10.3	Second Amended and Restated Supplemental Retirement Agreement for Richard M. Adams (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. 002-86947)
10.4	First Amendment to Second Amended and Restated Supplemental Retirement Agreement for Richard M. Adams (incorporated into this filing by reference to Exhibit 10.6 to the 2011 Form 10-K dated December 31, 2011 and filed February 29, 2012 for United Bankshares, Inc., File No. 002-86947)
10.5	Amended and Restated Change of Control Agreement for Richard M. Adams, Jr. and James J. Consagra, Jr. (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. 002-86947)
10.6	Form of 2017 Amendment to Amended and Restated Change of Control Agreement for Richard M. Adams, Jr. and James J. Consagra, Jr. (incorporated into this filing by reference to Exhibit 10.6 to the 2017 Form 10-K dated December 31, 2017 and filed March 1, 2018 for United Bankshares, Inc. File No.002-86947)
10.7	Form of the Amendment and First Restatement of the United Bankshares, Inc. Supplemental Executive Retirement Agreement (Tier 2 SERP) for Richard M. Adams, Jr. and James J. Consagra, Jr., Executive Vice-President (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. 002-86947)

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<u>Exhibit No.</u>	<u>Description</u>
10.8	<u>Form of Second Amendment to 2008 Amended and Restated United Bankshares, Inc. Supplemental Executive Retirement Agreement for Richard M. Adams, Jr. and James J. Consagra, Jr. (incorporated into this filing by reference to Exhibit 10.8 to the 2017 Form 10-K dated December 31, 2017 and filed March 1, 2018 for United Bankshares, Inc. File No.002-86947)</u>
10.9	<u>Employment Agreement with J. Paul McNamara (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)</u>
10.10	<u>Supplemental Executive Retirement Agreement for Craig Smith (incorporated into this filing by reference to Exhibit 10.1 to the 2013 Form 10-K dated December 31, 2013 and filed on March 3, 2014 for United Bankshares, Inc., File No. 002-86947)</u>
10.11	<u>Supplemental Executive Retirement Agreement for Mark Tatterson (incorporated into this filing by reference to Exhibit 10.2 to the 2013 Form 10-K dated December 31, 2013 and filed on March 3, 2014 for United Bankshares, Inc., File No. 002-86947)</u>
10.12	<u>Form of First Amendment to United Bankshares, Inc. Supplemental Executive Retirement Agreement for Craig Smith and Mark Tatterson (incorporated into this filing by reference to Exhibit 10.12 to the 2017 Form 10-K dated December 31, 2017 and filed March 1, 2018 for United Bankshares, Inc. File No.002-86947)</u>
10.13	<u>Form of Independent Contractor Agreement with Peter A. Converse (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. 002-86947)</u>
10.14	<u>Amended and Restated Employment Agreement by and between United Bankshares, Inc., United Bank and Michael P. Fitzgerald (incorporated into this filing by reference to Exhibit 10.2 to the Form 8-K dated June 3, 2016 and filed June 6, 2016 for United Bankshares, Inc., File No.002-86947)</u>
10.15	<u>Form of Supplemental Executive Retirement Agreement with Darren K. Williams and Douglas B. Ernest (incorporated into this filing by reference to Exhibit 10.15 to the 2017 Form 10-K dated December 31, 2017 and filed March 1, 2018 for United Bankshares, Inc. File No.002-86947)</u>
10.16	<u>Second Amended and Restated United Bankshares, Inc. Non-Qualified Retirement and Savings Plan (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. 002-86947)</u>
10.17	<u>Amended and Restated United Bankshares, Inc. Management Stock Bonus Plan (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. 002-86947)</u>
10.18	<u>United Bankshares, Inc., United Bank, Inc. and United Bank Deferred Compensation Plan for Directors (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. 002-86947)</u>

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<u>Exhibit No.</u>	<u>Description</u>
10.19	<u>United Bankshares, Inc., United Bank, Inc. and United Bank Rabbi Trust Agreement for Deferred Compensation Plan for Directors (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. 002-86947)</u>
10.20	<u>United Bankshares, Inc. 2011 Long-term Incentive Plan (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. 002-86947)</u>
10.21	<u>United Bankshares, Inc. 2016 Long-term Incentive Plan (incorporated into this filing by reference to Exhibit A to 2016 Proxy Statement dated April 4, 2016 and filed April 1, 2016 for United Bankshares, Inc., File No. 002-86947)</u>
10.22	<u>United Bankshares, Inc. 2020 Long-term Incentive Plan (incorporated into this filing by reference to Exhibit A to 2020 Proxy Statement dated March 30, 2020 and filed March 30, 2020 for United Bankshares, Inc., File No. 002-86947)</u>
21.1	<u>Subsidiaries of the Registrant (filed herewith)</u>
23.1	<u>Consent of Ernst & Young LLP (filed herewith)</u>
31.1	<u>Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer (filed herewith)</u>
31.2	<u>Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer (filed herewith)</u>
32.1	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer (furnished herewith)</u>
32.2	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer (furnished herewith)</u>
101	Interactive data file (Inline XBRL) (filed herewith)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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
<u>/s/ Richard M. Adams</u>	Chairman of the Board, Director, and Chief Executive Officer	March 1, 2021
<u>/s/ W. Mark Tatterson</u>	Chief Financial Officer Chief Accounting Officer	March 1, 2021
<u>/s/ J. Paul McNamara</u>	Director	March 1, 2021
<u>/s/ Mark R. Nesselroad</u>	Director	March 1, 2021
<u>/s/ Michael P. Fitzgerald</u>	Director	March 1, 2021
<u>/s/ Patrice A. Harris</u>	Director	March 1, 2021
<u>/s/ Jerold L. Rexroad</u>	Director	March 1, 2021
<u>/s/ Peter A. Converse</u>	Director	March 1, 2021
<u>/s/ Albert H. Small, Jr.</u>	Director	March 1, 2021
<u>/s/ Theodore J. Georgelas</u>	Director	March 1, 2021
<u>/s/ Mary K. Weddle</u>	Director	March 1, 2021
<u>/s/ Gary G. White</u>	Director	March 1, 2021
<u>/s/ P. Clinton Winter</u>	Director	March 1, 2021

SUBSIDIARIES OF THE REGISTRANT

<u>TITLE</u>	<u>STATE OF INCORPORATION</u>
United Brokerage Services, Inc.	West Virginia
United Real Estate Property Services, Inc.	West Virginia
United Venture Fund, Inc.	West Virginia
United Title Company	West Virginia
United Bank	Virginia
NVA Properties, LLC	Virginia
NVA Residential, LLC	Virginia
NVA Commercial, LLC	Virginia
George Mason Mortgage, LLC	Virginia
Crescent Mortgage Company	Delaware
GMBS Capital Management Co.	Nevada
UBC Capital Management, Co.	Nevada
United Asset Management Corp.	Nevada
United Loan Management Co.	Nevada
United Statutory Trust III	Connecticut
United Statutory Trust IV	Delaware
United Statutory Trust V	Delaware
United Statutory Trust VI	Delaware
Premier Statutory Trust II	Delaware
Premier Statutory Trust III	Delaware
Premier Statutory Trust IV	Delaware
Premier Statutory Trust V	Delaware
Centra Statutory Trust I	Delaware

SUBSIDIARIES OF THE REGISTRANT

(continued)

<u>TITLE</u>	<u>STATE OF INCORPORATION</u>
Centra Statutory Trust II	Delaware
VCBI Capital Trust II	Delaware
VCBI Capital Trust III	Delaware
Cardinal Statutory Trust I	Delaware
UFBC Capital Trust I	Delaware
Carolina Financial Capital Trust I	Delaware
Carolina Financial Capital Trust II	Delaware
Greer Capital Trust I	Delaware
Greer Capital Trust II	Delaware
First South Preferred Trust I	Delaware
DTFS, Inc.	North Carolina
Carolina Services Corporation of Charleston	Delaware
CresCom Leasing, LLC	North Carolina
Western Carolina Holdings, LLC	North Carolina

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Form S-3 No. 333-214551) pertaining to a shelf registration statement and the offering of up to 4,330,000 shares of common stock of United Bankshares, Inc.,
- 2) Registration Statement (Form S-8 No. 333-238788) pertaining to the 2020 Long-Term Incentive Plan of United Bankshares, Inc.,
- 3) Registration Statement (Post-Effective Amendment No. 1 to Form S-4 on Form S-8 No. 333-235944) pertaining to the 250,000 shares of common stock of United Bankshares, Inc. issuable under options assumed by United Bankshares, Inc. pursuant to the Carolina Financial Corporation 2013 Equity Incentive Plan and the First South Bancorp, Inc. 2008 Equity Incentive Plan,
- 4) Registration Statement (Form S-8 No. 333-212766) pertaining to the 2016 Long-Term Incentive Plan of United Bankshares, Inc.,
- 5) Registration Statement (Form S-8 No. 333-176658) pertaining to the 2011 Long-Term Incentive Plan of United Bankshares, Inc.,
- 6) Registration Statement (Form S-8 No. 333-138192) pertaining to the 2006 Stock Option Plan of United Bankshares, Inc.,
- 7) Registration Statement (Form S-8 No. 333-106528) pertaining to the 2001 Incentive Stock Option Plan of United Bankshares, Inc.,
- 8) Registration Statement (Form S-8 No. 333-24241) pertaining to the 1996 Incentive Stock Option Plan of United Bankshares, Inc.,
- 9) Registration Statement (Form S-8 No. 33-32522) pertaining to the United Bankshares, Inc. Savings and Stock Investment Plan, and

of our reports dated March 1, 2021 with respect to the consolidated financial statements of United Bankshares, Inc., and the effectiveness of internal control over financial reporting of United Bankshares, Inc., included in this Annual Report (Form 10-K) of United Bankshares Inc. for the year ended December 31, 2020.

/s/ Ernst & Young LLP
Charleston, WV
March 1, 2021

CERTIFICATION

I, Richard M. Adams, certify that:

1. I have reviewed this annual report on Form 10-K of United Bankshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

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

CERTIFICATION

I, W. Mark Tatterson, certify that:

1. I have reviewed this annual report on Form 10-K of United Bankshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

/s/ W. Mark Tatterson

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

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of United Bankshares, Inc. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2021

/s/ Richard M. Adams

Name: Richard M. Adams

Title: Chief Executive Officer

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of United Bankshares, Inc. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2021

/s/ W. Mark Tatterson

Name: W. Mark Tatterson

Title: Chief Financial Officer