

UNITED BANKSHARES INC/WV  
Form 10-Q  
August 09, 2016  
Table of Contents

**FORM 10-Q**  
**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-13322

**United Bankshares, Inc.**

(Exact name of registrant as specified in its charter)

West Virginia  
(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

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

## Edgar Filing: UNITED BANKSHARES INC/WV - Form 10-Q

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class - Common Stock, \$2.50 Par Value; **76,379,927** shares outstanding as of **July 31, 2016**.

**Table of Contents**

**UNITED BANKSHARES, INC. AND SUBSIDIARIES**

**FORM 10-Q**

**TABLE OF CONTENTS**

	Page
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<u>Item 1. Financial Statements</u>	3
<u>Consolidated Balance Sheets (Unaudited) June 30, 2016 and December 31, 2015</u>	4
<u>Consolidated Statements of Income (Unaudited) for the Three and Six Months Ended June 30, 2016 and 2015</u>	5
<u>Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Six Months Ended June 30, 2016 and 2015</u>	7
<u>Consolidated Statement of Changes in Shareholders' Equity (Unaudited) for the Six Months Ended June 30, 2016</u>	8
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Six Months Ended June 30, 2016 and 2015</u>	9
<u>Notes to Consolidated Financial Statements</u>	10
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	53
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	77
<u>Item 4. Controls and Procedures</u>	79
<b><u>PART II. OTHER INFORMATION</u></b>	
<u>Item 1. Legal Proceedings</u>	80
<u>Item 1A. Risk Factors</u>	80
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	80
<u>Item 3. Defaults Upon Senior Securities</u>	81
<u>Item 4. Mine Safety Disclosures</u>	81
<u>Item 5. Other Information</u>	81
<u>Item 6. Exhibits</u>	81
<u>Signatures</u>	82
<u>Exhibits Index</u>	83

**Table of Contents**

**PART I - FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS (UNAUDITED)**

The June 30, 2016 and December 31, 2015, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries ( United or the Company ), consolidated statements of income and comprehensive income for the three and six months ended June 30, 2016 and 2015, the related consolidated statement of changes in shareholders' equity for the six months ended June 30, 2016, the related condensed consolidated statements of cash flows for the six months ended June 30, 2016 and 2015, and the notes to consolidated financial statements appear on the following pages.

**Table of Contents****CONSOLIDATED BALANCE SHEETS****UNITED BANKSHARES, INC. AND SUBSIDIARIES****(Dollars in thousands, except par value)**

	<b>June 30 2016 (Unaudited)</b>	<b>December 31 2015 (Note 1)</b>
<b>Assets</b>		
Cash and due from banks	\$ 179,023	\$ 136,690
Interest-bearing deposits with other banks	921,722	719,923
Federal funds sold	724	722
<b>Total cash and cash equivalents</b>	<b>1,101,469</b>	<b>857,335</b>
Securities available for sale at estimated fair value (amortized cost-\$1,309,638 at June 30, 2016 and \$1,072,340 at December 31, 2015)	1,323,709	1,066,334
Securities held to maturity (estimated fair value-\$30,759 at June 30, 2016 and \$36,319 at December 31, 2015)	34,029	39,099
Other investment securities	125,413	98,749
Loans held for sale	6,226	10,681
Loans	10,437,354	9,398,952
Less: Unearned income	(14,496)	(14,872)
Loans net of unearned income	10,422,858	9,384,080
Less: Allowance for loan losses	(72,448)	(75,726)
Net loans	10,350,410	9,308,354
Bank premises and equipment	77,215	73,089
Goodwill	866,176	710,252
Accrued interest receivable	37,668	35,801
Other assets	415,697	378,250
<b>TOTAL ASSETS</b>	<b>\$ 14,338,012</b>	<b>\$ 12,577,944</b>
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 3,141,148	\$ 2,699,958
Interest-bearing	7,174,705	6,641,569
Total deposits	10,315,853	9,341,527
Borrowings:		
Federal funds purchased	8,300	22,230
Securities sold under agreements to repurchase	377,146	341,661
Federal Home Loan Bank borrowings	1,295,829	850,880
Other long-term borrowings	223,940	223,506
Reserve for lending-related commitments	1,394	936
Accrued expenses and other liabilities	102,410	84,569
<b>TOTAL LIABILITIES</b>	<b>12,324,872</b>	<b>10,865,309</b>
<b>Shareholders Equity</b>		
Preferred stock, \$1.00 par value; Authorized-50,000,000 shares, none issued		

Edgar Filing: UNITED BANKSHARES INC/WV - Form 10-Q

Common stock, \$2.50 par value; Authorized-100,000,000 shares; issued-76,323,780 and 69,626,932 at June 30, 2016 and December 31, 2015, respectively, including 27,634 and 23,835 shares in treasury at June 30, 2016 and December 31, 2015, respectively	190,809	174,067
Surplus	1,004,285	752,997
Retained earnings	842,940	824,603
Accumulated other comprehensive loss	(23,943)	(38,212)
Treasury stock, at cost	(951)	(820)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>2,013,140</b>	<b>1,712,635</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 14,338,012</b>	<b>\$ 12,577,944</b>

*See notes to consolidated unaudited financial statements.*

**Table of Contents****CONSOLIDATED STATEMENTS OF INCOME (Unaudited)****UNITED BANKSHARES, INC. AND SUBSIDIARIES**

(Dollars in thousands, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
<b>Interest income</b>				
Interest and fees on loans	\$ 103,329	\$ 96,704	\$ 202,663	\$ 191,853
Interest on federal funds sold and other short-term investments	642	350	1,264	681
Interest and dividends on securities:				
Taxable	8,257	7,582	15,964	15,771
Tax-exempt	859	896	1,692	1,776
<b>Total interest income</b>	<b>113,087</b>	<b>105,532</b>	<b>221,583</b>	<b>210,081</b>
<b>Interest expense</b>				
Interest on deposits	6,670	6,796	13,555	13,681
Interest on short-term borrowings	365	209	579	440
Interest on long-term borrowings	3,327	2,625	6,440	5,309
<b>Total interest expense</b>	<b>10,362</b>	<b>9,630</b>	<b>20,574</b>	<b>19,430</b>
<b>Net interest income</b>	<b>102,725</b>	<b>95,902</b>	<b>201,009</b>	<b>190,651</b>
Provision for loan losses	7,667	5,716	11,702	11,070
<b>Net interest income after provision for loan losses</b>	<b>95,058</b>	<b>90,186</b>	<b>189,307</b>	<b>179,581</b>
<b>Other income</b>				
Fees from trust and brokerage services	4,792	4,931	9,661	9,823
Fees from deposit services	8,390	10,434	16,363	20,207
Bankcard fees and merchant discounts	1,365	1,231	2,203	2,045
Other service charges, commissions, and fees	796	639	1,225	1,117
Income from bank-owned life insurance	1,192	1,258	2,372	2,531
Income from mortgage banking	789	663	1,517	1,208
Other income	430	339	801	743
Total other-than-temporary impairment losses	339	0	339	(100)
Portion of loss recognized in other comprehensive income	(372)	0	(372)	66
<b>Net other-than-temporary impairment losses</b>	<b>(33)</b>	<b>0</b>	<b>(33)</b>	<b>(34)</b>
Net gains on sales/calls of investment securities	246	3	250	49
<b>Net investment securities gains</b>	<b>213</b>	<b>3</b>	<b>217</b>	<b>15</b>
<b>Total other income</b>	<b>17,967</b>	<b>19,498</b>	<b>34,359</b>	<b>37,689</b>
<b>Other expense</b>				
Employee compensation	22,631	20,724	44,910	40,992
Employee benefits	7,294	6,588	13,897	13,391
Net occupancy expense	7,773	6,542	14,026	13,071
Other real estate owned (OREO) expense	2,663	1,121	3,312	2,234
Equipment expense	2,058	2,020	4,065	4,144
Data processing expense	3,596	3,867	7,147	7,610

Edgar Filing: UNITED BANKSHARES INC/WV - Form 10-Q

Bankcard processing expense	435	353	803	702
FDIC insurance expense	2,135	2,061	4,255	4,155
Other expense	16,270	14,454	30,496	29,086
Total other expense	64,855	57,730	122,911	115,385
Income before income taxes	48,170	51,954	100,755	101,885
Income taxes	16,378	17,145	34,257	32,449
Net income	\$ 31,792	\$ 34,809	\$ 66,498	\$ 69,436



**Table of Contents****CONSOLIDATED STATEMENTS OF INCOME (Unaudited) continued****UNITED BANKSHARES, INC. AND SUBSIDIARIES****(Dollars in thousands, except per share data)**

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
<b>Earnings per common share:</b>				
Basic	\$ 0.44	\$ 0.50	\$ 0.94	\$ 1.00
Diluted	\$ 0.44	\$ 0.50	\$ 0.94	\$ 1.00
Dividends per common share	\$ 0.33	\$ 0.32	\$ 0.66	\$ 0.64
<b>Average outstanding shares:</b>				
Basic	71,483,703	69,305,612	70,490,596	69,256,831
Diluted	71,809,021	69,587,417	70,766,964	69,531,839

*See notes to consolidated unaudited financial statements*

**Table of Contents****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)****UNITED BANKSHARES, INC. AND SUBSIDIARIES****(Dollars in thousands)**

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net income	\$ 31,792	\$ 34,809	\$ 66,498	\$ 69,436
Change in net unrealized gain (loss) on available-for-sale (AFS) securities, net of tax	4,316	(6,100)	12,809	(766)
Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (HTM) securities, net of tax	1	2	2	3
Change in pension plan assets, net of tax	729	768	1,458	1,536
Comprehensive income, net of tax	\$ 36,838	\$ 29,479	\$ 80,767	\$ 70,209

*See notes to consolidated unaudited financial statements*

**Table of Contents****CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)****UNITED BANKSHARES, INC. AND SUBSIDIARIES**

(Dollars in thousands, except per share data)

	Six Months Ended June 30, 2016						Total Shareholders Equity
	Common Stock Shares	Common Stock Par Value	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	
Balance at January 1, 2016	69,626,932	\$ 174,067	\$ 752,997	\$ 824,603	(\$ 38,212)	(\$ 820)	\$ 1,712,635
Comprehensive income:							
Net income	0	0	0	66,498	0	0	66,498
Other comprehensive income, net of tax:	0	0	0	0	14,269	0	14,269
Total comprehensive income, net of tax							80,767
Stock based compensation expense	0	0	1,330	0	0	0	1,330
Acquisition of Bank of Georgetown (6,527,746)	6,527,746	16,319	248,186	0	0	0	264,505
Purchase of treasury stock (9 shares)	0	0	0	0	0	0	0
Distribution of treasury stock from deferred compensation plan (3 shares)	0	0	0	0	0	0	0
Cash dividends (\$0.66 per share)	0	0	0	(48,161)	0	0	(48,161)
Grant of restricted stock (64,092 shares)	64,092	161	(161)	0	0	0	0
Forfeiture of restricted stock (3,793 shares)	0	0	131	0	0	(131)	0
Common stock options exercised (105,010 shares)	105,010	262	1,802	0	0	0	2,064
Balance at June 30, 2016	76,323,780	\$ 190,809	\$ 1,004,285	\$ 842,940	(\$ 23,943)	(\$ 951)	\$ 2,013,140

*See notes to consolidated unaudited financial statements.*

**Table of Contents****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)****UNITED BANKSHARES, INC. AND SUBSIDIARIES**

(Dollars in thousands)

	Six Months Ended June 30	
	2016	2015
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 74,928	\$ 72,371
<b>INVESTING ACTIVITIES</b>		
Proceeds from maturities and calls of securities held to maturity	5,002	184
Proceeds from sales of securities available for sale	103,399	3,436
Proceeds from maturities and calls of securities available for sale	90,833	84,031
Purchases of securities available for sale	(216,315)	(36,057)
Purchases of bank premises and equipment	(2,463)	(2,279)
Proceeds from sales of bank premises and equipment	0	994
Purchases of other investment securities	(40,245)	(10,561)
Proceeds from sales and redemptions of other investment securities	18,299	14,449
Acquisition of Bank of Georgetown, net of cash paid	29,330	0
Net change in loans	(79,923)	15,687
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	(92,083)	69,884
<b>FINANCING ACTIVITIES</b>		
Cash dividends paid	(45,969)	(44,374)
Excess tax benefits from stock-based compensation arrangements	1,304	635
Acquisition of treasury stock	0	0
Proceeds from exercise of stock options	2,089	4,558
Repayment of long-term Federal Home Loan Bank borrowings	(725,051)	(790,395)
Proceeds from issuance of long-term Federal Home Loan Bank borrowings	795,000	665,000
Distribution of treasury stock for deferred compensation plan	0	0
Changes in:		
Deposits	2,641	238,182
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	231,275	(51,824)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	261,289	21,782
Increase in cash and cash equivalents	244,134	164,037
Cash and cash equivalents at beginning of year	857,335	753,064
Cash and cash equivalents at end of period	\$ 1,101,469	\$ 917,101

*See notes to consolidated unaudited financial statements.*

**Table of Contents**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**UNITED BANKSHARES, INC. AND SUBSIDIARIES**

The accompanying unaudited consolidated interim financial statements of United Bankshares, Inc. and Subsidiaries ( United or the Company ) have been prepared in accordance with accounting principles for interim financial information generally accepted in the United States (GAAP) and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not contain all of the information and footnotes required by accounting principles generally accepted in the United States. 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. The financial statements presented as of June 30, 2016 and 2015 and for the three-month and six-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2015 has been extracted from the audited financial statements included in United s 2015 Annual Report to Shareholders. The accounting and reporting policies followed in the presentation of these financial statements are consistent with those applied in the preparation of the 2015 Annual Report of United on Form 10-K. To conform to the 2016 presentation, certain reclassifications have been made to prior period amounts, which had no impact on net income, comprehensive income, or stockholders equity. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim periods have been made. Such adjustments are of a normal and recurring nature.

The accompanying consolidated interim financial statements include the accounts of United and its wholly owned subsidiaries. United considers all of its principal business activities to be bank related. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. Dollars are in thousands, except per share or unless otherwise noted.

**1. SUMMARY OF NEW ACCOUNTING STANDARDS**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments Credit Losses. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments that aren t measured at fair value through net income. The standard will replace today s incurred loss approach with an expected loss model for instruments measured at amortized cost and require 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 2016-13 also simplifies the accounting model for purchased credit-impaired debt securities and loans