UNITED BANKSHARES INC/WV
Form 10-K
February 26, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2009

OR

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

For the transition period from _______ to _______

Commission File Number: 0-13322

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

West Virginia	**55-0641179**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
300 United Center 500 Virginia Street, East Charleston, West Virginia	**25301**
(Address of principal executive offices)	**(Zip Code)**

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

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

Common Stock, $2.50 Par Value

(Title of Class)

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. Yes x No ¨

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

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

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K

(Continued)

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

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

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of United Bankshares, Inc. common stock, representing all of its voting stock that was held by non-affiliates on June 30, 2009, was approximately **$747,506,354**.

As of January 31, 2010, United Bankshares, Inc. had **43,438,740** shares of common stock outstanding with a par value of **$2.50**.

Documents Incorporated By Reference

Definitive Proxy Statement dated March 25, 2010 for the 2010 Annual Shareholders Meeting to be held on May 3, 2010, portions of which are incorporated by reference in Part III of this Form 10-K.

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K

(Continued)

As of the date of filing this Annual report, neither the annual shareholders report for the year ended December 31, 2009, nor the proxy statement for the annual United shareholders meeting has been mailed to shareholders.

CROSS-REFERENCE INDEX

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K, PART I

Item 1. BUSINESS

Organizational History and Subsidiaries

United Bankshares, Inc. (United) is a West Virginia corporation registered as a bank holding company pursuant to the Bank Holding Company Act of 1956, as amended. United was incorporated on March 26, 1982, organized on September 9, 1982, and began conducting business on May 1, 1984 with the acquisition of three wholly-owned subsidiaries. Since its formation in 1982, United has acquired twenty-seven banking institutions. At December 31, 2009, United has two banking subsidiaries (the Banking Subsidiaries) doing business under the name of United Bank, one operating under the laws of West Virginia referred to as United Bank (WV) and the other operating under the laws of Virginia referred to as United Bank (VA). United s Banking Subsidiaries offer a full range of commercial and retail banking services and products. United also owns nonbank subsidiaries which engage in other community banking services such as asset management, real property title insurance, investment banking, financial planning, and brokerage services.

Employees

As of December 31, 2009, United and its subsidiaries had approximately 1,477 full-time equivalent employees and officers. None of these employees are represented by a collective bargaining unit and management considers employee relations to be excellent.

Web Site Address

United s web site address is www.ubsi-inc.com . United makes available free of charge on its web site the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments thereto, as soon as reasonably practicable after United files such reports with the Securities and Exchange Commission (SEC). The reference to United s web site does not constitute incorporation by reference of the information contained in the web site and should not be considered part of this document. These reports are also available at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Business of United

As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, United s present business is community banking. As of December 31, 2009, United s consolidated assets approximated $7.8 billion and total shareholders equity approximated $762 million.

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

Business of Banking Subsidiaries

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

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

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

United Bank (WV) is a member of a network of automated teller machines known as the STAR ATM network while United Bank (VA) participates in the MOST network. Through STAR and MOST, the Banking Subsidiaries are participants in a network known as Cirrus, which provides banking on a nationwide basis.

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

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

Lending Activities

United s loan portfolio, net of unearned income, decreased $277.4 million to $5.7 billion in 2009. The loan portfolio is comprised of commercial, real estate and consumer loans including credit card and home equity loans. Virtually all classifications of loans declined for 2009. Commercial real estate loans and commercial loans (not secured by real estate) decreased $27.7 million or 1.7% and $166.7 million or 13.1%, respectively. Single-family residential real estate loans decreased $55.9 million or 2.9% and construction loans declined $42.4 million or 7.0%. Consumer loans decreased $17.3 million or 5.2%. Loans secured by other real estate increased $30.2 million or 12.3%.

Commercial Loans

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

Real Estate Loans

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

As of December 31, 2009, approximately $343.3 million or 6.0% of United s loan portfolio were real estate loans that met the regulatory definition of a high loan-to-value loan. A high loan-to-value real estate loan is defined as any loan, line of credit, or combination of credits secured by liens on or interests in real estate that equals or exceeds a certain percentage established by United s primary regulator of the real estate s appraised value, unless the loan has other appropriate credit support. The certain percentage varies depending on the loan type and collateral. Appropriate credit support may include mortgage insurance, readily marketable collateral, or other acceptable collateral that reduces the loan-to-value ratio below the certain percentage. Of the $343.3 million, $139.7 million is secured by first deeds of trust on residential real estate with $128.6 million of that total falling in a loan-to-value (LTV) range of 90% to 100% and $11.1 million above a LTV of 100%; $65.2 million is secured by subordinate deeds of trust on residential real estate with $57.1 million between a LTV of 90% to 100% and $8.1 million above a LTV of 100%; and $138.4 million is secured by commercial real estate generally ranging from the regulatory limit for the type of commercial real estate up to a LTV of 100%. Of the $138.4 million high loan to value commercial loans, $34.0 million are classified as Other Construction Loans and Land Loans, $48.0 million are Non-residential Secured, $20.4 million are Commercial Owner occupied properties, $15.6 million are 1-4 family Residential Secured first lien properties, and $14.5 million are Residential Construction Loans. The remaining $5.9 million are spread out in three different categories, none of which are material.

Consumer Loans

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

Underwriting Standards

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

United s underwriting standards and practices are designed to originate both fixed and variable rate loan products in a manner which is consistent with the prudent banking practices applicable to these exposures. Typically, both fixed and variable rate loan underwriting practices incorporate conservative methodology, including the use of stress testing for commercial loans, and other product appropriate measures designed to provide an adequate margin of safety for the full collection of both principal and interest within contractual terms. Consumer real estate secured loans are underwritten to the initial rate, and to a higher assumed rate commensurate with normal market conditions. Therefore, it is the intent of United s underwriting standards to insure that adequate primary repayment capacity exists to address both future increases in interest rates, and fluctuations in the underlying cash flows available for repayment. Historically, and at December 31, 2009, 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 $3.2 billion as of December 31, 2009. These loans are primarily secured by real estate located in West Virginia, southeastern Ohio, Virginia and Maryland. 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, 2009, approximately $1.3 billion or 23.0% of United s total loan portfolio were for the purpose of renting or leasing real estate. The loans were originated by United s subsidiary banks using underwriting standards as set forth by management. United s loan administration policies are focused on the risk characteristics of the loan portfolio, including commercial real estate loans, in terms of loan approval and credit quality. It is the opinion of management that these loans do not pose any unusual risks and that adequate consideration has been given to the above loans in establishing the allowance for loan losses.

Secondary Markets

United generally originates loans within the primary market area of its banking subsidiaries. United may from time to time make loans to borrowers and/or on properties outside of its primary market area as an accommodation to its customers. Processing of all loans is centralized in the Charleston, West Virginia office. As of December 31, 2009, the balance of mortgage loans being serviced by United for others was insignificant.

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

During 2009, United originated $74.1 million of real estate loans for sale in the secondary market and sold $69.7 million of loans designated as held for sale in the secondary market. Net gains on the sales of these loans during 2009 were $608 thousand.

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

Investment Activities

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

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

United s investment portfolio is comprised of a significant amount of mortgage-backed securities. United has a small amount of U.S. Treasury securities and obligations of U.S. Agencies and Corporations. Obligations of States and Political Subdivisions are comprised of primarily AAA rated municipal securities. Interest and dividends on securities for the years of 2009, 2008, and 2007 were $55.5 million, $71.0 million, and $68.3 million, respectively. For the years of 2009, 2008 and 2007, United recognized net losses on security transactions of $14.7 million, $9.4 million and $68 thousand, respectively. In the year of 2009, United recognized other-than-temporary impairment charges of $15.0 million on certain investment securities consisting primarily of $8.0 million on a single-issue trust preferred security and $5.4 million on pooled trust preferred collateralized debt obligations (TRUP CDOs). During 2008, United recognized other-than-temporary impairment charges of $889 thousand on certain marketable equity securities and $9.0 million on a corporate debt holding.

Competition

United faces a high degree of competition in all of the markets it serves. These markets may generally be defined as Wood, Kanawha, Monongalia, Jackson, Cabell, Brooke, Hancock, Ohio, Marshall, Gilmer, Harrison, Lewis, Webster, Boone, Logan, Nicholas, Fayette, Berkley, Morgan, Jefferson and Raleigh Counties in West Virginia; Lawrence, Belmont, Jefferson and Washington Counties in Ohio; Montgomery County in Maryland and Arlington, Alexandria, Albemarle, Augusta, Clarke, Fairfax, Frederick, Greene, Loudoun, Prince William, Rockingham, Shenandoah, and Warren Counties in Virginia. United competes in Ohio markets because of the close proximity to the Ohio border of certain subsidiary offices. Included in United s West Virginia markets are the five largest West Virginia Metropolitan Statistical Areas (MSA): the Parkersburg MSA, the Charleston MSA, the Huntington MSA, the Wheeling MSA and the Weirton MSA. United s Virginia markets include the Maryland, northern Virginia and Washington, D.C. MSA, the Winchester MSA, the Harrisonburg MSA, and the Charlottesville MSA. United considers the above counties and MSA s to be the primary market area for the business of its banking subsidiaries.

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

As of December 31, 2009, there were 69 bank holding companies operating in the State of West Virginia registered with the Federal Reserve System and the West Virginia Board of Banking and Financial Institutions and 98 bank holding companies operating in the Commonwealth of Virginia registered with the Federal Reserve System and the Virginia Corporation Commission. These holding companies are headquartered in various states and control banks throughout West Virginia and Virginia, which compete for business as well as for the acquisition of additional banks.

Economic Characteristics of Primary Market Area

As of December 2009, West Virginia s unemployment rate was 8.6%, better than the national rate of 9.7% according to information from West Virginia s Bureau of Employment Programs. The state unemployment rate of 8.6% for December 2009 was an increase from a rate of 7.9% for the month of November 2009 and 4.4% for December 2008. The total number of unemployed state residents increased by 5,300 for the month of December as compared to the month of November. The total number of unemployed residents was up 32,700 from December 2008. Population outflows that have constrained faster economic growth in West Virginia may be moderating. In

Table of Contents

2002, the U.S. Census Bureau estimated that the state s population increased marginally. While substantially less than the national average, the increase was a substantial improvement over the six prior years, during which time the state s population base shrank.

United s Virginia subsidiary banking offices are located in markets that historically have reflected low unemployment rate levels. According to information available from the Virginia Employment Commission, Virginia s unemployment rate as of December 2009 was 6.7% which was below the U.S. December 2009 unemployment level of 9.7%. However, the 6.7% unemployment rate was a 3 basis point increase from November 2009 as the number of unemployed residents grew by 11,799. United s Virginia subsidiary banking offices are located in four of Virginia s ten metropolitan areas. The Northern Virginia metropolitan area s unemployment rate was at 4.8% in December 2009, the lowest among Virginia s ten metropolitan areas. The Charlottesville metropolitan area s unemployment rate was at 5.4% in December 2009, the second lowest among Virginia s ten metropolitan areas. The Harrisonburg metropolitan area s unemployment rate was at 5.7% in December 2009, the third lowest among Virginia s ten metropolitan areas. The Winchester metropolitan area s unemployment rate was 7.7% in December 2009.

Regulation and Supervision

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

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

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

On July 30, 2002, the President of the United States signed into law the Sarbanes-Oxley Act of 2002, a broad accounting, auditing, disclosure and corporate governance reform law. The legislation was passed in an effort to increase corporate responsibility by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws and to allow stockholders to more easily and efficiently monitor the performance of companies and directors.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the EESA) was signed into law. EESA temporarily raised the limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor. Separate from EESA, in October 2008, the Federal Deposit Insurance Corporation (FDIC) also announced the Temporary Liquidity Guarantee Program (TLGP) to guarantee eligible newly issued senior unsecured debt by FDIC-insured institutions through October 31, 2009. Under one component of this program, the Transaction Account Guaranty Program (TAGP), the FDIC temporarily provided a full guarantee on all non-interest-bearing transaction accounts held by any depositor, regardless of dollar amount, through December 31, 2009. The $250,000 deposit insurance coverage limit was scheduled to return to $100,000 on January 1, 2010, but was extended by congressional action until December 31, 2013. The TLGP has been extended to cover debt of FDIC-insured institutions issued through April 30, 2010, and the TAGP has been extended through June 30, 2010. United participated in the TAGP since its beginning, and has elected to continue its participation during the extension period. Additionally, United is eligible for the FDIC s debt guarantee program.

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

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.

The Banking Subsidiaries, as state member banks, are subject to supervision, examination and regulation by the Federal Reserve System, and as such, are subject to applicable provisions of the Federal Reserve Act and regulations issued thereunder. Each bank is subject to regulation by its state banking authority.

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

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

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

In November 2009, the FDIC issued a rule that required all insured depository institutions, with limited exceptions, to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC also adopted a uniform three-basis point increase in assessment rates effective on January 1, 2011. In December 2009, the United paid $36.4 million in prepaid risk-based assessments which is included in other assets in the accompanying Consolidated Balance Sheet as of December 31, 2009.

United s FDIC insurance expense totaled $9.2 million, $1.1 million and $569 thousand in 2009, 2008 and 2007, respectively.

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.

Table of Contents

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

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

Economic conditions began deteriorating during the latter half of 2007 and continued throughout 2009. Business activity across a wide range of industries and regions has been greatly reduced and many businesses are experiencing serious difficulties due to a lack of consumer spending and the lack of liquidity in credit markets. Unemployment has also increased significantly. As a result of this economic crises, many lending institutions, including United, have experienced declines in the performance of their loans, including construction, land development and land loans, commercial loans and consumer loans. Moreover, competition among depository institutions for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many commercial loans and home mortgages have declined and may continue to decline. Overall, the general business environment has had an adverse effect on United s business, and there can be no assurance that the environment will improve in the near term. Accordingly, until conditions improve, United s business, financial condition and results of operations could continue to be adversely affected.

The value of certain investment securities is volatile and future declines or other-than-temporary impairments could have a materially adverse affect 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. 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 or defaults in these securities could result in future classifications as other-than-temporarily impaired. This could have a material impact on United s future earnings, although the impact on shareholders equity will be offset by any amount already included in other comprehensive income for securities that were temporarily impairment.

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

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

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

- historical loan loss experience;
- industry diversification of the commercial loan portfolio;
- the effect of changes in the local real estate market on collateral values;
- the amount of nonperforming loans and related collateral security;
- current economic conditions that may affect the borrower s ability to pay and value of collateral;

sources and cost of funds;

Table of Contents

- volume, growth and composition of the loan portfolio; and

- other factors management believes are relevant.

These determinations are based upon estimates that are inherently subjective, and their accuracy depends on the outcome of future events, so ultimate losses may differ from current estimates. Changes in economic, operating and other conditions, including changes in interest rates, that are generally beyond United s control, can affect the Company s credit losses. With the deterioration of economic conditions throughout 2009, United s credit losses increased. If the economic conditions do not improve or continue to decline, United s credit losses could continue to increase, perhaps significantly. As a result, such losses could exceed United s current allowance estimates. United can provide no assurance that its allowance is sufficient to cover actual credit losses should such losses differ substantially from our current estimates.

In addition, federal and state regulators, as an integral part of their respective supervisory functions, periodically review United s allowance for credit losses.

Changes in interest rates may adversely affect United s business

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

United is subject to credit risk

There are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. United seeks to mitigate the risk inherent in its loan portfolio by adhering to prudent loan approval practices. Although United believes that its loan approval criteria are appropriate for the various kinds of loans the Company makes, United may incur losses on loans that meet our loan approval criteria. Due to recent economic conditions affecting the real estate market, many lending institutions, including United, have experienced substantial declines in the performance of their loans, including construction, land development and land loans. The value of real estate collateral supporting many construction and land development loans, land loans, commercial and multi-family loans have declined and may continue to decline. United cannot assure that the economic conditions affecting customers and the quality of the loan portfolio will improve and thus, United s financial condition and results of operations could continue to be adversely affected.

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

United s success is dependent upon the continued service and skills of its executive officers and senior management. If United loses the services of these key personnel, it could have a negative impact on United s business because of their skills, years of industry experience and the difficulty of promptly finding qualified replacement personnel. The services of Richard M. Adams, United s Chief Executive Officer, would be particularly difficult to replace. United and Mr. Adams are parties to an Employment Agreement providing for his continued employment by United through March 31, 2015.

United operates in a highly competitive market

United faces a high degree of competition in all of the markets it serves. United considers all of West Virginia to be included in its market area. This area includes the five largest West Virginia Metropolitan Statistical Areas (MSA): the Parkersburg MSA, the Charleston MSA, the Huntington MSA, the Wheeling MSA and the

Weirton MSA. United serves the Ohio counties of Lawrence, Belmont, Jefferson and Washington primarily because of their close proximity to the Ohio border and United banking offices nearby in West Virginia. In Virginia, United competes in the Northern Virginia counties of Alexandria, Arlington, Loudoun, Prince William, and Fairfax and in the Shenandoah Valley counties of Albemarle, Augusta, Clarke, Frederick, Greene, Rockingham, Shenandoah, and Warren. In addition, United has offices in Washington, D.C. In Maryland, United has offices in Montgomery county. United considers all of the above locations to be the primary market area for the business of its banking subsidiaries.

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

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, 2009, an aggregate of approximately $28.5 million and $44.6 million was available for dividend payments from United Bank (WV) and United Bank (VA), respectively, to United without regulatory approval.

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

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

United is subject to extensive government regulation and supervision

United is subject to extensive federal and state regulation, supervision and examination. Banking regulations are primarily intended to protect depositors funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect United s lending practices, capital structure, investment practices, dividend policy, operations and growth, among other things. These regulations also impose obligations to maintain appropriate policies, procedures and controls, among other things, to detect, prevent and report money laundering and terrorist financing and to verify the identities of United s customers. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect United in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products United may offer and/or increase the ability of nonbanks to offer competing financial services and products, among other things. United expends substantial effort and incurs costs to improve its systems, audit capabilities, staffing and training in order to satisfy regulatory requirements, but the regulatory authorities may determine that such efforts are insufficient. Failure to comply with relevant laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on United s business, financial condition and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur. In addition, the FDIC could impose higher assessments on deposits beyond those already implemented in 2009 based on the adequacy of the deposit insurance fund, conditions of the banking industry and as a result of changes in specific programs. These increased assessments could affect United s results of operations.

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

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

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

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

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

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

Table of Contents

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 one hundred and thirteen (113) full service offices fifty-three (53) offices located throughout West Virginia, fifty-seven (57) offices in the Shenandoah Valley region of Virginia and the Northern Virginia, Maryland and Washington, D.C. metropolitan area and three (3) in southeastern Ohio. United owns all of its West Virginia facilities except for two in the Wheeling area, two in the Charleston area, two in the Beckley area, two in the Charles Town area and one each in Parkersburg, Morgantown, and Clarksburg, all of which are leased under operating leases. United owns most of its facilities in the Shenandoah Valley region of Virginia except for ten offices, three in Winchester, one each in Charlottesville, Front Royal, Harrisonburg, Staunton, Waynesboro, Weyers Cave and Woodstock, all of which are leased under operating leases. United leases all of its facilities under operating lease agreements in the Northern Virginia, Maryland and Washington, D.C. areas except for four offices, one each in Fairfax, Alexandria, and Vienna, Virginia and one in Bethesda, Maryland, which are owned facilities. In Ohio, United leases two of its three facilities, one each in Bellaire and St. Clairsville. United leases an operations center facility in the Charleston, West Virginia area.

Item 3. LEGAL PROCEEDINGS

In the normal course of business, United and its subsidiaries are currently involved in various legal proceedings. 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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

Table of Contents

UNITED BANKSHARES, INC.

FORM 10-K, PART II

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

Stock

As of January 31, 2010, 100,000,000 shares of common stock, par value $2.50 per share, were authorized for United, of which 44,319,157 were issued, including 880,417 shares held as treasury shares. The outstanding shares are held by approximately 6,599 shareholders of record, as well as 19,499 shareholders in street name as of January 31, 2010. The unissued portion of United s authorized common stock (subject to registration approval by the SEC) and the treasury shares are available for issuance as the Board of Directors determines advisable. United offers its shareholders the opportunity to invest dividends in shares of United stock through its dividend reinvestment plan. United has also established stock option plans and a stock bonus plan as incentive for certain eligible officers. In addition to the above incentive plans, United is occasionally involved in certain mergers in which additional shares could be issued and recognizes that additional shares could be issued for other appropriate purposes.

In May of 2006, United s Board of Directors approved a new stock repurchase plan, whereby United could buy up to 1,700,000 shares of its common stock in the open market. During 2009 and 2008, no shares were repurchased under the plan.

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

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

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

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

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

Table of Contents

Dividends

The shareholders of United are entitled to receive dividends when and as declared by its Board of Directors. Dividends have been paid quarterly. Dividends were $1.17 per share in 2009, $1.16 per share in 2008 and $1.13 per share in 2007. See Market and Stock Prices of United for quarterly dividend information.

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

Market and Stock Prices of United

United Bankshares, Inc. stock is traded over the counter on the National Association of Securities Dealers Automated Quotations System, Global Select Market (NASDAQ) under the trading symbol UBSI. The closing sale price reported for United s common stock on February 22, 2010, the last practicable date, was $25.00.

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

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

2010	Dividends	High	Low
First Quarter through February 22, 2010	$ 0.30[1]	$ 25.20	$ 20.15
2009			
Fourth Quarter	$ 0.30	$ 20.81	$ 16.39
Third Quarter	$ 0.29	$ 23.56	$ 16.68
Second Quarter	$ 0.29	$ 27.75	$ 16.81
First Quarter	$ 0.29	$ 33.64	$ 13.15
2008			
Fourth Quarter	$ 0.29	$ 35.00	$ 21.05
Third Quarter	$ 0.29	$ 42.00	$ 18.52
Second Quarter	$ 0.29	$ 31.33	$ 22.95
First Quarter	$ 0.29	$ 33.07	$ 24.00

(1) On February 22, 2010, United declared a dividend of $0.30 per share, payable April 1, 2010, to shareholders of record as of March 12, 2010.

Table of Contents

Stock Performance Graph

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

The following graph compares United s cumulative total shareholder return (assuming reinvestment of dividends) on its common stock for the five-year period ending December 31, 2009, 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, 2004 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					
	12/31/04	**12/31/05**	**12/31/06**	**12/31/07**	**12/31/08**	**12/31/09**
United Bankshares, Inc.	100.00	95.20	107.46	80.78	99.71	63.71
NASDAQ Bank Index	100.00	98.08	111.60	89.42	70.24	58.78
S&P Mid-Cap Index	100.00	112.54	124.13	134.02	85.49	117.37

Table of Contents

Issuer Repurchases

The table below includes certain information regarding United s purchase of its common shares during the three months ended December 31, 2009:

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 10/31/2009	21	$ 19.43		322,200
11/01 11/30/2009	671	$ 19.05		322,200
12/01 12/31/2009				322,200
Total	692	$ 19.06		

(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, 2008, the following shares were exchanged by participants in United s stock option plans: November 2009 7,450 shares at an average price of $16.59.

(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, 2009, the following shares were purchased for the deferred compensation plan: October 2009 21 shares at an average price of $19.43; and November 2009 671 shares at an average price of $19.05.

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

Table of Contents

Item 6. SELECTED FINANCIAL DATA

The following consolidated selected financial data is derived from United s audited financial statements as of and for the five years ended December 31, 2009. The selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes contained elsewhere in this report.

			Five Year Summary		
(Dollars in thousands, except per share data)	**2009**	**2008**	**2007**	**2006**	**2005**
Summary of Operations:					
Total interest income	$ 365,845	$ 429,911	$ 438,729	$ 400,683	$ 345,278
Total interest expense	120,374	177,119	213,310	181,090	124,451
Net interest income	245,471	252,792	225,419	219,593	220,827
Provision for loan losses	46,065	25,155	5,330	1,437	5,618
Other income	53,970	67,303	57,749	49,033	52,625
Other expense	175,127	171,073	147,929	137,173	121,160
Income taxes	10,951	36,913	39,235	40,767	46,265
Net income	67,298	86,954	90,674	89,249	100,409
Cash dividends	50,837	50,231	47,446	45,219	44,575
Per common share:					
Net income:					
Basic	1.55	2.01	2.16	2.15	2.36
Diluted	1.55	2.00	2.15	2.13	2.33
Cash dividends	1.17	1.16	1.13	1.09	1.05
Book value per share	17.53	16.97	17.61	15.44	15.12
Selected Ratios:					
Return on average shareholders equity	8.81%	11.12%	12.99%	13.90%	15.66%
Return on average assets	0.85%	1.09%	1.28%	1.34%	1.55%
Dividend payout ratio	75.54%	57.77%	52.33%	50.67%	44.39%
Selected Balance Sheet Data:					
Average assets	$ 7,925,506	$ 8,007,068	$ 7,100,885	$ 6,641,224	$ 6,465,764
Investment securities	966,920	1,291,822	1,394,764	1,275,470	1,501,966
Loans held for sale	5,284	868	1,270	2,041	3,324
Total loans	5,736,809	6,014,155	5,793,484	4,806,747	4,649,829
Total assets	7,805,101	8,102,091	7,994,739	6,717,598	6,728,492
Total deposits	5,971,100	5,647,954	5,349,750	4,828,192	4,617,452
Long-term borrowings	771,935	852,685	774,162	499,200	547,731
Total liabilities	7,043,551	7,365,379	7,233,540	6,083,506	6,093,287
Shareholders equity	761,550	736,712	761,199	634,092	635,205

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

FORWARD-LOOKING STATEMENTS

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

United desires to provide its shareholders with sound information about past performance and future trends. Consequently, any forward-looking statements contained in this report, in a report incorporated by reference to this report, or made by management of United in this report, in any other reports and filings, in press releases and in oral statements, involve numerous assumptions, risks and uncertainties. Actual results could differ materially from those contained in or implied by

20

Table of Contents

United s statements for a variety of factors including, but not limited to: changes in economic conditions; business conditions in the banking industry; movements in interest rates; competitive pressures on product pricing and services; success and timing of business strategies; the nature and extent of governmental actions and reforms; and rapidly changing technology and evolving banking industry standards.

INTRODUCTION

The following discussion and analysis presents the significant changes in financial condition and the results of operations of United and its subsidiaries for the periods indicated below. This discussion and the consolidated financial statements and the notes to consolidated financial statements include the accounts of United Bankshares, Inc. and its wholly-owned subsidiaries, unless otherwise indicated. Management has evaluated all significant events and transactions that occurred after December 31, 2009, but prior to February 26, 2010, the date these financial statements were issued, for potential recognition or disclosure required in these financial statements.

This discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes thereto, which are included elsewhere in this document.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

The allowance for credit losses represents management s estimate of the probable credit losses inherent in the lending portfolio. Determining the allowance for credit losses requires management to make forecasts of losses that are highly uncertain and require a high degree of judgment. At December 31, 2009, the allowance for loan losses was $67.9 million and is subject to periodic adjustment based on management s assessment of current probable losses in the loan portfolio. Such adjustment from period to period can have a significant impact on United s consolidated financial statements. To illustrate the potential effect on the financial statements of our estimates of the allowance for loan losses, a 10% increase in the allowance for loan losses would have required $6.8 million in additional allowance (funded by additional provision for credit losses), which would have negatively impacted the year of 2009 net income by approximately $4.4 million, or $0.10 diluted per common share. Management s evaluation of the adequacy of the allowance for credit losses and the appropriate provision for credit losses is based upon a quarterly evaluation of the loan portfolio and lending related commitments. This evaluation is inherently subjective and requires significant estimates, including estimates related to the amounts and timing of future cash flows, value of collateral, losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. The allowance allocated to specific credits and loan pools grouped by similar risk characteristics is reviewed on a quarterly basis and adjusted as necessary based upon subsequent changes in circumstances. In determining the components of the allowance for credit losses, management considers the risk arising in part from, but not limited to, charge-off and delinquency trends, current economic and business conditions, lending policies and procedures, the size and risk characteristics of the loan portfolio, concentrations of credit, and other various factors. The methodology used to determine the allowance for credit 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 credit 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). As discussed in the MD&A, the increase in the allowance for credit losses in 2009 as compared to 2008 can be directly attributed to the current economic environment. For a discussion of concentrations of credit risk, see Item 1, under the caption of Loan Concentrations in this Form 10-K.

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

If the estimated value of investments is less than the cost or amortized cost, the investment is considered impaired and management evaluates whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. If such an event or change has occurred, management must exercise judgment to determine the nature of the potential impairment (i.e., temporary or other-than-temporary) in order to apply the appropriate accounting treatment. If United intends to sell, or is more likely than not will be required to sell an impaired debt security before recovery of its amortized cost basis less any current period credit loss, other-than-temporary impairment is recognized in earnings. The amount recognized in earnings is equal to the entire difference between the security s amortized cost basis and its fair value at the balance sheet date. If United does not intend to sell, and is not more likely than not they will be required to sell the impaired debt security prior to recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is separated into the following: 1) the amount representing the credit loss, which is recognized in earnings, and 2) the amount related to all other factors, which is recognized in other comprehensive income. Given the recent disruptions in the financial markets, the decision to recognize other-than-temporary impairment on investment securities has become more difficult as complete information is not always available and market conditions and other relevant factors are subject to rapid changes. Therefore, the other-than-temporary impairment assessment has become a critical accounting policy for United. For additional information on management s consideration of investment valuation and other-than-temporary impairment, see Note B and Note R, Notes to Consolidated Financial Statements.

United uses derivative instruments as part of its risk management activities to protect the value of certain assets and liabilities against adverse price or interest rate movements. All derivative instruments are carried at fair value on the balance sheet. United considers derivative instruments to be a critical accounting policy due to the complexity and judgment associated with the implementation of the accounting guidance and because carrying assets and liabilities at fair value inherently result in more financial statement volatility. The accounting policies utilized by the Company to record derivatives reflect the guidance in the Derivatives and Hedging topic of the FASB Accounting Standards Codification and other related accounting guidance. In accordance with the guidance, all derivatives are recognized as either assets or liabilities on the balance sheet at fair value. Fair values and the information used to record valuation adjustments for certain assets and liabilities are provided by third parties. Accounting for changes in the fair value of a particular derivative differs depending on whether the derivative has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. At December 31, 2009, United has one derivative designated as a cash flow hedge and three derivatives designated as fair value hedges. The application of hedge accounting requires significant judgment to interpret the relevant accounting guidance, as well as to assess hedge effectiveness, identify similar hedged item groupings and measure changes in the fair value of the hedged items. At December 31, 2009, United also has three derivatives not included in hedge relationships. Such derivatives consist of interest rate swaps used for interest rate management purposes and derivatives executed with commercial banking customers to facilitate their interest rate management strategies. Gains and losses on other derivative financial instruments are included in noninterest income and noninterest expense, respectively. Management believes that its methods of addressing these

Table of Contents

judgmental areas and applying the guidance are in accordance with GAAP and consistent with industry practices. Interpretations of the Derivatives and Hedging topic of the FASB Accounting Standards Codification and related guidance continue to change and evolve. Future interpretations could result in material changes to United s accounting for derivative financial instruments and related hedging activities. Although such changes may not have a material effect on financial condition, they could have a material adverse effect on United s results of operations in the period they occur. However, the potential impact to United s operating results for such changes cannot be reasonably estimated. Additional information relating to United s use of derivatives is included in Note N, Notes to Consolidated Financial Statements.

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

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.

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, 2009, approximately 11.45% of total assets, or $893.54 million, consisted of financial instruments recorded at fair value. Of this total, approximately 91.09% or $813.90 million of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately 8.91% or $79.64 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 pooled trust preferred investment securities classified as available-for-sale. At December 31, 2009, only $12.85 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 R for additional information regarding ASC topic 820 and its impact on United s financial statements.

Table of Contents

2009 COMPARED TO 2008

FINANCIAL CONDITION SUMMARY

United s total assets as of December 31, 2009 were $7.81 billion which was a decline of $296.99 million or 3.67% from December 31, 2008. The decrease was primarily the result of decreases in investment securities and portfolio loans of $324.90 million or 25.15% and $277.35 million or 4.61%, respectively. Partially offsetting these decreases to total assets was a $236.23 million increase in cash and cash equivalents. The decrease in total assets is reflected in a corresponding decrease in total liabilities of $321.83 million or 4.37% from year-end 2008. The decrease in total liabilities was due mainly to a reduction of $636.13 million or 39.00% in borrowings while accrued expenses and other liabilities decreased $8.90 million or 10.55%. Deposits increased $323.15 million or 5.72% from year-end 2008. Shareholders equity increased $24.84 million or 3.37% from year-end 2008.

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, 2009 increased $236.23 million or 110.63% from year-end 2008 as United placed its excess cash in an interest-bearing account with the Federal Reserve. Of this total increase, interest-bearing deposits with other banks increased $300.26 million due mainly to the cash placed at the Federal Reserve while cash and due from banks decreased $56.29 million or 29.49% and federal funds sold decreased $7.74 million or 91.52%. During the year of 2009, net cash of $53.66 million and $545.16 million was provided by operating activities and investing activities, respectively. Net cash of $362.59 million was used in 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 decreased $324.90 million or 25.15% from year-end 2008. Securities available for sale declined $285.27 million or 26.00%. This change in securities available for sale reflects $512.56 million in sales, maturities and calls of securities, $233.16 million in purchases, and a slight increase of $308 thousand in market value. Securities held to maturity decreased $38.99 million or 33.49% from year-end 2008 due to calls and maturities of securities. Other investment securities were relatively flat, only declining $650 thousand or less than 1% from year-end 2008 due to an other-than-temporary impairment charge of $782 thousand on an investment security during the second quarter of 2009.

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

	2009	2008	2007
		(In thousands)	
U.S. Treasury and other U.S. Government agencies and corporations	$ 4,960	$ 10,704	$ 42,689
States and political subdivisions	96,900	112,720	117,713
Mortgage-backed securities	624,396	883,361	846,037
Marketable equity securities	5,277	5,070	6,752
Corporate securities	148,009	153,261	149,823
TOTAL AVAILABLE FOR SALE SECURITIES, at amortized cost	$ 879,542	$ 1,165,116	$ 1,163,014
TOTAL AVAILABLE FOR SALE SECURITIES, at fair value	$ 811,777	$ 1,097,043	$ 1,156,561

Table of Contents

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

	2009	2008	2007
		(In thousands)	
U.S. Treasury and other U.S. Government agencies and corporations	$ 11,331	$ 11,455	$ 11,572
States and political subdivisions	25,904	34,495	59,466
Mortgage-backed securities	110	135	165
Corporate securities	40,076	70,322	86,025
TOTAL HELD TO MATURITY SECURITIES, at amortized cost	$ 77,421	$ 116,407	$ 157,228
TOTAL HELD TO MATURITY SECURITIES, at fair value	$ 70,535	$ 103,505	$ 158,165

Gross unrealized losses on investment securities were $99.55 million at December 31, 2009. Securities in a continuous unrealized loss position for twelve months or more at December 31, 2009 consisted primarily of mortgage-backed and corporate securities. The unrealized loss on mortgage-backed securities portfolio relates primarily to AAA securities of various private label issuers. The unrealized loss on corporate securities was mainly related to single issue trust preferred securities and trust preferred collateralized debt obligations.

As of December 31, 2009, United s corporate securities had an amortized cost of $188.09 million, with an estimated fair value of $100.68 million. The portfolio consisted primarily of $132.46 million in pooled trust preferred securities with a fair value of $59.29 million and $49.05 million in single issue trust preferred securities with an estimated fair value of $34.81 million. In addition to the trust preferred securities, the Company held positions in various other securities with an amortized cost of $11.85 million and a fair value of $11.85 million, none of which were individually significant.

The pooled trust preferred securities consisted of positions in 24 different securities. The underlying issuers in the pools were primarily financial institutions and to a lesser extent, insurance companies. The Company has no exposure to Real Estate Investment Trusts (REITs) in its investment portfolio. The Company owns both senior and mezzanine tranches in pooled trust preferred securities; however, the Company does not own any income notes. The senior and mezzanine tranches of trust preferred collateralized debt obligations generally have some protection from defaults in the form of over-collateralization and excess spread revenues, along with waterfall structures that redirect cash flows in the event certain coverage test requirements are failed. Generally, senior tranches have the greatest protection, with mezzanine tranches subordinated to the senior tranches, and income notes subordinated to the mezzanine tranches. Senior tranches represent $25.21 million of the Company s pooled securities, while mezzanine tranches represent $107.25 million. Of the $107.25 million in mezzanine tranches, $19.15 million are now in the Senior position as the Senior notes have been paid to a zero balance. As of December 31, 2009, $15.00 million of the pooled trust preferred securities were investment grade, while $7.39 million were split rated with one investment grade rating and one below investment grade rating, and $110.07 million were below investment grade. In terms of capital adequacy, the Company allocates additional risk-based capital to the below investment grade securities.

Of the $49.05 million in single issue trust preferred securities at December 31, 2009, $19.01 million or 38.75% were investment grade; $14.56 million or 29.68% were unrated; $8.90 million or 18.15% were split rated; and $6.58 million or 13.42% were below investment grade. The three largest exposures accounted for 50.46% of the $49.05 million. These included Wells Fargo at $10.14 million, SunTrust Bank at $7.36 million and Peoples Bancorp, Inc. at $7.25 million. All single-issue trust preferred securities are currently receiving full scheduled principal and interest payments.

Management recognized net other-than-temporary impairment charges totaling $13.37 million on both single issue trust preferred securities and pooled trust preferred securities during 2009. Other than these securities, management does not believe that any other individual security with an unrealized loss as of December 31, 2009 is other-than-temporarily impaired. United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not an adverse change in the expected contractual cash flows. Based on a review of each of the securities in the investment portfolio, management concluded that is was not probable that it would be unable to realize the cost basis investment and appropriate interest payments on such securities. United has the intent and the ability to hold these securities until such time as the value recovers or the securities mature. However, United acknowledges that any impaired securities may be sold in future periods in response to significant, unanticipated changes in asset/liability management decisions, unanticipated future market movements or business plan changes.

25

Table of Contents

More information relating to investment securities is presented in Note B, Notes to Consolidated Financial Statements.

Loans

Loans held for sale increased $4.42 million as loan originations exceeded loan sales in the secondary market during the year of 2009. Portfolio loans, net of unearned income, decreased $277.35 million or 4.61% from year-end 2008 due mainly to a decrease in commercial loans (not secured by real estate) of $166.67 million or 13.07%. Single-family residential real estate loans and construction loans declined $55.92 million or 2.92% and $42.39 million or 7.04%, respectively. Commercial real estate loans decreased $27.68 million or 1.68% while other real estate loans increased $30.19 million or 12.31%, respectively. Consumer loans decreased $17.31 million or 5.16%.

Major classifications of loans are as follows:

			December 31		
	2009	2008	2007	2006	2005
			(In thousands)		
Commercial, financial and agricultural	$ 1,108,265	$ 1,274,937	$ 1,210,049	$ 954,024	$ 934,780
Real estate mortgage	3,754,472	3,807,876	3,629,946	2,986,774	2,994,406
Real estate construction	559,602	601,995	601,323	523,042	347,274
Consumer	318,439	335,750	359,243	349,868	380,062
Less: Unearned interest	(3,969)	(6,403)	(7,077)	(6,961)	(6,693)
Total loans	5,736,809	6,014,155	5,793,484	4,806,747	4,649,829
Allowance for loan losses	(67,853)	(61,494)	(50,456)	(43,629)	(44,138)
TOTAL LOANS, NET	$ 5,668,956	$ 5,952,661	$ 5,743,028	$ 4,763,118	$ 4,605,691
Loans held for sale	$ 5,284	$ 868	$ 1,270	$ 2,041	$ 3,324

The following table shows the maturity of commercial, financial, and agricultural loans and real estate construction outstanding as of December 31, 2009:

(In thousands)	Less Than One Year	One To Five Years	Over Five Years	Total
Commercial, financial and agricultural	$ 603,573	$ 297,098	$ 207,594	$ 1,108,265
Real estate construction	324,008	171,089	64,505	559,602
Total	$ 927,581	$ 468,187	$ 272,099	$ 1,667,867

At December 31, 2009, commercial, financial and agricultural loans and real estate construction outstanding by maturity are as follows:

(In thousands)	Less Than One Year	One to Five Years	Over Five Years	Total
Outstanding with fixed interest rates	$ 476,945	$ 236,168	$ 186,370	$ 899,483
Outstanding with adjustable rates	450,636	232,019	85,729	768,384
	$ 927,581	$ 468,187	$ 272,099	$ 1,667,867

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

Other Assets

Other assets increased $76.85 million or 31.95% from year-end 2008 due mainly to increases of $35.85 million in prepaid FDIC assessments due to a required three year prepayment of premiums, $20.24 million in OREO due to increased foreclosures as a result of the current economic conditions, $14.66 million in the prepaid pension assets due to a contribution payment of $11 million in the third quarter of 2009, $4.40 million in deferred tax assets, $3.83 million in income taxes receivable and $3.42 million in the cash surrender values of bank-owned life insurance policies. The increase in income taxes receivable for the year of 2009 was due to a tax benefit associated with net operating loss carryforwards and a positive adjustment to income taxes as a result of a concluded state tax examination. Partially offsetting these increases from year-end 2008 were decreases in core deposit intangibles of $2.56 million due to amortization and derivatives assets of $2.43 million due to a change in fair value.

Deposits

Deposits represent United s primary source of funding. Total deposits at December 31, 2009 increased $323.15 million or 5.72% from year-end 2008. In terms of composition, noninterest-bearing deposits increased $202.06 million or 22.30% while interest-bearing deposits increased $121.09 million or 2.55% from December 31, 2008.

The increase in noninterest-bearing deposits was due mainly to increases in commercial noninterest-bearing deposits of $157.04 million or 25.02%, personal noninterest-bearing deposits of $29.52 million or 12.17% and official checks of $6.97 million or 19.43%.

The increase in interest-bearing deposits was due mainly to an increase in time deposits over $100,000 of $314.41 million or 31.08%. Most of this increase was due mainly to a shift in Certificate of Deposit Account Registry Service (CDARS) balances from certificate of deposits under $100,000 as a result of the increase in the Federal Deposit Insurance Corporation (FDIC) insurance coverage from $100,000 to $250,000. Interest-bearing money market accounts (MMDAs) increased $174.71 million or 12.98%. In addition, regular savings balances increased $26.50 million or 8.22% and interest-bearing checking deposits increased $82.59 million or 47.18%. Time deposits under $100,000 decreased $477.12 million or 25.29% due mainly to the movement of CDARS balances to certificate of deposits over $100,000.

The table below summarizes the changes by deposit category since year-end 2008:

(Dollars in thousands)	December 31 2009	December 31 2008	$ Change	% Change
Demand deposits	$ 575,501	$ 419,091	$ 156,410	37.32%
Interest-bearing checking	257,654	175,065	82,589	47.18%
Regular savings	348,982	322,478	26,504	8.22%
Money market accounts	2,053,829	1,833,472	220,357	12.02%
Time deposits under $100,000	1,409,137	1,886,256	(477,119)	(25.29)%
Time deposits over $100,000	1,325,997	1,011,592	314,405	31.08%
Total deposits	$ 5,971,100	$ 5,647,954	$ 323,146	5.72%

At December 31, 2009, the scheduled maturities of time deposits are as follows:

Year (In thousands)	Amount
2010	$ 2,060,035
2011	354,370
2012	139,860
2013	84,729
2014 and thereafter	96,140

TOTAL	$ 2,735,134

Table of Contents

Maturities of time certificates of deposit of $100,000 or more outstanding at December 31, 2009 are summarized as follows:

(In thousands)	Amount
3 months or less	$ 651,516
Over 3 through 6 months	220,665
Over 6 through 12 months	227,952
Over 12 months	225,864
TOTAL	$ 1,325,997

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

	2009			2008			2007		
	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate
				(Dollars in thousands)					
Demand deposits	$ 275,331			$ 210,244			$ 202,319		
NOW and money market deposits	2,346,354	$ 8,980	0.38%	2,203,701	$ 17,571	0.80%	2,136,375	$ 37,337	1.75%
Savings deposits	346,887	300	0.09%	334,564	638	0.19%	334,155	1,970	0.59%
Time deposits	2,829,599	74,183	2.62%	2,688,521	105,826	3.94%	2,313,736	107,611	4.65%
TOTAL	$ 5,798,171	$ 83,463	1.44%	$ 5,437,030	$ 124,035	2.28%	$ 4,986,585	$ 146,918	2.95%

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

Borrowings

Total borrowings at December 31, 2009 decreased $636.13 million or 39.00% during the year of 2009. Since year-end 2008, short-term borrowings decreased $555.38 million or 71.36% due to a $212 million reduction in overnight FHLB borrowings, a $222.77 million decrease in securities sold under agreements to repurchase and a $120.35 million decline in federal funds purchased. Long-term borrowings decreased $80.75 million or 9.47% since year-end 2008.

The table below summarizes the changes by borrowing category since year-end 2008:

	December 31		Amount	Percentage
(Dollars in thousands)	2009	2008	Change	Change
Federal funds purchased	$ 7,835	$ 128,185	$ (120,350)	(93.89)%
Securities sold under agreements to repurchase	211,659	434,425	(222,766)	(51.28)%
Overnight FHLB advances		212,000	(212,000)	(100.00)%
TT&L note option	3,450	3,710	(260)	(7.01)%
Long-term FHLB advances	587,213	667,538	(80,325)	(12.03)%
Issuances of trust preferred capital securities	184,722	185,147	(425)	(0.23)%
Total borrowings	$ 994,879	$ 1,631,005	$ (636,126)	(39.00)%

For a further discussion of borrowings see Notes H and I, Notes to Consolidated Financial Statements.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at December 31, 2009 decreased $8.90 million or 10.55% from year-end 2008 mainly as a result of decreases of $6.15 million in derivative liabilities due to a change in fair value and $5.41 million in interest payable due to a decline in borrowings and interest rates on certificate of deposits. Partially offsetting these decreases were increases in deferred compensation of $1.26 million and income taxes payable of $1.17 million.

Table of Contents

Shareholders Equity

Shareholders equity at December 31, 2009 increased $24.84 million or 3.37% from December 31, 2008 as United continued to balance capital adequacy and the return to shareholders. The increase in shareholders equity was due mainly to increases in retained earnings and accumulated other comprehensive income.

Retained earnings increased due to earnings net of dividends declared which equaled $16.46 million for the year of 2009.

Accumulated other comprehensive income increased $7.77 million due mainly to an increase of $2.92 million in United s pension benefit obligation, net of deferred income taxes and the amortization of pension costs of $2.10 million, net of deferred income taxes. The fair value of United s cash flow hedge increased $1.97 million, net of deferred income taxes while the fair value of United s available for sale investment portfolio increased $200 thousand, net of deferred income taxes.

EARNINGS SUMMARY

Net income for the year 2009 was $67.30 million or $1.55 per diluted share compared to $86.95 million or $2.00 per diluted share for the year of 2008. These results for the year of 2009 included noncash before-tax other-than-temporary impairment charges of $15.02 million on certain investment securities, a credit loss provision of $17.55 million for three loans with fraudulent collateral made to three affiliated companies of a commercial customer and an additional expense of $3.63 million for a special FDIC assessment. Results for the year of 2009 also included an income tax benefit of $11.51 million associated with net operating loss carryforwards and a positive adjustment to income tax expense as a result of a concluded tax examination as well as an additional positive tax adjustment of $568 thousand due to the expiration of the statute of limitations for examinations of certain years.

Results for the year of 2008 included noncash before-tax other-than-temporary impairment charges of $10.49 million on certain investment securities. Also included in the results for the year of 2008 was a positive tax adjustment of $1.42 million due to the expiration of the statute of limitations for examinations of certain years and a $917 thousand before-tax gain related to Visa s initial public offering and the partial redemption of Visa shares held by United.

United s return on average assets for the year of 2009 was 0.85% and return on average shareholders equity was 8.81% as compared to 1.09% and 11.12% for the year of 2008. United s most recently reported Federal Reserve peer group banking companies (bank holding companies with total assets between $3 and $10 billion) average return on assets was -0.21% and average return on equity was -2.59% for the first nine months of 2009.

Net interest income for the year of 2009 was $245.47 million, a decrease of $7.32 million or 2.90% from the prior year. The provision for credit losses was $46.07 million for the year 2009 as compared to $25.16 million for the year of 2008.

Noninterest income was $53.97 million for the year of 2009, down $13.33 million or 19.81% when compared to the year of 2008. Included in noninterest income for the year of 2009 and 2008 were the previously mentioned noncash before-tax other-than-temporary impairment charges of $15.02 million and $10.49 million, respectively. Noninterest expense was $175.13 million, an increase of $4.05 million or 2.37% for the year of 2009 when compared to 2008.

Income tax expense for the year of 2009 was $10.95 million as compared to $36.91 million for the year of 2008. During the third quarter of 2009, United reduced its income tax reserve by $568 thousand due to the expiration of the statue of limitations for examinations of certain years as compared to $1.42 million in the third quarter of 2008. During the first quarter of 2009, United recorded a benefit associated with net operating loss carryforwards and a positive adjustment to income tax expense as a result of a concluded tax examination. The total income tax benefit recorded in the first quarter of 2009 related to these two events was $11.51 million. As a result of these tax adjustments, United s effective tax rate was approximately 14.0% and 29.8% for years ended December 31, 2009 and 2008, respectively, as compared to 30.2% for 2007.

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

Table of Contents

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 2009 and 2008, are presented below.

Net interest income for the year of 2009 was $245.47 million, a decrease of $7.32 million or 2.90% from the year of 2008. The $7.32 million decrease in net interest income occurred because total interest income declined $64.07 million while total interest expense only declined $56.75 million from the year of 2008. 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 2009 was $256.67 million, a decrease of $10.35 million or 3.88% from the year of 2008. The net interest margin for the year of 2008 was 3.59%, down 11 basis points from a net interest margin of 3.70% during the same period last year.

Tax-equivalent interest income for the year of 2009 was $377.04 million, a $67.10 million or 15.11% decrease from the year of 2008. This decrease in tax-equivalent interest income was primarily attributable to a decrease of 88 basis points in the yield on average earning assets due to a decrease in market interest rates. The average yield on net loans was 5.46% for the year of 2009, down 88 basis points from 6.34% for the year of 2008 while the average yield on investment securities was 5.08% for the year of 2009, a decrease of 38 basis points from 5.46% for the year of 2008. In addition, average earning assets were relatively flat from the year of 2008, declining $67.57 million or less than 1% as average investment securities decreased $219.78 million or 15.95%. Average net loans were virtually flat from the year of 2008, increasing $14.64 million or less than 1%.

Interest expense for the year of 2009 was $120.37 million, a decrease of $56.75 million or 32.04% from the year of 2008. The decrease in interest expense for the year of 2009 was mainly due to a decrease of 83 basis points in the cost of funds from the year of 2008 as a result of lower market interest rates during 2009. The average cost of interest-bearing deposits was 1.75% for the year of 2009, down 96 basis points from 2.71% for the year of 2008 while the average cost of short-term borrowings was 0.14% for the year of 2009, a decrease of 155 basis points from 1.69% for the year of 2008. The average cost of long-term borrowings was 4.24% for the year of 2009, a decrease of 25 basis points from 4.49% for the year of 2008 as a result of a decrease in market interest rates and the prepayment of higher-rate FHLB advances in 2008. Average interest-bearing deposits increased $206.54 million or 4.52% while average short-term borrowings decreased $428.58 million or 48.95%. Average long-term borrowings were relatively flat from the year of 2008, increasing $1.98 million or less than 1%.

The following table reconciles the difference between net interest income and tax-equivalent net interest income for the year ended December 31, 2009, 2008 and 2007.

		Year Ended	
(Dollars in thousands)	**December 31 2009**	**December 31 2008**	**December 31 2007**
Net interest income, GAAP basis	$ 245,471	$ 252,792	$ 225,419
Tax-equivalent adjustment (1)	11,199	14,229	16,472
Tax-equivalent net interest income	$ 256,670	$ 267,021	$ 241,891

(1) The tax-equivalent adjustment combines amounts of interest income on federally nontaxable loans and investment securities using the statutory federal income tax rate of 35% and interest income on state nontaxable loans and investment securities using the statutory state income tax rate of 8.75% for 2009 and 2008 and 9% for 2007.

Table of Contents

The following table shows the consolidated daily average balance of major categories of assets and liabilities for each of the three years ended December 31, 2009, 2008 and 2007 with the consolidated interest and rate earned or paid on such amount. The interest income and yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 35%. The interest income and yield on state nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory state income tax rate of 8.75%in 2009 and 2008 and 9% in 2007.

	Year Ended December 31, 2009			Year Ended December 31, 2008			Year Ended December 31, 2007		
(Dollars in thousands)	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
ASSETS									
Earning Assets:									
Federal funds sold, securities repurchased under agreements to resell & other short-term investments	$ 174,319	$ 309	0.18%	$ 36,752	$ 714	1.94%	$ 48,754	$ 2,504	5.14%
Investment Securities:									
Taxable	989,176	46,834	4.73%	1,168,192	59,652	5.11%	1,059,530	55,054	5.20%
Tax-exempt (1) (2)	168,623	12,020	7.13%	209,386	15,503	7.40%	222,564	17,989	8.08%
Total Securities	1,157,799	58,854	5.08%	1,377,578	75,155	5.46%	1,282,094	73,043	5.70%
Loans, net of unearned Income (1) (2) (3)	5,888,900	317,881	5.40%	5,865,609	368,271	6.28%	5,151,252	379,654	7.37%
Allowance for loan losses	(64,128)			(55,476)			(46,766)		
Net loans	5,824,772		5.46%	5,810,133		6.34%	5,104,486		7.44%
Total earning assets	7,156,890	$ 377,044	5.27%	7,224,463	$ 444,140	6.15%	6,435,334	$ 455,201	7.07%
Other assets	768,616			782,605			665,551		
TOTAL ASSETS	$ 7,925,506			$ 8,007,068			$ 7,100,885		
LIABILITIES									
Interest-Bearing Funds:									
Interest-bearing deposits	$ 4,776,120	$ 83,463	1.75%	$ 4,569,583	$ 124,035	2.71%	$ 4,145,925	$ 146,918	3.54%
Short-term borrowings	446,963	645	0.14%	875,545	14,828	1.69%	713,886	30,745	4.31%
Long- term borrowings	854,438	36,266	4.24%	852,457	38,256	4.49%	635,476	35,647	5.61%
Total Interest-Bearing Funds	6,077,521	120,374	1.98%	6,297,585	177,119	2.81%	5,495,287	213,310	3.88%
Noninterest-bearing deposits	1,022,051			867,447			840,660		
Accrued expenses and other liabilities	61,948			60,173			67,053		
TOTAL LIABILITIES	7,161,520			7,225,205			6,403,000		
SHAREHOLDERS EQUITY	763,986			781,863			697,885		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 7,925,506			$ 8,007,068			$ 7,100,885		
NET INTEREST INCOME		$ 256,670			$ 267,021			$ 241,891	
INTEREST SPREAD			3.29%			3.34%			3.19%
NET INTEREST MARGIN			3.59%			3.70%			3.76%

(1) The interest income and the yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 35%.
(2) The interest income and the yields on state nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory state income tax rate of 8.75% in 2009 and 2008 and 9% in 2007.
(3) Nonaccruing loans are included in the daily average loan amounts outstanding.

Table of Contents

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

	2009 Compared to 2008 Increase (Decrease) Due to				2008 Compared to 2007 Increase (Decrease) Due to			
(In thousands)	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Rate/ Volume	Total
Interest income:								
Federal funds sold, securities purchased under agreements to resell and other short-term investments	$ 2,669	$ (647)	$ (2,427)	$ (405)	$ (617)	$ (1,560)	$ 387	$ (1,790)
Investment securities:								
Taxable	(9,148)	(4,439)	769	(12,818)	5,650	(954)	(98)	4,598
Tax exempt (1), (2)	(3,016)	(565)	98	(3,483)	(1,065)	(1,513)	92	(2,486)
Loans (1),(2),(3)	928	(51,129)	(189)	(50,390)	52,500	(56,149)	(7,734)	(11,383)
TOTAL INTEREST INCOME	(8,567)	(56,780)	(1,749)	(67,096)	56,468	(60,176)	(7,353)	(11,061)
Interest expense:								
Interest-bearing deposits	$ 5,597	$ (43,868)	$ (2,301)	$ (40,572)	$ 14,997	$ (34,411)	$ (3,469)	$ (22,883)
Short-term borrowings	(7,243)	(13,571)	6,631	(14,183)	6,968	(18,704)	(4,181)	(15,917)
Long-term borrowings	89	(2,131)	52	(1,990)	12,173	(7,117)	(2,447)	2,609
TOTAL INTEREST EXPENSE	(1,557)	(59,570)	4,382	(56,745)	34,138	(60,232)	(10,097)	(36,191)
NET INTEREST INCOME	$ (7,010)	$ 2,790	$ (6,131)	$ (10,351)	$ 22,330	$ 56	$ 2,744	$ 25,130

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

(2) Yields and interest income on state tax exempt loans and investment securities are computed on a fully tax-equivalent basis using the statutory state income tax rate of 8.75% in 2009 and 2008 and 9% in 2007.

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

Provision for Credit Losses

At December 31, 2009, nonperforming loans were $72.26 million or 1.26% of loans, net of unearned income compared to nonperforming loans of $54.20 million or 0.90% of loans, net of unearned income at December 31, 2008. The increase in nonperforming loans since year-end 2008 is indicative of the decline in economic conditions during 2009. These nonperforming loans are not of one particular portfolio, but rather represent several customer segments. Higher unemployment levels, economic fears, and declines in real estate values have impacted the performance of both consumer and commercial portfolios. The components of nonperforming loans include: 1) nonaccrual loans, 2) loans which are contractually past due 90 days or more as to interest or principal, but have not been put on a nonaccrual basis and 3) loans whose terms have been restructured for economic or legal reasons due to financial difficulties of the borrowers.

Loans past due 90 days or more were $20.31 million at December 31, 2009, an increase of $8.43 million or 70.98% from $11.88 million at year-end 2008. At year-end 2009, nonaccrual loans were $50.86 million, an increase of $8.54 million or 20.18% from $42.32 million at year-end 2008. Restructured loans were $1.09 million at year-end 2009 as compared to no restructured loans at year-end 2008. The increase in loans past due 90 days or more, nonaccrual loans and restructured loans since year-end 2008 was primarily the result of the deterioration in economic conditions during 2009. The loss potential on

32

Table of Contents

these loans has been properly evaluated and allocated within the company s allowance for loan losses.

Nonperforming assets include nonperforming loans and real estate acquired in foreclosure or other settlement of loans (OREO). Total nonperforming assets of $112.32 million, including OREO of $40.06 million at December 31, 2009, represented 1.44% of total assets which compares favorably to United s most recently reported Federal Reserve peer group banking companies (bank holding companies with total assets between $3 and $10 billion) percentage of 3.30% at September 30, 2009.

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

	December 31				
	2009	2008	2007	2006	2005
	(In thousands)				
Nonaccrual loans	$ 50,856	$ 42,317	$ 14,115	$ 5,755	$ 7,146
Loans which are contractually past due 90 days or more as to interest or principal, and are still accruing interest	20,314	11,881	14,210	8,432	6,039
Restructured loans	1,087				
Total nonperforming loans	72,257	54,198	28,325	14,187	13,185
Other real estate owned	40,058	19,817	6,365	4,231	2,941
TOTAL NONPERFORMING ASSETS	$ 112,315	$ 74,015	$ 34,690	$ 18,418	$ 16,126

Loans are designated as impaired when, in the opinion of management, the collection of principal and interest in accordance with the loan contract is doubtful. At December 31, 2009, impaired loans were $63.22 million, which was an increase of $3.48 million or 5.82% from the $59.74 million in impaired loans at December 31, 2008. This slight increase in impaired loans was due mainly to increased impairments associated with loans in the Company s commercial and real estate construction and development portfolios primarily as a result of the current economic conditions. Based on current information and events, United believes it is probable that the borrowers will not be able to repay all amounts due according to the contractual terms of the loan agreements. The loss potential on these loans has been properly evaluated and allocated within the company s allowance for loan losses. For further details on impaired loans, see Note C, Notes to Consolidated Financial Statements.

United maintains an allowance for loan losses and an allowance for lending-related commitments. The combined allowances for loan losses and lending-related commitments are referred to as the allowance for credit losses. At December 31, 2009, the allowance for credit losses was $70.01 million as compared to $63.60 million at December 31, 2008.

At December 31, 2009, the allowance for loan losses was $67.85 million as compared to $61.49 million at December 31, 2008. As a percentage of loans, net of unearned income, the allowance for loan losses was 1.18% at December 31, 2009 and 1.02% of loans, net of unearned income at December 31, 2008. The ratio of the allowance for loan losses to nonperforming loans or coverage ratio was 93.91% and 113.46% at December 31, 2009 and December 31, 2008, respectively. The coverage ratio for United s Federal Reserve peer group was 71.93% at September 30, 2009. For United, this ratio decreased as a result of an $18.06 million or 33.32% increase in nonperforming loans during the year of 2009. Adjustments to risk grades and qualitative risk factors within the allowance for loan loss analysis were based on delinquency and loss trends of such loans and resulted in increased allowance allocations of $7.4 million or 12.56%. However, this increase was not to the same degree as the overall increase in nonperforming loans. The Company s detailed methodology and analysis did not indicate a corresponding increase in the allowance for loan losses primarily because of the estimated fair value of the underlying collateral of loans