UNITED BANKSHARES INC/WV
Form 10-Q
November 05, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period ______

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	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
300 United Center	**25301**

500 Virginia Street, East

Charleston, West Virginia
(Address of Principal Executive Offices) **Zip Code**
Registrant s Telephone Number, including Area Code: (304) 424-8800

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 ¨

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 x No ¨

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

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 Exchange Act.) Yes ¨ No x

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

Class - Common Stock, $2.50 Par Value; **43,605,957** shares outstanding as of **October 31, 2010**.

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The September 30, 2010 and December 31, 2009, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries (United or the Company), consolidated statements of income for the three and nine months ended September 30, 2010 and 2009, the related consolidated statement of changes in shareholders equity for the nine months ended September 30, 2010, the related condensed consolidated statements of cash flows for the nine months ended September 30, 2010 and 2009, and the notes to consolidated financial statements appear on the following pages.

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CONSOLIDATED BALANCE SHEETS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except par value)

	September 30 2010 (Unaudited)	December 31 2009 (Note 1)
Assets		
Cash and due from banks	$ 125,295	$ 134,605
Interest-bearing deposits with other banks	586,550	314,445
Federal funds sold	717	717
Total cash and cash equivalents	712,562	449,767
Securities available for sale at estimated fair value (amortized cost-$810,630 at September 30, 2010 and $879,542 at December 31, 2009)	745,079	811,777
Securities held to maturity (estimated fair value-$64,890 at September 30, 2010 and $70,535 at December 31, 2009)	67,496	77,421
Other investment securities	78,413	77,722
Loans held for sale	1,788	5,284
Loans	5,327,215	5,740,778
Less: Unearned income	(3,197)	(3,969)
Loans net of unearned income	5,324,018	5,736,809
Less: Allowance for loan losses	(70,923)	(67,853)
Net loans	5,253,095	5,668,956
Bank premises and equipment	55,989	57,527
Goodwill	311,834	312,069
Accrued interest receivable	24,388	27,158
Other assets	322,376	317,420
TOTAL ASSETS	$ 7,573,020	$ 7,805,101
Liabilities		
Deposits:		
Noninterest-bearing	$ 1,156,167	$ 1,108,157
Interest-bearing	4,542,216	4,862,943
Total deposits	5,698,383	5,971,100
Borrowings:		
Federal funds purchased	22,765	7,835
Securities sold under agreements to repurchase	304,576	211,659
Federal Home Loan Bank borrowings	511,955	587,213
Other short-term borrowings	2,194	3,450
Other long-term borrowings	184,403	184,722
Allowance for lending-related commitments	1,883	2,157
Accrued expenses and other liabilities	62,234	75,415
TOTAL LIABILITIES	6,788,393	7,043,551

Shareholders Equity		
Preferred stock, $1.00 par value; Authorized-50,000,000 shares, none issued		
Common stock, $2.50 par value; Authorized-100,000,000 shares; issued-44,319,157 at September 30, 2010 and December 31, 2009, including 721,650 and 881,419 shares in treasury at September 30, 2010 and December 31, 2009, respectively	110,798	110,798
Surplus	93,658	95,284
Retained earnings	667,057	653,613
Accumulated other comprehensive loss	(62,206)	(68,383)
Treasury stock, at cost	(24,680)	(29,762)
TOTAL SHAREHOLDERS EQUITY	784,627	761,550
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 7,573,020	$ 7,805,101

See notes to consolidated unaudited financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Interest income				
Interest and fees on loans	$ 70,121	$ 77,484	$ 214,580	$ 233,971
Interest on federal funds sold and other short-term investments	347	60	910	106
Interest and dividends on securities:				
Taxable	8,303	10,696	27,063	36,801
Tax-exempt	1,118	2,187	3,621	6,786
Total interest income	79,889	90,427	246,174	277,664
Interest expense				
Interest on deposits	13,255	19,843	43,675	65,001
Interest on short-term borrowings	57	46	134	599
Interest on long-term borrowings	7,595	9,215	22,740	27,615
Total interest expense	20,907	29,104	66,549	93,215
Net interest income	58,982	61,323	179,625	184,449
Provision for credit losses	6,123	8,067	19,391	39,346
Net interest income after provision for credit losses	52,859	53,256	160,234	145,103
Other income				
Fees from trust and brokerage services	3,215	3,142	9,948	10,242
Fees from deposit services	10,098	10,566	29,439	30,124
Bankcard fees and merchant discounts	1,093	1,104	3,213	3,085
Other service charges, commissions, and fees	508	470	1,356	1,447
Income from bank-owned life insurance	1,282	1,051	3,495	2,289
Income from mortgage banking	118	172	359	476
Other income	1,108	896	3,447	4,204
Total other-than-temporary impairment losses	(10,364)	(15,903)	(24,347)	(17,135)
Portion of loss recognized in other comprehensive income	8,500	4,943	19,901	4,943
Net other-than-temporary impairment losses	(1,864)	(10,960)	(4,446)	(12,192)
Net gains on sales/calls of investment securities	132	82	2,036	88
Net investment securities losses	(1,732)	(10,878)	(2,410)	(12,104)
Total other income	15,690	6,523	48,847	39,763
Other expense				
Employee compensation	14,613	14,735	44,362	44,433
Employee benefits	4,128	4,818	12,954	14,441

Net occupancy expense	4,187	4,124	13,132	12,830
Other real estate owned (OREO) expense	2,001	1,576	6,269	3,682
Equipment expense	1,517	1,544	4,335	4,458
Data processing expense	2,594	2,761	8,161	8,043
Bankcard processing expense	765	793	2,336	2,381
FDIC insurance expense	2,456	2,004	7,304	6,871
Other expense	11,637	11,319	33,984	34,047
Total other expense	43,898	43,674	132,837	131,186
Income before income taxes	24,651	16,105	76,244	53,680
Income taxes	7,335	4,040	23,587	3,826
Net income	$ 17,316	$ 12,065	$ 52,657	$ 49,854

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CONSOLIDATED STATEMENTS OF INCOME (Unaudited) (continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Earnings per common share:				
Basic	$ 0.40	$ 0.28	$ 1.21	$ 1.15
Diluted	$ 0.40	$ 0.28	$ 1.21	$ 1.15
Dividends per common share	$ 0.30	$ 0.29	$ 0.90	$ 0.87
Average outstanding shares:				
Basic	43,588,021	43,410,532	43,528,210	43,404,920
Diluted	43,645,653	43,455,723	43,607,091	43,457,258

See notes to consolidated unaudited financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Nine Months Ended September 30, 2010						
	Common Stock				Accumulated Other		Total
	Shares	Par Value	Surplus	Retained Earnings	Comprehensive Income (Loss)	Treasury Stock	Shareholders Equity
Balance at January 1, 2010	44,319,157	$ 110,798	$ 95,284	$ 653,613	($ 68,383)	($ 29,762)	$ 761,550
Comprehensive income:							
Net income				52,657			52,657
Other comprehensive income, net of tax					6,177		6,177
Total comprehensive income, net of tax							58,834
Stock based compensation expense			774				774
Purchase of treasury stock (4,953 shares)						(139)	(139)
Distribution of treasury stock for deferred compensation plan (28,466 shares)						520	520
Cash dividends ($0.90 per share)				(39,213)			(39,213)
Common stock options exercised (136,256 shares)			(2,400)			4,701	2,301
Balance at September 30, 2010	44,319,157	$ 110,798	$ 93,658	$ 667,057	($ 62,206)	($ 24,680)	$ 784,627

See notes to consolidated unaudited financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Nine Months Ended September 30 2010	Nine Months Ended September 30 2009
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 70,660	$ 50,317
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	6,016	14,751
Proceeds from sales of securities held to maturity	3,018	
Proceeds from sales of securities available for sale	55,340	4,851
Proceeds from maturities and calls of securities available for sale	695,007	320,883
Purchases of securities available for sale	(686,014)	(141,376)
Net purchases of bank premises and equipment	(2,368)	(4,030)
Net change in other investment securities	1,925	(161)
Net change in loans	396,735	193,107
NET CASH PROVIDED BY INVESTING ACTIVITIES	469,659	388,025
FINANCING ACTIVITIES		
Cash dividends paid	(39,174)	(37,783)
Excess tax benefits from stock-based compensation arrangements	389	168
Acquisition of treasury stock	(12)	(1,167)
Proceeds from exercise of stock options	2,137	449
Repayment of long-term Federal Home Loan Bank borrowings	(75,258)	(241)
Distribution of treasury stock for deferred compensation plan	520	536
Changes in:		
Deposits	(272,717)	374,712
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	106,591	(410,843)
NET CASH USED IN FINANCING ACTIVITIES	(277,524)	(74,169)
Increase in cash and cash equivalents	262,795	364,173
Cash and cash equivalents at beginning of year	449,767	213,534
Cash and cash equivalents at end of period	$ 712,562	$ 577,707

See notes to consolidated unaudited financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

1. GENERAL

The accompanying unaudited consolidated interim financial statements of United Bankshares, Inc. and Subsidiaries (United or the Company) have been prepared in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not contain all of the information and footnotes required by accounting principles generally accepted in the United States. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements presented as of September 30, 2010 and 2009 and for the three-month and nine-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2009 has been extracted from the audited financial statements included in United s 2009 Annual Report to Shareholders. The accounting and reporting policies followed in the presentation of these financial statements are consistent with those applied in the preparation of the 2009 Annual Report of United on Form 10-K. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim periods have been made. Such adjustments are of a normal and recurring nature.

On June 29, 2009, the Financial Accounting Standards Board (FASB) issued an accounting pronouncement that established the Accounting Standards Codification (ASC). The accounting pronouncement stated that the FASB Accounting Standards Codification (ASC) becomes the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by all nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also source of authoritative GAAP for SEC registrants. This pronouncement, which was subsequently codified as ASC topic 105, Generally Accepted Accounting Principles, was effective for financial statements issued for interim and annual periods after September 15, 2009. On the effective date, the Codification superseded all then-existing non-SEC accounting and reporting standards and references herein to authoritative accounting pronouncements have been updated accordingly.

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

New Accounting Standards

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-01, Equity (ASC topic 505): Accounting for Distributions to Shareholders With Components of Stock and Cash a consensus of the FASB Emerging Issues Task Force. ASU 2010-01 clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend. ASU 2010-01 is effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. United adopted ASU 2010-01 as required. The adoption did not have a material impact on United s consolidated financial statements.

In January 2010, the FASB issued ASU 2010-02, Consolidation (ASC topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary a Scope Clarification. ASU 2010-02 amends ASC subtopic 810-10 to address implementation issues related to changes in ownership provisions, including clarifying the scope of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

decrease in ownership and additional disclosures. ASU 2010-02 is effective beginning in the period that an entity adopts Statement 160. If an entity has previously adopted Statement 160, ASU 2010-02 is effective beginning in the first interim or annual reporting period ending on or after December 15, 2009, and should be applied retrospectively to the first period Statement 160 was adopted. United adopted ASU 2010-02 on January 1, 2010 as required. The adoption did not have a material impact on United s consolidated financial statements.

In January 2010, the FASB issued ASU 2010-04, Accounting for Various Topics Technical Corrections to SEC Paragraphs. ASU 2010-04 makes technical corrections to existing SEC guidance, including the following topics: accounting for subsequent investments, termination of an interest rate swap, issuance of financial statements subsequent events, use of residential method to value acquired assets other than goodwill, adjustments in assets and liabilities for holding gains and losses, and selections of discount rate used for measuring defined benefit obligation. United adopted ASU 2010-04 during the first quarter of 2010. The adoption did not have a material impact on United s consolidated financial statements.

In January 2010, the FASB issued ASU 2010-05, Compensation Stock Compensation (ASC topic 718): Escrowed Share Arrangements and the Presumption of Compensation. ASU 2010-05 updates existing guidance to address the SEC staff s views on overcoming the presumption that for certain shareholders escrowed share arrangements represent compensation. United adopted ASU 2010-05 during the first quarter of 2010. The adoption did not have a material impact on United s consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (ASC topic 820): Improving Disclosures About Fair Value Measurements. ASU 2010-06 amends ASC subtopic 820-10 to clarify existing disclosures, require new disclosures, and include conforming amendments to guidance on employers disclosures about postretirement benefit plan assets. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. United adopted the provisions of ASU 2010-06 which were required to be adopted in the first quarter of 2010. The adoption did not have a material impact on United s consolidated financial statements. United does not expect the adoption of the remaining provisions of ASU 2010-06 to have a material impact on its consolidated financial statements.

In February 2010, the FASB issued ASU 2010-08, Technical Corrections to Various Topics. ASU 2010-08 clarifies guidance on embedded derivatives and hedging. ASU 2010-08 is effective for interim and annual periods beginning after December 15, 2009. United adopted ASU 2010-08 on January 1, 2010 as required. The adoption did not have a material impact on United s consolidated financial statements.

In February 2010, the FASB issued ASU 2010-09, Subsequent Events (ASC topic 855): Amendments to Certain Recognition and Disclosure Requirements. This guidance removes the requirement for a SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of GAAP. ASU 2010-09 is intended to remove potential conflicts with the SEC s literature and all of the amendments are effective upon issuance, except for the use of the issued date for conduit debt obligors, which will be effective for interim or annual periods ending after June 15, 2010. United adopted ASU 2010-09 during the second quarter of 2010. The adoption did not have a material impact on United s consolidated financial statements.

In March 2010, the FASB issued ASU 2010-10, Amendments for Certain Investment Funds , to indefinitely defer the effective date for applying FASB Statement 167, Amendments to FASB Interpretation No. 46(R) (included in ASC topic 810, Consolidation in the Variable Interest Entities subsections), for certain investment funds.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

In March 2010, the FASB issued ASU 2010-11, Derivatives and Hedging (ASC topic 815): Scope Exception Related to Embedded Credit Derivatives , to address questions raised in practice about the intended breadth of the embedded credit derivative scope exception in ASC topic 815. The amended guidance clarifies that the scope exception does not apply to contracts that contain an embedded credit derivative related to the transfer of credit risk that is not only in the form of subordination of one financial instrument to another. ASU 2010-11 was effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. United adopted ASU 2010-11 on July 1, 2010 as required. The adoption did not have a material impact on United s consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-18, Receivables (ASC topic 310): Effect of a Loan Modification When the Loan Is Part of a Pool That is Accounted for as a Single Asset . This ASU clarifies that modifications of loans that are accounted for within a pool under ASC topic 310 do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. No additional disclosures are required with this ASU. The amendments in this ASU are effective for modifications of loans accounted for within pools under ASC topic 310 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively and early application is permitted. Upon initial adoption of the guidance in this ASU, an entity may make a onetime election to terminate accounting for loans as a pool under ASC topic 310. This election may be applied on a pool-by-pool basis and does not preclude an entity from applying pool accounting to subsequent acquisitions of loans with credit deterioration. United does not expect the ASU 2010-18 to have a material impact on its consolidated financial statements.

In July 2010, the FASB issued ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which requires significant new disclosures about the allowance for credit losses and the credit quality of financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of loan and lease receivables. Under this statement, allowance for credit losses and fair value are to be disclosed by portfolio segment, while credit quality information, impaired financing receivables and nonaccrual status are to be presented by class of financing receivable. Disclosure of the nature and extent, the financial impact and segment information of troubled debt restructurings will also be required. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio s risk and performance. ASU 2010-20 is effective for interim and annual reporting periods after December 15, 2010. United will include these disclosures in the notes to the financial statements of its December 31, 2010 Form 10-K. As ASU 2010-20 amends only the disclosure requirements for loans and leases and the allowance for credit losses, the adoption will have no impact on United s consolidated financial statements.

2. INVESTMENT SECURITIES

Securities held for indefinite periods of time and all marketable equity securities are classified as available for sale and carried at estimated fair value. The amortized cost and estimated fair values of securities available for sale are summarized on the following page.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 125,946	$ 25	$	$ 125,971
State and political subdivisions	83,503	4,809	17	88,295
Residential mortgage-backed securities				
Agency	354,761	16,708	6	371,463
Non-agency	96,658	1,433	5,713	92,378
Trust preferred collateralized debt obligations	128,247		78,699(1)	49,548
Single issue trust preferred securities	15,583	312	4,319	11,576
Marketable equity securities	5,932	90	174	5,848
Total	$ 810,630	$ 23,377	$ 88,928	$ 745,079

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 4,960	$ 54	$	$ 5,014
State and political subdivisions	96,900	3,389	167	100,122
Residential mortgage-backed securities				
Agency	478,916	18,924		497,840
Non-agency	145,480	55	11,690	133,845
Trust preferred collateralized debt obligations	132,457		73,162(1)	59,295
Single issue trust preferred securities	15,552	49	5,214	10,387
Marketable equity securities	5,277	159	162	5,274
Total	$ 879,542	$ 22,630	$ 90,395	$ 811,777

(1) Includes noncredit-related other-than-temporary impairment of $33,089 at September 30, 2010 and $19,186 at December 31, 2009. Provided below is a summary of securities available for sale which were in an unrealized loss position at September 30, 2010 and December 31, 2009.

	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
September 30, 2010				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies				
State and political subdivisions	$ 924	$ 6	$ 1,156	$ 11

Residential mortgage-backed securities				
Agency	1,043	6		
Non-agency			32,083	5,713
Trust preferred collateralized debt obligations			49,548	78,699
Single issue trust preferred securities			6,919	4,319
Marketable equity securities	436	58	378	116
Total	$ 2,403	$ 70	$ 90,084	$ 88,858

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
December 31, 2009				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies				
State and political subdivisions	$ 3,443	$ 53	$ 2,649	$ 114
Residential mortgage-backed securities				
Agency	163			
Non-agency	26,181	209	85,138	11,481
Trust preferred collateralized debt obligations			59,295	73,162
Single issue trust preferred securities	115	19	9,239	5,195
Marketable equity securities	244	17	448	145
Total	$ 30,146	$ 298	$ 156,769	$ 90,097

Marketable equity securities consist mainly of equity securities of financial institutions and mutual funds within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. The following table shows the proceeds from maturities, sales and calls of available for sale securities and the gross realized gains and losses on sales and calls of those securities that have been included in earnings as a result of any sales and calls. Gains or losses on sales and calls of available for sale securities were recognized by the specific identification method. The realized losses relate to the sales of the securities within the rabbi trust.

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Proceeds from maturities, sales and calls	$ 371,488	$ 145,617	$ 750,347	$ 325,734
Gross realized gains	212	151	807	660
Gross realized losses	51	24	435	540

At September 30, 2010, gross unrealized losses on available for sale securities were $88,928 on 74 securities of a total portfolio of 343 available for sale securities. Securities in an unrealized loss position at September 30, 2010 consisted primarily of pooled trust preferred collateralized debt obligations (TRUP CDOs), single issue trust preferred securities and non-agency residential mortgage-backed securities. The TRUP CDOs and the single issue trust preferred securities relate mainly to securities of financial institutions.

The unrealized loss on the non-agency residential mortgage-backed securities portfolio relates primarily to AAA securities of various private label issuers. The Company has no exposure to real estate investment trusts (REITS) in its investment portfolio. The majority of the non-agency residential mortgage-backed securities in an unrealized loss position remain AAA rated. Approximately 69% of the portfolio includes collateral that was originated during the year of 2005 or before. The remaining 31% includes collateral that was produced in the years of 2006 and 2007. Ninety-seven percent of the non-agency residential mortgage securities are either the senior or super-senior tranches of their respective structure. In determining whether or not the non-agency mortgage-backed securities were other-than-temporarily impaired, management performs an in-depth analysis on each non-agency residential mortgage-backed security on a monthly basis. The analysis includes a review of the following factors: weighted average loan to value, weighted average maturity, average FICO scores, historical collateral performance, geographic concentration, credit subordination, cross-collateralization, coverage ratios, origination year, full documentation percentage, event risk (repricing), and collateral type. Management completes a monthly stress test to determine the level of loss protection remaining in each individual security and compares the protection remaining to the future expected performance of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

underlying collateral. Additionally, management utilizes a third-party cash flow model to perform a cash flow test on each bond. The model produces a bond specific set of cash flows based upon assumptions input by management. The input assumptions that are incorporated include the projected constant default rate (CDR) of the underlying mortgages, the loss severity upon default, and the prepayment rate on the underlying mortgage collateral. At September 30, 2010, United determined that certain non-agency mortgage-backed securities were other-than-temporary impaired. The credit-related other-than-temporary impairment recognized in earnings for the third quarter of 2010 related to these securities was $698 thousand. The noncredit-related other-than-temporary impairment recognized in the third quarter on these securities, which are not expected to be sold, was $4.73 million. Noncredit-related other-than-temporary impairment, net of deferred taxes, of $3.08 million was recognized during the third quarter in accumulated other comprehensive income (loss) (OCI).

The majority of United s single-issue trust preferred portfolio consists of obligations from large cap banks (i.e. banks with market capitalization in excess of $10 billion). Management reviews each issuer s current and projected earnings trends, asset quality, capitalization levels, TARP participation status, and other key factors. Upon completing the review for the third quarter of 2010, it was determined that none of the single issue securities were other-than-temporarily impaired. With the exception of two securities, all single-issue trust preferred securities are currently receiving interest payments. The two securities that are deferring interest payments are from the same issuer with a total amortized cost of $634 thousand. The issuer has the contractual ability to defer interest payments for up to 5 years.

In determining whether or not the TRUP CDOs were other-than-temporarily impaired, management considered the severity and the duration of the loss in conjunction with United s positive intent and the more likely than not ability to hold these securities to recovery of their cost basis or maturity. In analyzing the duration and severity of the losses, management considered the following: (1) the market for these securities was not active as evidenced by the lack of trades and the severe widening of the bid/ask spread; (2) the markets for TRUP CDOs ultimately became dysfunctional with no significant transactions to report; (3) low market prices for certain bonds, in the overall debt markets, were evidence of credit stress in the general markets and not necessarily an indication of credit problems with a particular issuer; and (4) the general widening in overall risk premiums in the broader markets was responsible for a significant amount of the price decline in the TRUP CDO portfolio.

At September 30, 2010, United determined that certain TRUP CDOs were other-than-temporarily impaired. Management completed an in-depth analysis of the collateral pool, cash flow waterfall structure, and expected cash flows of the TRUP CDO portfolio. To determine a net realizable value and assess whether other-than-temporary impairment existed, management performed detailed cash flow analysis to determine whether, in management s judgment, it was more likely than not that United would not recover the entire amortized cost basis of the security. Management s cash flow analysis was performed for each issuer and considered the current deferrals and defaults, the likelihood that current deferrals would cure or ultimately default, potential future deferrals and defaults, subordination, cash reserves, excess interest spread, credit analysis of the underlying collateral and the priority of payments in the cash flow structure. Management also spoke with analysts who covered specific companies, particularly when those companies were deferring or experiencing financial difficulties. The underlying collateral analysis for each issuer took into consideration several factors including TARP participation, capital adequacy, earnings trends and asset quality. Management also performed a stress test analysis to determine what level of defaults would have to occur before United would experience a break in yield or principal. After completing its analysis of estimated cash flows, management determined that an adverse change in cash flows had occurred for certain TRUP CDOs as the expected discounted cash flows from these particular securities were less than the discounted cash flows originally expected at purchase or from the previous date of other-than-temporary impairment. Therefore, based upon management s analysis and judgment, certain TRUP CDOs were determined to be other-than-temporarily impaired. The credit-related other-than-temporary impairment recognized in earnings for the third quarter of 2010 related to these securities was $1.17 million. The noncredit-related other-than-temporary impairment recognized in the third quarter on these securities, which are not expected to be sold, was $3.77 million. The noncredit-related other-than-temporary impairment, net of deferred taxes, of $2.45 million was recognized during the third quarter in accumulated other comprehensive income (loss) (OCI). At September 30, 2010, the balance of the noncredit-related other-than-temporary impairment recognized on United s TRUP CDO portfolio was $33.09 million as compared to $19.19 million at December 31, 2009.

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The amortized cost of available for sale TRUP CDOs in an unrealized loss position for twelve months or longer as of September 30, 2010 consisted of $10.00 million in investment grade bonds, $5.00 million in split-rated bonds and $113.25 million in below investment grade bonds. The amortized cost of available for sale single issue trust preferred securities in an unrealized loss position for twelve months or longer as of September 30, 2010 consisted of $4.48 million in investment grade bonds, $500 thousand in split-rated bonds, and $6.26 million in below investment grade bonds.

The following is a summary of the available for sale TRUP CDOs and single issue trust preferred securities in an unrealized loss position twelve months or greater as of September 30, 2010:

				Amortized Cost		
Class	**Amortized Cost**	**Fair Value**	**Unrealized Loss**	**Investment Grade**	**Split Rated**	**Below Investment Grade**
Senior	$ 23,662	$ 12,895	$ 10,767	$ 10,000	$ 5,000	$ 8,662
Mezzanine (now in Senior position)	19,079	7,535	11,544			19,079
Mezzanine	85,506	29,118	56,388			85,506
Single Issue Trust Preferred	11,238	6,919	4,319	4,481	500	6,257
Totals	$ 139,485	$ 56,467	$ 83,018	$ 14,481	$ 5,500	$ 119,504

Management also considered the ratings of the Company s bonds in its portfolio and the extent of downgrades in United s impairment analysis. However, due to historical discrepancies in ratings from the various rating agencies, management considered it imperative to independently perform its own credit analysis based on cash flows as described above and exercise management s professional judgment in evaluating whether it was expected that United would be unable to realize all principal and interest expected at purchase.

Except for the securities that have already been deemed to be other-than-temporarily impaired, management does not believe any other individual security with an unrealized loss as of September 30, 2010 is other-than-temporarily impaired. For debt securities, United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not a change in the expected contractual cash flows. Based on a review of each of the securities in the investment portfolio, management concluded that it expected to recover the amortized cost basis of the investment in such securities. As of September 30, 2010, United does not intend to sell any impaired debt security nor is it anticipated that it would be required to sell any impaired debt security before the recovery of its amortized cost basis. For equity securities, United has evaluated the near-term prospects of the investment in relation to the severity and duration of any impairment and based on that evaluation, management does not believe any individual equity security is other-than-temporarily impaired. As of September 30, 2010, United has the ability and intent to hold these equity securities until a recovery of their fair value to at least the cost basis of the investment.

During the third quarter of 2010, United evaluated all of its cost method investments to identify any events or changes in circumstances which could have a significant adverse effect on the fair value of certain cost method securities. United determined that no such events or changes in circumstances had occurred during the third quarter of 2010. Therefore, United did not record any impairment in the third quarter of 2010 on these cost method securities.

Below is a progression of the anticipated credit losses on securities which United has recorded other-than-temporary charges on through earnings and other comprehensive income.

Balance of cumulative credit losses at December 31, 2009	$ 25,509
Additions for credit losses on securities for which OTTI was not previously recognized	2,390
Additions for additional credit losses on securities for which OTTI was previously recognized	2,056
Balance of cumulative credit losses at September 30, 2010	$ 29,955

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

The amortized cost and estimated fair value of securities available for sale at September 30, 2010 and December 31, 2009 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

	September 30, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 127,918	$ 127,956	$ 10,560	$ 10,613
Due after one year through five years	52,218	54,728	62,537	64,514
Due after five years through ten years	164,118	171,957	179,564	183,417
Due after ten years	460,444	384,590	621,604	547,959
Marketable equity securities	5,932	5,848	5,277	5,274
Total	$ 810,630	$ 745,079	$ 879,542	$ 811,777

The amortized cost and estimated fair values of securities held to maturity are summarized as follows:

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 11,234	$ 2,636	$	$ 13,870
State and political subdivisions	20,709	595	3	21,301
Residential mortgage-backed securities				
Agency	97	13		110
Non-agency	2			2
Single issue trust preferred securities	32,122		5,847	26,275
Other corporate securities	3,332			3,332
Total	$ 67,496	$ 3,244	$ 5,850	$ 64,890

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 11,331	$ 1,588	$	$ 12,919
State and political subdivisions	25,904	666	79	26,491
Residential mortgage-backed securities				
Agency	108	12		120

Non-agency	2			2
Single issue trust preferred securities	33,499		9,073	24,426
Other corporate securities	6,577			6,577
Total	$ 77,421	$ 2,266	$ 9,152	$ 70,535

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Even though the fair value of the held-to-maturity investment portfolio is less than its cost, the unrealized loss has no impact on the net worth or regulatory capital requirements of United. As of September 30, 2010, the Company s three largest held-to-maturity single-issue trust preferred exposures were to Wells Fargo ($10.27 million), SunTrust Bank ($7.50 million), and Peoples Bancorp Inc. ($7.25 million). Other corporate securities consist mainly of bonds of corporations.

The following table shows the gross realized gains and losses on calls and a sales of held to maturity securities that have been included in earnings as a result of those calls and sales. During the first nine months of 2010, a corporate bond with a carrying value of $1.00 million and classified as held-to-maturity was sold as a result of a limited opportunity to divest in this issuer, which had filed bankruptcy in 2008. United realized a gain of $1.24 million on the sale of the bond. Gains or losses on calls and sales of held to maturity securities are recognized by the specific identification method.

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Gross realized gains			1,297	13
Gross realized losses	29	45	29	45

The amortized cost and estimated fair value of debt securities held to maturity at September 30, 2010 and December 31, 2009 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

	September 30, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 2,390	$ 2,424	$ 2,770	$ 2,807
Due after one year through five years	5,042	5,198	8,196	8,428
Due after five years through ten years	19,922	22,630	21,682	23,447
Due after ten years	40,142	34,638	44,773	35,853
Total	$ 67,496	$ 64,890	$ 77,421	$ 70,535

The carrying value of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law, approximated $675,846 and $734,403 at September 30, 2010 and December 31, 2009, respectively.

3. LOANS

Major classifications of loans are as follows:

	September 30, 2010	December 31, 2009

Commercial, financial and agricultural	$ 996,248	$ 1,108,265
Real estate:		
Single-family residential	1,756,863	1,859,439
Commercial	1,556,443	1,619,628
Construction	465,383	559,602
Other	289,743	275,405
Installment	262,535	318,439
Total gross loans	$ 5,327,215	$ 5,740,778

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The preceding table does not include loans held for sale of $1,788 and $5,284 at September 30, 2010 and December 31, 2009, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

United s subsidiary banks have made loans, in the normal course of business, to the directors and officers of United and its subsidiaries, and to their affiliates. Such related party loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than normal risk of collectibility. The aggregate dollar amount of these loans was $92,288 and $91,820 at September 30, 2010 and December 31, 2009, respectively.

4. ALLOWANCE FOR CREDIT LOSSES

United maintains an allowance for loan losses and an allowance for lending-related commitments such as unfunded loan commitments and letters of credit. The allowance for lending-related commitments of $1,883 and $2,157 at September 30, 2010 and December 31, 2009, respectively, is separately classified as a liability on the balance sheet. The combined allowances for loan losses and lending-related commitments are referred to as the allowance for credit losses.

The allowance for credit losses is management s estimate of the probable credit losses inherent in the lending portfolio. 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 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. Loans deemed to be uncollectible are charged against the allowance for credit losses, while recoveries of previously charged-off amounts are credited to the allowance for credit losses. Credit expenses related to the allowance for credit losses and the allowance for lending-related commitments are reported in the provision for credit losses in the income statement.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Balance at beginning of period	$ 71,361	$ 66,534	$ 70,010	$ 63,603
Provision for credit losses	6,123	8,067	19,391	39,346
	77,484	74,601	89,401	102,949
Loans charged-off	(5,420)	(5,315)	(18,340)	(34,368)
Less: Recoveries	742	452	1,745	1,157
Net charge-offs	(4,678)	(4,863)	(16,595)	(33,211)
Balance at end of period	$ 72,806	$ 69,738	$ 72,806	$ 69,738

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

5. RISK ELEMENTS

Nonperforming assets include loans on which no interest is currently being accrued, principal or interest has been in default for a period of 90 days or more and for which the terms have been modified due to deterioration in the financial position of the borrower. Loans are designated as nonaccrual when, in the opinion of management, the collection of principal or interest is doubtful. This generally occurs when a loan becomes 90 days past due as to principal or interest unless the loan is both well secured and in the process of collection. When interest accruals are discontinued, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for credit losses. Nonperforming assets also includes other real estate owned which consists of property acquired through foreclosure and is stated at the lower of cost or fair value less estimated selling costs.

Nonperforming assets are summarized as follows:

	September 30, 2010	December 31, 2009
Nonaccrual loans	$ 58,302	$ 50,856
Loans past due 90 days or more and still accruing interest	12,644	20,314
Restructured loans	438	1,087
Total nonperforming loans	71,384	72,257
Other real estate owned	50,567	40,058
Total nonperforming assets	$ 121,951	$ 112,315

Loans are designated as impaired when, in the opinion of management, the collection of principal and interest in accordance with the contractual terms of the loan agreement is doubtful. At September 30, 2010, the recorded investment in loans that were considered to be impaired was $58,174. Included in this amount is $31,458 of impaired loans for which the related allowance for credit losses is $6,772 and $26,716 of impaired loans that do not have an allowance for credit losses due to management s estimate that the fair value of the underlying collateral of these loans is sufficient for full repayment of the loan and interest. At December 31, 2009, the recorded investment in loans that were considered to be impaired was $63,221. Included in this amount were $37,937 of impaired loans for which the related allowance for credit losses was $6,891 and $25,284 of impaired loans that did not have an allowance for credit losses. The average recorded investment in impaired loans during the nine months ended September 30, 2010 and for the year ended December 31, 2009 was approximately $63,692 and $58,896, respectively.

United recognized interest income on impaired loans of approximately $158 and $432 for the quarter and nine months ended September 30, 2010, respectively, and $263 and $741 for the quarter and nine months ended September 30, 2009, respectively. Substantially all of the interest income was recognized using the accrual method of income recognition. The amount of interest income that would have been recorded under the original terms for the above loans was $1,243 and $3,896 for the quarter and nine months ended September 30, 2010, respectively, and $1,108 and $3,038 for the quarter and nine months ended September 30, 2009, respectively.

6. INTANGIBLE ASSETS

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

	As of September 30, 2010		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Amortized intangible assets:			
Core deposit intangible assets	$ 30,995	($ 27,645)	$ 3,350
Goodwill not subject to amortization			$ 311,834

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	As of December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	$ 30,995	($ 26,172)	$ 4,823
Goodwill not subject to amortization			$ 312,069

United incurred amortization expense of $448 and $1,473 for the quarter and nine months ended September 30, 2010, respectively, and $618 and $1,984 for the quarter and nine months ended September 30, 2009, respectively, related to intangible assets. The table presented below sets forth the anticipated amortization expense for intangible assets for each of the next five years:

Year	Amount
2010	$ 1,884
2011	1,362
2012	915
2013	466
2014 and thereafter	196

7. SHORT-TERM BORROWINGS

Federal funds purchased and securities sold under agreements to repurchase are a significant source of funds for the company. United has various unused lines of credit available from certain of its correspondent banks in the aggregate amount of $285,000. These lines of credit, which bear interest at prevailing market rates, permit United to borrow funds in the overnight market, and are renewable annually subject to certain conditions. At September 30, 2010, federal funds purchased were $22,765 while securities sold under agreements to repurchase were $304,576. The securities sold under agreements to repurchase were accounted for as collateralized financial transactions. They were recorded at the amounts at which the securities were acquired or sold plus accrued interest.

United has a $10,000 line of credit with an unrelated financial institution to provide for general liquidity needs. The line is an unsecured, revolving line of credit. The line is renewable on a 360 day basis and carries an indexed, floating-rate of interest. The line requires compliance with various financial and nonfinancial covenants. At September 30, 2010, United had no outstanding balance under this line of credit.

United Bank (VA) participates in the Treasury Investment Program, which is essentially the U.S. Treasury s savings account for companies depositing employment and other tax payments. The bank retains the funds in an open-ended interest-bearing note until the Treasury withdraws or calls the funds. A maximum note balance is established and that amount must be collateralized at all times. All tax deposits or a portion of the tax deposits up to the maximum balance are generally available as a source of short-term investment funding. As of September 30, 2010, United Bank (VA) had an outstanding balance of $2,194 and had additional funding available of $2,806.

8. LONG-TERM BORROWINGS

United s subsidiary banks are members of the Federal Home Loan Bank (FHLB). Membership in the FHLB makes available short-term and long-term borrowings from collateralized advances. All FHLB borrowings are collateralized by a mix of single-family residential mortgage loans, commercial loans and investment securities. At September 30, 2010, United had an unused borrowing amount of $1,411,231 available subject to delivery of collateral after certain trigger points.

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Advances may be called by the FHLB or redeemed by United based on predefined factors and penalties. At September 30, 2010, $511,955 of FHLB advances with a weighted-average interest rate of 2.32% is scheduled to mature within the next nine years.

The scheduled maturities of these FHLB borrowings are as follows:

Year	Amount
2010	$ 309,685
2011	60,000
2012	55,000
2013	29,372
2014 and thereafter	57,898
Total	$ 511,955

United has a total of ten statutory business trusts that were formed for the purpose of issuing or participating in pools of trust preferred capital securities (Capital Securities) with the proceeds invested in junior subordinated debt securities (Debentures) of United. The Debentures, which are subordinate and junior in right of payment to all present and future senior indebtedness and certain other financial obligations of United, are the sole assets of the trusts and United s payment under the Debentures is the sole source of revenue for the trusts. At September 30, 2010 and December 31, 2009, the outstanding balances of the Debentures were $184,403 and $184,722 respectively, and were included in the category of long-term debt on the Consolidated Balance Sheets entitled Other long-term borrowings . The Capital Securities are not included as a component of shareholders equity in the Consolidated Balance Sheets. United fully and unconditionally guarantees each individual trust s obligations under the Capital Securities.

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

The Trust Preferred Securities currently qualify as Tier I capital to United for regulatory purposes.

9. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily, and historically do not, represent future cash requirements. The amount of collateral obtained, if deemed necessary upon the extension of credit, is based on

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management s credit evaluation of the counterparty. United had approximately $1,668,300 and $1,726,341 of loan commitments outstanding as of September 30, 2010 and December 31, 2009, respectively, the majority of which expire within one year.

Commercial and standby letters of credit are agreements used by United s customers as a means of improving their credit standing in their dealings with others. Under these agreements, United guarantees certain financial commitments of its customers. A commercial letter of credit is issued specifically to facilitate trade or commerce. Typically, under the terms of a commercial letter of credit, a commitment is drawn upon when the underlying transaction is consummated as intended between the customer and a third party. United has issued commercial letters of credit of $1,645 as of September 30, 2010 and $2,121 as of December 31, 2009. A standby letter of credit is generally contingent upon the failure of a customer to perform according to the terms of an underlying contract with a third party. United has issued standby letters of credit of $121,114 and $117,729 as of September 30, 2010 and December 31, 2009, respectively. In accordance with the Contingencies Topic of the FASB Accounting Standards Codification, United has determined that substantially all of its letters of credit are renewed on an annual basis and the fees associated with these letters of credit are immaterial.

10. DERIVATIVE FINANCIAL INSTRUMENTS

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

United accounts for its derivative financial instruments in accordance with the Derivatives and Hedging topic of the FASB Accounting Standards Codification. The Derivatives and Hedging topic requires all derivative instruments to be carried at fair value on the balance sheet. United has designated certain derivative instruments used to manage interest rate risk as hedge relationships with certain assets, liabilities or cash flows being hedged. Certain derivatives used for interest rate risk management are not designated in a hedging relationship.

Under the provisions of the Derivatives and Hedging topic, derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivative instruments designated in hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. As of September 30, 2010, United has fair value hedges and a cash flow hedge.

For a fair value hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to the hedged financial instrument. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a fair value hedge are offset in current period earnings. For a cash flow hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to other comprehensive income within shareholders equity, net of tax. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a cash flow hedge are offset to other comprehensive income, net of tax. The portion of a hedge that is ineffective is recognized immediately in earnings. No hedge ineffectiveness existed on cash flow hedges for the nine months ended September 30, 2010 and 2009.

At inception of a hedge relationship, United formally documents the hedged item, the particular risk management objective, the nature of the risk being hedged, the derivative being used, how effectiveness of the hedge will be assessed and how the ineffectiveness of the hedge will be measured. United also assesses hedge effectiveness at inception and on an ongoing basis using regression analysis. Hedge ineffectiveness is measured by using the change in

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fair value method. The change in fair value method compares the change in the fair value of the hedging derivative to the change in the fair value of the hedged exposure, attributable to changes in the benchmark rate. The portion of a hedge that is ineffective is recognized immediately in earnings. Prior to January 1, 2006, United used the shortcut method for interest rate swaps that met the criteria as defined under the Derivatives and Hedging topic. Effective January 1, 2006, United adopted an internal policy of accounting for all new derivative instruments entered thereafter whereby the shortcut method would no longer be used.

The derivative portfolio also includes derivative financial instruments not included in hedge relationships. These derivatives consist of interest rate swaps used for interest rate management purposes and derivatives executed with commercial banking customers to facilitate their interest rate management strategies. For derivatives that are not designated in a hedge relationship, changes in the fair value of the derivatives are recognized in earnings in the same period as the change in fair value. Gains and losses on other derivative financial instruments are included in noninterest income and noninterest expense, respectively.

The following table sets forth certain information regarding the interest rate derivatives portfolio used for interest-rate risk management purposes and designated as accounting hedges under the Derivatives and Hedging topic at September 30, 2010:

Derivative Classifications and Hedging Relationships

September 30, 2010

	Notional Amount	Average Receive Rate	Average Pay Rate
Fair Value Hedges:			
Pay Fixed Swap (Hedging Commercial Loans)	$ 13,460		6.27%
Total Derivatives Used in Fair Value Hedges	$ 13,460		
Cash Flow Hedge:			
Pay Fixed Swap (Hedging FHLB Borrowing)	$ 234,685		3.79%
Total Derivative Used in Cash Flow Hedge	$ 234,685		
Total Derivatives Used for Interest Rate Risk Management and Designated as Hedges	$ 248,145		

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

	Asset Derivatives			
	September 30, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Interest rate contracts	Other assets	$ 5,537	Other assets	$ 3,772

Total derivatives not designated as hedging instruments	$ 5,537	$ 3,772
Total asset derivatives	$ 5,537	$ 3,772

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

	Liability Derivatives			
	September 30, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other liabilities	$ 3,898	Other liabilities	$ 9,077
Total derivatives designated as hedging instruments		$ 3,898		$ 9,077
Derivatives not designated as hedging instruments				
Interest rate contracts	Other liabilities	$ 5,537	Other liabilities	$ 3,772
Total derivatives not designated as hedging instruments		$ 5,537		$ 3,772
Total liability derivatives		$ 9,435		$ 12,849

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

The effect of United s derivative financial instruments on its unaudited Consolidated Statements of Income for the three and nine months ended September 30, 2010 and 2009 are presented as follows:

		Three Months Ended	
	Income Statement Location	September 30, 2010	September 30, 2009
Derivatives in fair value hedging relationships			
Interest rate contracts	Interest income/ (expense)	$ 22	$ 25
Total derivatives in fair value hedging relationships		$ 22	$ 25
Derivatives not designated as hedging instruments			
Interest rate contracts [1]	Other income	$ 763	$ 542
Interest rate contracts [2]	Other expense	$ (763)	$ (542)
Total derivatives not designated as hedging instruments		$	$

Total derivatives	$ 22	$ 25

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

	Income Statement Location	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Derivatives in fair value hedging relationships			
Interest rate contracts	Interest income/ (expense)	$ 65	$ 82
Total derivatives in fair value hedging relationships		$ 65	$ 82
Derivatives not designated as hedging instruments			
Interest rate contracts [(1)]	Other income	$ 2,476	$ 2,851
Interest rate contracts [(2)]	Other expense	$ (2,476)	$ (2,851)
Total derivatives not designated as hedging instruments		$	$
Total derivatives		$ 65	$ 82

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

11. FAIR VALUE MEASUREMENTS

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

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

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

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

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

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

When determining the fair value measurements for assets and liabilities, United looks to active and observable markets to price identical assets or liabilities whenever possible and classifies such items in Level 1. When identical assets and liabilities are not traded in active markets, United looks to market observable data for similar assets and liabilities and classifies such items as Level 2. Nevertheless, certain assets and liabilities are not actively traded in observable markets and United must use alternative valuation techniques using unobservable inputs to determine a fair value and classifies such items as Level 3. The level within the fair value hierarchy is based on the lowest level of input that is significant in the fair value measurement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

The following describes the valuation techniques used by United to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

Securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Using a market approach valuation methodology, third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2). Management internally reviews the fair values provided by third party vendors on a monthly basis. Management s review consists of comparing fair values assigned by third party vendors to trades and offerings observed by management. The review requires some degree of judgment as to the number or percentage of securities to review on the part of management which could fluctuate based on results of past reviews and in comparison to current expectations. Exceptions that are deemed to be material are reviewed by management. Prices obtained from third party vendors that do not reflect forced liquidation or distressed sales are not adjusted by management. Management utilizes a number of factors to determine if a market is inactive, all of which may require a significant level of judgment. Factors that management considers include: a significant widening of the bid-ask spread, a considerable decline in the volume and level of trading activity in the instrument, a significant variance in prices among market participants, and a significant reduction in the level of observable inputs. Any securities available for sale not valued based upon quoted market prices or third party pricing models that consider observable market data are considered Level 3. Currently, United considers its valuation of available-for-sale TRUP CDOs as Level 3. The Fair Value Measurements and Disclosures topic assumes that fair values of financial assets are determined in an orderly transaction and not a forced liquidation or distressed sale at the measurement date. Based on financial market conditions, United feels that the fair values obtained from its third party vendor reflects forced liquidation or distressed sales for these TRUP CDOs due to decreased volume and trading activity. Additionally, management held discussions with institutional traders to identify trends in the number and type of transactions related to the TRUP CDOs sector. Based upon management s review of the market conditions for TRUP CDOs, it was determined that an income approach valuation technique (present value technique) that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs is more representative of fair value than the market approach valuation technique used by United s third party vendor. The present value technique discounts expected future cash flows of a security to arrive at a present value. Management considers the following items when calculating the appropriate discount rate: the implied rate of return when the market was last active, changes in the implied rate of return as markets moved from very active to inactive, recent changes in credit ratings, and recent activity showing that the market has built in increased liquidity and credit premiums. Management s internal credit review of each security was also factored in to determine the appropriate discount rate. The credit review considered each security s collateral, subordination, excess spread, priority of claims, principal and interest. The discount rates utilized in the valuation range from a low of approximately 9% to a high of approximately 36%.

Derivatives: United utilizes interest rate swaps in order to hedge exposure to interest rate risk and variability of cash flows associated to changes in the underlying interest rate of the hedged item. United utilizes third-party vendors which employ a combination of market and income approach techniques to value derivatives. These vendors determine the appropriate fair value based on a net present value calculation of the cash flows related to the interest rate swaps using primarily observable market inputs such as interest rate yield curves (Level 2). Valuation adjustments to derivative fair values for liquidity and credit risk are also taken into consideration, as well as the likelihood of default by United and derivative counterparties, the net counterparty exposure and the remaining maturities of the positions. Values obtained from third party vendors are typically not adjusted by management. Management internally reviews the derivative values provided by third party vendors on a quarterly basis. All derivative values are tested for reasonableness by management utilizing a net present value calculation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

The following tables present the balances of financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 and December 31, 2009, segregated by the level of the valuation inputs within the fair value hierarchy.

		Fair Value at September 30, 2010 Using		
Description	**Balance as of September 30, 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 125,971		$ 125,971	
State and political subdivisions	88,295		88,295	
Residential mortgage-backed securities				
Agency	371,463		371,463	
Non-agency	92,378	$ 458	91,920	
Trust preferred collateralized debt obligations	49,548			$ 49,548
Single issue trust preferred securities	11,576	459	11,117	
Total available for sale debt securities	739,231	917	688,766	49,548
Available for sale equity securities:				
Financial services industry	936	936		
Equity mutual funds (1)	4,007	4,007		
Other equity securities	905	905		
Total available for sale equity securities	5,848	5,848		
Total available for sale securities	745,079	6,765	688,766	49,548
Derivative financial assets:				
Interest rate contracts	5,537		5,537	
Liabilities				
Derivative financial liabilities:				
Interest rate contracts	9,435		9,435	

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

		Fair Value at December 31, 2009 Using		
Description	**Balance as of December 31, 2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Available for sale securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 5,014		$ 5,014	
State and political subdivisions	100,122		100,122	
Residential mortgage-backed securities				
Agency	497,840		497,840	
Non-agency	133,846	$ 584	133,262	
Trust preferred collateralized debt obligations	59,294			$ 59,294
Single issue trust preferred securities	10,387	366	10,021	
Marketable equity securities	5,274	5,274		
Derivative financial assets	3,772		3,772	
Liabilities				
Derivative financial liabilities	12,849		12,849	

The following table presents additional information about financial assets and liabilities measured at fair value at September 30, 2010 on a recurring basis and for which United has utilized Level 3 inputs to determine fair value:

	Available-for-sale Securities	
	Trust preferred collateralized debt obligations	
	September 30, 2010	**December 31, 2009**
Balance, beginning of year	$ 59,294	$ 84,132
Total gains or losses (realized/unrealized):		
Included in earnings (or changes in net assets)	(3,749)	(5,370)
Included in other comprehensive income	(5,997)	(19,468)
Purchases, issuances, and settlements		
Transfers in and/or out of Level 3		
Balance, ending of year	$ 49,548	$ 59,294
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date		

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

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

Loans held for sale: Loans held for sale are carried at the lower of cost or market value. These loans currently consist of one-to-four family residential loans originated for sale in the secondary market. Fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, United records any fair value adjustments on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale during the quarter ended September 30, 2010. Gains and losses on the sale of loans are recorded within income from mortgage banking on the unaudited Consolidated Statements of Income.

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

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

Intangible Assets: For United, intangible assets consist of goodwill and core deposit intangibles. Goodwill is tested for impairment at least annually or sooner if indicators of impairment exist. Goodwill impairment would be defined as the difference between the recorded value of goodwill (i.e. book value) and the implied fair value of goodwill. In determining the implied fair value of goodwill for purposes of evaluating goodwill impairment, United determines the fair value of the reporting unit using a market approach and compares the fair value to its carrying value. If the carrying value exceeds the fair value, a step two test is performed whereby the implied fair value is computed by deducting the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

fair value of all tangible and intangible net assets from the fair value of the reporting unit. Core deposit intangibles relate to the estimated value of the deposit base of acquired institutions. Management reviews core deposit intangible assets on an annual basis, or sooner if indicators of impairment exist, and evaluates changes in facts and circumstances that may indicate impairment in the carrying value. No fair value measurement of intangible assets was made during the first nine months of 2010.

The following table summarizes United s financial assets that were measured at fair value on a nonrecurring basis during the period:

		Fair Value Measurements at September 30, 2010 Using			
Description	**Balance as of September 30, 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**YTD Losses**
Assets					
Impaired Loans	$ 31,458		$ 15,842	$ 15,616	$ 3,992
OREO	50,567		49,178	1,389	1,632

		Fair Value Measurements at December 31, 2009 Using			
Description	**Balance as of December 31, 2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**YTD Losses**
Assets					
Impaired Loans	$ 37,937		$ 20,057	$ 17,880	$ 3,443
OREO	40,058		37,588	2,470	1,100

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

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

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

Loan Bank and Federal Reserve Bank stock that do not have readily determinable fair values and are carried at cost.

Loans: The fair values of certain mortgage loans (e.g., one-to-four family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. The fair values of other loans (e.g., commercial real estate and rental property mortgage loans, commercial and industrial loans, financial institution loans and agricultural loans) are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar creditworthiness.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

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

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

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

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

	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 712,562	$ 712,562	$ 449,767	$ 449,767
Securities available for sale	745,079	745,079	811,777	811,777
Securities held to maturity	67,496	64,890	77,421	70,535
Other securities	78,413	77,823	77,722	77,220
Loans held for sale	1,788	1,788	5,284	5,284
Loans	5,324,018	5,238,929	5,736,809	5,659,661
Derivative financial assets	5,537	5,537	3,772	3,772
Deposits	5,698,383	5,736,958	5,971,100	5,995,494
Short-term borrowings	329,535	329,535	222,944	222,944
Long-term borrowings	696,358	708,266	771,935	775,080
Derivative financial liabilities	9,435	9,435	12,849	12,849

12. STOCK BASED COMPENSATION

On May 15, 2006, United s shareholders approved the 2006 Stock Option Plan. A total of 1,500,000 shares of United s authorized but unissued common stock are allocated for the 2006 Stock Option Plan. Each plan year, 400,000 options will be available for award to eligible employees; however, not all 400,000 options are required to be awarded in that year. All options granted under the 2006 Stock Option Plan will be non-statutory stock options (NSOs), i.e., options that do not qualify as incentive stock options under Section 422 of the Internal Revenue Code. Subject to certain change in control provisions, recipients of options will be fully vested in and permitted to exercise options granted under the 2006 Stock Option Plan three years from the grant date. As of September 30, 2010, 576,350 shares have been granted under the 2006 Stock Option Plan resulting in the recognition of compensation expense of $213 thousand and $774 thousand for the third quarter and first nine months of 2010, respectively, which was included in salaries and employee benefits expense in the Consolidated Statement of Income. A Form S-8 was filed on October 25, 2006 with the Securities and Exchange Commission to register all the shares available for the 2006 Stock Option Plan.

United currently has options outstanding from various option plans other than the 2006 Stock Option Plan (the Prior Plans); however, no common shares of United stock are available for grants under the Prior Plans as these plans have expired. Awards outstanding under the Prior Plans will remain in effect in accordance with their respective terms. The maximum term for options granted under the plans is ten (10) years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

A summary of option activity under the Plans as of September 30, 2010, and the changes during the first nine months of 2010 are presented below:

	Nine Months Ended September 30, 2010			
			Weighted Average	
	Shares	Aggregate Intrinsic Value	Remaining Contractual Term (Yrs.)	Exercise Price
Outstanding at January 1, 2010	1,490,302			$ 28.99
Granted	321,800			22.31
Exercised	136,256			16.61
Forfeited or expired	38,666			27.16
Outstanding at September 30, 2010	1,637,180	$ 2,122,240	4.9	$ 28.75
Exercisable at September 30, 2010	1,115,580	$ 1,317,796	3.3	$ 30.74

The following table summarizes the status of United s nonvested awards during the first nine months of 2010:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2010	220,300	$ 7.06
Granted	321,800	6.25
Vested		
Forfeited or expired	20,500	6.66
Nonvested at September 30, 2010	521,600	$ 6.58

Cash received from options exercised under the Plans for the nine months ended September 30, 2010 and 2009 was $2.14 million and $449 thousand, respectively. During the nine months ended September 30, 2010 and 2009, 136,256 and 39,988 shares, respectively, were issued in connection with stock option exercises. All shares issued in connection with stock option exercises were issued from available treasury stock for both the nine months ended September 30, 2010 and 2009. The total intrinsic value of options exercised under the Plans during the nine months ended September 30, 2010 and 2009 was $1.54 million and $505 thousand, respectively.

The benefits of tax deductions in excess of recognized compensation cost are reported as a financing cash flow, rather than as an operating cash flow as required under previous standards. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, the date employees exercise stock options), United recognized cash flows from financing activities of $389 thousand and $168 thousand from excess tax benefits related to share-based compensation for the nine months ended September 30, 2010 and 2009, respectively.

13. EMPLOYEE BENEFIT PLANS

United has a defined benefit retirement plan, the United Bankshares, Inc. Pension Plan (the Plan), covering a majority of employees. Pension benefits are based on years of service and the average of the employee s highest five consecutive plan years of basic compensation paid during the ten plan years preceding the date of determination. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. During the third quarter of 2010, United made a discretionary contribution of $9.10 million to the Plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

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

Included in accumulated other comprehensive income at December 31, 2009 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized transition asset of $131 ($79 net of tax), unrecognized prior service costs of $5 ($3 net of tax) and unrecognized actuarial losses of $32,848 ($19,709 net of tax). The amortization of these items expected to be recognized in net periodic pension cost during the fiscal year ended December 31, 2010 is $131 ($79 net of tax), $1 ($1 net of tax), and $2,310 ($1,386 net of tax), respectively.

Net periodic pension cost for the three and nine months ended September 30, 2010 and 2009 included the following components:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Service cost	$ 595	$ 602	$ 1,765	$ 1,787
Interest cost	1,087	1,010	3,224	2,998
Expected return on plan assets	(1,739)	(1,341)	(5,161)	(3,980)
Amortization of transition asset	(33)	(44)	(98)	(131)
Recognized net actuarial loss	582	972	1,728	2,886
Amortization of prior service cost	1	1	1	1
Net periodic pension (benefit) cost	$ 493	$ 1,200	$ 1,459	$ 3,561
Weighted-Average Assumptions:				
Discount rate	6.25%	6.25%	6.25%	6.25%
Expected return on assets	8.00%	8.50%	8.00%	8.50%
Rate of compensation increase (prior to age 45)	3.75%	4.75%	3.75%	4.75%
Rate of compensation increase	2.75%	3.25%	2.75%	3.25%

14. INCOME TAXES

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

As of September 30, 2010, United has provided a liability for $1,173 of unrecognized tax benefits related to various federal and state income tax matters. The entire amount of unrecognized tax benefits, if recognized, would impact United s effective tax rate. Over the next 12 months, the statute of limitations will close on certain income tax returns. However, at this time, United cannot reasonably estimate the amount of tax benefits it may recognize over the next 12 months.

United is currently open to audit under the statute of limitations by the Internal Revenue Service and State Taxing authorities for the years ended December 31, 2006 through 2008. Late in the first quarter of 2009, the State of West

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

Virginia finalized its tax exam for the years ended December 31, 2005 through 2007. At the close of the examination, United recognized a benefit associated with net operating loss carryforwards, coupled with a positive adjustment to income tax expense due to settlement of previously uncertain tax positions. The income tax benefit recorded in the first quarter of 2009 related to these two events was $11,507.

As of September 30, 2010 and 2009, the total amount of accrued interest related to uncertain tax positions was $333 and $473, respectively. United accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes.

15. COMPREHENSIVE INCOME

The components of total comprehensive income for the three and nine months ended September 30, 2010 and 2009 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Net Income	**$ 17,316**	**$ 12,065**	**$ 52,657**	**$ 49,854**
Available for sale (AFS) securities:				
AFS securities with OTTI charges during the period	(10,740)	(7,753)	(24,722)	(7,965)
Related income tax effect	3,759	2,714	8,653	2,788
Less : OTTI charges recognized in net income	1,864	2,810	4,446	3,022
Related income tax benefit	(652)	(984)	(1,556)	(1,058)
Reclassification of previous noncredit OTTI to credit OTTI	375		1,646	
Related income tax benefit	(131)		(576)	
Net unrealized losses on AFS securities with OTTI	(5,525)	(3,213)	(12,109)	(3,213)
AFS securities all other:				
Net change in unrealized gains on AFS securities arising during the period	10,067	20,529	21,217	28,254
Related income tax effect	(3,524)	(7,185)	(7,426)	(9,889)
Net reclassification adjustment for gains included in net income	(161)	(127)	(372)	(120)
Related income tax expense	56	45	130	42
	6,438	13,262	13,549	18,287
Net effect of AFS securities on other comprehensive income	**913**	**10,049**	**1,440**	**15,074**
Held to maturity (HTM) securities:				
Unrealized loss related to the call of HTM securities transferred from AFS to the HTM portfolio			130	
Related income tax expense			(45)	
Accretion on the unrealized loss for securities transferred from AFS to the HTM investment portfolio prior to call or maturity	1	19	5	63
Related income tax expense		(6)	(2)	(22)
Net effect of HTM securities on other comprehensive income	**1**	**13**	**88**	**41**
Cash flow hedge derivatives:				
Unrealized gain on cash flow hedge	1,802	350	5,640	1,537
Related income tax effect	(631)	(123)	(1,974)	(538)

Net effect of cash flow hedge derivatives on other comprehensive income	**1,171**	**227**	**3,666**	**999**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Pension plan:				
Change in pension asset				(324)
Related income tax expense				113
Amortization of transition asset	(33)	(44)	(98)	(131)
Related income tax expense	12	19	38	51
Amortization of prior service cost	1	1	1	1
Related income tax benefit				
Recognized net actuarial loss	582	972	1,728	2,886
Related income tax benefit	(233)	(457)	(686)	(1,155)
Net effect of change in pension plan asset on other comprehensive income	**329**	**491**	**983**	**1,441**
Total change in other comprehensive income	**2,414**	**10,780**	**6,177**	**17,555**
Total Comprehensive Income	**$ 19,730**	**$ 22,845**	**$ 58,834**	**$ 67,409**

16. EARNINGS PER SHARE

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Basic				
Net Income	$ 17,316	$ 12,065	$ 52,657	$ 49,854
Average common shares outstanding	43,588,021	43,410,532	43,528,210	43,404,920
Earnings per basic common share	$ 0.40	$ 0.28	$ 1.21	$ 1.15
Diluted				
Net Income	$ 17,316	$ 12,065	$ 52,657	$ 49,854
Average common shares outstanding	43,588,021	43,410,532	43,528,210	43,404,920
Equivalents from stock options	57,632	45,191	78,881	52,338
Average diluted shares outstanding	43,645,653	43,455,723	43,607,091	43,457,258
Earnings per diluted common share	$ 0.40	$ 0.28	$ 1.21	$ 1.15

17. VARIABLE INTEREST ENTITIES

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

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

The trusts utilized in these transactions are VIEs as the third-party equity holders lack a controlling financial interest in the trusts through their inability to make decisions that have a significant effect on the operations and success of the entities. United does not consolidate these trusts as it is not the primary beneficiary of these entities because United s equity interest does not absorb the majority of the trusts expected losses or receive a majority of their expected residual returns.

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

Description	Issuance Date	Amount of Capital Securities Issued	Interest Rate	Maturity Date
Century Trust	March 23, 2000	$ 8,800	10.875% Fixed	March 8, 2030
Sequoia Trust I	March 28, 2001	$ 7,000	10.18% Fixed	June 8, 2031
United Statutory Trust III	December 17, 2003	$ 20,000	3-month LIBOR + 2.85%	December 17, 2033
United Statutory Trust IV	December 19, 2003	$ 25,000	3-month LIBOR + 2.85%	January 23, 2034
United Statutory Trust V	July 12, 2007	$ 50,000	6.67% Fixed, until October 2012	October 1, 2037
United Statutory Trust VI	September 20, 2007	$ 30,000	6.60% Fixed, until October 2012	December 15, 2037
Premier Statutory Trust II	September 25, 2003	$ 6,000	3-month LIBOR + 3.10%	October 8, 2033
Premier Statutory Trust III	May 16, 2005	$ 8,000	3-month LIBOR + 1.74%	June 15, 2035
Premier Statutory Trust IV	June 20, 2006	$ 14,000	3-month LIBOR + 1.55%	September 23, 2036
Premier Statutory Trust V	December 14, 2006	$ 10,000	6.62% Fixed, until March 2012	March 1, 2037

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

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

	As of September 30, 2010			As of December 31, 2009		
	Aggregate Assets	Aggregate Liabilities	Risk Of Loss (1)	Aggregate Assets	Aggregate Liabilities	Risk Of Loss (1)
Trust preferred securities	$ 185,928	$ 179,489	$ 6,439	$ 186,730	$ 180,423	$ 6,307

(1) Represents investment in VIEs.

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Item 2. 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 harbor 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, involves numerous assumptions, risks and uncertainties.

Actual results could differ materially from those contained in or implied by United s statements for a variety of factors including, but not limited to: changes in economic conditions; 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 unaudited consolidated financial statements and the notes to unaudited 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 September 30, 2010, but prior to 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 unaudited 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 other 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.

As explained in Note 4, Allowance for Credit Losses to the unaudited consolidated financial statements, allowance for credit losses represents management s estimate of the probable credit losses inherent in the lending portfolio.

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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 September 30, 2010, the allowance for loan losses was $70.9 million and is subject to periodic adjustment based on management s assessment of current probable losses in the loan portfolios. 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 $7.1 million in additional allowance (funded by additional provision for credit losses), which would have negatively impacted first nine months of 2010 net income by approximately $4.6 million, or $0.11 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. Additional information relating to United s allowance for credit losses including the methodology used to determine the allowance for credit losses is described in Note 4. 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). Additional information relating to United s loans is included in Note 3, Loans to the unaudited consolidated financial statements.

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, 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. For example, available for sale securities for which there is an unrealized loss that is deemed to be other than temporary are written down to fair value with the write-down recorded as a realized loss and included in securities gains (losses) on the income statement rather than as a separate component of stockholders equity on the balance sheet. Given the recent disruptions in the financial markets, the decision to recognize other than temporary impairment on investments 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 2, Investment Securities, and Note 11, Fair Value Measurements, to the unaudited 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 FAS 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 September 30, 2010, 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 September 30, 2010, 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 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 10, Derivative Financial Instruments, to the unaudited 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 14, Income Taxes, to the unaudited 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 are further discussed in this MD&A.

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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 September 30, 2010, approximately 10.99% of total assets, or $832.64 million, consisted of financial instruments recorded at fair value. Of this total, approximately 92.01% or $766.09 million of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately 7.99% or $66.55 million of these financial instruments were valued using unobservable market information or Level 3 measurements. At September 30, 2010, only $9.44 million or less than 1% of total liabilities was 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 11, Fair Value Measurements, to the unaudited Consolidated Financial Statements for additional information regarding ASC topic 820 and its impact on United s financial statements.

FINANCIAL CONDITION

United s total assets as of September 30, 2010 were $7.57 billion which was a decline of $232.08 million or 2.97% from December 31, 2009. The decrease was primarily the result of decreases in investment securities and portfolio loans of $75.93 million or 7.85% and $412.79 million or 7.20%, respectively. The decrease in total assets is reflected in a corresponding decrease in total liabilities of $255.16 million or 3.62% from year-end 2009. The decrease in total liabilities was due mainly to reductions of $272.72 million or 4.57% and $13.18 million or 17.48% in deposits and accrued expenses and other liabilities, respectively, from year-end 2009. Shareholders equity increased $23.08 million or 3.03% from year-end 2009.

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

Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2010 increased $262.80 million or 58.43% from year-end 2009. Of this total increase, interest-bearing deposits with other banks increased $272.11 million or 86.54% as United placed its excess cash in an interest-bearing account with the Federal Reserve and other financial institutions while cash and due from banks decreased $9.31 million or 6.92% from year-end 2009. During the first nine months of 2010, net cash of $70.66 million and $469.66 million was provided by operating activities and investing activities, respectively. Net cash of $277.52 million was used in financing activities. See the unaudited Consolidated Statements of Cash Flows for data on cash and cash equivalents provided and used in operating, investing and financing activities for the first nine months of 2010 and 2009.

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Securities

Total investment securities at September 30, 2010 decreased $75.93 million or 7.85% from year-end 2009. Securities available for sale declined $66.70 million or 8.22%. This change in securities available for sale reflects $749.98 million in sales, maturities and calls of securities, $686.01 million in purchases, and an increase of $2.21 million in market value. Securities held to maturity decreased $9.93 million or 12.82% from year-end 2009 due to calls and maturities of securities. Other investment securities were relatively flat, increasing $691 thousand or less than 1% from year-end 2009.

The following table summarizes the changes in the available for sale securities since year-end 2009:

(Dollars In thousands)	September 30 2010	December 31 2009	$ Change	% Change
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 125,971	$ 5,014	$ 120,957	2,412.39%
State and political subdivisions	88,295	100,122	(11,827)	(11.81%)
Mortgage-backed securities	463,841	631,685	(167,844)	(26.57%)
Marketable equity securities	5,848	5,274	574	10.88%
Corporate securities	61,124	69,682	(8,558)	(12.28%)
Total available for sale securities, at fair value	$ 745,079	$ 811,777	$ (66,698)	(8.22%)

The following table summarizes the changes in the held to maturity securities since year-end 2009:

(Dollars In thousands)	September 30 2010	December 31 2009	$ Change	% Change
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 11,234	$ 11,331	$ (97)	(0.86%)
State and political subdivisions	20,709	25,904	(5,195)	(20.05%)
Mortgage-backed securities	99	110	(11)	(10.00%)
Corporate securities	35,454	40,076	(4,622)	(11.53%)
Total held to maturity securities, at amortized cost	$ 67,496	$ 77,421	$ (9,925)	(12.82%)

Further information regarding the amortized cost and estimated fair value of investment securities, including remaining maturities, is presented in Note 2 to the unaudited Notes to Consolidated Financial Statements.

Loans

Loans held for sale decreased $3.50 million or 66.16% as loan sales exceeded loan originations in the secondary market during the first nine months of 2010. Portfolio loans, net of unearned income, decreased $412.79 million or 7.20% from year-end 2009 due mainly to decreases in virtually all loan categories as loan demand remains soft due to current economic conditions. Single family residential real estate loans, commercial loans (not secured by real estate) and consumer loans decreased $102.58 million or 5.52%, $112.02 million or 10.11%, and $55.90 million or 17.56%, respectively. In addition, commercial real estate loans decreased $63.19 million or 3.90% and construction loans declined $94.22 million or 16.84% from year-end 2009. These decreases were partially offset by an increase from year-end 2009 in other real estate loans of $14.34 million or 5.21%.

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The following table summarizes the changes in the loan categories since year-end 2009:

(Dollars in thousands)	September 30 2010	December 31 2009	$ Change	% Change
Loans held for sale	$ 1,788	$ 5,284	$ (3,496)	(66.16%)
Commercial, financial, and agricultural	$ 996,248	$ 1,108,265	$ (112,017)	(10.11%)
Real Estate:				
Single family residential	1,756,863	1,859,439	(102,576)	(5.52%)
Commercial	1,556,443	1,619,628	(63,185)	(3.90%)
Construction	465,383	559,602	(94,219)	(16.84%)
Other	289,743	275,405	14,338	5.21%
Consumer	262,535	318,439	(55,904)	(17.56%)
Less: Unearned income	(3,197)	(3,969)	772	19.45%
Total Loans, net of unearned income	$ 5,324,018	$ 5,736,809	$ (412,791)	(7.20%)

For a further discussion of loans see Note 3 to the unaudited Notes to Consolidated Financial Statements.

Other Assets

Other assets increased $4.96 million or 1.56% from year-end 2009 due mainly to increases of $10.51 million in OREO properties, $9.40 million in the prepaid pension asset due to a contribution of $9.10 million during the third quarter of 2010, $3.49 million in the cash surrender values of bank-owned life insurance policies, and $1.76 million in the fair value of derivatives. Partially offsetting these increases from year-end 2009 were decreases of $10.19 million in deferred tax assets, $6.38 million in prepaid FDIC assessments due to the payments of insurance premiums, and $1.47 million in core deposit intangibles due to amortization.

Deposits

Total deposits at September 30, 2010 decreased $272.72 million or 4.57% from year-end 2009. In terms of composition, noninterest-bearing deposits increased $48.01 million or 4.33% while interest-bearing deposits decreased $320.73 million or 6.60% from December 31, 2009. The increase in noninterest-bearing deposits was due mainly to an increase in commercial noninterest-bearing deposits of $72.58 million or 9.25%. Personal noninterest-bearing deposits, public noninterest-bearing deposits and official checks declined $6.44 million or 2.37%, $1.50 million or 6.35% and $10.74 million or 25.06%, respectively.

The decrease in interest-bearing deposits was due mainly to declines in time deposits over $100,000 of $249.60 million or 18.82% and time deposits under $100,000 of $203.35 million or 14.43%. The $249.60 million decrease in time deposits over $100,000 was mostly due to decreases of $118.18 million in Certificate of Deposit Account Registry Service (CDARS) balances, $60.84 million in brokered deposits and $52.50 million and $16.99 million in fixed-rate and variable-rate certificate of deposits (CDs) over $100,000, respectively. The $203.35 million decrease in time deposits under $100,000 was mainly the result of decreases in CDARS balances of $80.92 million, fixed-rate CDs of $80.65 million and variable-rate CDs of $48.38 million. Partially offsetting these decreases in interest-bearing deposits were increases of $107.25 million or 7.05% in interest-bearing money market accounts (MMDAs) and $32.65 million or 9.36% in regular savings balances.

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The following table summarizes the changes in the deposit categories since year-end 2009:

(Dollars In thousands)	September 30 2010	December 31 2009	$ Change	% Change
Demand deposits	$ 591,042	$ 575,501	$ 15,541	2.70%
Interest-bearing checking	249,971	257,654	(7,683)	(2.98%)
Regular savings	381,630	348,982	32,648	9.36%
Money market accounts	2,193,552	2,053,829	139,723	6.80%
Time deposits under $100,000	1,205,788	1,409,137	(203,349)	(14.43%)
Time deposits over $100,000	1,076,400	1,325,997	(249,597)	(18.82%)
Total deposits	$ 5,698,383	$ 5,971,100	$ (272,717)	(4.57%)

Borrowings

Total borrowings at September 30, 2010 increased $31.01 million or 3.12% during the first nine months of 2010. Since year-end 2009, short-term borrowings increased $106.59 million or 47.81% due to a $92.72 million increase in securities sold under agreements to repurchase and a $14.93 million increase in federal funds purchased. Long-term borrowings decreased $75.58 million or 9.79% since year-end 2009 as long-term FHLB advances decreased $75.26 million or 12.82% due to repayments.

The table below summarizes the change in the borrowing categories since year-end 2009:

(Dollars In thousands)	September 30 2010	December 31 2009	$ Change	% Change
Federal funds purchased	$ 22,765	$ 7,835	$ 14,930	190.56%
Securities sold under agreements to repurchase	304,576	211,659	92,917	43.90%
TT&L note option	2,194	3,450	(1,256)	(36.41%)
Long-term FHLB advances	511,955	587,213	(75,258)	(12.82%)
Issuances of trust preferred capital securities	184,403	184,722	(319)	(0.17%)
Total borrowings	$ 1,025,893	$ 994,879	$ 31,014	3.12%

For a further discussion of borrowings see Notes 7 and 8 to the unaudited Notes to Consolidated Financial Statements.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at September 30, 2010 decreased $13.18 million or 17.48% from year-end 2009 mainly as a result of decreases in derivative liabilities of $3.41 million due to a change in fair value, interest payable of $2.69 million due to a decline in interest-bearing deposits, income taxes payable of $4.84 million due to a timing difference in payments and other accrued expenses of $2.94 million due to payments. Partially offsetting these decreases was an increase of $774 thousand in deferred compensation due to an increase in projected payments.

Shareholders Equity

Shareholders equity at September 30, 2010 increased $23.08 million or 3.03% from December 31, 2009 as United continued to balance capital adequacy and the return to shareholders. The increase in shareholders equity was due mainly to earnings net of dividends declared which equaled $13.44 million for the first nine months of 2010.

Accumulated other comprehensive income increased $6.17 million due mainly to an increase of $3.67 million, net of deferred taxes, in the fair value of United s cash flow hedge, an increase of $1.44 million, net of deferred income taxes, in the fair value of United s available for sale investment portfolio and amortization of pension costs of $983 thousand, net of deferred taxes.

The amount of treasury stock decreased $5.08 million for the first nine months of 2010 due mainly to the issuance of United common shares in connection with stock option exercises.

RESULTS OF OPERATIONS

Overview

Net income for the third quarter of 2010 was $17.32 million or $0.40 per diluted share, as compared to $12.07 million or $0.28 per diluted share reported for the prior year s third quarter. Net income for the first nine months of 2010 was $52.66 million or $1.21 per diluted share compared to $49.85 million or $1.15 per diluted share for the first nine months of 2009.

The results for the third quarter and first nine months of 2010 included before-tax, net gains of $132 thousand and $2.04 million, respectively, on the sale of investment securities and noncash, before-tax, other-than-temporary impairment charges of $1.86 million and $4.45 million, respectively, on certain investment securities. In addition, the results for the third quarter and first nine months of 2010 included a positive tax adjustment of $430 thousand due to the expiration of the statute of limitations for examinations of certain years.

Results for the third quarter of 2009 included before-tax, other-than-temporary impairment charges of $10.96 million on certain investment securities and a positive tax adjustment of $568 thousand due to the expiration of the statute of limitations for examinations of certain years. In addition to the amounts mentioned above, results for the first nine months of 2009 included a credit loss provision of $17.55 million for three loans with fraudulent collateral made to three affiliated companies of a commercial customer, an additional expense of $3.63 million for a special FDIC assessment, and additional other-than-temporary impairment charges of $1.23 million on certain investment securities. All of these expense amounts are before taxes. Also, results for the first nine months of 2009 included an income tax benefit of $11.51 million recorded in the first quarter associated with net operating loss carryforwards and a positive adjustment to income tax expense as a result of a concluded tax examination.

For the third quarter of 2010, United s annualized return on average assets was 0.91% and return on average shareholders equity was 8.73% as compared to 0.61% and 6.25% for the third quarter of 2009. United s annualized return on average assets for the first nine months of 2010 was 0.93% and return on average shareholders equity was 9.04% as compared to 0.84% and 8.77% for the first nine months of 2009. United s returns compare very favorably to its most recently reported Federal Reserve peer group s (bank holding companies with total assets between $3 and $10 billion) average return on assets of 0.35% and average return on equity of 2.09% for the first half of 2010.

Net interest income for the third quarter of 2010 was $58.98 million, a decrease of $2.34 million or 3.82% from prior year s third quarter. Net interest income for the first nine months of 2010 was $179.63 million, a decrease of $4.82 million or 2.62% from the prior year s first nine months. The provision for credit losses was $6.12 million and $19.39 million for the third quarter and first nine months of 2010, respectively, as compared to $8.07 million and $39.35 million for the third quarter and first nine months of 2009, respectively.

Noninterest income for the third quarter of 2010 was $15.69 million, an increase of $9.17 million or 140.53% from the third quarter of 2009 due mainly to a decline of $9.10 million in noncash, before-tax, other-than-temporary impairment charges on certain investment securities. For the first nine months of 2010, noninterest income was $48.85 million, which an increase of $9.08 million or 22.85% from the first nine months of 2009 due mainly to a decline of $7.75 million in noncash, before-tax, other-than-temporary impairment charges on certain investment securities. For the third quarter of 2010, noninterest expense was relatively flat from the third quarter of 2009, increasing $224 thousand or less than 1%. For the first nine months of 2010, noninterest expense increased $1.65 million or 1.26% from the first nine months of 2009.

Income taxes were $7.34 million for the third quarter of 2010 as compared to $4.04 million for the third quarter of 2009. For the quarters ended September 30, 2010 and 2009, United s effective tax rates were 29.76% and 25.09%, respectively. For the first nine months of 2010, income taxes were $23.59 million as compared to $3.83 million for the first nine months of 2009. As mentioned previously, 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 during the first quarter of 2009. The income tax benefit recorded in the first quarter of 2009 related to these two events was $11.51 million. The effective tax rate for the first nine months of 2010 was 30.94%. The effective tax rate for the first nine months of 2009 was 7.13% due mainly to the tax benefit.

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 2010 and 2009, are presented below.

Generally, net interest income has declined thus far in 2010 from the same time periods in 2009 as interest income has declined more than interest expense. The lower amount of net interest income has been due mainly to a decrease in average earning assets as a result of less loan demand due to current economic conditions and a lack of desirable reinvestment options for securities as they mature or are called. Yields on earning assets have also declined from last year due to lower reinvestment rates on loans and securities as a result of historically low market interest rates. United has been able to lower its funding costs on deposits and short-term borrowings from last year due to these lower market interest rates even to the point of outpacing the decline in the yield on earning assets.

Net interest income for the third quarter of 2010 was $58.98 million, a decrease of $2.34 million or 3.82% from the third quarter of 2009. The $2.34 million decrease in net interest income occurred because total interest income declined $10.54 million while total interest expense only declined $8.20 million from the third quarter of 2009. Net interest income for the first nine months of 2010 was $179.63 million, a decrease of $4.82 million or 2.62% from the first nine months of 2009. The $4.82 million decrease in net interest income occurred because total interest income declined $31.49 million while total interest expense only declined $26.67 million from the first nine months of 2009. On a linked-quarter basis, net interest income for the third quarter of 2010 declined $1.18 million or 1.96% from the second quarter of 2010. The $1.18 million decrease in net interest income occurred because total interest income declined $2.30 million while total interest expense only declined $1.12 million from the second quarter of 2010. 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 as do most bank holding companies.

Tax-equivalent net interest income for the third quarter of 2010 was $60.43 million, a decrease of $3.60 million or 5.62% from the third quarter of 2009. This decrease in tax-equivalent net interest income was primarily attributable to a decline in average earning assets of $390.02 million or 5.51% from the third quarter of 2009. Average net loans declined $463.27 million or 8.01% for the third quarter of 2010 while average investments decreased $229.07 million or 20.53% due mainly to maturities and calls of securities which were not fully reinvested from the third quarter of 2009. However, average short-term investments increased $302.32 million to mitigate some of the decline in average earning assets as a result of United placing its excess cash in an interest-bearing account with the Federal Reserve. The

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average yield on earning assets declined 39 basis points for the third quarter of 2010 as compared to the same quarter in 2009. Partially offsetting the decreases to tax-equivalent net interest income was a decrease of 43 basis points in the third quarter of 2010 average cost of funds. The net interest margin for the third quarter of 2010 was 3.60%, which was equal to the net interest margin for the third quarter of 2009.

Tax-equivalent net interest income for the first nine months of 2010 was $184.12 million, a decrease of $8.90 million or 4.61% from the first nine months of 2009. This decrease in tax-equivalent net interest income was primarily attributable to a decline in average earning assets of $418.55 million or 5.84% for the first nine months of 2010. Average net loans declined $408.93 million or 6.97% for the first nine months of 2010 while average investments decreased $274.57 million or 23.07% due mainly to maturities and calls of securities which were not fully reinvested from the first nine months of 2009. Average short-term investments increased $264.94 million as a result of United placing its excess cash in an interest-bearing account with the Federal Reserve. The average yield on earning assets declined 37 basis points for the first nine months of 2010 as compared to the first nine months of 2009. Partially offsetting the decreases to tax-equivalent net interest income was a decrease of 46 basis points in the first nine months of 2010 average cost of funds. The net interest margin for the first nine months of 2010 was 3.65%, up 5 basis points from a net interest margin of 3.60% for the first nine months of 2009.

On a linked-quarter basis, United s tax-equivalent net interest income for the third quarter of 2010 decreased $1.23 million or 1.99% from the second quarter of 2010 due to a decline in average net loans and investments. Average net loans decreased $130.75 million or 2.40% while average investments declined $30.12 million or 3.29% for the quarter. Overall, average earning assets were relatively flat for the quarter, declining $6.40 million or less than 1% as average short-term investments increased $154.47 million to mostly offset the decline in average net loans and investments. The third quarter of 2010 average yield on earning assets declined 17 basis points while the average cost of funds decreased 8 basis points from the second quarter of 2010. The net interest margin of 3.60% for the third quarter of 2010 was a decrease of 9 basis points from the net interest margin of 3.69% for the second quarter of 2010.

The following tables reconcile the difference between net interest income and tax-equivalent net interest income for the three months ended September 30, 2010, September 30, 2009 and June 30, 2010 and the nine months ended September 30, 2010 and September 30, 2009.

	Three Months Ended		
(Dollars in thousands)	**September 30 2010**	**September 30 2009**	**June 30 2010**
Net interest income, GAAP basis	$ 58,982	$ 61,323	$ 60,164
Tax-equivalent adjustment (1)	1,444	2,701	1,490
Tax-equivalent net interest income	$ 60,426	$ 64,024	$ 61,654

	Nine Months Ended	
(Dollars in thousands)	**September 30 2010**	**September 30 2009**
Net interest income, GAAP basis	$ 179,625	$ 184,449
Tax-equivalent adjustment (1)	4,491	8,567
Tax-equivalent net interest income	$ 184,116	$ 193,016

(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 for the three and nine months ended September 30, 2009, interest income on state nontaxable loans and investment securities using the statutory state income tax rate of 8.75%. For the three and nine months ended September 30, 2010 and the three months ended June 30, 2010, all interest income on loans and investment securities was subject to state income taxes.

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The following tables show the unaudited consolidated daily average balance of major categories of assets and liabilities for the three-month and nine-month periods ended September 30, 2010 and 2009, respectively, with the 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%. For the first three months and first nine months of 2010, interest income on all loans and investment securities was subject to state income taxes. For the three months and first nine months of 2009, 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%.

	Three Months Ended September 30, 2010			Three Months Ended September 30, 2009		
(Dollars in thousands)	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1) (2)	Avg. Rate (1) (2)
ASSETS						
Earning Assets:						
Federal funds sold and securities repurchased under agreements to resell and other short-term investments	$ 482,365	$ 347	0.28%	$ 180,045	$ 60	0.13%
Investment Securities:						
Taxable	784,007	8,303	4.24%	947,869	10,696	4.51%
Tax-exempt	102,658	1,720	6.70%	167,861	3,017	7.19%
Total Securities	886,665	10,023	4.52%	1,115,730	13,713	4.92%
Loans, net of unearned income (3)	5,390,078	70,963	5.23%	5,848,138	79,355	5.39%
Allowance for loan losses	(69,588)			(64,375)		
Net loans	5,320,490		5.30%	5,783,763		5.45%
Total earning assets	6,689,520	$ 81,333	4.84%	7,079,538	$ 93,128	5.23%
Other assets	825,813			784,032		
TOTAL ASSETS	$ 7,515,333			$ 7,863,570		
LIABILITIES						
Interest-Bearing Funds:						
Interest-bearing deposits	$ 4,513,180	$ 13,255	1.17%	$ 4,793,764	$ 19,843	1.64%
Short-term borrowings	316,066	57	0.07%	348,539	46	0.05%
Long-term borrowings	696,459	7,595	4.33%	852,223	9,215	4.29%
Total Interest-Bearing Funds	5,525,705	20,907	1.50%	5,994,526	29,104	1.93%
Noninterest-bearing deposits	1,150,999			1,045,448		
Accrued expenses and other liabilities	52,054			58,103		
TOTAL LIABILITIES	6,728,758			7,098,077		
SHAREHOLDERS EQUITY	786,575			765,493		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 7,515,333			$ 7,863,570		
NET INTEREST INCOME		$ 60,426			$ 64,024	

INTEREST SPREAD	3.34%	3.30%
NET INTEREST MARGIN	3.60%	3.60%

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

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	Nine Months Ended September 30, 2010			Nine Months Ended September 30, 2009		
(Dollars in thousands)	Average Balance	Interest (1)	Avg. Rate (1)	Average Balance	Interest (1) (2)	Avg. Rate (1) (2)
ASSETS						
Earning Assets:						
Federal funds sold and securities repurchased under agreements to resell and other short-term investments	$ 374,701	$ 910	0.32%	$ 109,760	$ 106	0.13%
Investment Securities:						
Taxable	806,720	27,063	4.47%	1,016,842	36,801	4.83%
Tax-exempt	108,671	5,571	6.84%	173,115	9,409	7.25%
Total Securities	915,391	32,634	4.75%	1,189,957	46,210	5.18%
Loans, net of unearned income (3)	5,523,738	217,121	5.25%	5,926,901	239,915	5.41%
Allowance for loan losses	(68,593)			(62,827)		
Net loans	5,455,145		5.32%	5,864,074		5.47%
Total earning assets	6,745,237	$ 250,665	4.97%	7,163,791	$ 286,231	5.34%
Other assets	824,257			761,381		
TOTAL ASSETS	$ 7,569,494			$ 7,925,172		
LIABILITIES						
Interest-Bearing Funds:						
Interest-bearing deposits	$ 4,638,579	$ 43,675	1.26%	$ 4,735,676	$ 65,001	1.84%
Short-term borrowings	288,646	134	0.06%	492,920	599	0.16%
Long-term borrowings	703,519	22,740	4.32%	870,266	27,615	4.24%
Total Interest-Bearing Funds	5,630,744	66,549	1.58%	6,098,862	93,215	2.04%
Non-interest bearing deposits	1,103,727			1,002,487		
Accrued expenses and other liabilities	56,190			63,974		
TOTAL LIABILITIES	6,790,661			7,165,323		
SHAREHOLDERS EQUITY	778,833			759,849		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 7,569,494			$ 7,925,172		
NET INTEREST INCOME		$ 184,116			$ 193,016	
INTEREST SPREAD			3.39%			3.30%
NET INTEREST MARGIN			3.65%			3.60%

(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%.

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

Provision for Credit Losses

For the quarters ended September 30, 2010 and 2009, the provision for credit losses was $6.12 million and $8.07 million, respectively. The provision for credit losses for the first nine months of 2010 and 2009 was $19.39 million and $39.35 million, respectively. The decrease in the provision for credit losses for the first nine months of 2010 was due mainly to the provision of $17.55 million in the second quarter of 2009 for loans with fraudulent collateral made to three affiliated companies of a commercial customer. Net charge-offs were $4.68 million for the third quarter of 2010 as compared to net charge-offs of $4.86 million for the third quarter of 2009. Net charge-offs for the first nine months of 2010 were $16.60 million as compared to $33.21 million for the first nine months of 2009. Net charge-offs for the first nine months of 2009 included the $17.55 million of loans with fraudulent collateral. Annualized net charge-offs as a percentage of average loans were 0.34% and 0.40% for the third quarter and first nine months of 2010, respectively. This ratio compares favorably to United s most recently reported Federal Reserve peer group s net charge-offs to average loans percentage of 1.45% for the first six months of 2010. On a linked-quarter basis, United s provision for credit losses and net charge-offs decreased $277 thousand and $727 thousand, respectively, from the second quarter of 2010.

At September 30, 2010, nonperforming loans were $71.38 million or 1.34% of loans, net of unearned income, down slightly from nonperforming loans of $72.26 million or 1.26% of loans, net of unearned income at December 31, 2009. Nonperforming loans include loans on which no interest is currently being accrued, principal or interest has been in default for a period of 90 days or more and for which the terms have been modified due to deterioration in the financial position of the borrower. At September 30, 2010, nonaccrual loans were $58.30 million, an increase of $7.45 million or 14.64% from $50.86 million at year-end 2009. The increase in nonaccrual loans was due mainly to two failed residential developments in the Shenandoah Valley region of Virginia of $6.7 million and $6.0 million. Loans past due 90 days or more were $12.64 million at September 30, 2010, a decrease of $7.67 million or 37.76% from $20.31 million at year-end 2009. The decrease in loans past due 90 days or more since year-end 2009 was primarily the result of loans being charged-off, placed on nonaccrual or transferred to OREO. The loss potential on these loans has been properly evaluated and allocated within the company s allowance for loan losses. Restructured loans at September 30, 2010 were $438 thousand as compared to restructured loans of $1.09 million at December 31, 2009.

Nonperforming assets include nonperforming loans and real estate acquired in foreclosure or other settlement of loans (OREO). Total nonperforming assets of $121.95 million, including OREO of $50.57 million at September 30, 2010, represented 1.61% of total assets at the end of September 30, 2010 which compares favorably to the most recently reported percentage of 3.34% at June 30, 2010 for United s Federal Reserve peer group. For a summary of nonperforming assets, see Note 5 to the unaudited Notes to Consolidated Financial Statements.

At September 30, 2010, impaired loans were $58.17 million, which was a decrease of $5.05 million or 7.98% from $63.22 million in impaired loans at December 31, 2009. This decrease in impaired loans was the result of a $3.1 million decrease in larger consumer loans evaluated for impairment and a decrease of $1.5 million in larger commercial loans evaluated for impairment. Other increases and decreases in impaired loans virtually offset during the first nine months of 2010. For further details regarding impaired loans, see Note 5 to the unaudited 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 September 30, 2010, the allowance for credit losses was $72.81 million as compared to $70.01 million at December 31, 2009.

At September 30, 2010, the allowance for loan losses was $70.92 million as compared to $67.85 million at December 31, 2009. As a percentage of loans, net of unearned income, the allowance for loan losses was 1.33% at September 30, 2010 and 1.18% of loans, net of unearned income at December 31, 2009. The ratio of the allowance for loan losses to nonperforming loans or coverage ratio was 99.35% and 93.91% at September 30, 2010 and December 31, 2009, respectively. The coverage ratio for United s Federal Reserve peer group was 74.35% at June 30, 2010. For United, this ratio at September 30, 2010 improved slightly from the ratio at December 31, 2009 because nonperforming loans decreased $873 thousand or 1.21% while the allowance for loan losses increased $3.07 million or 4.52% for the first nine months of 2010.

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Allocations are made for specific commercial loans based upon management s estimate of the borrowers ability to repay and other factors impacting collectibility. Other commercial loans not specifically reviewed on an individual basis are evaluated based on historical loss percentages applied to loan pools that have been segregated by risk. Allocations for loans other than commercial loans are made based upon historical loss experience adjusted for current conditions. The allowance for credit losses includes estimated probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower s financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet fully manifested themselves in loss allocation factors. In addition, a portion of the allowance accounts for the inherent imprecision in the allowance for credit losses analysis. Over the past several years, United has grown through acquisition, and accordingly, expanded the geographic area in which it operates. As a result, historical loss experience data used to establish allocation estimates might not precisely correspond to the current portfolio in these other geographic areas.

United s formal company-wide review of the allowance for loan losses at September 30, 2010 produced increased allocations in two of the four loan categories. The components of the allowance allocated to commercial loans increased by $1.1 million due to the impact of an increase of $975 thousand and $2.4 million in the allocations for watch loans and special mention loans respectively, due to increased outstandings in both of those loan pools. Offsetting these increases somewhat was an overall decrease in the pass rated commercial loan outstandings which resulted in decreased allocations of $2.2 million for that particular loan pool. The real estate construction loan pool allocations also increased $1.7 million from December 31, 2009 primarily due to increased historical loss rates. An offsetting factor was a decrease in specific allocations of impaired real estate construction loans of $1 million. The real estate loan pool allocation decreased $403 thousand as a result of a reduction in the allocation for housing price depreciation within the Company s market area that recognized residential market volatility within certain segments of this pool. The components of the allowance allocated to consumer loans decreased by $996 thousand due to a decrease in historical loss rates. The unfunded commitments liability decreased by $274 thousand due to lower usage factors and lower historical loss rates.

An allowance is established for probable credit losses on impaired loans via specific allocations. Nonperforming commercial loans and leases are regularly reviewed to identify impairment. A loan or lease is impaired when, based on current information and events, it is probable that the Company will not be able to collect all amounts contractually due. Measuring impairment of a loan requires judgment and estimates, and the eventual outcomes may differ from those estimates. Impairment is measured based upon the present value of expected future cash flows from the loan discounted at the loan s effective rate and the loan s observable market price or the fair value of collateral, if the loan is collateral dependent. When the selected measure is less than the recorded investment in the loan, an impairment has occurred. The allowance for impaired loans was $6.8 million at September 30, 2010 which was relatively flat from $6.9 million at December 31, 2009. The large difference between the allowance for impaired loans and the amount of impaired loans is because most of the impaired loans are secured by sufficient collateral to support the balance. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. United s management estimates that, if necessary, the sale of the underlying collateral would be enough to repay all, or at least most, of the loan balance. Management s estimates are based in large part on market values provided by independent, licensed appraisers outside of the Company, generally on an annual basis.

An allowance is also recognized for imprecision inherent in loan loss migration models and other estimates of loss. There are many factors affecting the allowance for loan losses and allowance for lending-related commitments; some are quantitative while others require qualitative judgment. Although management believes its methodology for determining the allowance adequately considers all of the potential factors to identify and quantify probable losses in the portfolio, the process includes subjective elements and is therefore susceptible to change. This estimate for imprecision has been established to recognize the variance, within a reasonable margin, of the loss estimation process. The estimate for imprecision increased at September 30, 2010 by $1.7 million to $3.4 million. This represents 4.69% of the Company s total allowance for credit loss and in as much as this variance approximates a predetermined narrow parameter, the methodology has confirmed that the Company s allowance for credit loss is at an appropriate level.

Management believes that the allowance for credit losses of $72.81 million at September 30, 2010 is adequate to provide for probable losses on existing loans and loan-related commitments based on information currently available. Note 4 to the accompanying unaudited Notes to Consolidated Financial Statements provides a progression of the allowance for credit losses.

United s loan administration policies are focused on the risk characteristics of the loan portfolio in terms of loan approval and credit quality. The commercial loan portfolio is monitored for possible concentrations of credit in one or more industries. Management has lending limits as a percentage of capital per type of credit concentration in an effort to ensure adequate diversification within the portfolio. Most of United s commercial loans are secured by real estate located in West Virginia, southeastern Ohio, Virginia, Maryland and the District of Columbia. It is the opinion of management that these commercial loans do not pose any unusual risks and that adequate consideration has been given to these loans in establishing the allowance for credit losses.

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

Other Income

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

For the third quarter of 2010, noninterest income was $15.69 million, an increase of $9.17 million or 140.53% from the third quarter of 2009. Noninterest income was $48.85 million for the first nine months of 2010 which was an increase of $9.08 million or 22.85% from the first nine months of 2009.

For the third quarter of 2010, net losses on investment securities transactions were $1.73 million as compared to net losses of $10.88 million for the third quarter of 2009. Included in net losses on investment securities transactions for the third quarter of 2010 were noncash, before-tax, other-than-temporary impairment charges of $1.86 million on certain investment securities and a before-tax, net gain of $132 thousand on the sale of investment securities. Included in net losses on investment securities transactions for the third quarter of 2009 were noncash, before-tax other-than-temporary impairment charges of $10.96 million on certain investment securities and a before-tax, net gain of $82 thousand on the sale of investment securities. Excluding the results of the noncash, other-than-temporary impairment charges as well as net gains and losses from sales and calls of investment securities, noninterest income would have been flat, increasing $21 thousand or less than 1% from the third quarter of 2009.

Net losses on investment securities transactions for the first nine months of 2010 were $2.41 million as compared to net losses of $12.10 million for the first nine months of 2009. Included in net losses on investment securities for the first nine months of 2010 were noncash, before-tax, other-than-temporary impairment charges of $4.45 million on certain investment securities and a before-tax, net gain of $2.04 million on the sale of investment securities. Included in net losses on investment securities for the first nine months of 2009 were noncash, before-tax, other-than-temporary impairment charges of $12.19 million on certain investment securities and a before-tax, net gain of $88 thousand on the sale of investment securities. Excluding the results of the noncash, other-than-temporary impairment charges as well as net gains and losses from sales and calls of investment securities, noninterest income would have decreased $610 thousand or 1.18%.

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For the third quarter of 2010, revenue from trust and brokerage services increased $73 thousand or 2.32% from the prior year s third quarter. Revenue from trust and brokerage services was $3.22 million for the third quarter of 2010 as compared to $3.14 million for the third quarter of 2009. The increase in trust and brokerage services was due mainly to an increase in volume. Revenue from trust and brokerage services for the first nine months of 2010 decreased $294 thousand or 2.87% from the first nine months of 2009. Revenue from trust and brokerage services was $9.95 million for the first nine months of 2010 as compared to $10.24 million for the first nine months of 2009 due to a decline in the market value of assets under management.

For the third quarter of 2010, fees from deposit services were $10.10 million, a decrease of $468 thousand or 4.43% as compared to the same period in 2009. Fees from deposit services for the first nine months of 2010 were $29.44 million, a decrease of $685 thousand or 2.27% from the first nine months of 2009. In particular, insufficient funds (NSF) fees decreased $804 thousand and $1.31 million during the third quarter and first nine months of 2010, respectively. Partially offsetting this decrease were increases in check card income of $233 thousand and $704 thousand, respectively, for the third quarter and first nine months of 2010.

Income from bank-owned life insurance increased $231 thousand or 21.98% for third quarter of 2010 as compared to last year s income during the same period due to changes in the cash surrender values of the insurance policies. Income from bank-owned life insurance increased $1.21 million or 52.69% for the first nine months of 2010 as compared the first nine months of 2009.

Mortgage banking income decreased $54 thousand or 31.40% and $117 thousand or 24.58% for the third quarter and first nine months of 2010 from the same periods in 2009 due to decreased mortgage loan sales in the secondary market. Mortgage loan sales were $8.52 million in the third quarter of 2010 as compared to $18.03 million in the third quarter of 2009. Mortgage loan sales were $28.13 million in the first nine months of 2010 as compared to $55.72 million in the first nine months of 2009.

Fees from bankcard services decreased $11 thousand or 1.00% for the third quarter of 2010 from the same period in 2009 due to a decline in volume. However, fees from bankcard services for the first nine months of 2010 increased $128 thousand or 4.15% from the first nine months of 2009. Fees from bankcard services were $1.09 million and $3.21 million for the third quarter and first nine months of 2010, respectively, as compared to $1.10 million and $3.09 million, respectively, for the third quarter and first nine months of 2009. The increase for the first nine months of 2010 was due mainly to a rise in interchange income earned on a certain purchasing card program.

Other income for the third quarter of 2010 increased $212 thousand or 23.66% from the third quarter of 2009. This increase in other income is due mainly to an increase of $220 thousand for the third quarter of 2010 from derivatives not in a hedging relationship. For the first nine months of 2010, other income decreased $757 thousand or 18.01% from the first nine months of 2009. This decrease in other income is due mainly to a decrease of $374 thousand from the first nine months of 2009 from derivatives not in a hedging relationship. Corresponding amounts of expense from derivatives not in a hedging relationship are included in other expense in the income statement.

On a linked-quarter basis, noninterest income for the third quarter of 2010 decreased $1.89 million from the second quarter of 2010. Included in the results for the third quarter and second quarter of 2010 were noncash, before-tax, other-than-temporary impairment charges of $1.86 million and $1.10 million, respectively. Also included in the results for the third quarter and second quarter of 2010 were net gains of $132 thousand and $796 thousand, respectively, on the sale of investment securities. Excluding the results of security transactions, noninterest income would have decreased $462 thousand or 2.58% on a linked-quarter basis due primarily to a decrease of $363 thousand in income from derivatives not in hedge relationships due to a change in the fair value. A similar amount of expense related to the change in the fair value of other derivative financial instruments is included in other expense in the income statement.

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Other Expenses

Just as management continues to evaluate areas where noninterest income can be enhanced, it strives to improve the efficiency of its operations to reduce costs. Other expenses include all items of expense other than interest expense, the provision for loan losses, and income taxes. Noninterest expense for the third quarter of 2010 was $43.90 million, which was relatively flat from the third quarter of 2009, increasing $224 thousand or less than 1%. For the first nine months of 2010, noninterest expense was $132.84 million, an increase of $1.65 million or 1.26% from the first nine months of 2009.

Employee compensation was relatively flat for the third quarter and first nine months of 2010, respectively, when compared to the same time periods in 2009. Employee compensation for the third quarter and first nine months of 2010 decreased $122 thousand and $71 thousand, respectively, from the third quarter and first nine months of 2009. Both decreases were less than 1%.

Employee benefits expense for the third quarter and first nine months of 2010 decreased $690 thousand or 14.32% and $1.49 million or 10.30%, respectively, from the third quarter and first nine months of 2009. Specifically within employee benefits expense, pension expense decreased $882 thousand and $2.01 million for the third quarter and first nine months, respectively, from the same periods last year primarily as a result of an $11 million contribution made in the third quarter of 2009.

Net occupancy expense for the third quarter of 2010 increased $63 thousand or 1.53% from the third quarter of 2009. Net occupancy expense for the first nine months of 2010 increased $302 thousand or 2.35% from the first nine months of 2009. These increases were due mainly to additional building maintenance expense.

Other real estate owned (OREO) expense for the third quarter and first nine months of 2010 increased $425 thousand or 26.97% and $2.59 million or 70.26%, respectively, from the third quarter and first nine months of 2009. The increases were due mainly to declines in the fair values of OREO properties.

Equipment expense for the third quarter and first nine months of 2010 decreased $27 thousand or 1.75% and $123 thousand or 2.76% from the third quarter and first nine months of 2009, respectively. The decreases were due mainly to a decline in equipment depreciation expense.

Data processing expense decreased $167 thousand or 6.05% for the third quarter of 2010 as compared to the third quarter of 2009. For the first nine months of 2010, data processing expense increased $118 thousand or 1.47%.

Bankcard processing expense for the third quarter and first nine months of 2010 declined $28 thousand or 3.53% and $45 thousand or 1.89%, respectively, from the third quarter and first nine months of 2009. The decreases were primarily due to the loss of a large merchant.

FDIC insurance expense for the third quarter and first nine months of 2010 increased $452 thousand or 22.55% and $433 thousand or 6.30%, respectively, from the third quarter and first nine months of 2009. The increase was due to higher premiums to increase the insurance fund for banks.

Other expense for the third quarter of 2010 increased $318 thousand or 2.81% from the third quarter of 2009 due mainly to an increase in collection expense of $491 thousand. In addition, expense from derivatives not in hedge relationships increased $220 thousand due to a change in their fair value. Partially offsetting these increases were decreases in expense for office supplies, postage and the amortization of intangibles. For the first nine months of 2010, other expense was relatively flat from the first nine months of 2009, declining $63 thousand or less than 1%.

On a linked-quarter basis, noninterest expense for the third quarter of 2010 decreased $1.29 million or 2.85% from the second quarter of 2010 due primarily to a decrease of $647 thousand in OREO costs as losses on sales of OREO properties declined. Also, expense from derivatives not in hedge relationships decreased $363 thousand due to a change in their fair value. Employee compensation decreased $235 thousand due to a reduction in commissions and incentives while employee benefits expense declined $204 thousand due to lower pension costs.

Income Taxes

Income taxes for the third quarter of 2010 were $7.34 million as compared to $4.04 million for the third quarter of 2009. During the third quarter of 2010, United reduced its income tax reserve by $430 thousand due to the expiration of the statute of limitations for examinations of certain years as compared to $568 thousand in the third quarter of 2009. For the quarters ended September 30, 2010 and 2009, United s effective tax rates were 29.76% and 25.09%, respectively. For the first nine months of 2010, income taxes were $23.59 million as compared to $3.83 million for the first nine months of 2009. 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. For the first nine months of 2010 and 2009, United s effective tax rates were 30.94% and 7.13%, respectively. For further details related to income taxes, see note 14 of the unaudited Notes to Consolidated Financial Statements contained within this document.

Contractual Obligations, Commitments, Contingent Liabilities and Off-Balance Sheet Arrangements

United has various financial obligations, including contractual obligations and commitments, that may require future cash payments. Please refer to United s Annual Report on Form 10-K for the year ended December 31, 2009 for disclosures with respect to United s fixed and determinable contractual obligations. There have been no material changes outside the ordinary course of business since year-end 2009 in the specified contractual obligations disclosed in the Annual Report on Form 10-K.

As of September 30, 2010, United recorded a liability for uncertain tax positions, including interest and penalties, of $1.17 million in accordance with ASC topic 740. This liability represents an estimate of tax positions that United has taken in its tax returns which may ultimately not be sustained upon examination by tax authorities. Since the ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty, this estimated liability is excluded from the contractual obligations table in the 2009 10-K report.

United also enters into derivative contracts, mainly to protect against adverse interest rate movements on the value of certain assets or liabilities, under which it is required to either pay cash to or receive cash from counterparties depending on changes in interest rates. Derivative contracts are carried at fair value and not notional value on the consolidated balance sheet. Further discussion of derivative instruments is presented in Note 10 to the unaudited Notes to Consolidated Financial Statements.

United is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include loan commitments and standby letters of credit. United s maximum exposure to credit loss in the event of nonperformance by the counterparty to the financial instrument for the loan commitments and standby letters of credit is the contractual or notional amount of those instruments. United uses the same policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Further discussion of off-balance sheet commitments is included in Note 9 to the unaudited Notes to Consolidated Financial Statements.

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Liquidity

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

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

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

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

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

For the nine months ended September 30, 2010, cash of $70.66 million was provided by operating activities due mainly to net income of $52.66 million for the first nine months of 2010. Net cash of $469.66 million was provided by investing activities which was primarily due to net cash received of $73.37 million for excess net proceeds from sales, calls and maturities of investment securities over purchases and the net repayment of $396.74 million in portfolio loans. During the first nine months of 2010, net cash of $277.52 million was used in financing activities due primarily to a decline of $272.72 million in deposits and the repayment of FHLB borrowings in the amount of $75.26 million during the first nine months of 2010. Other uses of cash for financing activities included the payment of $39.17 million for cash dividends. Cash provided by financing activities included an increase in short-term borrowings of $106.59 million. The net effect of the cash flow activities was an increase in cash and cash equivalents of $262.80 million for the first nine months of 2010.

United anticipates it can meet its obligations over the next 12 months and has no material commitments for capital expenditures. There are no known trends, demands, commitments, or events that will result in or that are reasonably likely to result in United s liquidity increasing or decreasing in any material way. United also has significant lines of credit available. See Notes 7 and 8 to the accompanying unaudited Notes to Consolidated Financial Statements for more details regarding the amounts available to United under lines of credit.

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

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Capital Resources

United s capital position is financially sound. United seeks to maintain a proper relationship between capital and total assets to support growth and sustain earnings. United has historically generated attractive returns on shareholders equity. Based on regulatory requirements, United and its banking subsidiaries are categorized as well capitalized institutions. United s risk-based capital ratios of 13.36% at September 30, 2010 and 12.23% at December 31, 2009, were both significantly higher than the minimum regulatory requirements. United s Tier I capital and leverage ratios of 11.97% and 9.70%, respectively, at September 30, 2010, are also well above regulatory minimum requirements.

At September 30, 2010, total shareholders equity was $784.63 million, which was an increase of $23.08 million or 3.03% from December 31, 2009. United s equity to assets ratio was 10.36% at September 30, 2010 as compared to 9.76% at December 31, 2009. The primary capital ratio, capital and reserves to total assets and reserves, was 11.21% at September 30, 2010 as compared to 10.56% at December 31, 2009. United s average equity to average asset ratio was 10.47% and 9.73% for the quarters ended September 30, 2010 and 2009, respectively. For the first nine months of 2010 and 2009, the average equity to average assets ratio was 10.29% and 9.59%, respectively. All of these financial measurements reflect a financially sound position.

During the third quarter of 2010, United s Board of Directors declared a cash dividend of $0.30 per share. Cash dividends were $0.90 per common share for the first nine months of 2010. Total cash dividends declared were $13.08 million for the third quarter of 2010 and $39.21 million for the first nine months of 2010 which was an increase of $484 thousand or 3.84% and $1.42 million or 3.76% from the third quarter and first nine months of 2009, respectively.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

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

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

United employs a variety of measurement techniques to identify and manage its exposure to changing interest rates. One such technique utilizes an earnings simulation model to analyze the sensitivity of net interest income to movements in interest rates. The model is based on actual cash flows and repricing characteristics for on and off-balance sheet instruments and incorporates market-based assumptions regarding the impact of changing interest rates on the prepayment rate of certain assets and liabilities. The model also includes executive management projections for activity levels in product lines offered by United. Assumptions based on the historical behavior of deposit rates and balances in relation to changes in interest rates are also incorporated into the model. Rate scenarios could involve parallel or nonparallel shifts in the yield curve, depending on historical, current, and expected conditions, as well as the need to

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capture any material effects of explicit or embedded options. These assumptions are inherently uncertain and, as a result, the model cannot precisely measure net interest income or precisely predict the impact of fluctuations in interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and management s strategies.

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

The following table shows United s estimated earnings sensitivity profile as of September 30, 2010 and December 31, 2009:

	Percentage Change in Net Interest Income	
Change in Interest Rates (basis points)	**September 30, 2010**	**December 31, 2009**
+200	6.04%	5.14%
+100	2.73%	1.41%
-100	2.02%	3.77%

At September 30, 2010, given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, net interest income for United is estimated to increase by 2.73% over one year as compared to an increase of 1.41% at December 31, 2009. A 200 basis point immediate, sustained upward shock in the yield curve would increase net interest income by an estimated 6.04% over one year as of September 30, 2010, as compared to an increase of 5.14% as of December 31, 2009. A 100 basis point immediate, sustained downward shock in the yield curve would increase net interest income by an estimated 2.02% over one year as of September 30, 2010 as compared to an increase of 3.77%, over one year as of December 31, 2009. With the federal funds rate at 0.25% at September 30, 2010 and December 31, 2009, management believed a 200 basis point immediate, sustained decline in rates was highly unlikely.

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

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

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

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United previously sold residential mortgage loans in a securitization transaction and retained an interest-only strip, and lower-rated subordinated classes of asset-backed securities, all of which are subordinated interests in the securitized assets. These subordinated interests in securitized assets were recorded at their estimated fair values in securities available for sale. The carrying value of these securities was fully amortized as of September 30, 2005.

United recognized the excess of all cash flows attributable to the subordinated interests using the effective yield method. However, because the carrying value of United s subordinated interest has been zero since September 30, 2005, the difference between the cash flows associated with these underlying mortgages and amounts owed to third party investors has been recognized in interest income as cash is received by United over the remaining life of the loans. During the first nine months of 2010, United received cash of $739 thousand from its subordinated interest in the securitization and recognized income of the same amount in the period. However, the securitization trust (the Trust) is subject to an adverse judgment arising from on ongoing class action suit. The adverse judgment will be paid from the residual cash flow of the Trust. Therefore, United cannot currently determine when or how long residual cash flow to United may be interrupted.

Extension Risk

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

At September 30, 2010, United s mortgage-related securities portfolio had an amortized cost of $452 million, of which approximately $323 million or 72% were fixed rate collateralized mortgage obligations (CMOs). These fixed rate CMOs consisted primarily of planned amortization class (PACs), sequential-pay and accretion directed (VADMs) bonds having an average life of approximately one year and a weighted average yield of 4.81%, under current projected prepayment assumptions. These securities are expected to have very little extension risk in a rising rate environment. Current models show that an immediate, sustained upward shock of 300 basis points, the average life of these securities would only extend to 2.8 years. The projected price decline of the fixed rate CMO portfolio for an immediate, sustained upward shock of 300 basis points would be 3.7%, less than the price decline of a two-year treasury note. By comparison, the price decline of a 30-year current coupon mortgage backed security (MBS) for an immediate, sustained upward shock of 300 basis points would be approximately 17%.

United had approximately $76 million in 15-year mortgage backed securities with a projected yield of 4.58% and a projected average life of 1.9 years as of September 30, 2010. This portfolio consisted of seasoned 15-year mortgage paper with a weighted average loan age (WALA) of 5.6 years and a weighted average maturity (WAM) of 9 years.

United had approximately $19 million in 20-year mortgage backed securities with a projected yield of 4.73% and a projected average life of 2.7 years on September 30, 2010. This portfolio consisted of seasoned 20-year mortgage paper with a weighted average loan age (WALA) of 6.8 years and a weighted average maturity (WAM) of 12.8 years.

United had approximately $10 million in 30-year mortgage backed securities with a projected yield of 6.53% and a projected average life of 3.9 years on September 30, 2010. This portfolio consisted of seasoned 30-year mortgage paper with a weighted average loan age (WALA) of 11 years and a weighted average maturity (WAM) of 17.3 years.

The remaining 5% of the mortgage related securities portfolio at September 30, 2010, included adjustable rate securities (ARMs), balloon securities, and 10-year mortgage backed pass-through securities.

Item 4. CONTROLS AND PROCEDURES

As of September 30, 2010, an evaluation was performed under the supervision of and with the participation of United s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of United s disclosure controls and procedures. Based on that evaluation, United s management, including the CEO and CFO, concluded that United s disclosure controls and procedures as of September 30, 2010 were effective in ensuring that information required to be disclosed in the Quarterly Report on Form 10-Q was recorded, processed, summarized and reported within the time period required by the Securities and Exchange Commission s rules and forms. There have been no changes in United s internal control over financial reporting that occurred during the quarter ended September 30, 2010, or in other factors that have materially affected or are reasonably likely to materially affect United s internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. 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 1A. RISK FACTORS

Please refer to United s Annual Report on Form 10-K for the year ended December 31, 2009 for disclosures with respect to United s risk factors which could materially affect United s business, financial condition or future results. The risks described in the Annual Report on Form 10-K are not the only risks facing United. Additional risks and uncertainties not currently known to United or that United currently deems to be immaterial also may materially adversely affect United s business, financial condition and/or operating results. The only material change from the risk factors disclosed in United s Annual Report on Form 10-K for the year ended, December 31, 2009 is described below.

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may adversely affect United s business, financial condition and results of operations.

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), into law. The Dodd-Frank Act significantly changes regulation of financial institutions and the financial services industry. The Dodd-Frank Act includes, among other things, provisions creating a Financial Services Oversight Council to identify emerging systemic risks and improve interagency cooperation; centralizing the responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau, which will be responsible for implementing, examining and enforcing compliance with federal consumer financial laws; permanently raising the current standard maximum deposit insurance amount to $250,000; establishing strengthened capital standards for banks, and disallowing trust preferred securities as qualifying for Tier 1 capital (subject to certain grandfather provisions for existing trust preferred securities); establishing new minimum mortgage underwriting standards; granting the Federal Reserve Board the power to regulate debit card interchange fees; and implementing corporate governance changes. Many aspects of the Dodd-Frank Act are subject to rulemaking that will take effect over several years, thus making it difficult to assess all the effects the Dodd-Frank Act will have on the financial industry, including United, at this time. However, it is possible that United s interest expense could increase and deposit insurance premiums could change, and steps may need to be taken to increase qualifying capital. United expects that operating and compliance costs will increase and could adversely affect its financial condition and results of operations. In addition, these changes may also require United to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements which may negatively impact United s financial condition and results of operation. United is currently reviewing the provisions of the Dodd-Frank Act and assessing their probable impact on United and its operations.

Before making an investment decision, you should carefully consider the risks and uncertainties described in United s Annual Report on Form 10-K for the year ended December 31, 2009 as well as the additional risk described above together with all of the other information included or incorporated by reference in this report.

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Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There have been no United equity securities sales during the quarter ended September 30, 2010 that were not registered. The table below includes certain information regarding United s purchase of its common shares during the quarter ended September 30, 2010:

Period	Total Number of Shares Purchased (1) (2) (3)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (3)
7/01 7/31/2010	266	$ 27.07		322,200
8/01 8/31/2010	175	$ 24.96		322,200
9/01 9/30/2010				322,200
Total	441	$ 26.23		

(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 three months ended September 30, 2010, no shares were exchanged by participants in United s stock option plans.

(2) Includes shares purchased in open market transactions by United for a rabbi trust to provide payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. For the quarter ended December 31, 2009, the following shares were purchased for the deferred compensation plan: July 2010 266 shares at an average price of $27.07 and August 2010 175 shares at an average price of $24.96.

(3) In May of 2006, United s Board of Directors approved a repurchase plan to repurchase up to 1.7 million shares of United s common stock on the open market (the 2006 Plan). The timing, price and quantity of purchases under the 2006 Plan are at the discretion of management and the 2006 Plan may be discontinued, suspended or restarted at any time depending on the facts and circumstances.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. (REMOVED AND RESERVED)

None.

Item 5. OTHER INFORMATION

(a) None.

(b) No changes were made to the procedures by which security holders may recommend nominees to United s Board of Directors.

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Item 6. EXHIBITS
Exhibits required by Item 601 of Regulation S-K

Exhibit 3.1	Articles of Incorporation
Exhibit 3.2	Bylaws
Exhibit 31.1	Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
Exhibit 31.2	Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer
Exhibit 32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
Exhibit 32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer
Exhibit 101	Interactive Data File (Extensible Business Reporting Language (XBRL))

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SIGNATURES

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

	UNITED BANKSHARES, INC. (Registrant)
Date: November 5, 2010	/s/ Richard M. Adams **Richard M. Adams,** **Chairman of the Board and Chief Executive Officer**
Date: November 5, 2010	/s/ Steven E. Wilson **Steven E. Wilson,** **Executive Vice President, Treasurer,** **Secretary and Chief Financial Officer**

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EXHIBIT INDEX

Exhibit No.	Description	Page Number
3.1	Articles of Incorporation	(a)
3.2	Bylaws	(b)
31.1	Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer	65
31.2	Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer	66
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer	67
32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer	68
101	The following materials from United s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Changes in Stockholders Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.	(c)

Footnotes:

* Furnished not filed.

(a) Incorporated by reference to a Current Report on Form 8-K dated December 23, 2008 and filed December 31, 2008 for United Bankshares, Inc., File No. 0-13322.

(b) Incorporated into this filing by reference to a Current Report on Form 8-K dated January 25, 2010 and filed January 29, 2010 for United Bankshares, Inc., File No.0-13322.

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