UNITED BANKSHARES INC/WV
Form 10-K
February 26, 2009

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

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

For the Fiscal Year Ended December 31, 2008

OR

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

For the transition period from __________to__________

Commission File Number: 0-13322
United Bankshares, Inc.
(Exact name of registrant as specified in its charter)

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

Registrant s telephone number, including area code: **(304) 424-8704**
Securities registered pursuant to section 12(b) of the Act:
Common Stock, $2.50 Par Value
(Title of Class)
Securities registered pursuant to 12(g) of the Act: **None**

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

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

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** þ No o

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

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of United Bankshares, Inc. common stock, representing all of its voting stock that was held by non-affiliates on June 30, 2008, was approximately **$865,900,559**.

As of January 31, 2009, United Bankshares, Inc. had **43,417,131** shares of common stock outstanding with a par value of **$2.50**.

Documents Incorporated By Reference

Definitive Proxy Statement dated April 9, 2009 for the 2009 Annual Shareholders Meeting to be held on May 18, 2009, portions of which are incorporated by reference in Part III of this Form 10-K.

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As of the date of filing this Annual report, neither the annual shareholders report for the year ended December 31, 2008, nor the proxy statement for the annual United shareholders meeting has been mailed to shareholders.

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UNITED BANKSHARES, INC.
FORM 10-K,
PART I
Item 1. BUSINESS

Organizational History and Subsidiaries

United Bankshares, Inc. (United) is a West Virginia corporation registered as a bank holding company pursuant to the Bank Holding Company Act of 1956, as amended. United was incorporated on March 26, 1982, organized on September 9, 1982, and began conducting business on May 1, 1984 with the acquisition of three wholly-owned subsidiaries. Since its formation in 1982, United has acquired twenty-seven banking institutions. At December 31, 2007, United has two banking subsidiaries (the Banking Subsidiaries)   doing business   under the name of United Bank, one operating under the laws of West Virginia referred to as United Bank (WV) and the other operating under the laws of Virginia referred to as United Bank (VA). United s Banking Subsidiaries offer a full range of commercial and retail banking services and products. United also owns nonbank subsidiaries which engage in other community banking services such as asset management, real property title insurance, investment banking, financial planning, and brokerage services.

Employees

As of December 31, 2008, United and its subsidiaries had approximately 1,531 full-time equivalent employees and officers. None of these employees are represented by a collective bargaining unit and management considers employee relations to be excellent.

Web Site Address

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

Business of United

As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, United s present business is community banking. As of December 31, 2008, United s consolidated assets approximated $8.1 billion and total shareholders   equity approximated $737 million.

United is permitted to acquire other banks and bank holding companies, as well as thrift institutions. United is also permitted to engage in certain non-banking activities which are closely related to banking under the provisions of the Bank Holding Company Act and the Federal Reserve Board s Regulation Y. Management continues to consider such opportunities as they arise, and in this regard, management from time to time makes inquiries, proposals, or expressions of interest as to potential opportunities, although no agreements or understandings to acquire other banks or bank holding companies or nonbanking subsidiaries or to engage in other nonbanking activities, other than those identified herein, presently exist. See Note B   Notes to Consolidated Financial Statements for a discussion of United s acquisition of Premier Community Bankshares, Inc. on July 14, 2007.

Business of Banking Subsidiaries

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

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

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

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

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

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

Lending Activities

United s loan portfolio, net of unearned income, increased $220.7 million to $6.01 billion in 2008. The loan portfolio is comprised of commercial, real estate and consumer loans including credit card and home equity loans. Commercial real estate loans and commercial loans (not secured by real estate) increased $139.8 million or 9.3% and $64.9 million or 5.4%, respectively. Single-family residential real estate loans increased $32.9 million or 1.8% and loans secured by other real estate increased $5.3 million or 2.2%. Construction loans were relatively flat, increasing $672 thousand or less than 1%. Consumer loans decreased $23.5 million or 6.5%.

Commercial Loans

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

Real Estate Loans

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

As of December 31, 2008, approximately $359.7 million or 6.0% of United s loan portfolio were real estate loans that met the regulatory definition of a high loan-to-value loan. A high loan-to-value real estate loan is defined as any loan, line of credit, or combination of credits secured by liens on or interests in real estate that equals or exceeds a certain percentage established by United s primary regulator of the real estate s appraised value, unless the loan has other appropriate credit support. The certain percentage varies depending on the loan type and collateral. Appropriate credit support may include mortgage insurance, readily marketable collateral, or other acceptable collateral that reduces the loan-to-value ratio below the certain percentage.

Consumer Loans

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

Underwriting Standards

United s loan underwriting guidelines and standards are updated periodically and are presented for approval by the respective Boards of Directors of each of its subsidiary banks. The purpose of the standards and guidelines is to grant loans on a sound and collectible basis; to invest available funds in a safe, profitable manner; to serve the legitimate credit needs of the communities of United s primary market area; and to ensure that all loan applicants receive fair and equal treatment in the lending process. It is the intent of the underwriting guidelines and standards to: minimize loan losses by carefully investigating the credit history of each applicant, verify the source of repayment and the ability of the applicant to repay, collateralize those loans in which collateral is deemed to be required, exercise care in the documentation of the application, review, approval, and origination process, and administer a comprehensive loan collection program. The above guidelines are adhered to and subject to the experience, background and personal judgment of the loan officer assigned to the loan application. A loan officer may grant, with justification, a loan with variances from the underwriting guidelines and standards. However, the loan officer may not exceed his or her respective lending authority without obtaining the prior, proper approval from a superior, a regional supervisor, or the Loan Committee, whichever is deemed appropriate for the nature of the variance.

Loan Concentrations

United has commercial loans, including real estate and owner-occupied, income-producing real estate and land development loans, of approximately $3.4 billion as of December 31, 2008. These loans are primarily secured by real estate located in West Virginia, southeastern Ohio, Virginia and Maryland. United categorizes these commercial loans by industry according to the North American Industry Classification System (NAICS) to monitor the portfolio for possible concentrations in one or more industries. As of the most recent fiscal year-end, United has two such industry classifications that exceeded 10% of total loans. As of December 31, 2008, approximately $1.2 billion or 19.5% and $670.1 million or 11.1% of United s total loan portfolio were for the purpose of renting or leasing real estate and construction, respectively. The loans were originated by United s subsidiary banks using underwriting standards as set forth by management. United s loan administration policies are focused on the risk

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characteristics of the loan portfolio, including commercial real estate loans, in terms of loan approval and credit quality. It is the opinion of management that these loans do not pose any unusual risks and that adequate consideration has been given to the above loans in establishing the allowance for loan losses.

Secondary Markets

United generally originates loans within the primary market area of its banking subsidiaries. United may from time to time make loans to borrowers and/or on properties outside of its primary market area as an accommodation to its customers. Processing of all loans is centralized in the Charleston, West Virginia office. As of December 31, 2008, the balance of mortgage loans being serviced by United for others was insignificant.

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

During 2008, United originated $30.7 million of real estate loans for sale in the secondary market and sold $31.1 million of loans designated as held for sale in the secondary market. Net gains on the sales of these loans during 2008 were $385 thousand.

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

Investment Activities

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

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

United s investment portfolio is comprised of a significant amount of mortgage-backed securities. United has a small amount of U.S. Treasury securities and obligations of U.S. Agencies and Corporations. Obligations of States and Political Subdivisions are comprised of primarily AAA rated municipal securities. Interest and dividends on securities for the years of 2008, 2007, and 2006 were $71.0 million, $68.3 million, and $72.0 million, respectively. For the year of 2008, 2007 and 2006, United recognized net losses on security transactions of $9.4 million, $68 thousand and $3.2 million, respectively. In the year of 2008, United recognized other-than-temporary impairment charges of $889 thousand on certain marketable equity securities and $9.0 million on a corporate debt holding. In the year of 2006, United recognized net losses of $3.2 million due mainly to an other-than-temporary impairment of $2.9 million on approximately $86 million of low-yielding fixed rate investment securities which United subsequently sold as part of a balance sheet repositioning in the first quarter of 2006.

Competition

United faces a high degree of competition in all of the markets it serves. These markets may generally be defined as Wood, Kanawha, Monongalia, Jackson, Cabell, Brooke, Hancock, Ohio, Marshall, Gilmer, Harrison,

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Lewis, Webster, Boone, Logan, Nicholas, Fayette, Berkley, Morgan, Jefferson and Raleigh Counties in West Virginia; Lawrence, Belmont, Jefferson and Washington Counties in Ohio; Montgomery County in Maryland and Arlington, Alexandria, Albemarle, Augusta, Clarke, Fairfax, Frederick, Greene, Loudoun, Prince William, Rockingham, Shenandoah, and Warren Counties in Virginia. United competes in Ohio markets because of the close proximity to the Ohio border of certain subsidiary offices. Included in United s West Virginia markets are the five largest West Virginia Metropolitan Statistical Areas (MSA): the Parkersburg MSA, the Charleston MSA, the Huntington MSA, the Wheeling MSA and the Weirton MSA. United s Virginia markets include the Maryland, northern Virginia and Washington, D.C. MSA, the Winchester MSA, the Harrisonburg MSA, and the Charlottesville MSA. United considers the above counties and MSA s to be the primary market area for the business of its banking subsidiaries.

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

As of December 31, 2008, there were 68 bank holding companies operating in the State of West Virginia registered with the Federal Reserve System and the West Virginia Board of Banking and Financial Institutions and 95 bank holding companies operating in the Commonwealth of Virginia registered with the Federal Reserve System and the Virginia Corporation Commission. These holding companies are headquartered in various states and control banks throughout West Virginia and Virginia, which compete for business as well as for the acquisition of additional banks.

Economic Characteristics of Primary Market Area

As of December 2008, West Virginia s unemployment rate was 4.4%, substantially better than the national rate of 7.1% according to information from West Virginia s Bureau of Employment Programs. The state unemployment rate of 4.4% for December 2008 was an increase of 3 basis points from the month of November 2008 but down a basis point from December 2007. The total number of unemployed state residents increased by 1,900 for the month of December as compared to the month of November. However, the total number of unemployed residents was down 800 from December 2007. Population outflows that have constrained faster economic growth in West Virginia may be moderating. In 2002, the U.S. Census Bureau estimated that the state s population increased marginally. While substantially less than the national average, the increase was a substantial improvement over the six prior years, during which time the state s population base shrank.

United s Virginia subsidiary banking offices are located in markets that historically have reflected low unemployment rate levels. According to information available from the Virginia Employment Commission, Virginia s unemployment rate as of December 2008 was 5.2% which was below the U.S. December 2008 unemployment level of 7.1%. However, the 5.2% unemployment rate was a 6 basis point increase from November 2008 as the number of unemployed residents grew by 22,600. United s Virginia subsidiary banking offices are located in four of Virginia s ten metropolitan areas. The Northern Virginia metropolitan area s unemployment rate was at 3.9% in December 2008, the lowest among Virginia s ten metropolitan areas. The Charlottesville metropolitan area s unemployment rate was at 4.2% in December 2008, the second lowest among Virginia s ten metropolitan areas. The Harrisonburg metropolitan area s unemployment rate was at 4.3% in December 2008, the third lowest among Virginia s ten metropolitan areas. The Winchester metropolitan area s unemployment rate was 6.1% in December 2008.

Regulation and Supervision

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

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

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

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

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

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

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

The deposits of United s Banking Subsidiaries are insured by the Federal Deposit Insurance Corporation (FDIC) to the extent provided by law. Accordingly, these Banking Subsidiaries are also subject to regulation by the FDIC.

Item 1A. RISK FACTORS

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

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

United s business is concentrated in the West Virginia, Northern Virginia and Shenandoah Valley Virginia market areas. As a result, its financial condition, results of operations and cash flows are subject to changes if there are changes in the economic conditions in these areas.

A prolonged period of economic recession or other adverse economic conditions in these areas could have a negative impact on United. A significant decline in general economic conditions nationally, caused by inflation, recession, acts of terrorism, outbreak of hostilities or other international or domestic occurrences, unemployment, changes in securities markets, declines in the housing market, a tightening credit environment or other factors could impact these local economic conditions and, in turn, have a material adverse effect on United s financial condition and results of operations which occurred during this past year.

Economic conditions began deteriorating during the latter half of 2007 and continued throughout 2008. Business activity across a wide range of industries and regions has been greatly reduced and many businesses are in serious difficulties due to a lack of consumer spending and the lack of liquidity in credit markets. Unemployment has also increased significantly. As a result of this economic crises, many lending institutions, including United, have experienced declines in the performance of their loans, including construction, land development and land loans, commercial loans and consumer loans. Moreover, competition among depository institutions for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many commercial loans and home mortgages have declined and may continue to decline. Overall, the general business environment has had an adverse effect on United s business, and there can be no assurance that the environment will improve in the near term. Accordingly, until conditions improve, United s business, financial condition and results of operations could continue to be adversely affected.

<u>There are no assurances as to adequacy of the allowance for credit losses</u>

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

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

- historical loan loss experience;
- industry diversification of the commercial loan portfolio;
- the effect of changes in the local real estate market on collateral values;
- the amount of nonperforming loans and related collateral security;
- current economic conditions that may affect the borrower s ability to pay and value of collateral;
- sources and cost of funds;
- volume, growth and composition of the loan portfolio; and
- other factors management believes are relevant.

These determinations are based upon estimates that are inherently subjective, and their accuracy depends on the outcome of future events, so ultimate losses may differ from current estimates. Changes in economic, operating and other conditions, including changes in interest rates, that are generally beyond United s control, can affect the Company s credit losses. With a deterioration of economic conditions throughout 2008, United s credit losses increased. If the economic conditions do not improve or continue to decline, United s credit losses could continue to increase, perhaps significantly. As a result, such losses could exceed United s current allowance estimates. United can provide no assurance that its allowance is sufficient to cover actual credit losses should such losses differ substantially from our current estimates.

In addition, federal and state regulators, as an integral part of their respective supervisory functions, periodically review United s allowance for credit losses. United s independent auditors also review the allowance as a part of their audit. Any increase in its allowance required by either the regulatory agencies or independent auditors would reduce United s pre-tax earnings.

Changes in interest rates may adversely affect United s business

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

United is subject to credit risk

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

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

United s success is dependent upon the continued service and skills of its executive officers and senior management. If United loses the services of these key personnel, it could have a negative impact on United s business because of their skills, years of industry experience and the difficulty of promptly finding qualified replacement personnel. The services of Richard M. Adams, United s Chief Executive Officer, would be particularly difficult to replace. United and Mr. Adams are parties to an Employment Agreement providing for his continued employment by United through March 31, 2014.

United operates in a highly competitive market

United faces a high degree of competition in all of the markets it serves. United considers all of West Virginia to be included in its market area. This area includes the five largest West Virginia Metropolitan Statistical Areas (MSA): the Parkersburg MSA, the Charleston MSA, the Huntington MSA, the Wheeling MSA and the Weirton MSA. United serves the Ohio counties of Lawrence, Belmont, Jefferson and Washington primarily because of their close proximity to the Ohio border and United banking offices nearby in West Virginia. In Virginia, United competes in the Northern Virginia counties of Alexandria, Arlington, Loudoun, Prince William, and Fairfax and in the Shenandoah Valley counties of Albemarle, Augusta, Clarke, Frederick, Greene, Rockingham, Shenandoah, and Warren. In addition, United has offices in Washington, D.C. In Maryland, United has offices in Montgomery county. United considers all of the above locations to be the primary market area for the business of its banking subsidiaries.

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

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

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

United s principal source of funds to pay dividends on its common stock is cash dividends from its subsidiaries. The payment of these dividends by its subsidiaries is also restricted by federal and state banking laws and regulations. As of December 31, 2008, an aggregate of approximately $20.67 million and $33.12 million was available for dividend payments from United Bank (WV) and United Bank (VA), respectively, to United without regulatory approval.

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

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

United is subject to extensive government regulation and supervision

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

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

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

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

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

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

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

Item 1B. UNRESOLVED STAFF COMMENTS

None

Item 2. PROPERTIES

Offices

United is headquartered in the United Center at 500 Virginia Street, East, Charleston, West Virginia. United s executive offices are located in Parkersburg, West Virginia at Fifth and Avery Streets. United operates one hundred and fourteen (114) full service offices fifty-four (54) offices located throughout West Virginia, fifty-seven (57) offices in the Shenandoah Valley region of Virginia and the Northern Virginia, Maryland and Washington, D.C. metropolitan area and three (3) in southeastern Ohio. United owns all of its West Virginia facilities except for two in the Wheeling area, two in the Charleston area, two in the Beckley area, two in the Charles Town area and one each in Parkersburg, Morgantown, and Clarksburg, all of which are leased under operating leases. United owns most of its facilities in the Shenandoah Valley region of Virginia except for ten offices, three in Winchester, one each in Charlottesville, Front Royal, Harrisonburg, Staunton, Waynesboro, Weyers Cave and Woodstock, all of which are leased under operating leases. United leases all of its facilities under operating lease agreements in the Northern Virginia, Maryland and Washington, D.C. areas except for four offices, one each in Fairfax, Alexandria, and Vienna, Virginia and one in Bethesda, Maryland, which are owned facilities. In Ohio, United leases two of its three facilities, one each in Bellaire and St. Clairsville. United leases an operations center facility in the Charleston, West Virginia area.

Item 3. LEGAL PROCEEDINGS

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

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report:

(a) Special Meeting of Shareholders was held on Tuesday, December 23, 2008.

(b) The meeting did not involve the election of directors.

(c) The two proposals were voted upon at the special meeting, were: (1) to approve an amendment to Article VI of United s Articles of Incorporation to increase the Company s authorized capital stock and to authorize the issuance of preferred stock; and (2) to grant management the authority to adjourn, postpone or continue the special meeting. The results of the proposals appear below.

Proposal 1. To approve an amendment to Article VI of United s Articles of Incorporation to increase the Company s authorized capital stock and to authorize the issuance of preferred stock:

For	Against	Abstain
24,084,483	6,116,688	489,746

Proposal 2. To grant management the authority to adjourn, postpone or continue the special meeting:

For	Against	Abstain
25,555,982	5,049,216	85,718

(d) None.

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

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

Stock

As of December 31, 2008, 100,000,000 shares of common stock, par value $2.50 per share, were authorized for United, of which 44,320,832 were issued, including 916,941 shares held as treasury shares. The outstanding shares are held by approximately 6,284 shareholders of record, as well as 14,782 shareholders in street name as of January 31, 2009. The unissued portion of United s authorized common stock (subject to registration approval by the SEC) and the treasury shares are available for issuance as the Board of Directors determines advisable. United offers its shareholders the opportunity to invest dividends in shares of United stock through its dividend reinvestment plan. United has also established stock option plans and a stock bonus plan as incentive for certain eligible officers. In addition to the above incentive plans, United is occasionally involved in certain mergers in which additional shares could be issued and recognizes that additional shares could be issued for other appropriate purposes.

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

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

Currently, United has only one voting class of stock issued and outstanding and all voting rights are vested in the holders of United s common stock. On all matters subject to a vote of shareholders, the shareholders of United will be entitled to one vote for each share of common stock owned. Shareholders of United have cumulative voting rights with regard to election of directors. At the present time, no senior securities of United are outstanding, nor does the Board of Directors presently contemplate issuing senior securities.

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

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

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

Dividends

The shareholders of United are entitled to receive dividends when and as declared by its Board of Directors. Dividends have been paid quarterly. Dividends were $1.16 per share in 2008, $1.13 per share in 2007 and $1.09 per share in 2006. The payment of dividends is subject to the restrictions set forth in the West Virginia Corporation Act and the limitations imposed by the Federal Reserve Board. See Market and Stock Prices of United for quarterly dividend information.

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

Market and Stock Prices of United

United Bankshares, Inc. stock is traded over the counter on the National Association of Securities Dealers Automated Quotations System, Global Select Market (NASDAQ) under the trading symbol UBSI. The closing sale price reported for United s common stock on February 23, 2009, the last practicable date, was $14.54.

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

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

	Dividends	High	Low
2009			
First Quarter through January 31, 2009	$0.29 (1)	$33.64	$20.00
2008			
Fourth Quarter	$0.29	$35.00	$21.05
Third Quarter	$0.29	$42.00	$18.52
Second Quarter	$0.29	$31.33	$22.95
First Quarter	$0.29	$33.07	$24.00
2007			
Fourth Quarter	$0.29	$33.61	$25.54
Third Quarter	$0.28	$32.98	$25.70
Second Quarter	$0.28	$35.37	$30.88
First Quarter	$0.28	$39.50	$33.60

(1) On January 26, 2009, United declared a dividend of $0.29 per share, payable April 1, 2009, to

shareholders of
record as of
March 13, 2009.

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Stock Performance Graph

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

The following graph compares United s cumulative total shareholder return (assuming reinvestment of dividends) on its common stock for the five-year period ending December 31, 2008, with the cumulative total return (assuming reinvestment of dividends) of the Standard and Poor s Midcap 400 Index and with the NASDAQ Bank Index. The cumulative total shareholder return assumes a $100 investment on December 31, 2003 in the common stock of United and each index and the cumulative return is measured as of each subsequent fiscal year-end. There is no assurance that United s common stock performance will continue in the future with the same or similar trends as depicted in the graph.

	Period Ending					
	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
United Bankshares, Inc.	100.00	126.05	120.00	135.46	101.82	125.68
NASDAQ Bank Index	100.00	109.15	111.47	123.04	101.60	79.73
S&P Mid-Cap Index	100.00	116.47	131.09	144.61	156.14	99.55

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Issuer Repurchases

The table below includes certain information regarding United s purchase of its common shares during the three months ended December 31, 2008:

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (3)	Maximum Number of Shares that May Yet be Purchased Under the Plans (3)
10/01 10/31/2008	7,029	$ 34.43		322,200
11/01 11/30/2008	6,497	$ 29.99		322,200
12/01 12/31/2008	22	$ 33.31		322,200
Total	13,548	$ 32.30		

(1) Includes shares exchanged in connection with the exercise of stock options under United s stock option plans. Shares are purchased pursuant to the terms of the applicable stock option plan and not pursuant to a publicly announced stock repurchase plan. For the quarter ended December 31, 2008, the following shares were exchanged by participants in United s stock option plans: October 2008 7,001 shares at an average price of $34.45 and November 2008 6,309 shares at an average price of $29.96.

(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, 2008, the following shares were purchased for the deferred compensation plan: October 2008 28 shares at an average price of $29.04; November 2008 188 shares at an average price of $30.93; and December 2008 22 shares at an average price of $33.31.

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

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Item 6. SELECTED FINANCIAL DATA

The following consolidated selected financial data is derived from United s audited financial statements as of and for the five years ended December 31, 2008. The selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes contained elsewhere in this report.

	Five Year Summary				
(Dollars in thousands, except per share data)	**2008**	**2007**	**2006**	**2005**	**2004**
Summary of Operations:					
Total interest income	$ 429,911	$ 438,729	$ 400,683	$ 345,278	$ 293,350
Total interest expense	177,119	213,310	181,090	124,451	88,914
Net interest income	252,792	225,419	219,593	220,827	204,436
Provision for loan losses	25,155	5,330	1,437	5,618	4,520
Other income	67,303	57,749	49,033	52,625	54,231
Other expense	171,073	147,929	137,173	121,160	137,061
Income taxes	36,913	39,235	40,767	46,265	33,771
Income from continuing operations	86,954	90,674	89,249	100,409	83,315
Income from discontinued operations before income taxes					20,780
Income taxes					6,333
Income from discontinued operations					14,447
Net Income	86,954	90,674	89,249	100,409	97,762
Cash dividends	50,231	47,446	45,219	44,575	44,228
Per common share:					
Income from continuing operations:					
Basic	2.01	2.16	2.15	2.36	1.92
Diluted	2.00	2.15	2.13	2.33	1.89
Income from discontinued operations:					
Basic					0.33
Diluted					0.33
Net income:					
Basic	2.01	2.16	2.15	2.36	2.25
Diluted	2.00	2.15	2.13	2.33	2.22
Cash dividends	1.16	1.13	1.09	1.05	1.02
Book value per share	16.97	17.61	15.44	15.12	14.68
Selected Ratios:					
Return on average shareholders equity	11.12%	12.99%	13.90%	15.66%	15.56%
Return on average assets	1.09%	1.28%	1.34%	1.55%	1.55%
Dividend payout ratio	57.77%	52.33%	50.67%	44.39%	45.24%
Selected Balance Sheet Data:					
Average assets	$8,007,068	$7,100,885	$6,641,224	$6,465,764	$6,295,076
Investment securities	1,291,822	1,394,764	1,275,470	1,501,966	1,510,442
Loans held for sale	868	1,270	2,041	3,324	3,981
Total loans	6,014,155	5,793,484	4,806,747	4,649,829	4,418,276
Total assets	8,102,091	7,994,739	6,717,598	6,728,492	6,435,971
Total deposits	5,647,954	5,349,750	4,828,192	4,617,452	4,297,563

Long-term borrowings	852,685	774,162	499,200	547,731	533,755
Total liabilities	7,365,379	7,233,540	6,083,506	6,093,287	5,804,464
Shareholders equity	736,712	761,199	634,092	635,205	631,507

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

FORWARD-LOOKING STATEMENTS

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

United desires to provide its shareholders with sound information about past performance and future trends. Consequently, any forward-looking statements contained in this report, in a report incorporated by reference to this report, or made by management of United in this report, in any other reports and filings, in press releases and in oral statements, involve numerous assumptions, risks and uncertainties. Actual results could differ materially from those contained in or implied by United s statements for a variety of factors including, but not limited to: changes in economic conditions; business conditions in the banking industry; movements in interest rates; competitive pressures on product pricing and services; success and timing of business strategies; the nature and extent of governmental actions and reforms; and rapidly changing technology and evolving banking industry standards.

INTRODUCTION

The following discussion and analysis presents the significant changes in financial condition and the results of operations of United and its subsidiaries for the periods indicated below. This discussion and the consolidated financial statements and the notes to consolidated financial statements include the accounts of United Bankshares, Inc. and its wholly-owned subsidiaries, unless otherwise indicated.

On July 14, 2007, United acquired 100% of the outstanding common stock of Premier Community Bankshares, Inc. (Premier) of Winchester, Virginia. The results of operations of Premier, which are not significant, are included in the consolidated results of operations from the date of acquisition. Because the results of operations of Premier are not significant, pro forma information is not provided. The purchase price was allocated to the identifiable tangible and intangible assets resulting in additions to goodwill and core deposit intangibles of approximately $148 million and $11 million, respectively. As a result of the merger, United assumed approximately $2.5 million of liabilities to provide severance benefits to terminated employees of Premier. A balance of $811 thousand remains as of December 31, 2008 for the assumed liabilities to provide several benefits to terminated employees of Premier. The acquisition of Premier expanded United s presence in the rapidly growing and economically attractive Metro DC area and afforded United the opportunity to enter new Virginia markets in the Winchester, Harrisonburg and Charlottesville areas.

Prior to July 7, 2004, United operated two main business segments: community banking and mortgage banking. As previously reported, on July 7, 2004, United sold its wholly owned mortgage banking subsidiary, George Mason Mortgage, LLC (Mason Mortgage). United s mortgage banking activities were conducted primarily through Mason Mortgage, which was previously reported as a separate segment. For the years prior to 2005, Mason Mortgage is shown as discontinued operations for all periods presented. Since the sale of Mason Mortgage, United s operations relate mainly to community banking which offers customers traditional banking products and services, including loan and deposit products, and wealth management services which include investment banking, financial planning, trust and brokerage services.

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

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

The allowance for credit losses represents management s estimate of the probable credit losses inherent in the lending portfolio. 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 estimated future cash flows, value of collateral, losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. The allowance allocated to specific credits and loan pools grouped by similar risk characteristics is reviewed on a quarterly basis and adjusted as necessary based upon subsequent changes in circumstances. In determining the components of the allowance for credit losses, management considers the risk arising in part from, but not limited to, charge-off and delinquency trends, current economic and business conditions, lending policies and procedures, the size and risk characteristics of the loan portfolio, concentrations of credit, and other various factors. The methodology used to determine the allowance for credit losses is described in Note A, Notes to Consolidated Financial Statements. A discussion of the factors leading to changes in the amount of the allowance for credit losses is included in the Provision for Credit Losses section of this Management s Discussion and Analysis of Financial Condition and Results of Operations. For a discussion of concentrations of credit risk, see Item 1, under the caption of Loan Concentrations in this Form 10-K.

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. The valuation of these derivative instruments is considered critical because carrying assets and liabilities at fair value inherently result in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are provided by third party sources. Because the majority of the derivative instruments are used to protect the value of other assets and liabilities on the balance sheet, changes in the value of the derivative instruments are typically offset by changes in the value of the assets and liabilities being hedged, although income statement volatility can occur if the derivative instruments are not effective in hedging changes in the value of those assets and liabilities.

United s calculation of income tax provision is complex and requires the use of estimates and judgments in its determination. As part of United s analysis and implementation of business strategies, consideration is given to tax laws and regulations that may affect the transaction under evaluation. This analysis includes the amount and timing of the realization of income tax liabilities or benefits. 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.

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

USE OF FAIR VALUE MEASUREMENTS

On January 1, 2008, United adopted SFAS No. 157, Fair Value Measurements (SFAS 157) to determine the fair value of its financial instruments based on the fair value hierarchy established in SFAS 157, 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. FAS 157 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs in the methodology for determining fair value are observable or unobservable. Observable inputs reflect market-based information obtained from independent sources (Level 1 or Level 2), while unobservable inputs reflect management s estimate of market data (Level 3). For assets and liabilities that are actively traded and have quoted prices or observable market data, a minimal amount of subjectivity concerning fair value is needed. Prices and values obtained from third party vendors that do not reflect forced liquidation or distressed sales are not adjusted by management. When quoted prices or observable market data are not available, management s judgment is necessary to estimate fair value.

At December 31, 2008, approximately 13.99% of total assets, or $1.13 billion, consisted of financial instruments recorded at fair value. Of this total, approximately 91.05% or $1.03 billion of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately 8.95% or $101.44 million of these financial instruments were valued using unobservable market information or Level 3 measurements. Most of these financial instruments valued using unobservable market information were pooled trust preferred investment securities classified as available-for-sale. At December 31, 2008, only $19.00 million or less than 1% of total liabilities were recorded at fair value. This entire amount was valued using methodologies involving observable market data. United does not believe that any changes in the unobservable inputs used to value the financial instruments mentioned above would have a material impact on United s results of operations, liquidity, or capital resources. See Note T for additional information regarding SFAS 157 and its impact on United s financial statements.

RECENT DEVELOPMENTS

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the EESA) was signed into law. Pursuant to the EESA, the U.S. Treasury will have the authority to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. The EESA also included a provision to increase the amount of deposits insured by the Federal Deposit Insurance Corporation (FDIC) to $250,000.

On October 14, 2008, Secretary Paulson, after consulting with the Federal Reserve and the FDIC, announced that the U.S. Treasury will purchase stakes in a wide variety of U.S. banks and thrifts to encourage these institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the TARP Capital Purchase Program), the Treasury will make $250 billion of capital available to qualifying U.S. financial institutions in the form of preferred stock. In conjunction with the purchase of preferred stock, the Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions will be required to adopt the U.S. Treasury s standards for executive compensation and corporate governance for the period during which the U.S. Treasury holds equity issued under the TARP Capital Purchase Program. These standards generally apply to the chief executive officer, chief financial officer, plus the next three most highly compensated executive officers.

Also on October 14, 2008, after receiving a recommendation from the boards of the FDIC and the Federal Reserve, and consulting with the President, Secretary Paulson signed the systemic risk exception to the FDIC Act, enabling the FDIC to temporarily provide a 100% guarantee of the senior debt of all FDIC-insured institutions and their holding companies, as well as deposits in non-interest bearing transaction deposit accounts under a Temporary Liquidity Guarantee Program. Coverage under the Temporary Liquidity Guarantee Program was available for 30 days without charge and thereafter at a cost of 75 basis points per annum for senior unsecured debt and 10 basis points per annum for non-interest bearing transaction deposits.

On January 27, 2009, United announced that it decided not to participate in the U.S. Treasury s TARP Capital Purchase Program. United had received preliminary approval to receive up to $197.28 million of capital from the TARP Capital Purchase Program. United s management and Board of Directors, after careful consideration, believed it was in the best interests of United s shareholders not to participate. The program s restrictions on possible future dividend increases, the dilution to earnings, and the uncertainty surrounding future requirements of the program outweighed the benefits of United s participation in the program.

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United has elected to take part in the FDIC s Transaction Account Guarantee Program and is eligible for participation in the FDIC s debt guarantee program, both are part of the FDIC s Temporary Liquidity Guarantee Program. The Transaction Account Guarantee Program provides a full guarantee on all non-interest-bearing transaction accounts held by any depositor, regardless of dollar amount, through December 31, 2009. Additionally, United is eligible for participation in the FDIC s debt guarantee program, which provides for the guarantee of eligible newly issued senior unsecured debt of participating entities.

2008 COMPARED TO 2007

FINANCIAL CONDITION SUMMARY

United s total assets as of December 31, 2008 were $8.10 billion, an increase of $107.35 million or 1.34% from year-end 2007. The increase was primarily the result of growth in portfolio loans of $220.67 million or 3.81% and an increase in other assets of $27.57 million or 12.94%. These increases were partially offset by decreases in cash and cash equivalents and investment securities of $17.12 million and $102.94 million, respectively. The increase in total assets is reflected in a corresponding increase in total liabilities of $131.84 million or 1.82% from year-end 2007. The increase in total liabilities was due mainly to growth in deposits of $298.20 million or 5.57% which more than offset a reduction of $179.22 million or 9.90% in borrowings. Shareholders equity decreased $24.49 million or 3.22% from year-end 2007. The following discussion explains in more detail the changes in financial condition by major category.

Cash and Cash Equivalents

Cash and cash equivalents decreased $17.12 million or 7.42% from year-end 2007. Of this total decrease, cash and due from banks decreased $11.69 million or 5.77%, interest-bearing deposits with other banks increased $3.63 million or 34.36%, and federal funds sold decreased $9.05 million or 51.72%. During the year of 2008, net cash of $113.94 million and $72.49 million was provided by operating and financing activities, respectively. Net cash of $203.54 million was used in investing activities. Further details related to changes in cash and cash equivalents are presented in the Consolidated Statements of Cash Flows.

Securities

Total investment securities decreased $102.94 million or 7.38% since year-end 2007. Securities available for sale decreased $59.52 million or 5.15% due to $622.92 million in sales, maturities and calls of securities, $626.20 million in purchases and a decrease of $61.62 million in market value. Securities held to maturity declined $40.82 million or 25.96% from year-end 2007 due to calls and maturities of securities. Other investment securities decreased $2.60 million or 3.21%.

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

	2008	2007	2006
		(In thousands)	
U.S. Treasury and other U.S. Government agencies and corporations	$ 10,704	$ 42,689	$ 7,993
States and political subdivisions	112,720	117,713	110,261
Mortgage-backed securities	883,361	846,037	777,133
Marketable equity securities	5,070	6,752	6,200
Corporate securities	153,261	149,823	115,253
TOTAL AVAILABLE FOR SALE SECURITIES, at amortized cost	$ 1,165,116	$ 1,163,014	$ 1,016,840
TOTAL AVAILABLE FOR SALE SECURITIES, at fair value	$ 1,097,043	$ 1,156,561	$ 1,010,252

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

	2008	2007	2006
		(In thousands)	
U.S. Treasury and other U.S. Government agencies and corporations	$ 11,455	$ 11,572	$ 11,682
States and political subdivisions	34,495	59,466	62,703
Mortgage-backed securities	135	165	234
Corporate securities	70,322	86,025	137,677
TOTAL HELD TO MATURITY SECURITIES, at amortized cost	$ 116,407	$ 157,228	$ 212,296
TOTAL HELD TO MATURITY SECURITIES, at fair value	$ 103,505	$ 158,165	$ 215,678

Gross unrealized losses on investment securities were $99.61 million at December 31, 2008. Securities in a continuous unrealized loss position for twelve months or more at December 31, 2008 consisted primarily of corporate securities. These corporate securities were mainly single issue trust preferred securities and trust preferred collateralized debt obligations.

As of December 31, 2008, United s corporate securities had an amortized cost of $223.58 million, with an estimated fair value of $147.88 million. During the first quarter of 2009, two securities in this portfolio matured at par, reducing the amortized cost by $8.99 million, or approximately 4.00%. The remaining portfolio consisted primarily of $137.74 million in pooled trust preferred securities, with a fair value of $84.13 million, and $70.74 million in single issue trust preferred securities with an estimated fair value of $49.56 million. In addition to the trust preferred securities, the Company held positions in various other securities totaling $6.11 million, none of which were individually significant.

The pooled trust preferred securities consisted of positions in 22 different securities. The underlying issuers in the pools were primarily financial institutions and to a lesser extent, insurance companies. The Company has no exposure to Real Estate Investment Trusts (REITs) in its investment portfolio. All pooled trust preferred securities are receiving full scheduled principal and interest payments. The Company owns both senior and mezzanine tranches in pooled trust preferred securities; however, the Company does not own any income notes. The senior and mezzanine tranches of trust preferred collateralized debt obligations generally have protection from defaults in the form of over-collateralization and excess spread revenues, along with waterfall structures that redirect cash flows in the event certain coverage test requirements are failed. Generally, senior tranches have the greatest protection, with mezzanine tranches subordinated to the senior tranches, and income notes subordinated to the mezzanine tranches. Senior tranches represent $25.32 million of the Company s pooled securities, while Mezzanine tranches represent $112.42 million. Of the $112.42 million in Mezzanine tranches, $22.45 million are now in the Senior position as the Senior notes have been paid to a zero balance. As of December 31, 2008, $36.56 million of the pooled trust preferred securities were investment grade, while $101.18 million were split rated with one investment grade rating and one below investment grade rating. In terms of capital adequacy, the Company allocates additional risk based capital to the below investment grade securities.

Of the $70.74 million in single issue trust preferred securities at December 31, 2008, $37.91 million or 53.58% were investment grade; $17.85 million or 25.24% were unrated; $9.38 million or 13.26% were split rated; and $5.60 million or 7.92% were below investment grade. The two largest exposures accounted for 33.49% of the $70.74 million. These included Royal Bank of Canada at $13.43 million and Wells Fargo at $10.27 million. All single-issue trust preferred securities are currently receiving full scheduled principal and interest payments.

Management does not believe any individual security with an unrealized loss as of December 31, 2008 is other than temporarily impaired. United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not a change in the probability of contractual cash flows. Based on a review of each of the securities in the investment portfolio, management concluded that it was not probable that it would be unable to realize the cost basis investment and appropriate interest payments on such securities. United has the intent and the ability to hold these securities until such time as the value recovers or the securities mature. However, United acknowledges that any impaired securities may be sold in future periods in response to significant, unanticipated changes in asset/liability management decisions, unanticipated future market movements or business plan changes. More information relating to investment securities is presented in Note C, Notes to Consolidated Financial Statements.

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Loans

Loans held for sale decreased $402 thousand or 31.65% as loan sales in the secondary market slightly exceeded loan originations during the year of 2008. Portfolio loans, net of unearned income, increased $220.67 million or 3.81% from year-end 2007 mainly due to increases in commercial real estate loans of $139.77 million or 9.27%, commercial loans (not secured by real estate) of $64.89 million or 5.36%, and single-family residential real estate loans of $32.86 million or 1.75%. Other real estate loans also increased $5.31 million or 2.21%. Construction loans were relatively flat from year-end 2007, increasing $672 thousand or less than 1%. These increases were partially offset by a decrease from year-end 2007 in installment loans of $23.49 million or 6.54%.

Major classifications of loans are as follows:

	December 31				
	2008	**2007**	**2006**	**2005**	**2004**
			(In thousands)		
Commercial, financial and agricultural	$ 1,274,937	$ 1,210,049	$ 954,024	$ 934,780	$ 864,511
Real estate mortgage	3,807,876	3,629,946	2,986,774	2,994,406	2,849,917
Real estate construction	601,995	601,323	523,042	347,274	303,516
Consumer	335,750	359,243	349,868	380,062	406,758
Less: Unearned interest	(6,403)	(7,077)	(6,961)	(6,693)	(6,426)
Total loans	6,014,155	5,793,484	4,806,747	4,649,829	4,418,276
Allowance for loan losses	(61,494)	(50,456)	(43,629)	(44,138)	(43,365)
TOTAL LOANS, NET	$ 5,952,661	$ 5,743,028	$ 4,763,118	$ 4,605,691	$ 4,374,911
Loans held for sale	$ 868	$ 1,270	$ 2,041	$ 3,324	$ 3,981

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

	2008	**2007**	**2006**	**2005**	**2004**
Commercial, financial and agricultural	21.20%	20.89%	19.85%	20.10%	19.57%
Real estate mortgage	63.31%	62.65%	62.14%	64.40%	64.50%
Real estate construction	10.01%	10.38%	10.88%	7.47%	6.87%
Consumer	5.48%	6.08%	7.13%	8.03%	9.06%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

The following table shows the maturity of commercial, financial, and agricultural loans and real estate construction outstanding as of December 31, 2008:

(In thousands)	**Less Than One Year**	**One To Five Years**	**Greater Than Five Years**	**Total**
Commercial, financial and agricultural	$ 676,257	$ 361,952	$ 236,728	$ 1,274,937
Real estate construction	601,995			601,995
Total	$ 1,278,252	$ 361,952	$ 236,728	$ 1,876,932

At December 31, 2008, commercial, financial and agricultural loans by maturity are as follows:

	Less Than One Year	One to Five Years	Over Five Years	Total
Outstanding with fixed interest rates	$ 215,124	$ 189,541	$ 166,524	$ 572,189
Outstanding with adjustable rates	461,133	172,411	70,204	702,748
	$ 676,257	$ 361,952	$ 236,728	$ 1,274,937

There were no real estate construction loans with maturities greater than one year.

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

Other Assets

Other assets increased $27.57 million or 12.94% from year-end 2007 due mainly to increases of $37.28 million in deferred tax assets, $13.45 million in other real estate owned (OREO), $5.35 million in the derivative asset, and $4.09 million in the cash surrender value of bank-owned life insurance policies. Partially offsetting these increases from year-end 2007 were decreases in the funded status of United s pension plan of $25.82 million, core deposit intangibles of $3.49 million, accounts receivable of $1.56 million and income taxes receivable of $1.49 million.

Deposits

Deposits represent United s primary source of funding. Total deposits at December 31, 2008 grew $298.20 million or 5.57% since year-end 2007. In terms of composition, noninterest-bearing deposits were relatively flat, decreasing $7.33 million or slightly less than 1% while interest-bearing deposits increased $305.53 million or 6.89% from December 31, 2007.

The slight decrease in noninterest-bearing deposits was due mainly to decreases in personal noninterest-bearing deposits of $5.44 million or 2.19% and official checks of $2.19 million or 5.76%.

The increase in interest-bearing deposits was due mainly to a growth in time deposits under $100,000 of $328.78 million or 21.11%. This increase in interest-bearing deposits was due likely to the volatility in the stock market. Time deposits over $100,000 increased $57.81 million or 6.06%. Interest-bearing money market accounts (MMDAs) decreased $79.20 million or 5.56%. Regular savings and interest-bearing checking account balances were relatively flat. Regular savings decreased $2.25 million while interest-bearing checking balances increased $399 thousand. Both changes were less than 1%.

The table below summarizes the changes by deposit category since year-end 2007:

(Dollars In thousands)	December 31 2008	December 31 2007	$ Change	% Change
Demand deposits	$ 419,091	$ 409,109	$ 9,982	2.44%
Interest-bearing checking	175,065	174,666	399	0.23%
Regular savings	322,478	324,728	(2,250)	(0.69%)
Money market accounts	1,833,472	1,929,985	(96,513)	(5.00%)
Time deposits under $100,000	1,886,256	1,557,478	328,778	21.11%
Time deposits over $100,000	1,011,592	953,784	57,808	6.06%
Total deposits	$ 5,647,954	$ 5,349,750	$ 298,204	5.57%

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At December 31, 2008, the scheduled maturities of time deposits are as follows:

Year	Amount
(In thousands)	
2009	$ 2,175,667
2010	408,298
2011	145,730
2012	84,566
2013 and thereafter	83,587
TOTAL	$ 2,897,848

Maturities of time certificates of deposit of $100,000 or more outstanding at December 31, 2008 are summarized as follows:

(Dollars In thousands)	Amount
3 months or less	$ 435,272
Over 3 through 6 months	142,199
Over 6 through 12 months	178,874
Over 12 months	255,247
TOTAL	$ 1,011,592

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

	2008			2007			2006		
	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate	Amount	Interest Expense	Rate
	(Dollars in thousands)								
Demand deposits	$ 210,244			$ 202,319			$ 399,298		
NOW and money market deposits	2,203,701	$ 17,571	0.80%	2,136,375	$ 37,337	1.75%	1,932,103	$ 33,928	1.76%
Savings deposits	334,564	638	0.19%	334,155	1,970	0.59%	336,008	1,239	0.37%
Time deposits	2,688,521	105,826	3.94%	2,313,736	107,611	4.65%	2,017,509	83,350	4.13%
TOTAL	$ 5,437,030	$ 124,035	2.28%	$ 4,986,585	$ 146,918	2.95%	$ 4,684,918	$ 118,517	2.53%

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

Borrowings

Total borrowings at December 31, 2008 decreased $179.22 million or 9.90% during the year of 2008. Since year-end 2007, short-term borrowings decreased $257.74 million or 24.88% due to a $222 million reduction in overnight FHLB borrowings. Federal funds purchased increased $31.11 million or 32.05% while securities sold under agreements to repurchase decreased $65.56 million or 13.11% since year-end 2007.

Long-term borrowings increased $78.52 million or 10.14% since year-end 2007 as long-term FHLB advances increased $89.27 million or 15.44%. Issuances of trust preferred securities decreased $10.74 million or 5.48%. In January of 2008, United redeemed the Capital Securities of United Statutory Trust II. As part of the redemption, United retired the $10.31 million principal amount of 8.59% Junior Subordinated Debentures issued by United Statutory Trust II.

During the fourth quarter of 2007, United through its subsidiary, United Statutory Trust I, redeemed $10.31 million of trust preferred securities. The securities were redeemed at par value plus accrued interest. The securities carried an interest rate of 8.45% at the time of redemption.

The table below summarizes the changes by borrowing category since year-end 2007:

	December 31		Amount	Percentage
	2008	2007	Change	Change
(Dollars In thousands)				
Federal funds purchased	$ 128,185	$ 97,074	$ 31,111	32.05%
Securities sold under agreements to repurchase	434,425	499,989	(65,564)	(13.11%)
Overnight FHLB advances	212,000	434,000	(222,000)	(51.15%)
TT&L note option	3,710	5,000	(1,290)	(25.80%)
Long-term FHLB advances	667,538	578,272	89,266	15.44%
Issuances of trust preferred capital securities	185,147	195,890	(10,743)	(5.48%)
Total borrowings	$ 1,631,005	$ 1,810,225	$ (179,220)	(9.90%)

For a further discussion of borrowings see Notes J and K, Notes to Consolidated Financial Statements.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities increased $19.03 million or 29.16% from year-end 2007 mainly as a result of an increase in derivative liabilities of $18.22 million due to a change in value, income taxes payable of $5.15 million due to a timing difference in payments and a liability of $1.58 million was recorded for split dollar life insurance policies based on the adoption of EITF 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements . Interest payable decreased $3.73 million due to a decline in borrowings and interest rates and other accrued expenses declined $325 thousand due to payments.

Shareholders Equity

Shareholders equity at December 31, 2008 decreased $24.49 million or 3.22% from December 31, 2007 as United continues to balance capital adequacy and the return to shareholders. Accumulated other comprehensive income decreased $63.67 million due mainly to a decline of $40.05 million, net of deferred income taxes, in the fair value of United s available for sale investment portfolio. The after-tax funded status of United s pension plan declined $16.44 million. The fair value of cash flow hedges decreased $7.40 million, net of deferred taxes.

The decrease in shareholders equity was partially offset by earnings net of dividends declared which equaled $36.72 million for the year of 2008.

EARNINGS SUMMARY

Net income for the year 2008 was $86.95 million or $2.00 per diluted share compared to $90.67 million or $2.15 per diluted share for the year of 2007. These results for the year of 2008 saw an increase in the provision for credit losses of $19.83 million from the year of 2007 due to increases in nonperforming assets, loan charge-offs and inherent risk factors as a result of the current economic environment. Additionally, the results for the year of 2008 included noncash before-tax other-than-temporary impairment charges of $9.89 million on certain investment securities.

The results for the year of 2007 included significant charges to prepay certain long-term debt and consummate the acquisition of Premier. During 2007, United prepaid certain Federal Home Loan Bank (FHLB) long-term advances and terminated interest rate swaps associated with some of the advances. The prepayment of the FHLB advances resulted in before-tax penalties of $5.12 million. The termination of the interest rate swaps resulted in a before-tax loss of $8.11 million. During the third quarter of 2007, United completed its acquisition of Premier based in Winchester, Virginia. Merger expenses and related integration costs of the Premier acquisition were $1.48 million for the year of 2007.

United s return on average assets for the year of 2008 was 1.09% and return on average shareholders equity was 11.12% as compared to 1.28% and 12.99% for the year of 2007.

Tax-equivalent net interest income for the year of 2008 was $267.02 million, an increase of $25.13 million or 10.39% from the prior year. The provision for credit losses was $25.16 million for the year 2008 as compared to $5.33 million for the year of 2007.

Noninterest income was $67.30 million for the year of 2008, up $9.55 million or 16.54% when compared to the prior year. The results for 2008 included the previously mentioned noncash before-tax other-than-temporary impairment charges of $9.89 million. Included in noninterest income for the year of 2007 was the before-tax loss of $8.11 million on the termination of interest rate swaps associated with the prepayment of FHLB advances. Noninterest expense was $171.07 million, an increase of $23.14 million or 15.65% for the year of 2008 when compared to 2007. Noninterest expense for the year of 2007 included the before-tax penalties of $5.12 million to prepay FHLB advances.

United s effective tax rate was approximately 29.8% and 30.2% for years ended December 31, 2008 and 2007, respectively, as compared to 31.4% for 2006.

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

Net Interest Income

Net interest income represents the primary component of United s earnings. It is the difference between interest income from earning assets and interest expense incurred to fund these assets. Net interest income is impacted by changes in the volume and mix of interest-earning assets and interest-bearing liabilities, as well as changes in market interest rates. Such changes, and their impact on net interest income in 2008, are summarized below.

Tax-equivalent net interest income for the year of 2008 was $267.02 million, an increase of $25.13 million or 10.39% from the year of 2007. The net interest margin for the year of 2008 was 3.70%, down 6 basis points from a net interest margin of 3.76% during the same period last year.

Tax-equivalent interest income for the year of 2008 was $444.14 million, an $11.06 million or 2.43% decrease from the year of 2007. This decrease in tax-equivalent interest income was primarily attributable to a decrease of 92 basis points in the yield on average earning assets due to a decrease in market interest rates. The average yield on net loans was 6.34% for the year of 2008, down 110 basis points from 7.44% for the year of 2007 while the average yield on investment securities was 5.46% for the year of 2008, a decrease of 24 basis points from 5.70% for the year of 2007. Partially offsetting the decrease in tax-equivalent interest income was an increase in average earning assets of $789.13 million or 12.26% as average net loans increased $705.65 million or 13.82% due mainly to the Premier acquisition. Average investment securities increased $95.48 million or 7.45%.

Interest expense for the year of 2008 was $177.12 million, a decrease of $36.19 million or 16.97% from the year of 2007. The decrease in interest expense for the year of 2008 was mainly due to a decrease of 107 basis points in the cost of funds from the year of 2007 as a result of lower market interest rates during 2008. The average cost of interest-bearing deposits was 2.71% for the year of 2008, down 83 basis points from 3.54% for the year of 2007 while the average cost of short-term borrowings was 1.69% for the year of 2008, a decrease of 262 basis points from 4.31% for the year of 2007. The average cost of long-term borrowings was 4.49% for the year of 2008, a decrease of 112 basis points from 5.61% for the year of 2007 as a result of a decrease in market interest rates and the refinancing of long-term debt during the second and fourth quarters of 2007. Average interest-bearing deposits increased $423.66 million or 10.22%, average short-term borrowings increased $161.66 million or 22.65% and average long-term borrowings increased $216.98 million or 34.14% due primarily to the Premier acquisition.

The following table shows the consolidated daily average balance of major categories of assets and liabilities for each of the three years ended December 31, 2008, 2007 and 2006 with the consolidated interest and rate earned or paid on such amount.

	Year Ended December 31, 2008			Year Ended December 31, 2007			Year Ended December 31, 2006		
	Average Balance	**Interest**	**Avg. Rate**	**Average Balance**	**Interest**	**Avg. Rate**	**Average Balance**	**Interest**	**Avg. Rate**
ASSETS									
Earning Assets:									
Federal funds sold, securities repurchased under agreements to resell & other short-term investments	$ 36,752	$ 714	1.94%	$ 48,754	$ 2,504	5.14%	$ 41,444	$ 1,804	4.35%
Investment Securities:									
Taxable	1,168,192	59,652	5.11%	1,059,530	55,054	5.20%	1,122,940	57,374	5.11%
Tax-exempt (1) (2)	209,386	15,503	7.40%	222,564	17,989	8.08%	232,241	19,523	8.41%
Total Securities	1,377,578	75,155	5.46%	1,282,094	73,043	5.70%	1,355,181	76,897	5.67%
Loans, net of unearned income (1) (2) (3)	5,865,609	368,271	6.28%	5,151,252	379,654	7.37%	4,729,810	337,434	7.13%
Allowance for loan losses	(55,476)			(46,766)			(44,089)		
Net loans	5,810,133		6.34%	5,104,486		7.44%	4,685,721		7.20%
Total earning assets	7,224,463	$ 444,140	6.15%	6,435,334	$ 455,201	7.07%	6,082,346	$ 416,135	6.84%
Other assets	782,605			665,551			558,878		
TOTAL ASSETS	$ 8,007,068			$ 7,100,885			$ 6,641,224		
LIABILITIES									
Interest-Bearing Funds:									
Interest-bearing deposits	$ 4,569,583	$ 124,035	2.71%	$ 4,145,925	$ 146,918	3.54%	$ 3,819,820	$ 118,517	3.10%
Short-term borrowings	875,545	14,828	1.69%	713,886	30,745	4.31%	744,057	30,051	4.04%
Long- term borrowings	852,457	38,256	4.49%	635,476	35,647	5.61%	509,587	32,522	6.38%
Total Interest-Bearing Funds	6,297,585	177,119	2.81%	5,495,287	213,310	3.88%	5,073,464	181,090	3.57%
Noninterest-bearing deposits	867,447			840,660			865,098		

Accrued expenses and other liabilities	60,173			67,053		60,674	
TOTAL LIABILITIES	7,225,205			6,403,000		5,999,236	
SHAREHOLDERS EQUITY	781,863			697,885		641,988	
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 8,007,068			$ 7,100,885		$ 6,641,224	
NET INTEREST INCOME		$ 267,021			$ 241,891		$ 235,045
INTEREST SPREAD			3.34%		3.19%		3.27%
NET INTEREST MARGIN			3.70%		3.76%		3.86%

(1) The interest income and the yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis

using the statutory federal income tax rate of 35%.

(2) The interest income and the yields on state nontaxable loans and investment securities are presented on a tax-equivalent basis using

the statutory state income tax

rate of 8.75% in 2008 and 9% in 2007 and 2006.

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

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

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	2008 Compared to 2007 Increase (Decrease) Due to				2007 Compared to 2006 Increase (Decrease) Due to			
	Volume	**Rate**	**Rate/ Volume**	**Total**	**Volume**	**Rate**	**Rate/ Volume**	**Total**
Interest income:								
Federal funds sold, securities purchased under agreements to resell and other short-term investments	$ (617)	$ (1,560)	$ 387	$ (1,790)	$ 318	$ 327	$ 55	$ 700
Investment securities:								
Taxable	5,650	(954)	(98)	4,598	(3,240)	1,011	(91)	(2,320)
Tax exempt (1), (2)	(1,065)	(1,513)	92	(2,486)	(814)	(766)	46	(1,534)
Loans (1),(2),(3)	52,500	(56,149)	(7,734)	(11,383)	30,151	11,246	823	42,220
TOTAL INTEREST INCOME	56,468	(60,176)	(7,353)	(11,061)	26,415	11,818	833	39,066
Interest expense:								
Interest-bearing deposits	$ 14,997	$ (34,411)	$ (3,469)	$ (22,883)	$ 10,109	$ 16,807	$ 1,485	$ 28,401
Short-term borrowings	6,968	(18,704)	(4,181)	(15,917)	(1,219)	2,009	(96)	694
Long-term borrowings	12,173	(7,117)	(2,447)	2,609	8,032	(3,924)	(983)	3,125
TOTAL INTEREST EXPENSE	34,138	(60,232)	(10,097)	(36,191)	16,922	14,892	406	32,220
NET INTEREST INCOME	$ 22,330	$ 56	$ 2,744	$ 25,130	$ 9,493	$ (3,074)	$ 427	$ 6,846

(1) Yields and interest income on federally tax exempt loans and investment securities are

computed on a fully tax-equivalent basis using the statutory federal income tax rate of 35%.

(2) Yields and interest income on state tax exempt loans and investment securities are computed on a fully tax-equivalent basis using the statutory state income tax rate of 8.75% in 2008 and 9% in 2007 and 2006.

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

Provision for Credit Losses

At December 31, 2008, nonperforming loans were $54.20 million or 0.90% of loans, net of unearned income compared to nonperforming loans of $28.33 million or 0.49% of loans, net of unearned income at December 31, 2007. The increase in nonperforming loans since year-end is indicative of the decline in economic conditions. These nonperforming loans are not of one particular portfolio, but rather represent several customer segments. Higher unemployment levels, economic fears, and declines in real estate values have impacted the performance of both consumer and commercial portfolios. The components of nonperforming loans include nonaccrual loans and loans, which are contractually past due 90 days or more as to interest or principal, but have not been put on a nonaccrual basis.

Loans past due 90 days or more were $11.88 million at December 31, 2008, a decrease of $2.33 million or 16.39% from $14.21 million at year-end 2007. At year-end 2008, nonaccrual loans were $42.32 million, an increase of $28.20 million or 199.80% from $14.12 million at year-end 2007. The increase in nonaccrual loans since year-end 2007 was primarily the result of the deterioration in economic conditions during 2008. The loss potential on these loans has been properly evaluated and allocated within the company s allowance for loan losses. Total nonperforming assets of $74.02 million, including OREO of $19.82 million at December 31, 2008, represented 0.91% of total assets which compares favorably to United s most recently reported peer group banking companies (bank holding companies with total assets between $5 and $10 billion) percentage of 1.51% at December 31, 2008.

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

			December 31		
	2008	2007	2006	2005	2004
			(In thousands)		
Nonaccrual loans	$ 42,317	$ 14,115	$ 5,755	$ 7,146	$ 6,352
Loans which are contractually past due 90 days or more as to interest or principal, and are still accruing interest	11,881	14,210	8,432	6,039	4,425
Total nonperforming loans	54,198	28,325	14,187	13,185	10,777
Other real estate owned	19,817	6,365	4,231	2,941	3,692
TOTAL NONPERFORMING ASSETS	$ 74,015	$ 34,690	$ 18,418	$ 16,126	$ 14,469

Loans are designated as impaired when, in the opinion of management, the collection of principal and interest in accordance with the loan contract is doubtful. At December 31, 2008, impaired loans were $59.74 million, which was an increase of $28.79 million or 93.02% from the $30.95 million in impaired loans at December 31, 2007. Generally, the increase in impaired loans from year-end 2007 is indicative of a weakened credit environment due to a deterioration of economic conditions. Specifically, the increase in impaired loans was due partially to the addition of $2.67 million of commercial loans to a rental car agency and $2.20 million of commercial and personal loans to an automobile dealer. Most of these credits are collateralized by motor vehicle inventory or real estate. In addition, several residential real estate construction loans totaling approximately $11.83 million were added during the year of 2008. The loans are collateralized by land, some with partially completed homes. The remainder of the increase is primarily due to six large commercial credits totaling $10.42 million that were added during the year of 2008. Most of these loans are to commercial real estate developers. Based on current information and events, United believes it is probable that the borrowers will not be able to repay all amounts due according to the contractual terms of the loan agreements. The loss potential on these loans has been properly evaluated and allocated within the company s allowance for loan losses. For further details on impaired loans, see Note E, Notes to Consolidated Financial Statements.

United maintains an allowance for loan losses and an allowance for lending-related commitments. The combined allowances for loan losses and lending-related commitments are referred to as the allowance for credit losses. At December 31, 2008, the allowance for credit losses was $63.60 million, compared to $58.74 million at December 31, 2007. As a percentage of loans, net of unearned income, the allowance for credit losses was 1.06% and 1.01% at December 31, 2008 and 2007, respectively. The ratio of the allowance for credit losses to nonperforming loans was 117.4% and 207.4% at December 31, 2008 and 2007, respectively.

For the years ended December 31, 2008 and 2007, the provision for credit losses was $25.16 million and $5.33 million, respectively. Net charge-offs were $20.30 million for the year of 2008 as compared to net charge-offs of $6.61 million for the year of 2007. These higher amounts of provision expense and net charge-offs for 2008 reflected a weakened credit environment due to a deterioration of economic conditions. Net charge-offs as a percentage of average loans were 0.35% for the year of 2008 which compares favorably to United s most recently reported peer group banking companies net charge-offs to average loans percentage of 0.60% for the year of 2008.

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

	2008	2007	2006	2005	2004
			(Dollars in thousands)		
Balance of allowance for credit losses at beginning of year	$ 58,744	$ 52,371	$ 52,871	$ 51,353	$ 51,432
Allowance of purchased company at date of acquisition		7,648			
Loans charged off:					
Commercial, financial and agricultural	5,014	832	1,060	2,442	1,524
Real estate	7,201	900	778	1,422	1,518
Real estate construction	6,375	4,460			
Consumer and other	2,608	1,546	1,390	2,152	3,497
TOTAL CHARGE-OFFS	21,198	7,738	3,228	6,016	6,539
Recoveries:					
Commercial, financial and agricultural	233	297	505	677	387
Real estate	264	376	374	778	1,080
Real estate construction	23	10			
Consumer and other	382	450	412	461	596
TOTAL RECOVERIES	902	1,133	1,291	1,916	2,063
NET LOANS CHARGED OFF	20,296	6,605	1,937	4,100	4,476
Provision for credit losses	25,155	5,330	1,437	5,618	4,520
BALANCE OF ALLOWANCE FOR CREDIT LOSSES AT END OF YEAR	63,603	58,744	52,371	52,871	51,476
Less: Balance of allowance for credit losses, discontinued operations					(123)
BALANCE OF ALLOWANCE FOR CREDIT LOSSES AT END OF YEAR, CONTINUING OPERATIONS	$ 63,603	$ 58,744	$ 52,371	$ 52,871	$ 51,353

Loans outstanding at the end of period (gross), continuing operations (1)	$ 6,020,558	$ 5,800,561	$ 4,813,708	$ 4,656,522	$ 4,424,702
Average loans outstanding during period (net of unearned income) (1)	$ 5,863,858	$ 5,149,430	$ 4,726,758	$ 4,493,322	$ 4,228,070
Net charge-offs as a percentage of average loans outstanding	0.35%	0.13%	0.04%	0.09%	0.11%
Allowance for credit losses, continuing operations as a percentage of nonperforming loans	117.4%	207.4%	369.2%	401.0%	476.5%

(1) Excludes loans held for sale.

United evaluates the adequacy of the allowance for credit losses and its loan administration policies are focused upon the risk characteristics of the loan portfolio. United s process for evaluating the allowance is a formal company-wide process that focuses on early identification of potential problem credits and procedural discipline in managing and accounting for those credits. This process determines the appropriate level of the allowance for credit losses, allocation among loan types

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and lending-related commitments, and the resulting provision for credit losses.

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 environmental 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.

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

			December 31		
	2008	**2007**	**2006**	**2005**	**2004**
			(In thousands)		
Commercial, financial and agricultural	$ 39,550	$ 32,957	$ 27,512	$ 27,053	$ 27,356
Real estate	4,144	3,058	3,266	6,443	6,404
Real estate construction	10,169	9,169	7,178	2,587	1,961
Consumer and other	4,920	4,166	4,014	5,842	6,179
Lending related commitments	2,109	8,287	8,742	8,733	7,987
Allowance for estimated imprecision	2,711	1,107	1,659	2,213	1,589
	63,603	58,744	52,371	52,871	51,476
Less: Allowance for credit losses, discontinued operations					(123)
Total	$ 63,603	$ 58,744	$ 52,371	$ 52,871	$ 51,353

United s formal company-wide process at December 31, 2008 produced increased allocations in all of the four loan categories. The components of the allowance allocated to commercial loans increased by $6.59 million due to the impact of an increase in historical loss rates, increased outstandings in the watch loan pool, an increase in qualitative factors for business and economic conditions and higher specific allocations on impaired loans. The real estate loan pool allocations increased $1.09 million also as a result of increases in historical loss rates, qualitative factors and allocations for pool subsets having higher levels of risk. The real estate construction loan pool allocations increased $1.00 million primarily due to increased specific allocations of impaired loans and allocations for pool subsets having higher levels of risk. The components of the allowance allocated to consumer loans increased by $754 thousand due to an increase in qualitative factors as well an increase in the allocation for overdraft loss. The methodology for calculation of the unfunded commitments liability was changed to be more consistent with the historical utilization of unfunded commitments and this resulted in a decrease of $6.18 million.

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 bank 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, 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 $5.43 million at December 31, 2008 and $3.61 million at December 31, 2007. Compared to the prior year-end, this element of the allowance increased by $1.82 million due to the combination of increased commercial and real estate construction and development loan pool allocations.

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 December 31, 2008 by $1.60 million to $2.71 million. This represents 4.26% of the bank s total allowance for credit loss and in as much as this variance approximates a pre-determined 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 $63.60 million at December 31, 2008 is adequate to provide for probable losses on existing loans and lending-related commitments based on information currently available.

United s loan administration policies are focused on the risk characteristics of the loan portfolio in terms of loan approval and credit quality. The commercial loan portfolio is monitored for possible concentrations of credit in one or more industries. Management has lending limits as a percentage of capital per type of credit concentration in an effort to ensure adequate diversification within the portfolio. Most of United s commercial loans are secured by real estate located in West Virginia, Southeastern Ohio, Virginia and Maryland. 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. Noninterest income was $67.30 million for the year of 2008, up $9.55 million or 16.54% from the year of 2007. Included in noninterest income for the year of 2008 were noncash before-tax other-than-temporary impairment charges on investment securities totaling $9.89 million and a $917 thousand gain related to Visa s initial public offering and the partial redemption of Visa shares held by United. The noncash before-tax other-than-temporary impairment charges of $9.89 million consisted of a charge of $889 thousand on certain marketable equity securities that had been in an unrealized loss position for more than six months and a charge of $9.00 million on a corporate debt holding. Noninterest income for the year of 2007 was $57.75 million which included an $8.11 million before-tax loss on the termination of interest rate swaps associated with the prepayment of FHLB advances. Excluding the results of the interest rate swap terminations and investment security transactions, noninterest income for the year of 2008 would have increased $10.79 million or 16.37% from the year of 2007.

The rise in noninterest income in the year of 2008 from the same period in 2007 was due in large part to an increase of $5.35 million or 15.82% in fees from deposit services mainly as a result of United s High Performance Checking program and the Premier acquisition