UNITED BANKSHARES INC/WV
Form 10-Q
November 06, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2009

or

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

Commission File Number: 0-13322

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

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

Registrant s Telephone Number, including Area Code: (304) 424-8800

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

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

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

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

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

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

Class - Common Stock, $2.50 Par Value; **43,423,111** shares outstanding as of **October 31, 2009**.

UNITED BANKSHARES, INC. AND SUBSIDIARIES

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The September 30, 2009 and December 31, 2008, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries (United or the Company), consolidated statements of income for the three and nine months ended September 30, 2009 and 2008, the related consolidated statement of changes in shareholders equity for the nine months ended September 30, 2009, the related condensed consolidated statements of cash flows for the nine months ended September 30, 2009 and 2008, and the notes to consolidated financial statements appear on the following pages.

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CONSOLIDATED BALANCE SHEETS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except par value)

	September 30 2009 (Unaudited)	December 31 2008 (Note 1)
Assets		
Cash and due from banks	$ 122,071	$ 190,895
Interest-bearing deposits with other banks	449,920	14,187
Federal funds sold	5,716	8,452
Total cash and cash equivalents	577,707	213,534
Securities available for sale at estimated fair value (amortized cost-$972,630 at September 30, 2009 and $1,165,116 at December 31, 2008)	932,690	1,097,043
Securities held to maturity (estimated fair value-$85,681 at September 30, 2009 and $103,505 at December 31, 2008)	93,246	116,407
Other investment securities	77,709	78,372
Loans held for sale	4,969	868
Loans	5,793,931	6,020,558
Less: Unearned income	(4,486)	(6,403)
Loans net of unearned income	5,789,445	6,014,155
Less: Allowance for loan losses	(68,082)	(61,494)
Net loans	5,721,363	5,952,661
Bank premises and equipment	58,267	58,560
Goodwill	312,140	312,263
Accrued interest receivable	28,093	31,816
Other assets	276,624	240,567
TOTAL ASSETS	$ 8,082,808	$ 8,102,091
Liabilities		
Deposits:		
Noninterest-bearing	$ 1,069,381	$ 906,099
Interest-bearing	4,953,285	4,741,855
Total deposits	6,022,666	5,647,954
Borrowings:		
Federal funds purchased	14,095	128,185
Securities sold under agreements to repurchase	350,906	434,425
Federal Home Loan Bank borrowings	667,297	879,538
Other short-term borrowings	2,476	3,710
Other long-term borrowings	184,828	185,147
Allowance for lending-related commitments	1,656	2,109
Accrued expenses and other liabilities	72,338	84,311
TOTAL LIABILITIES	7,316,262	7,365,379
Shareholders Equity		
Preferred stock, $1.00 par value; Authorized-50,000,000 shares, none issued		

Common stock, $2.50 par value; Authorized-100,000,000 shares; issued-44,319,157 and 44,320,832 at September 30, 2009 and December 31, 2008, respectively, including 912,612 and 916,941 shares in treasury at September 30, 2009 and December 31, 2008, respectively	110,798	110,802
Surplus	96,120	96,654
Retained earnings	649,213	637,152
Accumulated other comprehensive loss	(58,596)	(76,151)
Treasury stock, at cost	(30,989)	(31,745)
TOTAL SHAREHOLDERS EQUITY	766,546	736,712
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 8,082,808	$ 8,102,091

See notes to consolidated unaudited financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Interest income				
Interest and fees on loans	$ 77,484	$ 88,822	$ 233,971	$ 272,088
Interest on federal funds sold and other short-term investments	60	140	106	632
Interest and dividends on securities:				
Taxable	10,696	15,104	36,801	45,125
Tax-exempt	2,187	2,694	6,786	8,880
Total interest income	90,427	106,760	277,664	326,725
Interest expense				
Interest on deposits	19,843	29,538	65,001	94,850
Interest on short-term borrowings	46	3,214	599	13,794
Interest on long-term borrowings	9,215	9,871	27,615	28,514
Total interest expense	29,104	42,623	93,215	137,158
Net interest income	61,323	64,137	184,449	189,567
Provision for credit losses	8,067	6,497	39,346	12,948
Net interest income after provision for credit losses	53,256	57,640	145,103	176,619
Other income				
Fees from trust and brokerage services	3,142	4,522	10,242	13,014
Fees from deposit services	10,566	10,251	30,124	29,336
Bankcard fees and merchant discounts	1,104	1,543	3,085	4,835
Other service charges, commissions, and fees	470	450	1,447	1,527
Income from bank-owned life insurance	1,051	1,622	2,289	3,943
Income from mortgage banking	172	93	476	342
Other income	896	1,016	4,204	3,384
Total other-than-temporary impairment losses	(15,903)	(9,189)	(17,135)	(9,310)
Portion of loss recognized in other comprehensive income	4,943		4,943	
Net other-than-temporary impairment losses	(10,960)	(9,189)	(12,192)	(9,310)
Net gains on sales/calls of investment securities	82	22	88	1,052
Net investment securities losses	(10,878)	(9,167)	(12,104)	(8,258)
Total other income	6,523	10,330	39,763	48,123
Other expense				
Employee compensation	14,735	15,152	44,433	46,130
Employee benefits	4,818	3,614	14,441	10,605
Net occupancy expense	4,124	4,163	12,830	12,434
Equipment expense	3,120	1,790	8,140	6,072
Data processing expense	2,761	2,461	8,043	7,661
Bankcard processing expense	793	1,282	2,381	4,100

FDIC insurance expense	2,004	288	6,871	593
Other expense	11,319	12,888	34,047	36,878
Total other expense	43,674	41,638	131,186	124,473
Income before income taxes	16,105	26,332	53,680	100,269
Income taxes	4,040	6,740	3,826	29,834
Net income	$ 12,065	$ 19,592	$ 49,854	$ 70,435

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CONSOLIDATED STATEMENTS OF INCOME (Unaudited) continued

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	**2008**	**2009**	**2008**
Earnings per common share:				
Basic	$ 0.28	$ 0.45	$ 1.15	$ 1.63
Diluted	$ 0.28	$ 0.45	$ 1.15	$ 1.62
Dividends per common share	$ 0.29	$ 0.29	$ 0.87	$ 0.87
Average outstanding shares:				
Basic	43,410,532	43,276,962	43,404,920	43,262,926
Diluted	43,455,723	43,421,333	43,457,258	43,418,755

See notes to consolidated unaudited financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Nine Months Ended September 30, 2009						
	Common Stock			Retained	Accumulated Other Comprehensive Income	Treasury	Total Shareholders
	Shares	Par Value	Surplus	Earnings	(Loss)	Stock	Equity
Balance at January 1, 2009	44,320,832	$ 110,802	$ 96,654	$ 637,152	$ (76,151)	$ (31,745)	$ 736,712
Comprehensive income:							
Net income				49,854			49,854
Other comprehensive income, net of tax:					17,555		17,555
Total comprehensive income, net of tax							67,409
Stock based compensation expense			355				355
Purchase of treasury stock (66,561 shares)						(1,167)	(1,167)
Distribution of treasury stock for deferred compensation plan (30,902 shares)						536	536
Cash dividends ($0.87 per share)				(37,793)			(37,793)
Common stock options exercised (39,988 shares)			(893)			1,387	494
Fractional shares adjustment	(1,675)	(4)	4				
Balance at September 30, 2009	44,319,157	$ 110,798	$ 96,120	$ 649,213	$ (58,596)	$ (30,989)	$ 766,546

See notes to consolidated unaudited financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Nine Months Ended September 30 2009	2008
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 50,317	$ 84,222
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	14,751	21,286
Proceeds from sales of securities available for sale	4,851	1,230
Proceeds from maturities and calls of securities available for sale	320,883	466,361
Purchases of securities available for sale	(141,376)	(511,805)
Net purchases of bank premises and equipment	(4,030)	(1,460)
Net change in other investment securities	(161)	1,279
Net change in loans	193,107	(122,947)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	388,025	(146,056)
FINANCING ACTIVITIES		
Cash dividends paid	(37,783)	(37,628)
Excess tax benefits from stock-based compensation arrangements	168	322
Acquisition of treasury stock	(1,167)	(198)
Proceeds from exercise of stock options	449	670
Proceeds from issuance of long-term Federal Home Loan Bank borrowings		225,000
Repayment of long-term Federal Home Loan Bank borrowings	(241)	(60,656)
Redemption of debt related to trust preferred securities		(10,310)
Distribution of treasury stock for deferred compensation plan	536	183
Changes in:		
Deposits	374,712	155,114
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	(410,843)	(216,836)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(74,169)	55,661
Increase (Decrease) in cash and cash equivalents	364,173	(6,173)
Cash and cash equivalents at beginning of year	213,534	230,651
Cash and cash equivalents at end of period	$ 577,707	$ 224,478

See notes to consolidated unaudited financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

1. GENERAL

The accompanying unaudited consolidated interim financial statements of United Bankshares, Inc. and Subsidiaries (United) have been prepared in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not contain all of the information and footnotes required by accounting principles generally accepted in the United States. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements presented as of September 30, 2009 and 2008 and for the three-month and nine-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2008 has been extracted from the audited financial statements included in United s 2008 Annual Report to Shareholders. The accounting and reporting policies followed in the presentation of these financial statements are consistent with those applied in the preparation of the 2008 Annual Report of United on Form 10-K. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim periods have been made. Such adjustments are of a normal and recurring nature.

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

New Accounting Standards

On June 29, 2009, the Financial Accounting Standards Board (FASB) issued an accounting pronouncement that established the Accounting Standards Codification (ASC). The accounting pronouncement states that the FASB Accounting Standards Codification (ASC) will become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by all nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also source of authoritative GAAP for SEC registrants. This pronouncement, which was subsequently codified as ASC topic 105, Generally Accepted Accounting Principles, was effective for financial statements issued for interim and annual periods after September 15, 2009. On the effective date, the Codification superseded all then-existing non-SEC accounting and reporting standards. The adoption of this pronouncement did not have a significant impact on the Company s financial condition or results of operations.

In August of 2009, the FASB issued Accounting Standards Update No. 2009-05 (ASU 2009-05), Fair Value Measurements and Disclosures (ASC topic 820) - Measuring Liabilities at Fair Value to provide clarification that the fair value measurement of liabilities in which a quoted price in an active market for the identical liability is not available should be developed based on a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities when traded as assets or another valuation technique that is consistent with the principles of ASC topic 820. ASU 2009-05 also clarifies that there is no requirement to adjust the fair value related to the existence of a restriction that prevents the transfer of the liability and that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The new guidance is effective for interim and annual reporting periods beginning after August 27, 2009, and applies to all fair value measurements of liabilities required by GAAP. United adopted ASU 2009-05 on October 1, 2009 as required. The adoption of this guidance did not have a significant impact on the Company s financial condition or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

On June 12, 2009, the FASB issued an accounting pronouncement which changes how a company determines when an entity that is not sufficiently capitalized or is not controlled through voting should be consolidated. This pronouncement will require a company to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. The pronouncement is effective for interim periods ending after November 15, 2009. Early adoption is prohibited. United plans to adopt this pronouncement during the fourth quarter of 2009 as required, but does not believe the guidance will have a significant impact on the Company s financial condition or results of operations.

On June 12, 2009, the FASB issued an accounting pronouncement that will require additional information about transfers of financial assets, including securitization transactions, and where companies have continuing exposure to the risks related to transferred financial assets. This pronouncement also eliminates the concept of a qualifying special-purpose entity , changes the requirements of derecognizing financial assets, and requires additional disclosures. The pronouncement is effective for interim periods ending after November 15, 2009. Early adoption is prohibited. United plans to adopt this pronouncement during the fourth quarter of 2009, but does not believe the guidance will have a significant impact on the Company s financial condition or results of operations.

In May 2009, the FASB issued an accounting pronouncement which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The pronouncement was subsequently codified into ASC topic 855, Subsequent Events. ASC topic 855 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. ASC topic 855 was effective for interim periods ending after June 15, 2009. United adopted ASC topic 855 during the second quarter of 2009 and this adoption did not have an impact on United s consolidated financial statements.

On April 9, 2009, the FASB issued a staff position to provide additional guidance in determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurement purposes as defined in ASC topic 820, Fair Value Measurements and Disclosures . This staff position was effective for interim periods ending after June 15, 2009, but early adoption was permitted for interim periods ending after March 15, 2009. United adopted this staff position within ASC topic 820 during the second quarter of 2009. The adoption of this staff position did not have a material impact on United s consolidated financial statements.

On April 9, 2009, the FASB issued a staff position, now contained within ASC topic 320, Investments Debt and Equity Securities, to provide guidance in determining whether impairments in debt securities are other-than-temporary and modifies the presentation and disclosures surrounding such instruments. This staff position was effective for interim periods ending after June 15, 2009, but early adoption was permitted for interim periods ending after March 15, 2009. United adopted this staff position during the second quarter of 2009. The adoption of this staff position did not have a material impact on United s consolidated financial statements.

On April 9, 2009, the FASB issued a staff position, now contained within ASC topic 825, Financial Instruments, to require disclosures about the fair value of financial instruments in interim financial statements as well as in annual financial statements. This staff position was effective for interim periods ending after June 15, 2009, but early adoption was permitted for interim periods ending after March 15, 2009. The disclosure provisions of this staff position were adopted during the second quarter of 2009 by United and the adoption did not have any impact on the Company s financial condition or results of operations.

In January 2009, the FASB issued a staff position, now contained within ASC topic 320, Investments Debt and Equity Securities, to eliminate the requirement that an investment holder s best estimate of cash flows be based upon those that a market participant would use. Instead, ASC topic 320 now requires that an other-than-temporary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

impairment (OTTI) be recognized as a realized loss through earnings when it is probable that there has been an adverse change in the investment holder s estimated cash flows from the cash flows previously projected. In addition, ASC topic 320 provides additional guidance emphasizing that investment holders should consider all available information (i.e., past events, current conditions, and expected events) when developing estimates of future cash flows in their OTTI assessments. The guidance was effective for interim and annual reporting periods ending after December 15, 2008. Retroactive application to prior interim or annual reporting periods is not permitted. The adoption of this guidance did not have any impact on the level or amount of OTTI impairments because United does not have any transferred securitized financial assets.

In December 2008, the FASB issued an accounting pronouncement, now contained within ASC topic 715, Compensation Retirement Benefits, which requires additional disclosures about assets held in an employer s defined benefit pension or other postretirement plan. The objectives of the enhanced disclosures are to provide users of financial statements with an understanding of: how investment allocation decisions are made; the major categories of an employer s plan assets; the inputs and valuation techniques used to measure the fair value of a plan s assets; the effect of fair value measurements on plan assets using significant unobservable inputs, and significant concentrations of risk within plan assets. Additionally, ASC topic 715 requires employers to reconcile the beginning and ending balances of plan assets with fair values measured using significant Level 3 unobservable inputs. This reconciliation will require entities to separately present changes during the period that are attributable to actual return on plan assets, purchases, sales and settlements, and transfers in and out of Level 3. The disclosure provisions of ASC topic 715 are required for reporting periods ending after December 15, 2009. Comparative disclosures are not required upon adoption and earlier application is permitted. The adoption of these disclosures is not expected to have an impact on the Company s financial condition, results of operations, or liquidity.

In December 2008, the FASB issued an accounting pronouncement, now contained within ASC topic 810, Consolidation, to require public entities to provide additional disclosures about transfers of financial assets and their involvement with variable interest entities (VIEs). The enhanced disclosures of ASC topic 810 were required for the first reporting period, interim or annual, ending after December 15, 2008. The new disclosure provisions of ASC topic 810 have been adopted by United and the adoption did not have any impact on the Company s financial condition, results of operations, or liquidity.

In March 2008, the FASB issued an accounting pronouncement, now contained within ASC topic 815, Derivatives and Hedging, to establish new disclosures intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance, and cash flows. The new disclosure requirements were effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The new disclosure provisions of ASC topic 815 have been adopted by United and the adoption did not have any impact on the Company s financial condition, results of operations, or liquidity.

In December 2007, the FASB issued an accounting pronouncement, now contained within ASC topic 805, Business Combinations, to establish new requirements to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. The new requirements within ASC topic 805 are effective for business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. Thus, the new requirements within ASC topic 805 had no effect on United s consolidated financial statements.

In December 2007, the FASB issued an accounting pronouncement, now contained within ASC topic 810, Consolidation, to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. These new standards were effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. United adopted the new standards within ASC topic 810 on January 1, 2009. The adoption did not have a material impact on United s consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

2. INVESTMENT SECURITIES

The amortized cost and estimated fair values of securities available for sale are summarized as follows:

	September 30, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 50,795	$ 67		$ 50,862
State and political subdivisions	97,770	4,121	$ 95	101,796
Residential mortgage-backed securities				
Agency	515,961	22,031		537,992
Non-agency	157,803	155	12,614	145,344
Trust preferred collateralized debt obligations	129,537		46,709	82,828
Single issue trust preferred securities	15,543	44	6,892	8,695
Marketable equity securities	5,221	164	212	5,173
Total	$ 972,630	$ 26,582	$ 66,522	$ 932,690

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 10,704	$ 113	$	$ 10,817
State and political subdivisions	112,720	1,357	1,345	112,732
Residential mortgage-backed securities				
Agency	681,147	13,525	75	694,597
Non-agency	202,214		21,492	180,722
Trust preferred collateralized debt obligations	137,740		53,608	84,132
Single issue trust preferred securities	15,521		6,252	9,269
Marketable equity securities	5,070		296	4,774
Total	$ 1,165,116	$ 14,995	$ 83,068	$ 1,097,043

Provided on the following page is a summary of securities available for sale which were in an unrealized loss position at September 30, 2009 and December 31, 2008.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
September 30, 2009				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies				
State and political subdivisions	$ 1,039	$ 15	$ 3,180	$ 80
Residential mortgage-backed securities				
Agency				
Non-agency	17,682	179	95,643	12,435
Trust preferred collateralized debt obligations			76,016	46,709
Single issue trust preferred securities	112	22	7,555	6,870
Marketable equity securities	262	74	257	138
Total	$ 19,095	$ 290	$ 182,651	$ 66,232

	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
December 31, 2008				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies				
State and political subdivisions	$ 38,574	$ 1,345		
Residential mortgage-backed securities				
Agency	13,718	18	$ 5,491	$ 57
Non-agency	159,590	18,008	21,133	3,484
Trust preferred collateralized debt obligations	19,562	10,211	64,571	43,396
Single issue trust preferred securities	5,537	5,043	3,732	1,210
Marketable equity securities	613	277	356	19
Total	$ 237,594	$ 34,902	$ 95,283	$ 48,166

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Proceeds from sales and calls	$ 145,617	$ 131,030	$ 325,734	$ 467,591
Gross realized gains	151	22	660	97
Gross realized losses	24		540	

The realized losses relate to sales of securities within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries.

At September 30, 2009, gross unrealized losses on available for sale securities were $66,522 on 85 securities of a total portfolio of 392 available for sale securities. Securities in an unrealized loss position at September 30, 2009 consisted

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

primarily of pooled trust preferred collateralized debt obligations (TRUP CDOs), single issue trust preferred securities and non-agency residential mortgage-backed securities. The TRUP CDOs and the single issue trust preferred securities relate mainly to securities of financial institutions. The unrealized loss on the non-agency residential mortgage-backed securities portfolio relates primarily to AAA securities of various private label issuers. The Company has no exposure to real estate investment trusts (REITS) in its investment portfolio.

In determining whether or not the TRUP CDOs were other-than-temporarily impaired, management considered the severity and the duration of the loss in conjunction with United s positive intent and the more likely than not ability to hold these securities to recovery of their cost basis or maturity.

In analyzing the duration and severity of the losses, management considered the following: (1) the market for these securities was not active as evidenced by the lack of trades and the severe widening of the bid/ask spread; (2) the markets for TRUP CDOs ultimately became dysfunctional with no significant transactions to report; (3) low market prices for certain bonds, in the overall debt markets, were evidence of credit stress in the general markets and not necessarily an indication of credit problems with a particular issuer; and (4) the general widening in overall risk premiums in the broader markets was responsible for a significant amount of the price decline in the TRUP CDO portfolio.

The amortized cost of available for sale TRUP CDOs in an unrealized loss position for twelve months or longer as of September 30, 2009 consisted of $15.00 million in investment grade bonds, $7.46 million in split-rated bonds and $100.27 million in below investment grade bonds. In the single issue trust preferred securities portfolio, there were no securities greater than $6 million in an unrealized loss position for twelve months or longer.

The following is a summary of the available for sale TRUP CDOs and single issue trust preferred securities in an unrealized loss position twelve months or greater as of September 30, 2009:

Class	Amortized Cost	Fair Value	Unrealized Loss	Investment Grade	Split Rated	Below Investment Grade
			(Dollars in thousands)			
Senior	$ 25,209	$ 18,213	$ 6,996	$ 15,000		$ 10,209
Mezzanine (now in Senior position)	7,459	4,459	3,000		$ 7,459	
Mezzanine	90,057	53,344	36,713			90,057
Single Issue Trust Preferred	14,425	7,555	6,870	3,356	5,459	5,610
Totals	$ 137,150	$ 83,571	$ 53,579	$ 18,356	$ 12,918	$ 105,876

To determine a net realizable value and assess whether other-than-temporary impairment existed, management performed detailed cash flow analysis to determine whether, in management s judgment, it was more likely than not that United would not recover the entire amortized cost basis of the security. Management s cash flow analysis was performed for each issuer and considered the current deferrals and defaults, the likelihood that current deferrals would cure or ultimately default, potential future deferrals and defaults, subordination, cash reserves, excess interest spread, credit analysis of the underlying collateral and the priority of payments in the cash flow structure. Management also spoke with analysts who covered specific companies, particularly when those companies were deferring or experiencing financial difficulties. The underlying collateral analysis for each issuer took into consideration several factors including TARP participation, capital adequacy, earnings trends and asset quality. Management also performed a stress test analysis to determine what level of defaults would have to occur before United would experience a break in yield or principal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

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

As of September 30, 2009, United recorded other-than-temporarily impairment losses related to a certain TRUP CDO and a single-issue trust preferred security. The credit-related other-than-temporary impairment loss recognized in earnings for the third quarter of 2009 related to these securities was $10.81 million.

After completing its analysis of the TRUP CDO, management determined that the expected cash flows from the security were less than the cash flows originally expected at purchase. As a result, a credit-related other-than-temporary impairment loss of $2.81 million was recorded on the TRUP CDO. The noncredit-related other-than-temporary impairment recognized in the third quarter on this security, which is not expected to be sold, was $4.94 million. The noncredit-related other-than-temporary impairment loss, net of deferred taxes, recognized during the third quarter in accumulated other comprehensive income (loss) was $3.21 million.

In addition to the other-than-temporary impairment of the TRUP CDO, management recorded a credit-related other-than-temporary impairment loss of $8.00 million in the third quarter of 2009 related to a single-issue trust preferred investment issued by First Bank of Oak Park (the issuer), which was previously classified as held-to-maturity. After the close of business on October 30, 2009, the Federal Deposit Insurance Corporation (FDIC) seized the issuer s subsidiary banks with all of the deposits and most of the assets of the banks being assumed by another financial institution. As a result of the seizure of the banks, United determined that this security was other-than-temporarily impaired as of September 30, 2009.

Except for the single-issue trust preferred investment and the TRUP CDO discussed above, management does not believe any other individual security with an unrealized loss as of September 30, 2009 is other-than-temporarily impaired. For debt securities, United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not a change in the expected contractual cash flows. Based on a review of each of the securities in the investment portfolio, management concluded that it expected to recover the amortized cost basis of the investment in such securities. As of September 30, 2009, United does not intend to sell any impaired debt security nor is it anticipated that it would be required to sell any impaired debt security before the recovery of its amortized cost basis. For equity securities, United has evaluated the near-term prospects of the investment in relation to the severity and duration of any impairment and based on that evaluation, management does not believe any individual equity security is other-than-temporarily impaired. As of September 30, 2009, United has the ability and intent to hold these equity securities until a recovery of their fair value to at least the cost basis of the investment.

In addition to the other-than-temporary impairment charges mentioned above, United recorded losses of $139 thousand during the third quarter of 2009 on certain investment tax credit securities within its held to maturity investment portfolio that were considered other-than-temporarily impaired. United also evaluated all of its cost method investments and identified certain events or changes in circumstances during the third quarter of 2009 which had a significant adverse effect on the fair value of certain cost method securities. Therefore, United recorded an impairment loss of $10 thousand in the third quarter of 2009 on these certain cost method securities.

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

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

Balance of cumulative credit losses at December 31, 2008	$ 10,489
Additions for credit losses on securities for which OTTI was not previously recognized	11,980
Additions for additional credit losses on securities for which OTTI was previously recognized	212
Balance of cumulative credit losses at September 30, 2009	$ 22,681

No previous other-than-temporary loss recognized was non-credit related, thus no cumulative effect adjustment was required adopting accounting provisions contained within ASC Topic 320 that were effective on June 30, 2009.

The amortized cost and estimated fair value of securities available for sale at September 30, 2009 and December 31, 2008 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

	September 30, 2009		December 31, 2008	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 56,333	$ 56,398	$ 10,103	$ 10,115
Due after one year through five years	55,600	57,468	72,091	73,048
Due after five years through ten years	185,189	190,798	226,455	226,647
Due after ten years	670,287	622,853	851,397	782,459
Marketable equity securities	5,221	5,173	5,070	4,774
Total	$ 972,630	$ 932,690	$ 1,165,116	$ 1,097,043

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

	September 30, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 11,363	$ 1,933	$	$ 13,296
State and political subdivisions	28,815	816	51	29,580
Residential mortgage-backed securities				
Agency	114	11		125
Non-agency	2			2
Single issue trust preferred securities	46,085	68	10,342	35,811
Other corporate securities	6,867			6,867

Total	$ 93,246	$ 2,828	$ 10,393	$ 85,681

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 11,455	$ 2,630	$	$ 14,085
State and political subdivisions	34,495	594	291	34,798
Residential mortgage-backed securities				
Agency	133	8		141
Non-agency	2			2
Single issue trust preferred securities	59,069	404	15,324	44,149
Other corporate securities	11,253		923	10,330
Total	$ 116,407	$ 3,636	$ 16,538	$ 103,505

As of September 30, 2009, the Company s two largest held-to-maturity single-issue trust preferred exposures were to Royal Bank of Canada ($13.4 million) and Wells Fargo ($9.9 million). Subsequent to September 30, 2009, United received a call notification from Royal Bank of Canada and received payment in full on these securities. Other corporate securities consist mainly of bonds of corporations.

The following table shows the gross realized gains and losses on calls of held to maturity securities that have been included in earnings as a result of those calls. Gains or losses on calls of held to maturity securities were recognized by the specific identification method.

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Gross realized gains			13	38
Gross realized losses	45		45	

The amortized cost and estimated fair value of debt securities held to maturity at September 30, 2009 and December 31, 2008 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

	September 30, 2009		December 31, 2008	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 3,199	$ 3,230	$ 12,084	$ 11,203
Due after one year through five years	8,584	8,859	10,085	10,267
Due after five years through ten years	22,022	24,167	16,206	17,549
Due after ten years	59,441	49,425	78,032	64,486
Total	$ 93,246	$ 85,681	$ 116,407	$ 103,505

The carrying value of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law, approximated $856,404 and $1,101,632 at September 30, 2009 and December 31, 2008, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

3. LOANS

Major classifications of loans are as follows:

	September 30, 2009	December 31, 2008
Commercial, financial and agricultural	$ 1,065,908	$ 1,274,937
Real estate:		
Single-family residential	1,883,546	1,915,355
Commercial	1,670,361	1,647,307
Construction	538,015	601,995
Other	298,443	245,214
Installment	337,658	335,750
Total gross loans	$ 5,793,931	$ 6,020,558

The table above does not include loans held for sale of $4,969 and $868 at September 30, 2009 and December 31, 2008, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

United s subsidiary banks have made loans, in the normal course of business, to the directors and officers of United and its subsidiaries, and to their affiliates. Such related party loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than normal risk of collectibility. The aggregate dollar amount of these loans was $100,141 and $123,536 at September 30, 2009 and December 31, 2008, respectively.

4. ALLOWANCE FOR CREDIT LOSSES

United maintains an allowance for loan losses and an allowance for lending-related commitments such as unfunded loan commitments and letters of credit. The allowance for lending-related commitments of $1,656 and $2,109 at September 30, 2009 and December 31, 2008, respectively, is separately classified as a liability on the balance sheet. The combined allowances for loan losses and lending-related commitments are referred to as the allowance for credit losses.

The allowance for credit losses is management s estimate of the probable credit losses inherent in the lending portfolio. Management s evaluation of the adequacy of the allowance for credit losses and the appropriate provision for credit losses is based upon a quarterly evaluation of the loan portfolio and lending-related commitments. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of future cash flows, value of collateral, losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. The allowance allocated to specific credits and loan pools grouped by similar risk characteristics is reviewed on a quarterly basis and adjusted as necessary based upon subsequent changes in circumstances. In determining the components of the allowance for credit losses, management considers the risk arising in part from, but not limited to, charge-off and delinquency trends, current economic and business conditions, lending policies and procedures, the size and risk characteristics of the loan portfolio, concentrations of credit, and other various factors. Loans deemed to be uncollectible are charged against the allowance for credit losses, while recoveries of previously charged-off amounts are credited to the allowance for credit losses. Credit expenses related to the allowance for credit losses and the allowance for lending-related commitments are reported in the provision for credit losses in the income statement.

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	**2008**	**2009**	**2008**
Balance at beginning of period	$ 66,534	$ 59,161	$ 63,603	$ 58,744
Provision for credit losses	8,067	6,497	39,346	12,948
	74,601	65,658	102,949	71,692
Loans charged-off	(5,315)	(6,529)	(34,368)	(13,046)
Less: Recoveries	452	259	1,157	742
Net Charge-offs	(4,863)	(6,270)	(33,211)	(12,304)
Balance at end of period	$ 69,738	$ 59,388	$ 69,738	$ 59,388

5. RISK ELEMENTS

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

Nonperforming assets are summarized as follows:

	September 30, 2009	December 31, 2008
Nonaccrual loans	$ 47,933	$ 42,317
Loans past due 90 days or more and still accruing interest	23,854	11,881
Restructured loans	1,091	
Total nonperforming loans	72,878	54,198
Other real estate owned	44,758	19,817
Total nonperforming assets	$ 117,636	$ 74,015

Loans are designated as impaired when, in the opinion of management, the collection of principal and interest in accordance with the contractual terms of the loan agreement is doubtful. At September 30, 2009, the recorded investment in loans that were considered to be impaired was $67,617. Included in this amount is $34,029 of impaired loans for which the related allowance for credit losses is $7,305 and $33,588 of impaired loans that do not have an allowance for credit losses due to management s estimate that the fair value of the underlying collateral of these loans is sufficient for full repayment of the loan and interest. At December 31, 2008, the recorded investment in loans that were considered to be impaired was $59,742. Included in this amount were $30,253 of impaired loans for which the related allowance for credit losses was $5,434 and $29,489 of impaired loans that did not have an allowance for credit losses. The average recorded investment in impaired loans during the nine months ended September 30, 2009 and for the year ended December 31, 2008 was approximately $58,696 and $50,281, respectively.

United recognized interest income on impaired loans of approximately $263 and $741 for the quarter and nine months ended September 30, 2009, respectively, and $609 and $1,351 for the quarter and nine months ended September 30,

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

2008, respectively. Substantially all of the interest income was recognized using the accrual method of income recognition. The amount of interest income that would have been recorded under the original terms for the above loans was $1,108 and $3,038 for the quarter and nine months ended September 30, 2009, respectively, and $1,167 and $2,798 for the quarter and nine months ended September 30, 2008, respectively.

6. INTANGIBLE ASSETS

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

	As of September 30, 2009		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Amortized intangible assets:			
Core deposit intangible assets	$ 30,995	$ (25,595)	$ 5,400
Goodwill not subject to amortization			$ 312,140

	As of December 31, 2008		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Amortized intangible assets:			
Core deposit intangible assets	$ 30,995	$ (23,611)	$ 7,384
Goodwill not subject to amortization			$ 312,263

United incurred amortization expense of $618 and $1,984 for the quarter and nine months ended September 30, 2009, respectively, and $789 and $2,747 for the quarter and nine months ended September 30, 2008, respectively, related to intangible assets. The table presented below sets forth the anticipated amortization expense for intangible assets for each of the next five years:

Year	**Amount**
2009	$ 2,561
2010	1,884
2011	1,362
2012	915
2013 and thereafter	662

7. SHORT-TERM BORROWINGS

Federal funds purchased and securities sold under agreements to repurchase are a significant source of funds for the Company. United has various unused lines of credit available from certain of its correspondent banks in the aggregate amount of $300,000. These lines of credit, which bear interest at prevailing market rates, permit United to borrow funds in the overnight market, and are renewable annually subject to certain conditions. At September 30, 2009, federal funds purchased were $14,095 while securities sold under agreements to repurchase were $350,906.

United has available funds of $60,000 with two unrelated financial institutions to provide for general liquidity needs. Both are unsecured revolving lines of credit. One has a one-year renewable term while the other line of credit has a two-year renewable term. Each line of credit carries an indexed floating rate of interest. At September 30, 2009, United had no outstanding balance under these lines of credit. Both lines require compliance with various financial and nonfinancial covenants. As of September 30, 2009, United was not in compliance with two of the financial covenants on one of those lines (ratios of allowance for loan losses to nonperforming assets and nonperforming assets to net loans plus OREO). The Company is having discussions with the lender concerning the covenants and fee package.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

United Bank (VA) participates in the Treasury Investment Program, which is essentially the U.S. Treasury s savings account for companies depositing employment and other tax payments. The bank retains the funds in an open-ended interest-bearing note until the Treasury withdraws or calls the funds. A maximum note balance is established and that amount must be collateralized at all times. All tax deposits or a portion of the tax deposits up to the maximum balance are generally available as a source of short-term investment funding. As of September 30, 2009, United Bank (VA) had an outstanding balance of $2,476 and had additional funding available of $2,524.

8. LONG-TERM BORROWINGS

United s subsidiary banks are members of the Federal Home Loan Bank (FHLB). Membership in the FHLB makes available short-term and long-term borrowings from collateralized advances. All FHLB borrowings are collateralized by a mix of single-family residential mortgage loans, commercial loans and investment securities. At September 30, 2009, United had an unused borrowing amount of $1,406,326 available subject to delivery of collateral after certain trigger points.

Advances may be called by the FHLB or redeemed by United based on predefined factors and penalties.

At September 30, 2009, $667,297 of FHLB advances with a weighted-average interest rate of 2.76% is scheduled to mature within the next ten years.

The scheduled maturities of borrowings are as follows:

Year	Amount
2009	$ 80,000
2010	384,685
2011	60,000
2012	55,000
2013 and thereafter	87,612
Total	$ 667,297

United has a total of ten statutory business trusts that were formed for the purpose of issuing or participating in pools of trust preferred capital securities (Capital Securities) with the proceeds invested in junior subordinated debt securities (Debentures) of United. The Debentures, which are subordinate and junior in right of payment to all present and future senior indebtedness and certain other financial obligations of United, are the sole assets of the trusts and United s payment under the Debentures is the sole source of revenue for the trusts. At September 30, 2009 and December 31, 2008, the outstanding balances of the Debentures were $184,828 and $185,147 respectively, and were included in the category of long-term debt on the Consolidated Balance Sheets entitled Other long-term borrowings . The Capital Securities are not included as a component of shareholders equity in the Consolidated Balance Sheets. United fully and unconditionally guarantees each individual trust s obligations under the Capital Securities.

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

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

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

9. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily, and historically do not, represent future cash requirements. The amount of collateral obtained, if deemed necessary upon the extension of credit, is based on management s credit evaluation of the counterparty. United had approximately $1,800,500 and $1,874,051 of loan commitments outstanding as of September 30, 2009 and December 31, 2008, respectively, the majority of which expire within one year.

Commercial and standby letters of credit are agreements used by United s customers as a means of improving their credit standing in their dealings with others. Under these agreements, United guarantees certain financial commitments of its customers. A commercial letter of credit is issued specifically to facilitate trade or commerce. Typically, under the terms of a commercial letter of credit, a commitment is drawn upon when the underlying transaction is consummated as intended between the customer and a third party. United has issued commercial letters of credit of $328 and $3,035 as of September 30, 2009 and December 31, 2008, respectively. A standby letter of credit is generally contingent upon the failure of a customer to perform according to the terms of an underlying contract with a third party. United has issued standby letters of credit of $124,220 and $129,023 as of September 30, 2009 and December 31, 2008, respectively. In accordance with the Contingencies Topic of the FASB Accounting Standards Codification, United has determined that substantially all of its letters of credit are renewed on an annual basis and the fees associated with these letters of credit are immaterial.

10. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Under the provisions of the Derivatives and Hedging topic, derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk,

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

such as interest rate risk, are considered fair value hedges. Derivative instruments designated in hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. As of September 30, 2009, United has fair value hedges and a cash flow hedge.

For a fair value hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to the hedged financial instrument. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a fair value hedge are offset in current period earnings. For a cash flow hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to other comprehensive income within shareholders equity, net of tax. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a cash flow hedge are offset to other comprehensive income, net of tax. The portion of a hedge that is ineffective is recognized immediately in earnings. No hedge ineffectiveness existed on cash flow hedges for the nine months ended September 30, 2009 and 2008.

At inception of a hedge relationship, United formally documents the hedged item, the particular risk management objective, the nature of the risk being hedged, the derivative being used, how effectiveness of the hedge will be assessed and how the ineffectiveness of the hedge will be measured. United also assesses hedge effectiveness at inception and on an ongoing basis using regression analysis. Hedge ineffectiveness is measured by using the change in fair value method. The change in fair value method compares the change in the fair value of the hedging derivative to the change in the fair value of the hedged exposure, attributable to changes in the benchmark rate. The portion of a hedge that is ineffective is recognized immediately in earnings. Prior to January 1, 2006, United used the shortcut method for interest rate swaps that met the criteria as defined under the Derivatives and Hedging topic. Effective January 1, 2006, United adopted an internal policy of accounting for all new derivative instruments entered thereafter whereby the shortcut method would no longer be used.

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

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The following table sets forth certain information regarding the interest rate derivatives portfolio used for interest-rate risk management purposes and designated as accounting hedges under the Derivatives and Hedging topic at September 30, 2009:

Derivative Classifications and Hedging Relationships

September 30, 2009

	Notional Amount	Average Receive Rate	Average Pay Rate
Fair Value Hedges:			
Pay Fixed Swap (Hedging Commercial Loans)	$ 13,768		6.27%
Total Derivatives Used in Fair Value Hedges	$ 13,768		
Cash Flow Hedge:			
Pay Fixed Swap (Hedging FHLB Borrowing)	$ 234,685		3.79%
Total Derivative Used in Cash Flow Hedge	$ 234,685		
Total Derivatives Used for Interest Rate Risk Management and Designated as Hedges	$ 248,453		

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

	Asset Derivatives			
	September 30, 2009		December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Interest rate contracts	Other assets	$ 4,425	Other assets	$ 6,201
Total derivatives not designated as hedging instruments		$ 4,425		$ 6,201
Total asset derivatives		$ 4,425		$ 6,201

	Liability Derivatives			
	September 30, 2009		December 31, 2008	
	Balance	Fair Value	Balance	Fair Value

	Sheet Location		Sheet Location	
Derivatives designated as hedging instruments				
Interest rate contracts	Other liabilities	$ 10,807	Other liabilities	$ 12,803
Total derivatives designated as hedging instruments		$ 10,807		$ 12,803
Derivatives not designated as hedging instruments				
Interest rate contracts	Other liabilities	$ 4,425	Other liabilities	$ 6,201
Total derivatives not designated as hedging instruments		$ 4,425		$ 6,201
Total liability derivatives		$ 15,232		$ 19,004

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

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

The effect of United s derivative financial instruments on its unaudited Consolidated Statements of Income for the three and nine months ended September 30, 2009 and 2008 are presented as follows:

	Income Statement Location	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008
Derivatives in fair value hedging relationships			
Interest rate contracts	Interest income/ (expense)	$ 25	$ 48
Total derivatives in fair value hedging relationships		$ 25	$ 48
Derivatives not designated as hedging instruments			
Interest rate contracts [1]	Other income	$ 542	$ 670
Interest rate contracts [2]	Other expense	$ (542)	$ (670)
Total derivatives not designated as hedging instruments		$	$
Total derivatives		$ 25	$ 48

	Income Statement Location	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Derivatives in fair value hedging relationships			
Interest rate contracts	Interest income/ (expense)	$ 82	$ 164
Total derivatives in fair value hedging relationships		$ 82	$ 164
Derivatives not designated as hedging instruments			
Interest rate contracts [1]	Other income	$ 2,851	$ 2,020
Interest rate contracts [2]	Other expense	$ (2,851)	$ (2,020)
Total derivatives not designated as hedging instruments		$	$

Total derivatives	$ 82	$ 164

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

11. FAIR VALUE MEASUREMENTS

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

In February of 2008, the FASB delayed the fair value measurements of certain nonfinancial assets and nonfinancial liabilities except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis. These fair value measurements for such nonfinancial assets and nonfinancial liabilities were deferred to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Thus, United only partially applied the provisions of ASC topic 820 in 2008. Those items affected included other real estate owned (OREO), goodwill and core deposit intangibles. United fully adopted the fair value measurement requirements on January 1, 2009 which did not have a material impact on United s consolidated financial statements.

In October of 2008, the FASB clarified the application of fair value measurements in a market that is not active and to provide key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. These fair value measurement requirements were effective upon issuance, including prior periods for which financial statements were not issued.

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

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

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

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

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

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

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

Securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

UNITED BANKSHARES, INC.