UNITED BANKSHARES INC/WV
Form 10-Q
May 08, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For Quarter Ended March 31, 2008

Or

o **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 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) 424-8800**

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** þ No 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 definition 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	Smaller reporting company o
		(Do not check if a 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 o No** þ

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; **43,263,513** shares outstanding as of **April 30, 2008**.

UNITED BANKSHARES, INC. AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The March 31, 2008 and December 31, 2007, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries (United or the Company), consolidated statements of income for the three months ended March 31, 2008 and 2007, the related consolidated statement of changes in shareholders equity for the three months ended March 31, 2008, the related condensed consolidated statements of cash flows for the three months ended March 31, 2008 and 2007, 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)	March 31 2008 (Unaudited)	December 31 2007 (Note 1)
Assets		
Cash and due from banks	$ 191,101	$ 202,586
Interest-bearing deposits with other banks	26,926	10,559
Federal funds sold	10,863	17,506
Total cash and cash equivalents	228,890	230,651
Securities available for sale at estimated fair value (amortized cost-$1,157,315 at March 31, 2008 and $1,163,014 at December 31, 2007)	1,152,757	1,156,561
Securities held to maturity (estimated fair value-$152,345 at March 31, 2008 and $158,165 at December 31, 2007)	151,040	157,228
Other investment securities	77,285	80,975
Loans held for sale	1,851	1,270
Loans	5,812,492	5,800,561
Less: Unearned income	(7,080)	(7,077)
Loans net of unearned income	5,805,412	5,793,484
Less: Allowance for loan losses	(56,811)	(50,456)
Net loans	5,748,601	5,743,028
Bank premises and equipment	60,935	61,680
Goodwill	311,978	312,111
Accrued interest receivable	36,874	38,238
Other assets	216,763	212,997
TOTAL ASSETS	$ 7,986,974	$ 7,994,739
Liabilities		
Deposits:		
Noninterest-bearing	$ 881,135	$ 913,427
Interest-bearing	4,538,376	4,436,323
Total deposits	5,419,511	5,349,750
Borrowings:		
Federal funds purchased	111,695	97,074
Securities sold under agreements to repurchase	560,960	499,989
Federal Home Loan Bank borrowings	850,191	1,012,272
Other short-term borrowings	1,319	5,000
Other long-term borrowings	185,471	195,890
Allowance for lending-related commitments	2,239	8,288
Accrued expenses and other liabilities	84,435	65,277
TOTAL LIABILITIES	7,215,821	7,233,540

Shareholders Equity		
Common stock, $2.50 par value; Authorized-100,000,000 shares; issued-44,320,832 at March 31, 2008 and December 31, 2007, including 1,059,881 and 1,086,106 shares in treasury at March 31, 2008 and December 31, 2007, respectively	110,802	110,802
Surplus	97,904	98,405
Retained earnings	614,133	602,185
Accumulated other comprehensive loss	(14,884)	(12,480)
Treasury stock, at cost	(36,802)	(37,713)
TOTAL SHAREHOLDERS EQUITY	771,153	761,199
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 7,986,974	$ 7,994,739

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 March 31	
	2008	**2007**
Interest income		
Interest and fees on loans	$ 94,861	$ 83,312
Interest on federal funds sold and other short-term investments	272	505
Interest and dividends on securities:		
Taxable	15,153	13,430
Tax-exempt	3,260	3,375
Total interest income	113,546	100,622
Interest expense		
Interest on deposits	35,129	33,170
Interest on short-term borrowings	6,830	7,502
Interest on long-term borrowings	9,309	7,288
Total interest expense	51,268	47,960
Net interest income	62,278	52,662
Provision for credit losses	2,100	350
Net interest income after provision for credit losses	60,178	52,312
Other income		
Fees from trust and brokerage services	3,939	3,546
Fees from deposit services	9,083	7,178
Other service charges, commissions, and fees	2,046	1,693
Income from bank-owned life insurance	1,309	1,459
Income from mortgage banking	93	161
Security gains	955	157
Other income	1,185	722
Total other income	18,610	14,916
Other expense		
Salaries and employee benefits	19,028	14,854
Net occupancy expense	4,297	3,456
Equipment expense	1,794	1,451
Data processing expense	2,803	1,721
Bankcard processing expense	1,349	1,191
Other expense	12,087	8,822
Total other expense	41,358	31,495

Income before income taxes		37,430		35,733
Income taxes		11,734		11,326
Net income	$	25,696	$	24,407
Earnings per common share:				
Basic	$	0.59	$	0.60
Diluted	$	0.59	$	0.59
Dividends per common share	$	0.29	$	0.28
Average outstanding shares:				
Basic		43,246,852		40,946,236
Diluted		43,418,571		41,272,213

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)

	Three Months Ended March 31, 2008						
	Common Stock				Accumulated Other Comprehensive		Total
	Shares	Par Value	Surplus	Retained Earnings	Income (Loss)	Treasury Stock	Shareholders Equity
Balance at January 1, 2008	44,320,832	$ 110,802	$ 98,405	$ 602,185	($12,480)	($37,713)	$ 761,199
Cumulative effect of adopting EITF 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements				(936)			(936)
Effect of changing pension plan measurement date pursuant to SFAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans , net of tax				(270)			(270)
Comprehensive income:							
Net income				25,696			25,696
Other Comprehensive income, net of tax:							
Unrealized gain on securities of $1,852 net of reclassification adjustment for gains included in net income of $621					1,231		1,231
					(5,146)		(5,146)

Unrealized loss on cash flow hedge, net of tax of $2,771							
Accretion of the unrealized loss for securities transferred from the available for sale to the held to maturity investment portfolio					46		46
Pension plan s amortization of transition asset, prior service cost, and actuarial loss, net of tax of $2					3		3
Change in pension asset, net of tax of $788					1,462		1,462
Total comprehensive income							23,292
Stock based compensation expense			137				137
Purchase of treasury stock (138 shares)						(4)	(4)
Distribution of treasury stock for deferred compensation plan (199 shares)						6	6
Cash dividends ($0.29 per share)				(12,542)			(12,542)
Common stock options exercised (26,164 shares)			(638)			909	271
Balance at March 31, 2008	44,320,832	$ 110,802	$ 97,904	$ 614,133	($14,884)	($36,802)	$ 771,153

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)

	Three Months Ended March 31	
	2008	**2007**
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 31,878	$ 37,802
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	6,236	8,019
Purchases of securities held to maturity		(288)
Proceeds from sales of securities available for sale	268	563
Proceeds from maturities and calls of securities available for sale	123,610	85,015
Purchases of securities available for sale	(118,135)	(73,160)
Net purchases of bank premises and equipment	(370)	(719)
Net change in other investment securities	4,599	(667)
Net change in loans	(7,324)	90,140
NET CASH PROVIDED BY INVESTING ACTIVITIES	8,884	108,903
FINANCING ACTIVITIES		
Cash dividends paid	(12,535)	(11,517)
Excess tax benefits from stock-based compensation arrangements	244	343
Acquisition of treasury stock	(4)	(10,909)
Proceeds from exercise of stock options	223	1,045
Proceeds from issuance of long-term Federal Home Loan Bank borrowings		25,000
Repayment of long-term Federal Home Loan Bank borrowings	(81)	(76)
Redemption of debt related to trust preferred securities	(10,310)	
Distribution of treasury stock for deferred compensation plan	6	
Changes in:		
Deposits	70,023	(86,620)
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	(90,089)	(102,807)
NET CASH USED IN FINANCING ACTIVITIES	(42,523)	(185,541)
Decrease in cash and cash equivalents	(1,761)	(38,836)
Cash and cash equivalents at beginning of year	230,651	259,013
Cash and cash equivalents at end of period	$ 228,890	$ 220,177

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 March 31, 2008 and 2007 and for the three-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2007 has been extracted from the audited financial statements included in United s 2007 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 2007 Annual Report of United on Form 10-K. To conform to the 2008 presentation, certain reclassifications have been made to prior period amounts, which had no impact on net income, comprehensive income, or stockholders equity. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim periods have been made. Such adjustments are of a normal and recurring nature.

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

New Accounting Standards

In March 2008, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 161 (SFAS 161), Disclosures about Derivative Instruments and Hedging Activities which amends FASB Statement No. 133. SFAS 161 is 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. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. United is currently assessing the impact this statement will have on its consolidated financial statements.

In December 2007, the FASB issued FASB Statement No. 141-revised 2007 (SFAS 141R), Business Combinations which amends FASB Statement 141 (SFAS 141). SFAS 141R aims 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. SFAS 141R is effective for business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. Early adoption is not permitted.

In December 2007, the FASB issued FASB Statement No. 160, Noncontrolling Interests in Consolidated

Financial Statements (SFAS 160). SFAS 160 amends ARB 51 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. SFAS 160 will be effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. Based on management s preliminary analysis, the adoption of SFAS 160 is not expected to have a significant impact on United s consolidated financial statements.

In September 2006, the FASB issued EITF Issue No. 06-4 (EITF 06-4), Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements , which will require employers with endorsement split-dollar arrangements that provide a post-retirement life insurance benefit to record an obligation for this benefit and recognize an ongoing expense. EITF 06-4 applies for fiscal years beginning after December 15, 2007, with an earlier adoption permitted. United adopted EITF 06-4 on January 1, 2008, as required and a cumulative effect adjustment was recorded in retained earnings.

In March 2007, the Emerging Issues Task Force (EITF) of the FASB ratified EITF Issue No. 06-10, Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements. EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 was effective for fiscal years beginning after December 31, 2007. United adopted EITF 06-10 as of January 1, 2008, as required. The adoption of this standard did not have an impact on United s financial statements since United does not have any collateral assignment split-dollar life insurance agreements.

In February 2007, the FASB issued Statement No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities which provides companies with an option to report selected financial assets and liabilities at fair value. With this Standard, the FASB expects to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate the comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Statement does not eliminate disclosure requirements included in accounting standards. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. United decided to not report any existing financial assets or liabilities at fair value that are not already reported, thus the adoption of this statement did not have a material impact on United s consolidated financial statements.

In September 2006, the FASB published Statement No. 158 (SFAS 158), Employers Accounting for Defined Benefit Pension and Other Postretirement Plans , an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS 158 requires employers to recognize in their statement of financial position an asset for a plan s overfunded status or a liability for a plan s underfunded status. United is also required to recognize fluctuations in the funded status in the year in which the changes occur through comprehensive income. United adopted the recognition and disclosure provisions of SFAS 158 on December 31, 2006. The effect of adopting SFAS 158 on United s financial condition at December 31, 2006 has been included in the accompanying consolidated financial statements. SFAS 158 also requires employers to measure the funded status of a plan as of the end of the employers fiscal year. On January 1, 2008, United changed the

measurement date for its defined pension plan from September 30 to December 31 for its 2008 financial statements as required. As a result, United recorded a cumulative effect adjustment of $270 to retained earnings. See Note 14 for additional information regarding United s adoption of SFAS 158.

In September 2006, the FASB also issued Statement No. 157 (SFAS 157), Fair Value Measurements which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. United adopted SFAS 157 on January 1, 2008. The adoption of this statement did not have a material impact on United s consolidated financial statements. See Note 12 for additional information regarding United s adoption of SFAS 157.

2. MERGERS & ACQUISITIONS

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 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.

The preliminary purchase price has been allocated to the identifiable tangible and intangible assets resulting in preliminary additions to goodwill and core deposit intangibles of approximately $148 million and $11 million, respectively. The estimated fair values of the acquired assets and liabilities, including identifiable intangible assets, are subject to refinement as additional information becomes available. Any subsequent adjustments to the fair values of assets and liabilities acquired, identifiable intangible assets, or other purchase accounting adjustments will result in adjustments to goodwill within the first 12 months following the date of acquisition.

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 $876 thousand remains as of March 31, 2008 for the assumed liabilities to provide severance benefits to terminated employees of Premier.

Statement of Position 03-3 (SOP 03-3), Accounting for Certain Loans or Debt Securities Acquired in a Transfer requires acquired impaired loans for which it is probable that the investor will be unable to collect all contractually required payments receivable to be recorded at the present value of amounts expected to be received and prohibits carrying over or creating valuation allowances in the initial accounting for these loans. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3. The impact of recording the impaired loans acquired from Premier on July 14, 2007 at fair value was not significant. Additional disclosures required by SOP 03-3 are not provided because of the insignificant impact.

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3. INVESTMENT SECURITIES

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

	March 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	$ 31,095	$ 205		$ 31,300
State and political subdivisions	117,218	3,512	$ 5	120,725
Mortgage-backed securities	847,565	12,117	5,207	854,475
Marketable equity securities	6,978	24	675	6,327
Corporate securities	154,459	2,642	17,171	139,930
Total	$1,157,315	$18,500	$23,058	$1,152,757

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 42,689	$ 188	$ 8	$ 42,869
State and political subdivisions	117,713	2,349	53	120,009
Mortgage-backed securities	846,037	4,173	4,105	846,105
Marketable equity securities	6,752	85	521	6,316
Corporate securities	149,823	2,572	11,133	141,262
Total	$1,163,014	$9,367	$15,820	$1,156,561

Provided below and on the following page is a summary of securities available-for-sale which were in an unrealized loss position at March 31, 2008 and December 31, 2007:

	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
March 31, 2008				
Treasuries and agencies				
State and political	$ 2,299	$ 5		
Mortgage-backed	161,432	3,907	$ 46,996	$ 1,300
Marketable equity securities	1,819	439	308	236
Corporate securities	86,473	13,442	20,271	3,729
Total	$ 252,023	$ 17,793	$ 67,575	$ 5,265

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	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
December 31, 2007				
Treasuries and agencies			$ 2,989	$ 8
State and political	$ 1,815	$ 5	9,776	48
Mortgage-backed	58,244	594	407,397	3,511
Marketable equity securities	1,338	422	101	99
Corporate securities	85,849	10,132	14,504	1,001
Total	$ 147,246	$ 11,153	$ 434,767	$ 4,667

Gross unrealized losses on available for sale securities were $23,058 at March 31, 2008. Securities in a continuous unrealized loss position for twelve months or more at March 31, 2008 consisted primarily of corporate securities. These corporate securities were mainly investment grade single issuer or pooled trust preferreds of financial institutions. The unrealized loss on the mortgage-backed securities portfolio relates primarily to AAA securities issued by FNMA, GNMA, and various private label issuers. Management does not believe any individual security with an unrealized loss as of March 31, 2008 is other than temporarily impaired. United believes the decline in value is attributable to tight market liquidity, distressed sales, and changes in market interest rates, not the credit quality of the issuers. 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.

The amortized cost and estimated fair value of securities available for sale at March 31, 2008 and December 31, 2007 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.

	March 31, 2008		December 31, 2007	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 30,891	$ 30,975	$ 40,627	$ 40,668
Due after one year through five years	75,026	76,327	82,214	82,315
Due after five years through ten years	190,526	193,145	195,981	196,808
Due after ten years	853,894	845,983	837,440	830,454
Marketable equity securities	6,978	6,327	6,752	6,316
Total	$1,157,315	$1,152,757	$1,163,014	$1,156,561

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

	March 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	$ 11,543	$1,963		$ 13,506
State and political subdivisions	53,771	1,357	$ 8	55,120
Mortgage-backed securities	157	11		168
Corporate securities	85,569	477	2,495	83,551
Total	$151,040	$3,808	$2,503	$152,345

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 11,572	$1,316		$ 12,888
State and political subdivisions	59,466	1,043	$ 4	60,505
Mortgage-backed securities	165	10		175
Corporate securities	86,025	564	1,992	84,597
Total	$157,228	$2,933	$1,996	$158,165

The amortized cost and estimated fair value of debt securities held to maturity at March 31, 2008 and December 31, 2007 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.

	March 31, 2008		December 31, 2007	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 15,662	$ 15,910	$ 8,624	$ 8,652
Due after one year through five years	24,440	24,511	35,964	36,623
Due after five years through ten years	25,704	27,052	26,568	27,495
Due after ten years	85,234	84,872	86,072	85,395
Total	$151,040	$152,345	$157,228	$158,165

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 $1,068,366 and $1,002,234 at March 31, 2008 and December 31, 2007, respectively.

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4. LOANS

Major classifications of loans are as follows:

	March 31, 2008	December 31, 2007
Commercial, financial and agricultural	$ 1,233,411	$ 1,210,049
Real estate:		
Single-family residential	1,857,278	1,882,498
Commercial	1,524,599	1,507,541
Construction	618,643	601,323
Other	233,826	239,907
Installment	344,735	359,243
Total gross loans	$ 5,812,492	$ 5,800,561

The table above does not include loans held for sale of $1,851 and $1,270 at March 31, 2008 and December 31, 2007, 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 $142,042 and $126,432 at March 31, 2008 and December 31, 2007, respectively.

5. 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 $2,239 and $8,288 at March 31, 2008 and December 31, 2007, respectively, is separately classified as a liability on the balance sheet. The methodology for calculation of the unfunded commitments liability was changed to be more consistent with the historical utilization of unfunded commitments which resulted in the decrease of $6,049 from year-end 2007. 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

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charged against the allowance for credit losses, while recoveries of previously charged-off amounts are credited to the allowance for credit losses. Credit expenses related to the allowance for credit losses and the allowance for lending-related commitments are reported in the provision for credit losses in the income statement.

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

	Three Months Ended March 31	
	2008	2007
Balance at beginning of period	$ 58,744	$ 52,371
Provision	2,100	350
	60,844	52,721
Loans charged-off	(2,033)	(617)
Less: Recoveries	239	281
Net Charge-offs	(1,794)	(336)
Balance at end of period	$ 59,050	$ 52,385

6. 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. Other real estate owned 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:

	March 31, 2008	December 31, 2007
Nonaccrual loans	$ 25,103	$ 14,115
Loans past due 90 days or more and still accruing interest	12,375	14,210
Total nonperforming loans	37,478	28,325
Other real estate owned	7,043	6,365
Total nonperforming assets	$ 44,521	$ 34,690

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 not probable. At March 31, 2008, the recorded investment in loans that were considered to be impaired was $44,420 (of which $25,103 were

on a nonaccrual basis). Included in this amount is $24,652 of impaired loans for which the related allowance for credit losses is $5,811 and $19,768 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, 2007, the recorded investment in loans that were considered to be impaired was $30,952 (of which $14,115 were on a nonaccrual basis). Included in this amount were $24,097 of impaired loans for which the related allowance for credit losses was $3,615, and $6,855 of impaired loans that did not have an allowance for credit losses. The average recorded investment in impaired loans during the three months ended March 31, 2008 and for the year ended December 31, 2007 was approximately $37,307 and $28,908, respectively.

For the quarters ended March 31, 2008 and 2007, United recognized interest income on impaired loans of approximately $299 and $439, 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 and nonaccrual loans was $798 and $549 for the quarters ended March 31, 2008 and 2007, respectively.

7. GOODWILL AND OTHER INTANGIBLES

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

	As of March 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	$ 30,995	($21,135)	$ 9,860
Goodwill not subject to amortization			$ 311,978

	As of December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	$ 30,995	($20,117)	$ 10,878
Goodwill not subject to amortization			$ 312,111

United incurred amortization expense of $1,018 and $407 for the quarters ended March 31, 2008 and 2007, respectively. The table presented below sets forth the anticipated amortization expense for intangible assets for each of the next five years:

Year	**Amount**
2008	$3,494
2009	2,561
2010	1,884
2011	1,362
2012 and thereafter	1,577

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8. 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 $200,000. 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 March 31, 2008, federal funds purchased were $111,695 while securities sold under agreements to repurchase were $560,960.

United has available funds of $70,000 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 March 31, 2008, United had no outstanding balance under these lines of credit.

United Bank (VA) participates in the Treasury Investment Program, which is essentially the U.S. Treasury s savings account for companies depositing employment and other tax payments. The bank retains the funds in an open-ended interest-bearing note until the Treasury withdraws or calls the funds. A maximum note balance is established and that amount must be collateralized at all times. All tax deposits or a portion of the tax deposits up to the maximum balance are generally available as a source of short-term investment funding. As of March 31, 2008, United Bank (VA) had an outstanding balance of $1,319 and had additional funding available of $3,681.

9. 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 March 31, 2008, United had an unused borrowing amount of approximately $1,324,250 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 March 31, 2008, $850,191 of FHLB advances with a weighted-average interest rate of 2.98% are scheduled to mature within the next eleven years.

The scheduled maturities of borrowings are as follows:

Year	**Amount**
2008	$ 282,423
2009	80,000
2010	384,685
2011	60,000
2012 and thereafter	43,083
Total	$ 850,191

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 March 31, 2008 and December 31, 2007, the outstanding balances of the Debentures were $185,471 and $195,890, 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.

In January of 2008, United redeemed the Capital Securities of United Statutory Trust II. As part of the redemption, United retired the $10,310 principal amount of 8.59% Junior Subordinated Debentures issued by United Statutory Trust II.

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 1 capital of United for regulatory purposes.

10. 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 interest rate swap agreements. 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 $1,950,350 and $1,945,818 of loan commitments outstanding as of March 31, 2008 and December 31, 2007, respectively, substantially all of which expire within one year.

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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 $3,164 and $1,580 as of March 31, 2008 and December 31, 2007, 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 $140,668 and $144,314 as of March 31, 2008 and December 31, 2007, respectively. In accordance with FIN 45, 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.

11. DERIVATIVE FINANCIAL INSTRUMENTS

United uses derivative instruments to help 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 FASB Statement No. 133 (SFAS No. 133), Accounting for Derivative Instruments and Hedging Activities , as amended. SFAS No. 133 requires all derivative instruments to be carried at fair value on the balance sheet. United usually designates 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 SFAS No. 133 hedge relationship.

Under the provisions of SFAS No. 133, United has both fair value hedges and cash flow hedges as of March 31, 2008. Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

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.

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

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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 SFAS No. 133. 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.

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.

The following tables set forth certain information regarding the interest rate derivatives portfolio used for interest-rate risk management purposes and designated as accounting hedges under SFAS 133 at March 31, 2008.

Derivative Classifications and Hedging Relationships
March 31, 2008

	Notional	Derivative	
	Amount	**Asset**	**Liability**
Derivatives Designated as Fair Value Hedges:			
Hedging Commercial Loans	$ 14,500		$ 1,123
Total Derivatives Designated as Fair Value Hedges:	$ 14,500		$ 1,123
Derivatives Designated as Cash Flow Hedges:			
Hedging FHLB Borrowings	$ 234,685		$ 7,260
Total Derivatives Designated as Cash Flow Hedges:	$ 234,685		$ 7,260
Total Derivatives Used in Interest Rate Risk Management and Designated in SFAS 133 Relationships:	$ 249,185		$ 8,383

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Derivative Instruments
March 31, 2008

	Notional Amount	Average Receive Rate	Average Pay Rate	Estimated Fair Value
Fair Value Hedges:				
Pay Fixed Swap (Commercial Loans)	$ 14,500		6.27%	$ (1,123)
Total Derivatives Used in Fair Value Hedges	$ 14,500			$ (1,123)
Cash Flow Hedges:				
Pay Fixed Swap (FHLB Borrowing)	$ 234,685		3.79%	$ (7,260)
Total Derivatives Used in Cash Flow Hedges	$ 234,685			$ (7,260)
Total Derivatives Used for Interest Rate Risk Management and Designated in SFAS 133 Relationships	$ 249,185			$ (8,383)

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. Gains and losses on other derivative financial instruments are included in noninterest income and noninterest expense, respectively.
A summary of derivative financial instruments not in hedge relationships by type of activity is as follows:

	Other Derivative Instruments March 31, 2008	
	Net Derivative Asset (Liability)	Net Gains (Losses)
Other Derivative Instruments:		
Interest Rate Risk Management	$ (791)	$ (791)
Customer Risk Management	791	791
Total Other Derivative Instruments	$	$

12. FAIR VALUE MEASUREMENTS

United adopted SFAS No. 157, Fair Value Measurements (SFAS 157), on January 1, 2008 to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. SFAS 157 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 issued Staff Position No. 157-2 (FSP 157-2) which delayed the effective date of SFAS 157 for 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. FSP 157-2 defers the effective date of SFAS 157 for such nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Thus, United has only partially

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applied SFAS 157. Those items affected by FSP 157-2 include other real estate owned (OREO), goodwill and core deposit intangibles.

SFAS 157 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 under SFAS 157 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 significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2). Any securities available for sale not valued based upon the methods above are considered Level 3.

Derivatives: United utilizes interest rate swaps in order to hedge exposure to interest rate risk and variability of cash flows associated to changes in the underlying interest rate of the hedged item. United utilizes third-party vendors for derivative valuation purposes. These vendors determine the appropriate fair value based on a net present value calculation of the cash flows related to the interest rate swaps using primarily observable market inputs such as interest rate yield curves (Level 2). Valuation adjustments to derivative fair values for liquidity and credit risk are also taken into consideration, as well as the likelihood of default by United and derivative counterparties, the net counterparty exposure and the remaining maturities of the positions.

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The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2008:

		Fair Value Measurements at March 31, 2008 Using		
Description	Balance as of March 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available-for-sale securities	$1,152,757	$57,651	$1,089,601	$ 5,505
Derivative financial assets	791		791	
Liabilities				
Derivative financial liabilities	9,174		9,174	

The following table presents additional information about financial assets and liabilities measured at fair value at March 31, 2008 on a recurring basis and for which United has utilized Level 3 inputs to determine fair value:

	Available-for-sale securities
Beginning Balance	$ 5,372
Total gains or losses (realized/unrealized):	
Included in earnings (or changes in net assets)	
Included in other comprehensive income	133
Purchases, issuances, and settlements	
Transfers in and/or out of Level 3	
Ending Balance	$ 5,505
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date	

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

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

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

sale during the quarter ended March

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31, 2008. Gains and losses on the sale of loans are recorded within income from mortgage banking on the Consolidated Statements of Income.

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

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

		Carrying value at March 31, 2008			
Description	**Balance as of March 31, 2008**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**YTD Losses**
Assets					
Impaired Loans	$ 24,652		$ 709	$ 23,943	$693

13. STOCK BASED COMPENSATION

On May 15, 2006, United s shareholders approved the 2006 Stock Option Plan. A total of 1,500,000 shares of United s authorized but unissued common stock are allocated for the 2006 Stock Option Plan. Each plan year, 400,000 options will be available for award to eligible employees; however, not all 400,000 options are required to be awarded in that year. All options granted under the 2006 Stock Option Plan will be non-statutory stock options (NSOs), i.e., options that do not qualify as incentive stock options under Section 422 of the Internal Revenue Code. Subject to certain change in control provisions, recipients of options will be fully vested in and permitted to exercise options granted under the 2006 Stock Option Plan three years from the grant date. As of March 31, 2008, 244,550 shares have been granted under the 2006 Stock Option Plan resulting in the recognition of compensation expense of $137 thousand for the first quarter of 2008 which

was included in salaries and employee benefits expense in the Consolidated Statement of Income. A Form S-8 was filed on October 25, 2006 with the Securities and Exchange Commission to register all the shares available for the 2006 Stock Option Plan.

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

The fair value option of the options for 2007 was estimated at the date of grant using a binomial lattice option pricing model with the following weighted-average assumptions: risk-free interest rates of 4.09%; dividend yield of 3.00%; volatility factors of the expected market price of United s common stock of 0.2954; and a weighted-average expected option life of 5.89 years, respectively. SFAS 123R defines a lattice model as a model that produces an estimated fair value based on the assumed changes in prices of a financial instrument over successive periods of time. A binomial lattice model assumes at least two price movements are possible in each period of time.

A summary of option activity under the Plans as of March 31, 2008, and the changes during the first three months of 2008 is presented below:

	Three Months Ended March 31, 2008			
			Weighted Average	
	Shares	Aggregate Intrinsic Value	Remaining Contractual Term (Yrs.)	Exercise Price
Outstanding at January 1, 2008	1,921,457			$ 27.38
Granted				
Exercised	26,164			8.48
Forfeited or expired	3,252			32.92
Outstanding at March 31, 2008	1,892,041	$ 5,107	5.4	$ 27.63
Exercisable at March 31, 2008	1,647,491	$ 5,107	4.8	$ 27.61

The following table summarizes the status of United s nonvested awards during the first three months of 2008:

	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2008	244,550	$ 7.06
Granted		
Vested		
Forfeited or expired		
Nonvested at March 31, 2008	244,550	$ 7.06

In addition to the stock options detailed above, United has outstanding stock options related to a deferred compensation plan assumed in the 1998 merger with George Mason Bankshares, Inc. (GMBS). The stock

options granted under this deferred compensation plan were to former directors of GMBS. These options carry no exercise cost, contain no expiration date, and are eligible for dividends. Other than additional options granted through reinvestment of dividends received, United does not issue additional options under this deferred compensation plan. Options outstanding at March 31, 2008 were 19,922. Options granted through the reinvestment of dividends during the first three months of 2008 were 205. No options were exercised during the first three months of 2008. United records compensation expense for this plan based on the number of options outstanding and United s quoted market price of its common stock with an equivalent adjustment to the associated liability.

Cash received from options exercised under the Plans for the three months ended March 31, 2008 and 2007 was $223 thousand and $1.05 million, respectively. During the three months ended March 31, 2008 and 2007, 26,164 and 81,228 shares, respectively, were issued in connection with stock option exercises. All shares issued in connection with stock option exercises were issued from available treasury stock for the three months ended March 31, 2008 and 2007. The total intrinsic value of options exercised under the Plans during the three months ended March 31, 2008 and 2007 was $465 thousand and $1.22 million, respectively.

SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under previous standards. While the company cannot estimate what those amounts will be in the future (because they depend on, among other things, the date employees exercise stock options), United recognized cash flows from financing activities of $244 thousand and $343 thousand from excess tax benefits related to share-based compensation for the three months ended March 31, 2008 and 2007, respectively.

14. EMPLOYEE BENEFIT PLANS

United has a defined benefit retirement plan covering substantially all employees. Pension benefits are based on years of service and the average of the employee s highest five consecutive plan years of basic compensation paid during the ten plan years preceding the date of determination. United s funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

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

Included in accumulated other comprehensive income at December 31, 2007 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized transition asset of $526 ($319 net of tax), unrecognized prior service costs of $8 ($5 net of tax) and unrecognized actuarial losses of $10,899

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($6,604 net of tax). The amortization of these items expected to be recognized in net periodic pension cost during the fiscal year ended December 31, 2008 is $175 ($105 net of tax), $1 ($1 net of tax), and $193 ($119 net of tax), respectively.

In September 2006, the FASB published Statement No. 158 (SFAS 158), Employers Accounting for Defined Benefit Pension and Other Postretirement Plans , an amendment of FASB Statements No. 87, 88, 106, and 132R. The measurement date provisions of SFAS 158 require employers to measure the funded status of a plan as of the end of the employers fiscal year, with limited exceptions. United adopted the measurement date provisions of SFAS 158 as of January 1, 2008, as required. As a result, United recognized a net periodic pension cost of $270, net of tax, for the period between the prior measurement date of September 30, 2007 and December 31, 2007 as a separate adjustment of the opening balance of retained earnings on January 1, 2008.

Net periodic pension cost for the three months ended March 31, 2008 and 2007 included the following components:

(In thousands)	Three Months Ended March 31	
	2008	**2007**
Service cost	$ 538	$ 531
Interest cost	925	857
Expected return on plan assets	(1,912)	(1,778)
Amortization of transition asset	(44)	(43)
Recognized net actuarial loss	48	146
Amortization of prior service cost		
Net periodic pension (benefit) cost	$ (445)	$ (287)
Weighted-Average Assumptions:		
Discount rate	6.25%	6.00%
Expected return on assets	8.50%	8.50%
Rate of compensation increase	3.25%	3.25%

15. INCOME TAXES

In accordance with FASB Interpretation (FIN) No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes , United records a liability for uncertain income tax positions based on a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken on a tax return, in order for those tax positions to be recognized in the financial statements.

As of March 31, 2008, United has provided a liability for $7,953 of unrecognized tax benefits related to various federal and state income tax matters. The entire amount of unrecognized tax benefits, if recognized, would impact United s effective tax rate. Over the next 12 months, the statute of limitations will close on certain income tax returns. However, at this time, United cannot reasonably estimate the amount of tax benefits it may recognize over the next 12 months.

United is currently open to audit under the statute of limitations by the Internal Revenue Service and State Taxing authorities for the years ended December 31, 2004 through 2006. As of March 31, 2008, the total

amount of accrued interest related to uncertain tax positions was $758. United accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes.

16. COMPREHENSIVE INCOME

The components of total comprehensive income for the three months ended March 31, 2008 and 2007 are as follows:

	Three Months Ended March 31	
(In thousands)	**2008**	**2007**
Net Income	$ 25,696	$ 24,407
Securities available for sale:		
Net change in unrealized gains on available for sale securities arising during the period	2,849	3,025
Related income tax benefit	(997)	(1,059)
Net reclassification adjustment for (gains) included in net income	(955)	(70)
Related income tax expense	334	25
Net effect on other comprehensive income	1,231	1,921
Securities held to maturity:		
Unrealized loss related to the call of securities previously transferred from the available for sale to the held to maturity investment portfolio		241
Related income tax expense		(84)
Accretion on the unrealized loss for securities transferred from the available for sale to the held to maturity investment portfolio prior to call or maturity	71	142
Related income tax expense	(25)	(50)
Net effect on other comprehensive income	46	249
Cash flow hedge derivatives:		
Unrealized loss on cash flow hedge	(7,917)	(615)
Related income tax benefit	2,771	215
Net effect on other comprehensive income	(5,146)	(400)
FASB 158 pension plan:		
Change in pension asset	2,250	
Related income tax expense	(788)	
Amortization of transition asset	(43)	(43)
Related income tax expense	18	18
Recognized net actuarial loss	48	146
Related income tax benefit	(20)	(58)
Net effect on other comprehensive income	1,465	63
Total change in other comprehensive income	(2,404)	1,833
Total Comprehensive Income	$ 23,292	$ 26,240

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17. EARNINGS PER SHARE

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

	Three Months Ended March 31	
	2008	2007
Basic		
Net Income	$ 25,696	$ 24,407
Average common shares outstanding	43,246,852	40,946,236
Earnings per basic common share	$ 0.59	$ 0.60
Diluted		
Net Income	$ 25,696	$ 24,407
Average common shares outstanding	43,246,852	40,946,236
Equivalents from stock options	171,719	325,977
Average diluted shares outstanding	43,418,571	41,272,213
Earnings per diluted common share	$ 0.59	$ 0.59

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

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

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

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

INTRODUCTION

The following discussion and analysis presents the significant changes in financial condition and the results

of operations of United and its subsidiaries for the periods indicated below. This discussion and the 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. However, comparisons for the first quarter of 2008 to the first quarter of 2007 are impacted by increased levels of reported average balance sheet, income, and expense results due to the acquisition. At consummation, Premier had assets of approximately $911 million, loans of $759 million, deposits of $716 million and shareholders equity of $71 million. The transaction was accounted for under the purchase method of accounting.

On January 1, 2008, United adopted SFAS No. 157, Fair Value Measurements (SFAS 157) to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. SFAS 157 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. When quoted prices or observable market data are not available, management s judgment is necessary to estimate fair value.

At March 31, 2008, approximately 14.75% of total assets, or $1.18 billion, consisted of financial instruments recorded at fair value. Of this total, approximately 97.44% or $1.15 billion of these financial instruments used valuation methodologies involving observable market data, collectively Level 1 and Level 2 measurements, to determine fair value. Approximately 2.56% or $29.45 million of these financial instruments were valued using unobservable market information or Level 3 measurements. At March 31, 2008, only $9.17 million or less than 1% of total liabilities was recorded at fair value. This entire amount was valued using methodologies involving observable market data. United does not consider its use of unobservable inputs in determining fair value to be significant and thus, does not believe that any changes in these inputs would have a material impact on United s results of operations, liquidity, or capital resources. See Note 12 for additional information regarding SFAS 157 and its impact on United s financial statements.

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

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of United conform with accounting principles generally accepted in the United States. In preparing the consolidated financial statements, management is required to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of

the date of the financial statements. Actual results could differ from these estimates. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for credit losses, the valuation of derivative instruments, and the calculation of the income tax provision to be the accounting areas that require the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

The allowance for credit losses is management s estimate of the probable credit losses inherent in the loan portfolio. Management s evaluation of the adequacy of the allowance for credit losses and the appropriate provision for credit losses is based on a quarterly evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows, estimated losses on pools of loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. The amounts allocated to specific credits and loan pools grouped by similar risk characteristics are 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 loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. The methodology used to determine the allowance for credit losses is described in Note 5 to the unaudited 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.

United uses derivative instruments as part of its risk management activities to help 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 results 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 which 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 are further discussed in this Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following is a broad overview of the financial condition and results of operations and is not intended to replace the more detailed discussion, which is presented under specific headings on the following pages.

FINANCIAL CONDITION

United s total assets as of March 31, 2008 were $7.99 billion which was relatively flat from year-end 2007, declining $7.77 million or less than 1%. The slight decline was primarily the result of decreases in cash and cash equivalents and investment securities of $1.76 million and $13.68 million, respectively. Both decreases were less than 1%. Portfolio loans were relatively flat as well, growing $11.93 million or less than 1%. The slight decrease in total assets is reflected in a corresponding decrease in total liabilities of $17.72 million or less than 1% from year-end 2007. The decrease in total liabilities was due mainly to a reduction of $100.59 million or 5.56% in borrowings. Partially offsetting this decrease in borrowings was an increase in deposits of $69.76 million or 1.30% and accrued expenses and other liabilities of $19.16 million or 29.35%. Shareholders equity increased $9.95 million or 1.31% 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 at March 31, 2008 were relatively flat from year-end 2007, decreasing $1.76 million or less than 1%. Of this total decrease, cash and due from banks and federal funds sold decreased $11.49 million or 5.67% and $6.64 million or 37.95%, respectively, while interest-bearing deposits with other banks increased $16.37 million. During the first three months of 2008, net cash of $31.88 million and $8.88 million was provided by operating activities and investing activities, respectively. Net cash of $42.52 million was used in financing activities. See the unaudited Consolidated Statements of Cash Flows for data on cash and cash equivalents provided and used in operating, investing and financing activities for the first three months of 2008 and 2007.

Securities

Total investment securities at March 31, 2008 were relatively flat, decreasing $13.68 million or less than 1% from year-end 2007. Securities available for sale were relatively flat, decreasing $3.80 million or less than 1%. This change in securities available for sale reflects $123.81 million in sales, maturities and calls of securities, $118.14 million in purchases, and an increase of $1.89 million in market value. Securities held to maturity decreased $6.19 million or 3.94% from year-end 2007 due to calls and maturities of securities. Other investment securities decreased $3.69 million or 4.56% due to a redemption of FHLB stock. The amortized cost and estimated fair value of investment securities, including types and remaining maturities, is presented in Note 3 to the unaudited Notes to Consolidated Financial Statements.

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Loans

Loans held for sale increased $581 thousand or 45.75% as loan originations exceeded loan sales in the secondary market during the first three months of 2008. Portfolio loans, net of unearned income, were relatively flat, increasing $11.93 million or less than 1% from year-end 2007 due to increases in commercial loans (not secured by real estate) of $23.36 million or 1.93%, construction loans of $17.32 million or 2.88%, and commercial real estate loans of $17.06 million or 1.13%. These increases were partially offset by decreases from year-end 2007 in single-family residential real estate loans of $25.22 million or 1.34%, installment loans of $14.06 million or 4.04% and other real estate loans of $6.08 million or 2.53%.

The following table summarizes the changes in the loan categories since year-end 2007:

(Dollars in thousands)	March 31 2008	December 31 2007	$ Change	% Change
Loans held for sale	$ 1,851	$ 1,270	$ 581	45.75%
Commercial, financial, and agricultural	$ 1,233,411	$ 1,210,049	$ 23,362	1.93%
Real Estate:				
Single family residential	1,857,278	1,882,498	(25,220)	(1.34%)
Commercial	1,524,599	1,507,541	17,058	1.13%
Construction	618,643	601,323	17,320	2.88%
Other	233,826	239,907	(6,081)	(2.53%)
Consumer	344,735	359,243	(14,508)	(4.04%)
Less: Unearned income	(7,080)	(7,077)	(3)	0.04%
Total Loans, net of unearned income	$ 5,805,412	$ 5,793,484	$ 11,928	0.21%

For a further discussion of loans see Note 4 to the unaudited Notes to Consolidated Financial Statements.

Other Assets

Other assets increased $3.77 million or 1.77% from year-end 2007 due mainly to increases of $3.32 million in deferred tax assets, $2.42 million in the funded status of United s pension plan, and $1.31 million in the cash surrender value of bank-owned life insurance policies. Partially offsetting these increases from year-end 2007 was a decrease in income taxes receivable of $1.59 million and a decrease in core deposit intangibles of $1.02 million due to amortization.

Deposits

Total deposits at March 31, 2008 increased $69.76 million or 1.30% since year-end 2007. In terms of composition, noninterest-bearing deposits decreased $32.29 million or 3.54% while interest-bearing deposits increased $102.05 million or 2.30% from December 31, 2007. The decrease in noninterest-bearing deposits was due mainly to a decrease in official checks of $17.63 million due to a large amount of loan proceeds checks at year-end 2007. Commercial noninterest bearing deposits declined $6.16 million or 1.01% as customers shifted money into interest-bearing products. Personal noninterest bearing deposits were relatively flat from year-end 2007, declining $1.36 million or less than 1%.

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The increase in interest-bearing deposits was due mainly to a growth in time deposits over $100,000 of $63.01 million or 6.61% and time deposits under $100,000 of $22.41 million or 1.44%. Regular savings balances increased $8.19 million or 2.52%. Interest bearing money market accounts (MMDAs) were relatively flat, increasing $5.44 million or less than 1%. This increase in interest-bearing deposits was due likely to the volatility in the stock market as well as aggressive pricing on large commercial time deposits.
The table below summarizes the changes in the deposit categories since year-end 2007:

	March 31	December 31		%
(Dollars In thousands)	2008	2007	$ Change	Change
Demand deposits	$ 376,838	$ 409,109	$ (32,271)	(7.89%)
Interest-bearing checking	177,677	174,666	3,011	1.72%
Regular savings	332,921	324,728	8,193	2.52%
Money market accounts	1,935,401	1,929,985	5,416	0.28%
Time deposits under $100,000	1,579,883	1,557,478	22,405	1.44%
Time deposits over $100,000	1,016,791	953,784	63,007	6.61%
Total deposits	$ 5,419,511	$ 5,349,750	$ 69,761	1.30%

Borrowings

Total borrowings at March 31, 2008 decreased $100.59 million or 5.56% during the first three months of 2008. Since year-end 2007, short-term borrowings decreased $90.09 million or 8.70% due to a $162 million reduction in overnight FHLB borrowings. Federal funds purchased increased $14.62 million or 15.06% while securities sold under agreements to repurchase increased $60.97 million or 12.19% since year-end 2007. Long-term borrowings decreased $10.50 million or 1.36% due to the redemption during the quarter of trust preferred securities in the amount of approximately $10 million.
The table below summarizes the change in the borrowing categories since year-end 2007:

	March 31	December 31		%
(Dollars In thousands)	2008	2007	$ Change	Change
Federal funds purchased	$ 111,695	$ 97,074	$ 14,621	15.06%
Securities sold under agreements to repurchase	560,960	499,989	60,971	12.19%
Overnight FHLB advances	272,000	434,000	(162,000)	(37.33%)
TT&L note option	1,319	5,000	(3,681)	(73.62%)
Long-term FHLB advances	578,191	578,272	(81)	(0.01%)
Issuances of trust preferred capital securities	185,471	195,890	(10,419)	(5.32%)
Total borrowings	$ 1,709,636	$ 1,810,225	$ (100,589)	(5.56%)

For a further discussion of borrowings see Notes 8 and 9 to the unaudited Notes to Consolidated Financial Statements.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at March 31, 2008 increased $19.16 million or 29.35% from year-end 2007 mainly as a result of an increase in income taxes payable of $11.27 million due to a timing difference

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in payments. In addition, derivative liabilities increased $8.39 million due to a change in value and a liability 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 $922 thousand due to a decline in borrowings and interest rates and other accrued expenses declined $1.32 million due to payments.

Shareholders Equity

Shareholders equity at March 31, 2008 increased $9.95 million or 1.31% from December 31, 2007 as United continued to balance capital adequacy and the return to shareholders. The increase in shareholders equity was due mainly to earnings net of dividends declared which equaled $13.16 million for the quarter.

Accumulated other comprehensive income decreased $2.40 million due mainly to a decline of $5.15 million, net of deferred income taxes, in the fair value of cash flow hedges. The fair value of United s available for sale investment portfolio increased $1.23 million, net of deferred taxes.

RESULTS OF OPERATIONS

Overview

Net income for the first three months of 2008 was $25.70 million or $0.59 per diluted share compared to $24.41 million or $0.59 per share for the first three months of 2007. United s annualized return on average assets for the first three months of 2008 was 1.30% and return on average shareholders equity was 13.35% as compared to 1.51% and 15.44% for the first three months of 2007. United s returns compare very favorably to its most recently reported peer group banking companies (bank holding companies with total assets between $5 and $10 billion) average return on assets of 0.69% and average return on equity of 7.14%.

Tax-equivalent net interest income for the first three months of 2008 was $66.24 million, an increase of $9.57 million or 16.88% from the prior year s first three months. The provision for credit losses was $2.10 million for the first three months of 2008 as compared to $350 thousand for the first three months of 2007. Noninterest income was $18.61 million for the first three months of 2008, up $3.69 million or 24.77% when compared to the first three months of 2007. Noninterest expense increased $9.86 million or 31.32% for the three months of 2008 compared to same period in 2007. Income taxes increased $408 thousand or 3.60% for the first three months of 2008 as compared to the first three months of 2007. United s effective tax rate was 31.35% and 31.70% for the first three months of 2008 and 2007, respectively.

Net Interest Income

Tax-equivalent net interest income for the first quarter of 2008 was $66.24 million, an increase of $9.57 million or 16.88% from the first quarter of 2007. This increase in tax-equivalent net interest income was primarily attributable to a $1.13 billion or 18.81% increase in average earning assets resulting primarily from the Premier acquisition. Average net loans increased $1.03 billion or 21.82% while average investment securities increased $105.99 million or 8.33%. Additionally, the average cost of funds for the first quarter of 2008 declined 56 basis points from the first quarter of 2007 due to a decrease in market interest rates and the refinancing of long-term debt during the second and fourth quarters of 2007. However, the average yield on

earning assets declined 42 basis points due to the decrease in market interest rates. The net interest margin for the first quarter of 2008 was 3.72%, down 7 basis points from a net interest margin of 3.79% for the first quarter of 2007.

On a linked-quarter basis, United s tax-equivalent net interest income for the first quarter of 2008 increased $1.25 million or 1.92% from the fourth quarter of 2007 due mainly to a $155.67 million or 2.23% increase in average earning assets for the quarter. Average net loans grew $121.37 million or 2.17% while average investment securities increased $38.77 million or 2.89%. Additionally, the average cost of funds declined 51 basis points on a linked-quarter basis due to a decrease in market interest rates and the refinancing of long-term debt late in the fourth quarter of 2007. Partially offsetting these increases to net interest income was a decrease of 41 basis points in the first quarter of 2008 average yield on earning assets due to the decline in market interest rates. The net interest margin of 3.72% for the first quarter of 2008 was an increase of one basis point from the net interest margin of 3.71% for the fourth quarter of 2007.

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

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Table 1	Three Months Ended March 31, 2008			Three Months Ended March 31, 2007		
(Dollars in thousands)	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
ASSETS						
Earning Assets:						
Federal funds sold and securities repurchased under agreements to resell and other short-term investments	$ 35,225	$ 272	3.10%	$ 36,433	$ 505	5.62%
Investment Securities:						
Taxable	1,147,964	15,153	5.28%	1,049,836	13,430	5.12%
Tax-exempt (1) (2)	230,055	4,411	7.67%	222,196	4,552	8.19%
Total Securities	1,378,019	19,564	5.68%	1,272,032	17,982	5.65%
Loans, net of unearned income (1) (2) (3)	5,774,545	97,670	6.79%	4,742,343	86,146	7.34%
Allowance for loan losses	(50,629)			(43,603)		
Net loans	5,723,916		6.86%	4,698,740		7.41%
Total earning assets	7,137,160	$ 117,506	6.61%	6,007,205	$ 104,633	7.03%
Other assets	785,414			554,125		
TOTAL ASSETS	$ 7,922,574			$ 6,561,330		
LIABILITIES						
Interest-Bearing Funds:						
Interest-bearing deposits	$ 4,474,910	$ 35,129	3.16%	$ 3,855,911	$ 33,170	3.49%
Short-term borrowings	991,345	6,830	2.77%	678,696	7,502	4.48%
Long-term borrowings	779,881	9,309	4.80%	506,497	7,288	5.84%
Total Interest-Bearing Funds	6,246,136	51,268	3.30%	5,041,104	47,960	3.86%
Noninterest-bearing deposits	840,443			811,765		
Accrued expenses and other liabilities	61,581			67,523		
TOTAL LIABILITIES	7,148,160			5,920,392		
SHAREHOLDERS EQUITY	774,414			640,938		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 7,922,574			$ 6,561,330		
NET INTEREST INCOME		$ 66,238			$ 56,673	

INTEREST SPREAD	3.31%	3.17%
NET INTEREST MARGIN &n		