

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended **March 31, 2005**

Or

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

Commission File Number: **0-13322**

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

West Virginia

(State or other jurisdiction of
incorporation or organization)

55-0641179

(I.R.S. Employer
Identification No.)

300 United Center

500 Virginia Street, East

Charleston, West Virginia

(Address of Principal Executive Offices)

25301

Zip Code

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act.) **Yes [X] No []**

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; **42,715,523** shares outstanding as of **April 30, 2005**.

UNITED BANKSHARES, INC. AND SUBSIDIARIES

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The March 31, 2005 and December 31, 2004, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries, the related consolidated statements of income for the three months ended March 31, 2005 and 2004, the related consolidated statement of changes in shareholders' equity for the three months ended March 31, 2005, the related condensed consolidated statements of cash flows for the three months ended March 31, 2005 and 2004, and the notes to consolidated financial statements appear on the following pages.

CONSOLIDATED BALANCE SHEETS
UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except par value)

	<u>March 31</u> <u>2005</u>	<u>December 31</u> <u>2004</u>
	(Unaudited)	(Note 1)
Assets		
Cash and due from banks	\$ 135,786	\$ 132,306
Interest-bearing deposits with other banks	38,839	21,159
Total cash and cash equivalents	<u>174,625</u>	<u>153,465</u>
Securities available for sale at estimated fair value (amortized cost- \$1,162,437 at March 31, 2005 and \$1,266,931 at December 31, 2004)	1,156,442	1,277,160
Securities held to maturity (estimated fair value-\$238,109 at March 31, 2005 and \$241,592 at December 31, 2004)	232,710	233,282
Loans held for sale	4,488	3,981
Loans	4,397,454	4,424,702
Less: Unearned income	<u>(6,361)</u>	<u>(6,426)</u>
Loans net of unearned income	4,391,093	4,418,276
Less: Allowance for loan losses	<u>(43,570)</u>	<u>(43,365)</u>
Net loans	4,347,523	4,374,911
Bank premises and equipment	40,892	41,564
Goodwill	166,852	166,926
Accrued interest receivable	27,576	27,371
Other assets	<u>160,200</u>	<u>157,311</u>
TOTAL ASSETS	<u><u>\$6,311,308</u></u>	<u><u>\$6,435,971</u></u>
Liabilities		
Deposits:		
Noninterest-bearing	\$ 880,602	\$ 885,339
Interest-bearing	3,469,837	3,412,224
Total deposits	<u>4,350,439</u>	<u>4,297,563</u>
Borrowings:		
Federal funds purchased	88,315	131,106
Securities sold under agreements to repurchase	524,274	546,425
Federal Home Loan Bank borrowings	557,283	669,322
Other short-term borrowings	2,024	4,427
Other long-term borrowings	89,303	89,433
Allowance for lending-related commitments	7,854	7,988
Accrued expenses and other liabilities	<u>65,133</u>	<u>58,200</u>
TOTAL LIABILITIES	5,684,625	5,804,464
Shareholders' Equity		
Common stock, \$2.50 par value; Authorized-100,000,000 shares; issued- 44,320,832 at March 31, 2005 and December 31, 2004, including 1,529,878 and 1,312,387 shares in treasury at March 31, 2005 and December 31, 2004, respectively	110,802	110,802
Surplus	99,381	99,773
Retained earnings	473,015	459,393
Accumulated other comprehensive (loss) income	(6,684)	3,739
Treasury stock, at cost	<u>(49,831)</u>	<u>(42,200)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>626,683</u>	<u>631,507</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$6,311,308</u></u>	<u><u>\$6,435,971</u></u>

See notes to consolidated unaudited financial statements.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended March 31	
	2005	2004
Interest income		
Interest and fees on loans	\$63,066	\$55,559
Interest on federal funds sold and other short-term investments	126	76
Interest and dividends on securities:		
Taxable	14,006	13,462
Tax-exempt	2,078	2,054
Total interest income	<u>79,276</u>	<u>71,151</u>
Interest expense		
Interest on deposits	14,687	10,907
Interest on short-term borrowings	3,414	1,579
Interest on long-term borrowings	8,185	8,914
Total interest expense	<u>26,286</u>	<u>21,400</u>
Net interest income	52,990	49,751
Provision for credit losses	1,111	1,357
Net interest income after provision for credit losses	<u>51,879</u>	<u>48,394</u>
Other income		
Income from mortgage banking operations	126	168
Service charges, commissions, and fees	7,822	8,483
Fees from trust and brokerage services	2,758	2,570
Security gains	924	714
Other income	1,289	1,628
Total other income	<u>12,919</u>	<u>13,563</u>
Other expense		
Salaries and employee benefits	14,066	14,111
Net occupancy expense	3,095	3,213
Other expense	11,580	12,300
Total other expense	<u>28,741</u>	<u>29,624</u>
Income from continuing operations before income taxes	36,057	32,333
Income taxes	11,297	9,726
Income from continuing operations	<u>24,760</u>	<u>22,607</u>
Income from discontinued operations before income taxes	---	1,243
Income taxes	---	346
Income from discontinued operations	<u>---</u>	<u>897</u>
Net income	<u>\$ 24,760</u>	<u>\$ 23,504</u>

CONSOLIDATED STATEMENTS OF INCOME (Unaudited) - continued
UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended	
	March 31	
	2005	2004
Earnings per common share from continuing operations:		
Basic	\$0.58	\$0.52
Diluted	\$0.57	\$0.51
Earnings per common share from discontinued operations:		
Basic	---	\$0.02
Diluted	---	\$0.02
Earnings per common share:		
Basic	\$0.58	\$0.54
Diluted	\$0.57	\$0.53
Dividends per common share	\$0.26	\$0.25
Average outstanding shares:		
Basic	42,900,416	43,680,837
Diluted	43,418,579	44,258,584

See notes to consolidated unaudited financial statements.

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, 2005							
	Common Stock		Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Treasury Stock	Total Shareholders' Equity
	Shares	Par Value			Income (Loss)	Stock		
Balance at January 1, 2005	44,320,832	\$ 110,802	\$99,773	\$459,393	\$3,739	(\$42,200)	\$631,507	
Comprehensive income:								
Net income	-	-	-	24,760	-	-	24,760	
Other comprehensive income, net of tax:								
Unrealized loss on securities of \$9,945 net of reclassification adjustment for gains included in net income of \$601	-	-	-	-	(10,546)	-	(10,546)	
Accretion of the unrealized loss for securities transferred from the available for sale to the held to maturity investment portfolio	-	-	-	-	123	-	123	
Total comprehensive income							14,337	
Purchase of treasury stock (245,294 shares)	-	-	-	-	-	(8,534)	(8,534)	
Cash dividends (\$0.26 per share)	-	-	-	(11,138)	-	-	(11,138)	
Common stock options exercised (27,803 shares)	-	-	(392)	-	-	903	511	
Balance at March 31, 2005	44,320,832	\$110,802	\$99,381	\$473,015	(\$6,684)	(\$49,831)	\$626,683	

See notes to consolidated unaudited financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Three Months Ended March 31	
	2005	2004
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	\$ 35,180	\$32,986
INVESTING ACTIVITIES		
Proceeds from maturities and calls of investment securities	1,000	6,472
Purchases of investment securities	(294)	(405)
Proceeds from sales of securities available for sale	118,354	100,798
Proceeds from maturities and calls of securities available for sale	54,657	67,221
Purchases of securities available for sale	(69,081)	(117,387)
Net purchases of bank-owned life insurance	---	(13,215)
Net purchases of bank premises and equipment	(668)	(808)
Net change in loans	25,817	(131,441)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES OF CONTINUING OPERATIONS	129,785	(88,765)
FINANCING ACTIVITIES		
Cash dividends paid	(11,198)	(10,929)
Acquisition of treasury stock	(8,534)	(9,489)
Proceeds from exercise of stock options	483	982
Repayment of long-term Federal Home Loan Bank borrowings	(87)	(55)
Proceeds from long-term Federal Home Loan Bank borrowings	100,000	---
Changes in:		
Deposits	52,876	(80,047)
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	(277,345)	83,310
NET CASH USED IN FINANCING ACTIVITIES OF CONTINUING OPERATIONS	(143,805)	(16,228)
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	---	1,601
Increase (Decrease) in cash and cash equivalents	21,160	(70,406)
Cash and cash equivalents at beginning of year, continuing operations	153,465	249,118
Cash and cash equivalents at beginning of year, discontinued operations	---	5,823
Cash and cash equivalents at beginning of year	153,465	254,941
Cash and cash equivalents at end of period, continuing operations	\$174,625	\$177,111
Cash and cash equivalents at end of period, discontinued operations	---	7,424
Cash and cash equivalents at end of period	\$174,625	\$184,535

See notes to consolidated unaudited financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

1. GENERAL

The accompanying unaudited consolidated interim financial statements of United Bankshares, Inc. and Subsidiaries ("United") 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, 2005 and 2004 and for the three-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2004 has been extracted from the audited financial statements included in United's 2004 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 2004 Annual Report of United on Form 10-K. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim periods have been made. Such adjustments are of a normal and recurring nature.

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

United has stock option plans for certain employees that are accounted for under the intrinsic value method. Because the exercise price at the date of the grant is equal to the market value of the stock, no compensation expense is recognized.

In December 2004, FASB enacted Statement of Financial Accounting Standards 123—revised 2004 (SFAS 123R), "Share-Based Payment" which replaces Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and amends FASB Statement No. 95, "Statement of Cash Flows." SFAS 123R requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value based method and the recording of such expense in our consolidated statements of income. In April 2005, the Securities and Exchange Commission (SEC) adopted a new rule amending the adoption date of SFAS 123R. Based on this new rule, registrants that are not small business issuers must adopt SFAS 123R no later than the beginning of the first fiscal year beginning after June 15, 2005. SFAS 123R may be adopted in one of two ways - the modified prospective transition method or the modified retrospective transition method. Prior to 2004, United disclosed pro forma compensation expense quarterly and annually by calculating the stock option grants' fair value using the Black-Scholes model and disclosing the impact on net income and net income per share. For options granted in 2004, United used a binomial lattice model to value the options granted and determine the pro forma compensation expense presented in the table below. United intends to use this binomial lattice model to

value future grants. 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.

United, as does the FASB, believes the use of a binomial lattice model for option valuation is capable of more fully reflecting certain characteristics of employee stock options compared to the Black- Scholes options pricing model. For United, the difference in fair values calculated under each option pricing model is immaterial. The table below reflects the estimated impact the fair value method would have had on United's net income and net income per share if SFAS 123R had been in effect for the three months ended March 31, 2005 and 2004. United will continue to evaluate the method of adoption and will begin to apply SFAS 123R as of the interim reporting period ending March 31, 2006, as required. United does expect the adoption to have an adverse impact on its consolidated statements of income and net income per share.

The following pro forma disclosures present United's consolidated net income and diluted earnings per share, determined as if United had recognized compensation expense for its employee stock options based on the estimated fair value of the option at the date of grant amortized over the vesting period of the option:

	Three Months Ended	
	March 31,	
	2005	2004
Net Income, as reported	\$24,760	\$23,504
Less pro forma expense related to options granted, net of tax	(301)	(254)
Pro forma net income	<u>\$24,459</u>	<u>\$23,250</u>
Pro forma net income per share:		
Basic – as reported	\$0.58	\$0.54
Basic – pro forma	\$0.57	\$0.53
Diluted – as reported	\$0.57	\$0.53
Diluted – pro forma	\$0.56	\$0.53

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 current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the company cannot estimate what those amounts will be in the future (because they depend on, among other things, the date employees exercise stock options), United did not recognize any such amounts in operating cash flows for the quarters ended March 31, 2005 and 2004.

In March of 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107), "Share-Based Payment." SAB 107 provides guidance regarding the application of SFAS 123R including option valuation methods, the accounting for income tax effects of share-based payment arrangements upon the adoption of SFAS 123R, and the required disclosures within filings made with the SEC related to the accounting for share-based payment transactions. United will provide SAB 107 required disclosures beginning in the interim reporting period ending March 31, 2006, as required.

2. DISCONTINUED OPERATIONS

On July 7, 2004, United closed the sale of its wholly owned mortgage banking subsidiary, George Mason Mortgage, LLC (Mason Mortgage) to Cardinal Financial Corporation (Cardinal) of McLean, Virginia for an amount equivalent to Mason Mortgage's net worth plus cash of \$17 million in exchange for all of the outstanding membership interests in Mason Mortgage. Mason Mortgage, which was previously reported as a separate segment, is presented as discontinued operations for all periods presented in these financial statements.

The results of Mason Mortgage are presented as discontinued operations in a separate category on the income statement following the results from continuing operations. All assets and liabilities of Mason Mortgage were sold as of July 7, 2004 and thus, were not included in the March 31, 2005 or December 31, 2004 consolidated balance sheets. No income from discontinued operations was recorded for the three months ended March 31, 2005 as the sale of Mason Mortgage occurred in 2004. Income from discontinued operations for the three months ended March 31, 2004 is presented below:

Statement of Income for Discontinued Operations

	March 2004
Interest and fees on loans	\$2,923
Interest expense	572
Net interest income	<u>2,351</u>
Other income:	
Service charges, commissions, and fees	214
Income from mortgage banking operations	6,280
Total other income	<u>6,494</u>
Other expense:	
Salaries and employee benefits expense	5,825
Net occupancy expense	489
Other noninterest expense	1,288
Total other expense	<u>7,602</u>
Income from discontinued operations before income taxes	1,243
Income taxes	346
Income from discontinued operations	<u><u>\$897</u></u>

3. INVESTMENT SECURITIES

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

	March 31, 2005			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 7,286	---	\$ 84	\$ 7,202
State and political subdivisions	70,049	\$ 1,946	288	71,707
Mortgage-backed securities	896,750	6,537	16,300	886,987
Marketable equity securities	8,523	277	124	8,676
Other	179,829	2,510	469	181,870
Total	\$1,162,437	\$11,270	\$17,265	\$1,156,442

	December 31, 2004			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 13,395	\$ 8	\$ 20	\$ 13,383
State and political subdivisions	67,054	2,387	91	69,350
Mortgage-backed securities	986,328	9,051	6,251	989,128
Marketable equity securities	8,597	1,500	39	10,058
Other	191,557	3,844	160	195,241
Total	\$1,266,931	\$16,790	\$ 6,561	\$1,277,160

In March 2004, the Financial Accounting Standards Board (FASB) ratified the consensus reached by the Emerging Issues Task Force (EITF) regarding Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-1). The issue provides guidance for evaluating whether an investment is other-than-temporarily impaired and requires certain disclosures with respect to these investments. The FASB has delayed the guidance in EITF 03-1 regarding measurement and recognition until application guidance is issued under a related FASB Staff Position; however, the disclosure requirements remain effective for annual periods ending after June 15, 2004. United will continue to evaluate the impact of EITF 03-1 once final guidance is issued.

Provided below is a summary of securities available-for-sale which were in an unrealized loss position at March 31, 2005 and December 31, 2004:

	<u>Less than 12 months</u>		<u>12 months or longer</u>	
	<u>Market Value</u>	<u>Unrealized Losses</u>	<u>Market Value</u>	<u>Unrealized Losses</u>
<u>March 31, 2005</u>				
Treasuries and agencies	\$ 4,896	\$ 84		
State and political	12,125	262	\$ 1,239	\$ 26
Mortgage-backed	626,620	12,157	174,824	4,143
Marketable equity securities	2,382	40	781	84
Other	16,775	395	10,437	74
Total	\$662,798	\$12,938	\$187,281	\$4,327
<u>December 31, 2004</u>				
Treasuries and agencies	\$ 10,465	\$ 20		
State and political	5,442	72	\$ 1,247	\$ 19
Mortgage-backed	479,144	4,339	147,170	1,912
Marketable equity securities	177	23	748	16
Other	20,619	126	4,929	34
Total	\$515,847	\$4,580	\$154,094	\$1,981

Gross unrealized losses on available for sale securities were \$17,265 at March 31, 2005. Securities in a continuous unrealized loss position for twelve months or more consisted primarily of mortgage-backed and trust preferred securities. The unrealized loss on the mortgage-backed securities portfolio relates primarily to AAA securities issued by FNMA, FHLMC, GNMA, and Countrywide, a large mortgage lending company. Management does not believe any individual unrealized loss as of March 31, 2005 represents other than temporary impairment. The Company believes the decline in value is attributable to changes in market interest rates and not the credit quality of the issuers. The Company has the ability to hold these securities until such time as the value recovers or the securities mature.

The amortized cost and estimated fair value of securities available for sale at March 31, 2005 and December 31, 2004 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.

	<u>March 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ 3,720	\$ 3,720	\$ 12,420	\$ 12,418
Due after one year through five years	44,251	48,061	17,241	21,747
Due after five years through ten years	277,118	273,322	299,627	299,395
Due after ten years	828,825	822,663	929,046	933,542
Marketable equity securities	8,523	8,676	8,597	10,058
Total	\$1,162,437	\$1,156,442	\$1,266,931	\$1,277,160

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

	March 31, 2005			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 11,862	\$ 860	---	\$ 12,722
State and political subdivisions	70,979	2,286	---	73,265
Mortgage-backed securities	543	28	---	571
Other	149,326	4,642	\$2,417	151,551
Total	\$232,710	\$7,816	\$2,417	\$238,109

	December 31, 2004			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 11,886	\$ 1,220	---	\$ 13,106
State and political subdivisions	71,929	2,705	\$ 4	74,630
Mortgage-backed securities	588	35	---	623
Other	148,879	6,926	2,572	153,233
Total	\$233,282	\$10,886	\$2,576	\$241,592

The amortized cost and estimated fair value of debt securities held to maturity at March 31, 2005 and December 31, 2004 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. There were no sales of held to maturity securities.

	March 31, 2005		December 31, 2004	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 12,039	\$ 12,301	\$ 1,254	\$ 1,261
Due after one year through five years	38,683	40,958	47,354	50,840
Due after five years through ten years	20,657	21,390	23,841	24,803
Due after ten years	161,331	163,460	160,833	164,688
Total	\$232,710	\$238,109	\$233,282	\$241,592

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 \$1,029,564 and \$1,034,573 at March 31, 2005 and December 31, 2004, respectively.

4. LOANS

Major classifications of loans are as follows:

	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Commercial, financial and agricultural	\$ 836,398	\$ 864,511
Real estate:		
Single-family residential	1,664,255	1,663,198
Commercial	1,082,527	1,063,554
Construction	309,676	303,516
Other	114,045	123,165
Installment	390,553	406,758
Total gross loans	<u>\$ 4,397,454</u>	<u>\$ 4,424,702</u>

The table above does not include loans held for sale of \$4,488 and \$3,981 at March 31, 2005 and December 31, 2004, 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 \$111,750 and \$109,126 at March 31, 2005 and December 31, 2004, 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 \$7,854 and \$7,988 at March 31, 2005 and December 31, 2004, respectively, is separately identified on the balance sheet and is included in other liabilities. The combined allowances for loan losses and lending-related commitments are referred to as the allowance for credit losses.

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

credited to the allowance for credit losses. Credit expenses related to the allowance for credit losses and the allowance for lending-related commitments are reported in the provision for credit losses in the income statement.

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

	Three Months Ended	
	March 31	
	2005	2004
Balance at beginning of period	\$51,353	\$51,309
Provision	1,111	1,357
	<u>52,464</u>	<u>52,666</u>
Loans charged-off	(1,538)	(1,762)
Less: Recoveries	498	447
Net Charge-offs	<u>(1,040)</u>	<u>(1,315)</u>
Balance at end of period	<u><u>\$51,424</u></u>	<u><u>\$51,351</u></u>

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,	December 31,
	2005	2004
Nonaccrual loans	\$ 5,955	\$ 6,352
Loans past due 90 days or more and still accruing interest	3,565	4,425
Total nonperforming loans	<u>9,520</u>	<u>10,777</u>
Other real estate owned	2,974	3,692
Total nonperforming assets	<u><u>\$12,494</u></u>	<u><u>\$14,469</u></u>

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, 2005, the recorded investment in loans that were considered to be impaired was \$13,130 (of which \$5,955 was on

a nonaccrual basis). Included in this amount is \$4,978 of impaired loans for which the related allowance for credit losses is \$1,325 and \$8,152 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, 2004, the recorded investment in loans that were considered to be impaired was \$10,348 (of which \$6,352 was on a nonaccrual basis). Included in this amount was \$3,914 of impaired loans for which the related allowance for credit losses was \$997, and \$6,434 of impaired loans that did not have an allowance for credit losses. The average recorded investment in impaired loans during the quarter ended March 31, 2005 and for the year ended December 31, 2004 was approximately \$11,864 and \$15,709, respectively.

For the quarters ended March 31, 2005 and 2004, United recognized interest income on impaired loans of approximately \$105 and \$217, 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 \$233 and \$310 for the quarters ended March 31, 2005 and 2004, respectively.

7. INTANGIBLE ASSETS

Total goodwill was \$166,852 and \$166,926 as of March 31, 2005 and December 31, 2004, respectively.

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

	As of March 31, 2005		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Amortized intangible assets:			
Core deposit intangible assets	<u>\$ 19,890</u>	<u>(\$13,682)</u>	<u>\$ 6,208</u>
Goodwill not subject to amortization			<u>\$166,852</u>
	As of December 31, 2004		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Amortized intangible assets:			
Core deposit intangible assets	<u>\$ 19,890</u>	<u>(\$13,071)</u>	<u>\$ 6,819</u>
Goodwill not subject to amortization			<u>\$166,926</u>

United incurred amortization expense of \$611 and \$750 for the quarters ended March 31, 2005 and 2004, respectively, related to intangible assets. The following table sets forth the anticipated amortization expense for intangible assets for each of the next five years:

<u>Year</u>	<u>Amount</u>
2005	\$ 2,278
2006	1,871
2007	1,462
2008	832
2009	303
Thereafter	73

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 \$185,425. 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, 2005, federal funds purchased were \$88,315 while securities sold under agreements to repurchase were \$524,274.

United has available funds of \$40,000 to provide for general liquidity needs under a two year renewable revolving line of credit. The line of credit carries a LIBOR-based indexed floating rate of interest. At March 31, 2005, United had no outstanding balance under the line of credit.

United Bank (VA) participates in the Treasury Investment Program, which is essentially the U.S. Treasury's savings account for companies depositing employment and other tax payments. The bank retains the funds in an open-ended interest-bearing note until the Treasury withdraws or "calls" the funds. A maximum note balance is established and that amount must be collateralized at all times. All tax deposits or a portion of the tax deposits up to the maximum balance are generally available as a source of short-term investment funding. As of March 31, 2005, United Bank (VA) had an outstanding balance of \$2,024 and had additional funding available of \$2,976.

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, 2005, United had an unused borrowing amount of approximately \$1,312,830 available subject to delivery of collateral after certain trigger points.

At March 31, 2005, \$557,283 of FHLB advances with a weighted-average interest rate of 5.09% is scheduled to mature within the next twelve years. The scheduled maturities of borrowings are as follows:

Year	<u>Amount</u>
2005	\$ 140,800
2006	1,150
2007	---
2008	100,503
2009 and thereafter	<u>314,830</u>
Total	<u><u>\$557,283</u></u>

United has a total of seven 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, 2005 and December 31, 2004, the outstanding balances of the Debentures were \$89,303 and \$89,433 respectively, and were included in the category of long-term debt on the Consolidated Balance Sheets entitled "Other long-term borrowings". The Capital Securities are not included as a component of shareholders' equity in the Consolidated Balance Sheets. United fully and unconditionally guarantees each individual trust's obligations under the Capital Securities.

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

The Trust Preferred Securities currently qualify as Tier 1 capital of United for regulatory purposes. In March of 2005, the banking regulatory agencies issued guidance which did not change the regulatory capital treatment for the Trust Preferred Securities.

On March 3, 2005, the FASB issued FIN 46R-5, "Implicit Variable Interest under FASB Interpretation No. 46R, Consolidation of Variable Interest Entities (VIE)." FIN 46R-5 requires a reporting enterprise to address whether a reporting enterprise has an implicit variable interest in a VIE or potential VIE when specific conditions exist. FIN 46R-5 is effective in the second quarter of 2005 and is not expected to have a material impact on United's consolidated financial statements.

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 commercial letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

United's maximum exposure to credit loss in the event of nonperformance by the counterparty to the

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. United had approximately \$1,556,389 and \$1,618,823 of loan commitments outstanding as of March 31, 2005 and December 31, 2004, respectively, the majority of which expire within one year.

Commercial and standby letters of credit are agreements used by United's customers as a means of improving their credit standing in their dealings with others. Under these agreements, United guarantees certain financial commitments of its customers. A commercial letter of credit is issued specifically to facilitate trade or commerce. Typically, under the terms of a commercial letter of credit, a commitment is drawn upon when the underlying transaction is consummated as intended between the customer and a third party. United has issued commercial letters of credit of \$1,479 and \$1,449 as of March 31, 2005 and December 31, 2004, 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 \$132,858 and \$140,168 as of March 31, 2005 and December 31, 2004, respectively. In accordance with FIN 45, United has determined that substantially all of its letters of credit are renewed on an annual basis and that the fair value of these letters of credit is immaterial.

11. DERIVATIVE FINANCIAL INSTRUMENTS

In July of 2003, United entered into a \$100 million notional amount interest rate swap agreement. Under the swap agreement, United will receive payment streams at a fixed rate of 6.43% while paying a variable rate of one-month LIBOR plus 3.5% on the \$100 million for a term of seven years. United entered into the interest rate swap in an effort to offset a portion of the cost on a long-term fixed rate FHLB advance. However, the FHLB, at its discretion, can convert the fixed interest rate on the advance to a variable rate of three-month LIBOR plus 0.1%. If this conversion occurs, under the swap agreement, United would then receive variable payment streams equivalent to three-month LIBOR plus 0.1% and pay a variable rate of three-month LIBOR plus 3.5% over the remaining term.

In addition, United has interest rate swap agreements totaling a notional amount of approximately \$4.5 million to convert certain fixed rate commercial loans to a floating rate. Under these swap agreements, United will receive payment streams at a variable rate of three-month LIBOR plus 1.90% while paying a fixed rate of 6.70% on the \$4.5 million for the remaining term of approximately ten years.

Under the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", the interest rate swaps are considered fair value hedges. The swaps qualify for the shortcut method of accounting treatment because the critical terms of the hedged financial instruments (FHLB advance and fixed commercial loans) and the interest rate payments to be received on the swaps coincide and thus are

effective in offsetting changes in the fair value of the hedged financial instruments over their remaining term. The fair value of the interest rate swaps is recognized on the balance sheet as either a freestanding asset or liability. At March 31, 2005, the fair value of the FHLB swap resulted in a liability of \$7.02 million. Adjustments to the fair value of the swap are recorded as a corresponding adjustment within FHLB advances on the balance sheet. At March 31, 2005, the fair value of the commercial loan swaps resulted in an asset of \$28 thousand. Adjustments to the fair value of the swaps are recorded as a corresponding adjustment within commercial loans on the balance sheet. The impact on earnings is the exchange of the fixed rate interest for variable rate LIBOR based interest.

12. 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. The associated benefits accumulated by these employees in their previous plan were assumed by United's benefit plan.

Net periodic pension cost included the following components:

(In thousands)	Three Months Ended	
	March 31,	
	2005	2004
Service cost	\$ 464	\$ 581
Interest cost	748	706
Expected return on plan assets	(1,102)	(933)
Amortization of transition asset	(43)	(44)
Recognized net actuarial loss	168	228
Amortization of prior service cost	---	---
Net periodic pension cost	<u>\$ 236</u>	<u>\$ 538</u>
Weighted-Average Assumptions:		
Discount rate	6.25%	6.25%
Expected return on assets	9.00%	9.00%
Rate of compensation increase	3.25%	3.25%

13. COMPREHENSIVE INCOME

The components of total comprehensive income for the three months ended March 31, 2005 and 2004 are as follows:

	Three Months Ended	
	March 31	
	2005	2004
Net Income	\$ 24,760	\$ 23,504
Other Comprehensive Income (Loss), Net of Tax:		
Unrealized gain (loss) on available for sale securities arising during the period	(9,945)	6,794
Less: Reclassification adjustment for (gains) losses included in net income	(601)	(464)
Accretion on the unrealized loss for securities transferred from the available for sale to the held to maturity investment portfolio	123	139
Total Comprehensive Income	<u>\$ 14,337</u>	<u>\$ 29,973</u>

14. 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	
	2005	2004
<i>(Dollars in thousands, except per share)</i>		
Income from Continuing Operations	\$24,760	\$22,607
Income from Discontinued Operations	---	897
Net Income	<u>\$24,760</u>	<u>\$23,504</u>
Basic		
Income from Continuing Operations	\$0.58	\$0.52
Income from Discontinued Operations	---	0.02
Net Income	<u>\$0.58</u>	<u>\$0.54</u>
Average common shares outstanding	<u>42,900,416</u>	<u>43,680,837</u>
Diluted		
Income from Continuing Operations	\$0.57	\$0.51
Income from Discontinued Operations	---	0.02
Net Income	<u>\$0.57</u>	<u>\$0.53</u>
Average common shares outstanding	42,900,416	43,680,837
Equivalents from stock options	<u>518,163</u>	<u>577,747</u>
Average diluted shares outstanding	<u>43,418,579</u>	<u>44,258,584</u>

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.

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 and the valuation of retained interests in securitized assets to be the accounting areas that require the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

The allowance for credit losses represents management's estimate of the probable credit losses inherent in the lending portfolio. Determining the amount of the allowance for credit losses is considered a critical accounting estimate because management's evaluation of the adequacy of the allowance for credit losses 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. In determining the components of the allowance for credit losses, management considers the risk arising in part from, but not limited to, charge-off and delinquency trends, current economic and business conditions, lending policies and procedures, the size and risk characteristics of the loan portfolio, concentrations of credit, and other various factors. The methodology used to determine the allowance for credit losses is described in

Note 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.

Retained interests in securitized financial assets are recorded at their estimated fair values in securities available for sale. Since quoted market prices are generally not available for retained interests, United relies on discounted cash flow modeling techniques to estimate fair values based on the present value of future expected cash flows using management's best estimates of key assumptions—credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved. Because the values of the assets are sensitive to changes in these key assumptions, the valuation of retained interests is considered a critical accounting estimate. A discussion of the accounting for these securitized financial assets as well as sensitivity analyses showing how these assets' value change due to adverse changes in key assumptions is presented in the Interest Rate Risk section of the Quantitative and Qualitative Disclosures about Market Risk.

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, 2005 were \$6.31 billion, down \$124.66 million or 1.94% from year-end 2004 primarily the result of a \$120.72 million decline in securities available for sale. Portfolio loans were relatively flat as they dropped less than 1% or \$27.18 million from year-end 2004. Partially offsetting these decreases was an increase in cash and cash equivalents of \$21.16 million. The decrease in total assets is reflected in a corresponding decrease in total liabilities and shareholders' equity of \$119.84 million and \$4.82 million, respectively, from year-end 2004. The decrease in total liabilities was due mainly to decreases in federal funds purchased, securities purchased under agreements to repurchase and FHLB borrowings. The following discussion explains in more detail the changes in financial condition by major category.

Cash and Cash Equivalents

Cash and cash equivalents increased \$21.16 million or 13.79% comparing March 31, 2005 to year-end 2004. Of this total increase, cash and due from banks increased \$3.48 million while interest-bearing deposits with other banks increased \$17.68 million. During the first three months of 2005, net cash of \$35.18 million and \$129.79 million was provided by operating activities and investing activities, respectively. Net cash of \$143.81 million was used in financing activities.

Securities

Total investment securities decreased \$121.29 million or 8.03% since year-end 2004. Securities available for sale decreased \$120.72 million or 9.45%. This change reflects \$172.09 million in sales, maturities and calls of securities, \$69.08 million in purchases and a decrease of \$16.23 million in market value. Securities held to maturity were relatively flat from year-end 2004. 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.

Loans

Loans held for sale increased \$507 thousand or 12.74% as loan originations exceeded loan sales in the secondary market during the first three months of 2005. Portfolio loans, net of unearned income, were relatively flat from year-end 2004, decreasing less than 1% or \$27.18 million. The slight decrease in portfolio loans was primarily attributable to decreases in commercial loans (not secured by real estate) and installment loans of \$28.11 million and \$16.21 million, respectively. Commercial real estate loans increased by \$18.97 million and construction loans increased \$6.16 million. Single-family residential real estate loans were relatively flat from year-end 2004. For a summary of major classifications of loans, see Note 4 to the unaudited Notes to Consolidated Financial Statements.

Other Assets

Other assets increased \$2.89 million or 1.84% since year-end 2004. This increase was primarily due to an increase in deferred tax assets related to the decline in the market value of available for sale securities.

Deposits

Total deposits at March 31, 2005 increased \$52.88 million or 1.23% since year-end 2004. In terms of composition, noninterest-bearing deposits decreased \$4.74 million and interest-bearing deposits increased \$57.61 million from December 31, 2004. The decline in noninterest-bearing deposits was due mainly to a \$10.81 million or 2.59% decrease in commercial demand deposits. The increase in interest-bearing deposits was due primarily to growth of \$63.55 million or 3.98% in certificate accounts (CDs) due to higher interest rates.

Borrowings

Total borrowings at March 31, 2005 decreased \$179.51 million or 12.46% during the first quarter of 2005. Since year-end 2004, federal funds purchased and securities sold under agreements to repurchase decreased \$42.79 million or 32.64% and \$22.15 million or 4.05%, respectively. FHLB borrowings decreased \$112.04 million or 16.74%. For a further discussion of borrowings see Notes 8 and 9 to the unaudited Notes to Consolidated Financial Statements.

Shareholders' Equity

Shareholders' equity at March 31, 2005, decreased \$4.82 million or less than 1% from December 31, 2004 as United continued to balance capital adequacy and returns to shareholders. The slight decrease in shareholders' equity was due mainly to a decline of \$10.55 million, net of deferred income taxes in the fair value of its available for sale investment portfolio. Treasury stock increased \$7.63 million since year-end 2004 as treasury share repurchases exceeded stock option redemptions during the first three months of 2005. A plan announced by United in May of 2003 to repurchase up to 1.65 million shares of its common stock on the open market was completed in the fourth quarter of 2004. During the first three months of 2005, 245,294 shares were repurchased under a new plan approved by United's Board of Directors to repurchase up to 1.775 million shares of United's common stock on the open market. Since the plan's implementation, 249,271 shares have been repurchased. Earnings net of dividends declared for the first quarter of 2005 were \$13.62 million.

RESULTS OF OPERATIONS

Overview

As previously mentioned, on July 7, 2004, United consummated the sale of its wholly-owned mortgage banking subsidiary, Mason Mortgage. United will continue to focus on retail mortgage lending through its banking subsidiaries. The results of operations for Mason Mortgage are reported as income from discontinued operations. For detailed financial data and further information related to discontinued operations, refer to Note 2 of the accompanying unaudited consolidated financial statements.

The following is a detailed discussion of United's first quarter 2005 results. Results for the first quarter of 2004 include results from continuing and discontinued operations. For discussion purposes, information referred to on a consolidated basis combines the results of continuing and discontinued operations.

Consolidated net income for the first three months of 2005 was \$24.76 million or \$0.57 per diluted share compared to \$23.50 million or \$0.53 per share for the first three months of 2004. These results represent a 5.34% increase in net income and a 7.55% increase in diluted earnings per share. United's annualized return on average assets for the first three months of 2005 was 1.58% and return on average shareholders' equity was 15.71% as compared to 1.52% and 15.19% for the first three months of 2004.

Income from continuing operations was \$24.76 million or \$0.57 per diluted share for the first quarter of 2005 as compared to \$22.61 million or \$0.51 per diluted share for the first quarter of 2004. No income from discontinued operations was recorded for the first quarter of 2005 because the sale of Mason Mortgage occurred in 2004. Income from discontinued operations for the first quarter of 2004 was \$897 thousand or \$0.02 per diluted share.

Consolidated tax-equivalent net interest income for the first three months of 2005 was \$55.76 million, an increase of \$1.14 million or 2.08% from the prior year's first three months. The provision for credit losses was \$1.11 million for the first three months of 2005 as compared to \$1.36 million for the first three months of 2004. Consolidated noninterest income was \$12.92 million for the first three months of 2005, down \$7.14 million or 35.59% when compared to the first three months of 2004. For the first quarter of 2005, consolidated noninterest expenses decreased \$8.49 million or 22.79% from the first quarter of 2004.

United's effective tax rate was 31.33% and 30.00% for the first three months of 2005 and 2004, respectively.

Net Interest Income

Consolidated tax-equivalent net interest income increased \$1.14 million or 2.08% for the first quarter of 2005 when compared to the same period of 2004.

Tax-equivalent net interest income from continuing operations for the first quarter of 2005 was \$55.76 million, an increase of \$3.49 million or 6.68% from the first quarter of 2004. This increase in tax-equivalent net interest income from continuing operations was due mainly to a \$399.32 million or 7.35% increase in average earning assets as average loans for the first quarter of 2005 grew \$394.60 million or 9.86% over last year's first quarter. In addition, the average yield on earning assets for the first quarter of 2005 increased 25 basis points from the first quarter of 2004 as a result of higher interest rates. These increases to net interest income were partially offset by a 35 basis point increase in the cost of funds due to the higher interest rates. On a consolidated basis, the net interest margin for the first quarter of 2005 was 3.85%, a decrease of 1 basis point from 3.86% in the first quarter of 2004.

On a linked-quarter basis, United's tax-equivalent net interest income from continuing operations for the first quarter of 2005 was relatively flat, decreasing by only \$233 thousand or less than 1%. The main reasons for the slight decline were two less days in the first quarter of 2005 as compared to the fourth quarter of 2004 and a \$61.83 million increase in average interest-bearing funds at an additional cost of 19 basis points. Average loans, net of unearned income grew \$97.20 million or 2.26% for the quarter which mitigated most of the decline in net interest income. The net interest margin of 3.85% for the first quarter of 2005 was a 1 basis point decrease from the fourth quarter of 2004's net interest margin of 3.86%.

The following table shows the consolidated daily average balance of major categories of assets and liabilities for the three-month periods ended March 31, 2005 and 2004, respectively, with the consolidated interest and rate earned or paid on such amount.

	Three Months Ended March 31, 2005			Three Months Ended March 31, 2004		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
<i>(Dollars in thousands)</i>						
ASSETS						
Earning Assets:						
Federal funds sold and securities repurchased						
Under agreements to resell and other						
short-term investments	\$ 26,448	\$ 126	1.94%	\$ 10,774	\$ 76	2.81%
Investment Securities:						
Taxable	1,261,468	14,006	4.44%	1,296,836	13,462	4.15%
Tax-exempt (1) (2)	191,047	2,994	6.27%	173,549	3,060	7.05%
Total Securities	1,452,515	17,000	4.68%	1,470,385	16,522	4.50%
Loans, net of unearned income (1) (2) (3)	4,398,409	64,915	5.97%	4,243,876	59,991	5.68%
Allowance for loan losses	(43,377)			(50,423)		
Net loans	4,355,032		6.03%	4,193,453		5.75%
Total earning assets	5,833,995	\$ 82,041	5.67%	5,674,612	\$ 76,589	5.42%
Other assets	529,298			560,740		
TOTAL ASSETS	\$6,363,293			\$6,235,352		
LIABILITIES						
Interest-Bearing Funds:						
Interest-bearing deposits	\$3,436,365	\$ 14,687	1.73%	\$3,209,339	\$ 10,907	1.37%
Short-term borrowings	739,645	3,414	1.87%	657,879	1,579	0.97%
Long-term borrowings	615,438	8,185	5.39%	853,195	9,486	4.47%
Total Interest-Bearing Funds	4,791,448	26,286	2.22%	4,720,413	21,972	1.87%
Noninterest-bearing deposits	877,253			848,900		
Accrued expenses and other liabilities	55,293			43,606		
TOTAL LIABILITIES	5,723,994			5,612,919		
SHAREHOLDERS' EQUITY	639,299			622,433		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$6,363,293			\$6,235,352		
NET INTEREST INCOME		\$ 55,755			\$ 54,617	
INTEREST SPREAD			3.45%			3.55%
NET INTEREST MARGIN			3.85%			3.86%

(1) The interest income and the yields on federally nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory federal income tax rate of 35%.

(2) The interest income and the yields on state nontaxable loans and investment securities are presented on a tax-equivalent basis using the statutory state income tax rate of 9%.

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

Provision for Credit Losses

Credit quality continues to be favorable. Nonperforming loans were \$9.52 million or 0.22% of loans, net of unearned income at March 31, 2005 as compared to \$10.78 million or 0.24% of loans, net of unearned income, at December 31, 2004. Nonperforming loans were \$15.72 million or 0.38% of loans, net of unearned income at March 31, 2004. The components of nonperforming loans include nonaccrual loans and loans, which are contractually past due 90 days or more as to interest or principal, but have not been put on a nonaccrual basis. Nonaccrual loans and loans past due 90 days or more were \$5.96 million and \$3.57 million, respectively at March 31, 2005 as compared to \$6.35 million and \$4.43 million, respectively at year-end 2004. Total nonperforming assets of \$12.49 million, including OREO of \$2.97 million at March 31, 2005, represented 0.20% of total assets at the end of the first quarter. For a summary of nonperforming assets, see Note 6 to the unaudited consolidated financial statements.

At March 31, 2005, impaired loans were \$13.13 million, which was an increase of \$2.78 million from the \$10.35 million in impaired loans at December 31, 2004. This increase in impaired loans was due primarily to the addition of two large commercial credits totaling \$2.25 million. For further details, see Note 6 to the unaudited consolidated financial statements.

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

United maintains an allowance for loan losses and an allowance for lending-related commitments. The combined allowances for loan losses and lending-related commitments are referred to as the allowance for credit losses. At March 31, 2005, the allowance for credit losses was \$51.42 million, compared to \$51.35 million at December 31, 2004. As a percentage of loans, net of unearned income, the allowance for credit losses was 1.17% at March 31, 2005 and 1.16% of loans, net of unearned income at December 31, 2004. The ratio of the allowance for credit losses to nonperforming loans was 540.2% and 476.5% at March 31, 2005 and December 31, 2004, respectively.

For the quarters ended March 31, 2005 and 2004, the provision for credit losses was \$1.11 million and \$1.36 million, respectively. The changes in the provision are directionally consistent with the more favorable loan quality in 2005 as compared to 2004. Net charge-offs were \$1.04 million for the first quarter of 2005 as compared to net charge-offs of \$1.32 million for the previous year quarter. Note 5 to the accompanying unaudited consolidated financial statements provide a progression of the allowance for credit losses.

In determining the adequacy of the allowance for credit losses, management makes allocations to specific commercial loans classified by management as to risk. Management determines the loan's risk by considering the borrowers' ability to repay, the collateral securing the credit and other borrower-specific factors that may impact collectibility. Specific loss allocations are based on the present value of expected future cash flows using the loan's effective interest rate, or as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral-dependent. Other commercial loans

not specifically reviewed on an individual basis are evaluated based on loan pools, which are grouped by similar risk characteristics using management's internal risk ratings. Allocations for these commercial loan pools are determined based upon historical loss experience adjusted for current conditions and risk factors. Allocations for loans, other than commercial loans, are developed by applying historical loss experience adjusted for current conditions and risk factor to loan pools grouped by similar risk characteristics. While allocations are made to specific loans and pools of loans, the allowance is available for all credit losses.

Allocations are made for specific commercial loans based upon management's estimate of the borrowers' ability to repay and other factors impacting collectibility. Other commercial loans not specifically reviewed on an individual basis are evaluated based on historical loan percentages applied to loan pools that have been segregated by risk. Allocations for loans other than commercial loans are made based upon historical loss experience adjusted for current conditions. The allowance for imprecision is a relatively small component of the total allowance for credit losses and recognizes the normal variance resulting from the process of estimation. Differences between actual loan loss experience and estimates are reviewed on a quarterly basis and adjustments are made to those estimates.

United's formal company-wide process at March 31, 2005 produced decreased allocations in two of the four loan categories. The components of the allowance allocated to commercial loans decreased \$807 thousand as a result of the elimination of a special allocation for commercial loan growth (\$900 thousand) which was deemed no longer necessary. The components of the allowance allocated to real estate loans decreased \$269 thousand primarily as a result of the elimination of a special allocation for mortgage loan growth (\$200 thousand) which was deemed no longer necessary. The consumer loan pool allocation increased \$132 thousand as increases in qualitative adjustments offset decreased loan volume. There was virtually no change in the real estate construction loan pool allocation. The unfunded commitments liability decreased by \$133 thousand due to reductions in historical loss rates.

Management believes that the allowance for credit losses of \$51.42 million at March 31, 2005 is adequate to provide for probable losses on existing loans and loan-related commitments based on information currently available.

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

Other Income

Other income consists of all revenues, which are not included in interest and fee income related to earning assets. Noninterest income has been and will continue to be an important factor for improving United's profitability. Recognizing the importance, management continues to evaluate areas where noninterest income can be enhanced. Consolidated noninterest income was \$12.92 million for the first three months of 2005, down \$7.14 million or 35.59% when compared to the first three months of 2004. This decrease in consolidated noninterest income was due to income from the discontinued mortgage banking operations of Mason Mortgage being included in the consolidated results for the first quarter of 2004.

Noninterest income from continuing operations for the first quarter of 2005 was \$12.92 million, a decrease of \$644 thousand or 4.75% from the first quarter of 2004. The decline in noninterest income from continuing operations was attributable mainly to decreased revenue from deposit services. Fees from deposit services decreased \$906 thousand or 12.25% for the first quarter of 2005 as compared to the same period in 2004. These decreases were primarily attributable to a decline in consumer overdraft related revenues and lower fees associated with commercial accounts due to higher earnings credits.

Revenue from trust and brokerage services grew \$188 thousand or 7.32% for the first quarter of 2005 as compared to the first quarter of 2004. Total managed and non-managed trust assets, including custodial and safekeeping accounts, increased from \$3.16 billion at March 31, 2004 to \$3.49 billion at March 31, 2005, an increase of \$324.86 million or 10.28%. Gains on securities transactions increased \$210 thousand or 29.41% for the first quarter of 2005 as compared to the first quarter of 2004.

On a linked-quarter basis, noninterest income from continuing operations were virtually level, decreasing \$184 thousand or 1.40% from the fourth quarter of 2004 as fees from deposit services dropped \$711 thousand or 9.87%. Income from trust and brokerage services showed a healthy growth of \$310 thousand or 12.66% for the first quarter of 2005 over the fourth quarter of 2004. Gains on securities transactions increased \$909 thousand for the first quarter of 2005 as compared to the fourth quarter of 2004.

Other Expenses

Just as management continues to evaluate areas where noninterest income can be enhanced, it strives to improve the efficiency of its operations to reduce costs. Other expenses include all items of expense other than interest expense, the provision for loan losses, and income taxes. Consolidated noninterest expenses decreased \$8.49 million or 22.79% for the first three months of 2005 compared to the same period in 2004, which includes noninterest expense of \$7.60 million from discontinued operations.

Noninterest expense from continuing operations decreased \$883 thousand or 2.98% for the first quarter of 2005 as compared to the first quarter of 2004 due to decreases in several general operating expenses, none of which were individually significant. On a linked-quarter basis, noninterest expense from continuing operations decreased \$2.97 million or 9.37%. The decrease was due mainly to a penalty of \$2.97 million incurred during the fourth quarter of 2004 to refinance a Federal Home Loan Bank (FHLB) advance.

Total salaries and benefits expense from continuing operations for the first quarter of 2005 was relatively flat when compared to the same period of 2004. On a linked-quarter basis, total salaries and benefits expense from continuing operations increased \$1.15 million or 8.94% as expenses related to employee benefits increased from the lower amounts in the fourth quarter of 2004 resulting from a change in estimates.

Net occupancy expense from continuing operations for the first quarter of 2005 decreased \$118 thousand or 3.67% when compared to the first quarter of 2004. On a linked-quarter basis, net occupancy decreased \$184 thousand or 5.61%.

Other expenses from continuing operations decreased \$720 thousand or 5.85% for the first quarter of 2005 as compared to the same period of 2004. On a linked quarter basis, other expenses from continuing operations decreased \$972 thousand or 7.74%. The lower amount of other expenses in the first quarter of

2005 were due mainly to decreases in several general operating expenses, none of which were individually significant.

Income Taxes

For the first quarter of 2005, consolidated income taxes were \$11.30 million as compared to \$10.07 million for the first quarter of 2004. For the quarters ended March 31, 2005 and 2004, United's effective tax rates were 31.33% and 30.00%, respectively.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

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

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

United employs a variety of measurement techniques to identify and manage its exposure to changing interest rates. One such technique utilizes an earnings simulation model to analyze the sensitivity of net interest income to movements in interest rates. The model is based on actual cash flows and repricing characteristics for on and off-balance sheet instruments and incorporates market-based assumptions regarding the impact of changing interest rates on the prepayment rate of certain assets and liabilities. The model also includes executive management projections for activity levels in product lines offered by United. Assumptions based on the historical behavior of deposit rates and balances in relation to changes in interest rates are also incorporated into the model. Rate scenarios could involve parallel or nonparallel shifts in the yield curve, depending on historical, current, and expected conditions, as well as the need to capture any material effects of explicit or embedded options. These assumptions are inherently uncertain and, as a result, the model cannot precisely measure net interest income or precisely predict the impact of fluctuations in interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and management's strategies. However, the earnings simulation model is currently the best tool available to executive management for managing interest rate risk.

Interest sensitive assets and liabilities are defined as those assets or liabilities that mature or are repriced within a designated time frame. The principal function of interest rate risk management is to maintain an appropriate relationship between those assets and liabilities that are sensitive to changing market interest rates. The difference between rate sensitive assets and rate sensitive liabilities for specified periods of time is known as the "GAP." Earnings-simulation analysis captures not only the potential of these interest sensitive assets and liabilities to mature or reprice but also the probability that they will do so. Moreover, earnings-simulation analysis considers the relative sensitivities of these balance sheet items and projects

their behavior over an extended period of time. United closely monitors the sensitivity of its assets and liabilities on an on-going basis and projects the effect of various interest rate changes on its net interest margin.

The following table shows United's estimated earnings sensitivity profile as of March 31, 2005 and December 31, 2004:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income	
	<u>March 31, 2005</u>	<u>December 31, 2004</u>
+100	3.06%	2.55%
-100	-3.77%	-5.20%

At March 31, 2005, given an immediate, sustained 100 basis point upward shock to the yield curve used in the simulation model, net interest income for United is estimated to increase by 3.06% over one year as compared to an increase of 2.55% at December 31, 2004. A 100 basis point immediate, sustained downward shock in the yield curve would decrease net interest income by an estimated 3.77% over one year at March 31, 2005 as compared to a decrease of 5.20% at December 31, 2004. This analysis does not include the potential increased refinanced activities, which should lessen the negative impact on net income from falling rates. While it is unlikely market rates would immediately move 100 basis points upward or downward on a sustained basis, this is another tool used by management and the Board of Directors to gauge interest rate risk. All of these estimated changes in net interest income are and were within the policy guidelines established by the Board of Directors.

To further aid in interest rate management, United's subsidiary banks are members of the Federal Home Loan Bank (FHLB). The use of FHLB advances provides United with a low risk means of matching maturities of earning assets and interest-bearing funds to achieve a desired interest rate spread over the life of the earning assets.

As part of its interest rate risk management strategy, United may use derivative instruments to protect against adverse price or interest rate movements on the value of certain assets or liabilities and on future cash flows. These derivatives commonly consist of interest rate swaps, caps, floors, collars, futures, forward contracts, written and purchased options. In July of 2003, United entered into a \$100 million notional amount interest rate swap agreement. Interest rate swaps obligate two parties to exchange one or more payments generally calculated with reference to a fixed or variable rate of interest applied to the notional amount. Under the swap agreement, United will receive payment streams at a fixed rate of 6.43% while paying a variable rate of one-month LIBOR plus 3.5% on the \$100 million for a term of seven years. United entered into the interest rate swap in an effort to offset a portion of the cost on a long-term fixed rate FHLB advance. However, the FHLB, at its discretion, can convert the fixed interest rate on the advance to a variable rate of three-month LIBOR plus 0.1%. If this conversion occurs, under the swap agreement, United would then receive variable payment streams equivalent to three-month LIBOR plus 0.1% and pay a variable rate of three-month LIBOR plus 3.5% over the remaining term. In addition, United has interest rate swap agreements totaling a notional amount of approximately \$4.5 million to convert certain fixed rate commercial loans to a floating rate. Under these swap agreements, United will receive payment streams at a variable rate of three-month LIBOR plus 1.90% while paying a fixed rate of 6.70% on the \$4.5 million for the remaining term of approximately ten years. United accounts for its derivative activities in accordance

with the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

During 1999, to better manage risk, United sold fixed-rate residential mortgage loans in a securitization transaction. In that securitization, United retained subordinated interests that represent United's right to future cash flows arising after the investors in the securitization trust have received the return for which they contracted. United does not receive annual servicing fees from this securitization because the loans are serviced by an independent third-party. The investors and the securitization trust have no recourse to United's other assets for failure of debtors to pay when due; however, United's retained interests are subordinate to investors' interests. The value of the retained interests is subject to credit, prepayment, and interest rate risks on the underlying financial assets. At the date of securitization, key economic assumptions used in measuring the fair value of the retained interests were as follows: a weighted-average life of 5.3 years, expected cumulative credit losses of 15%, and discount rates of 8% to 18%.

Key economic assumptions used in measuring the fair value of the retained interests at March 31, 2005 and December 31, 2004 were as follows:

	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Weighted average life (in years)	1.5	1.7
Prepayment speed assumption (annual rate)	15.19% - 30.00%	15.19% - 33.00%
Cumulative default rate	19.21%	19.21%
Residual cash flows discount rate (annual rate)	5.70% - 11.68%	5.02% - 11.08%

At March 31, 2005 and December 31, 2004, the fair values of the retained interests approximated \$6.25 million and \$8.28 million, respectively, and are carried in the available for sale investment portfolio.

The following table presents quantitative information about delinquencies, net credit losses, and components of the underlying securitized financial assets consisting of the fixed-rate residential mortgage loans:

	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Total principal amount of loans	\$22,759	\$25,207
Principal amount of loans		
60 days or more past due	423	617
Year to date average balances	23,957	32,632
Year to date net credit losses	121	896

Extension Risk

A key feature of most mortgage loans is the ability of the borrower to repay principal earlier than scheduled. This is called a prepayment. Prepayments arise primarily due to sale of the underlying property, refinancing, or foreclosure. In general, declining interest rates tend to increase prepayments, and rising interest rates tend to slow prepayments. Like other fixed-income securities, when interest rates rise, the value of mortgage-related securities generally decline. The rate of prepayments on underlying mortgages will affect the price and volatility of mortgage-related securities and may shorten or extend the effective maturity of the security

beyond what was anticipated at the time of purchase. If interest rates rise, United's holdings of mortgage-related securities may experience reduced returns if the borrowers of the underlying mortgages pay off their mortgages later than anticipated. This is generally referred to as extension risk.

At March 31, 2005, United had approximately \$897 million in mortgage related securities of which approximately \$717 million or 80% were fixed rate collateralized mortgage obligations (CMOs). These CMOs consisted primarily of planned amortization class (PACs) and accretion directed (VADM)s bonds having an average life of approximately 3.2 years and a weighted average yield of 3.96%, under current prepayment assumptions. These securities were selected for their overall total return characteristics. These securities are expected to have very little extension risk in a rising rate environment. Current models show that in rates up 300 basis points, the average life of these securities would extend to 3.7 years with a slight increase in yield. The projected price decline in rates up 300 basis points would be 9.2%, roughly equivalent to a 3.5-year Treasury Note. By comparison, the price decline of a 30-year current coupon mortgage backed security (MBS) in rates higher by 300 basis points would be approximately 17%.

United had approximately \$31 million in 30-year mortgage backed securities with a projected yield of 6.60% and a projected average life of 3.7 years at March 31, 2005. These bonds are projected to be good risk/reward securities in stable and scenarios of moderate rate increases due to the high yield and premium book price. However, should rates increase 300 basis points, the average life is expected to extend, and these bonds will experience significant price depreciation, but not as significant as current coupon pools.

The remainder of the mortgage-related securities portfolio at March 31, 2005 consisted of approximately \$25 million in adjustable rate securities (ARMs), \$26 million in balloon securities, \$32 million in 10-year amortization pools, \$27 million in 15-year mortgage pools, \$34 million in 20-year pools and \$5 million in various other securities.

Liquidity

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

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

The goal of liquidity management is to ensure the ability to access funding which enables United to efficiently satisfy the cash flow requirements of depositors and borrowers and meet United's cash needs.

Liquidity is managed by monitoring funds availability from a number of primary sources. Funding is available from cash and cash equivalents, unused short-term borrowing and a geographically dispersed network of subsidiary banks providing access to a diversified and substantial retail deposit market.

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

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

For the three months ended March 31, 2005, cash of \$35.18 million was provided by operating activities of continuing operations. Net cash of \$129.79 million was provided by investing activities, which was primarily due to \$104.64 million of excess net proceeds from sales, calls and maturities of investment securities over purchases of securities. During the first three months of 2005, net cash of \$143.81 million was used in financing activities due primarily to the repayment of \$277.35 million in short-term borrowings. Other uses of cash for financing activities included payments of \$11.20 million and \$8.53 million, respectively, for cash dividends and acquisitions of United shares under the stock repurchase program. The net effect of this activity was an increase in cash and cash equivalents of \$21.16 million for the first three months of 2005.

United anticipates it can meet its obligations over the next 12 months and has no material commitments for capital expenditures. There are no known trends, demands, commitments, or events that will result in or that are reasonably likely to result in United's liquidity increasing or decreasing in any material way. United also has lines of credit available.

The Asset and Liability Committee monitors liquidity to ascertain that a liquidity position within certain prescribed parameters is maintained. In addition, variable rate loans are a priority. These policies help to protect net interest income against fluctuations in interest rates. No changes are anticipated in the policies of United's Asset and Liability Committee.

Capital Resources

United's capital position is financially sound. United seeks to maintain a proper relationship between capital and total assets to support growth and sustain earnings. United has historically generated attractive returns on shareholders' equity. Based on regulatory requirements, United and its banking subsidiaries are categorized as "well capitalized" institutions. United's risk-based capital ratios of 11.80% at March 31, 2005 and 11.58% at December 31, 2004, are both significantly higher than the minimum regulatory requirements. United's Tier I capital and leverage ratios of 10.60% and 8.65%, respectively, at March 31, 2005, are also well above regulatory minimum requirements.

Total shareholders' equity was \$626.68 million, a decrease of \$4.82 million or less than 1% from December

31, 2004. United's equity to assets ratio was 9.93% at March 31, 2005, as compared to 9.81% at December 31, 2004. The primary capital ratio, capital and reserves to total assets and reserves, was 10.66% at March 31, 2005, as compared to 10.53% at December 31, 2004. United's average equity to average asset ratio was 10.05% and 9.98% for the quarters ended March 31, 2005 and 2004, respectively.

During the first quarter of 2005, United's Board of Directors declared a cash dividend of \$0.26 per share. Total cash dividends declared were approximately \$11.14 million for the first quarter of 2005, an increase of 2.03% over the first quarter of 2004. The year 2005 is expected to be the 32nd consecutive year of dividend increases to United shareholders.

Item 4. CONTROLS AND PROCEDURES

As of March 31, 2005, an evaluation was performed under the supervision of and with the participation of United's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of United's disclosure controls and procedures. Based on that evaluation, United's management, including the CEO and CFO, concluded that United's disclosure controls and procedures as of March 31, 2005 were effective in ensuring that information required to be disclosed in the Quarterly Report on Form 10-Q was recorded, processed, summarized and reported within the time period required by the Securities and Exchange Commission's rules and forms. There have been no material changes in United's internal controls or in other factors that could materially affect internal controls subsequent to March 31, 2005.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

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

The table below includes certain information regarding United's purchase of its common shares during the three month period ended March 31, 2005:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet be Purchased Under the Plans (1)
1/01 – 1/31/2005	80,037	\$35.81	84,014	1,690,986
2/01 – 2/28/2005	77,206	\$34.85	161,220	1,613,780
3/01 – 3/31/2005	88,051	\$33.81	249,271	1,525,729
Total	245,294	\$34.79		

- (1) In August of 2004, United's Board of Directors approved a stock repurchase plan to repurchase up to 1.775 million shares of United's common stock on the open market. The timing, price and quantity of purchases under the plans are at the discretion of management and the plan may be discontinued, suspended or restarted at any time depending on the facts and circumstances.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits required by Item 601 of Regulation S-K

- Exhibit 31.1 Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
- Exhibit 31.2 Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer
- Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
- Exhibit 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer

SIGNATURES

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

UNITED BANKSHARES, INC.
(Registrant)

Date: May 9, 2005

/s/ Richard M. Adams
Richard M. Adams, Chairman of
the Board and Chief Executive
Officer

Date: May 9, 2005

/s/ Steven E. Wilson
Steven E. Wilson, Executive
Vice President, Treasurer,
Secretary and Chief Financial Officer

CERTIFICATION

I, Richard M. Adams, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Bankshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2005

/s/ Richard M. Adams

Richard M. Adams, Chairman of the
Board and Chief Executive Officer

CERTIFICATION

I, Steven E. Wilson, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Bankshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2005

/s/ Steven E. Wilson
Steven E. Wilson, Executive
Vice President, Treasurer,
Secretary and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of United Bankshares, Inc. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2005

/s/ Richard M. Adams
Name: Richard M. Adams
Title: Chief Executive Officer

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officer of United Bankshares, Inc. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2005

/s/ Steven E. Wilson

Name: Steven E. Wilson

Title: Chief Financial Officer