

UNITED COMMUNITY BANKS INC  
Form 424B3  
June 06, 2011

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Filed Pursuant to Rule 424(b)(3)

File No. 333-159958; 333-165831

PROSPECTUS SUPPLEMENT  
(To prospectus dated March 17, 2011)

UNITED COMMUNITY BANKS, INC.

65,000 SHARES OF SERIES C CONVERTIBLE PREFERRED STOCK

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WARRANT TO PURCHASE \$65 MILLION  
OF COMMON STOCK EQUIVALENT JUNIOR PREFERRED STOCK

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RECENT DEVELOPMENTS

We have attached to this prospectus supplement, and incorporated by reference into it, our Quarterly Report on Form 10-Q for the period ended March 31, 2011, our Current Report Form 8-K filed with the Securities and Exchange Commission on April 22, 2011 and our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 31, 2011.

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June 6, 2011

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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 the Quarterly Period Ended March 31, 2011

OR

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-39095

UNITED COMMUNITY BANKS, INC.  
(Exact name of registrant as specified in its  
charter)

Georgia  
(State of Incorporation)

58-1807304  
(I.R.S. Employer Identification  
No.)

125 Highway 515  
East  
Blairsville, Georgia  
Address of Principal  
Executive Offices

30512  
(Zip Code)

(706) 781-2265  
(Telephone Number)

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  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

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

Large accelerated filer  Accelerated  
filer

Non-accelerated filer  (Do not check if a smaller reporting  
company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

YES  NO

Common stock, par value \$1 per share 104,568,558 shares  
outstanding as of April 30, 2011

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## Part I – Financial Information

## Item 1 – Financial Statements

UNITED COMMUNITY BANKS, INC.  
Consolidated Statement of Operations (Unaudited)

| (in thousands, except per share data)  | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2011                            | 2010      |
| Interest revenue:  |                                 |           |
| Loans, including fees  | \$ 61,107                       | \$ 72,215 |
| Investment securities, including tax exempt of \$259 and \$311                 | 13,604                          | 16,203    |
| Federal funds sold, commercial paper and deposits in banks                     | 819                             | 938       |
| Total interest revenue   | 75,530                          | 89,356    |
| Interest expense:  |                                 |           |
| Deposits:  |                                 |           |
| NOW  | 1,324                           | 1,854     |
| Money market   | 2,028                           | 1,757     |
| Savings  | 77                              | 84        |
| Time   | 11,732                          | 20,198    |
| Total deposit interest expense   | 15,161                          | 23,893    |
| Federal funds purchased, repurchase agreements and other short-term borrowings | 1,042                           | 1,038     |
| Federal Home Loan Bank advances  | 590                             | 977       |
| Long-term debt   | 2,780                           | 2,662     |
| Total interest expense   | 19,573                          | 28,570    |
| Net interest revenue   | 55,957                          | 60,786    |
| Provision for loan losses  | 190,000                         | 75,000    |
| Net interest expense after provision for loan losses                           | (134,043 )                      | (14,214 ) |
| Fee revenue:   |                                 |           |
| Service charges and fees   | 6,720                           | 7,447     |
| Mortgage loan and other related fees   | 1,494                           | 1,479     |
| Brokerage fees   | 677                             | 567       |
| Securities gains, net  | 55                              | 61        |
| Other  | 2,892                           | 2,112     |
| Total fee revenue  | 11,838                          | 11,666    |
| Total revenue  | (122,205 )                      | (2,548 )  |
| Operating expenses:  |                                 |           |
| Salaries and employee benefits   | 24,924                          | 24,360    |
| Communications and equipment   | 3,344                           | 3,273     |
| Occupancy  | 4,074                           | 3,814     |
| Advertising and public relations   | 978                             | 1,043     |
| Postage, printing and supplies   | 1,118                           | 1,225     |
| Professional fees  | 3,330                           | 1,943     |
| Foreclosed property  | 64,899                          | 10,813    |
| FDIC assessments and other regulatory charges                                  | 5,413                           | 3,626     |
| Amortization of intangibles  | 762                             | 802       |
| Other  | 6,429                           | 3,921     |
| Total operating expenses   | 115,271                         | 54,820    |

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|   |               |              |
|---|---------------|--------------|
| Loss from continuing operations before income taxes                 | (237,476 )    | (57,368 )    |
| Income tax benefit  | (94,990 )     | (22,910 )    |
| Net loss from continuing operations                                 | (142,486 )    | (34,458 )    |
| Loss from discontinued operations, net of income taxes              | -             | (101 )       |
| Gain from sale of subsidiary, net of income taxes and selling costs | -             | 1,266        |
| Net loss  | (142,486 )    | (33,293 )    |
| Preferred stock dividends and discount accretion                    | 2,778         | 2,572        |
| Net loss available to common shareholders                           | \$ (145,264 ) | \$ (35,865 ) |
| Loss from continuing operations per common share - Basic / Diluted  | \$ (1.57 )    | \$ (.39 )    |
| Loss per common share - Basic / Diluted                             | (1.57 )       | (.38 )       |
| Weighted average common shares outstanding - Basic / Diluted        | 92,330        | 94,390       |

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.  
Consolidated Balance Sheet

|   | March 31,<br>2011<br>(unaudited) | December<br>31,<br>2010<br>(audited) | March 31,<br>2010<br>(unaudited) |
|---|----------------------------------|--------------------------------------|----------------------------------|
| (in thousands, except share and per share data)                                 |                                  |                                      |                                  |
| <b>ASSETS</b>   |                                  |                                      |                                  |
| Cash and due from banks   | \$ 153,891                       | \$95,994                             | \$ 105,613                       |
| Interest-bearing deposits in banks  | 465,656                          | 111,901                              | 99,893                           |
| Federal funds sold, commercial paper and short-term investments                 | 470,087                          | 441,562                              | 183,049                          |
| Cash and cash equivalents   | 1,089,634                        | 649,457                              | 388,555                          |
| Securities available for sale   | 1,638,494                        | 1,224,417                            | 1,526,589                        |
| Securities held to maturity (fair value \$248,361 and \$267,988)                | 245,430                          | 265,807                              | -                                |
| Loans held for sale   | 80,629                           | -                                    | -                                |
| Mortgage loans held for sale  | 25,364                           | 35,908                               | 21,998                           |
| Loans, net of unearned income   | 4,194,372                        | 4,604,126                            | 4,992,045                        |
| Less allowance for loan losses  | 133,121                          | 174,695                              | 173,934                          |
| Loans, net  | 4,061,251                        | 4,429,431                            | 4,818,111                        |
| Assets covered by loss sharing agreements with the FDIC                         | 125,789                          | 131,887                              | 169,287                          |
| Premises and equipment, net   | 179,143                          | 178,239                              | 181,217                          |
| Accrued interest receivable   | 21,687                           | 24,299                               | 30,492                           |
| Goodwill and other intangible assets  | 10,684                           | 11,446                               | 224,394                          |
| Foreclosed property   | 54,378                           | 142,208                              | 136,275                          |
| Net deferred tax asset  | 266,367                          | 166,937                              | 92,986                           |
| Other assets  | 174,742                          | 183,160                              | 247,114                          |
| Total assets  | \$7,973,592                      | \$7,443,196                          | \$7,837,018                      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                     |                                  |                                      |                                  |
| <b>Liabilities:</b>   |                                  |                                      |                                  |
| <b>Deposits:</b>  |                                  |                                      |                                  |
| Demand  | \$864,708                        | \$793,414                            | \$740,727                        |
| NOW   | 1,320,136                        | 1,424,781                            | 1,344,973                        |
| Money market  | 967,938                          | 891,252                              | 729,283                          |
| Savings   | 193,591                          | 183,894                              | 186,699                          |
| Time:   |                                  |                                      |                                  |
| Less than \$100,000   | 1,576,505                        | 1,496,700                            | 1,643,059                        |
| Greater than \$100,000  | 990,289                          | 1,002,359                            | 1,132,034                        |
| Brokered  | 684,581                          | 676,772                              | 710,813                          |
| Total deposits  | 6,597,748                        | 6,469,172                            | 6,487,588                        |
| Federal funds purchased, repurchase agreements, and other short-term borrowings | 102,107                          | 101,067                              | 102,480                          |
| Federal Home Loan Bank advances   | 55,125                           | 55,125                               | 114,303                          |
| Long-term debt  | 150,166                          | 150,146                              | 150,086                          |
| Unsettled securities purchases  | 177,532                          | -                                    | 17,588                           |
| Accrued expenses and other liabilities  | 40,766                           | 32,171                               | 39,078                           |
| Total liabilities   | 7,123,444                        | 6,807,681                            | 6,911,123                        |
| <b>Shareholders' equity:</b>  |                                  |                                      |                                  |
| Preferred stock, \$1 par value; 10,000,000 shares authorized;                   |                                  |                                      |                                  |

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|  |             |             |             |
|--|-------------|-------------|-------------|
| Series A; \$10 stated value; 21,700 shares issued and outstanding  | 217         | 217         | 217         |
| Series B; \$1,000 stated value; 180,000 shares issued and outstanding  | 176,049     | 175,711     | 174,727     |
| Series D; \$1,000 stated value; 16,613 shares issued and outstanding   | 16,613      | -           | -           |
| Series F; \$1,000 stated value; 195,872 shares issued and outstanding  | 195,872     | -           | -           |
| Series G; \$1,000 stated value; 151,185 shares issued and outstanding  | 151,185     | -           | -           |
| Common stock, \$1 par value; 200,000,000 shares authorized;<br>104,515,553, 94,685,003 and 94,175,857 shares issued and<br>outstanding | 104,516     | 94,685      | 94,176      |
| Common stock issuable; 397,138, 336,437 and 262,002 shares   | 3,681       | 3,894       | 4,127       |
| Capital surplus  | 655,350     | 665,496     | 622,803     |
| Accumulated deficit  | (480,831 )  | (335,567 )  | (15,481 )   |
| Accumulated other comprehensive income   | 27,496      | 31,079      | 45,326      |
| Total shareholders' equity   | 850,148     | 635,515     | 925,895     |
| Total liabilities and shareholders' equity   | \$7,973,592 | \$7,443,196 | \$7,837,018 |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Shareholders'  
Equity (Unaudited)  
For the Three Months  
Ended March 31,

| (in thousands,<br>except share<br>and per share<br>data)  | Preferred Stock |             |             |             |             | Series<br>G | Common          |           |           | (Accumulated) | (Accumulated) |
|---|-----------------|-------------|-------------|-------------|-------------|-------------|-----------------|-----------|-----------|---------------|---------------|
|   | Series<br>A     | Series<br>B | Series<br>D | Series<br>F | Series<br>G |             | Common<br>Stock | Capital   | Retained  | Deficit)      | Other         |
| Balance,<br>December 31,<br>2009  | \$217           | \$174,408   | \$-         | \$-         | \$-         | \$94,046    | \$3,597         | \$622,034 | \$20,384  | \$47,635      | \$            |
| Comprehensive<br>income:  |                 |             |             |             |             |             |                 |           |           |               |               |
| Net loss  |                 |             |             |             |             |             |                 |           | (33,293 ) |               |               |
| Other<br>comprehensive<br>income (loss):  |                 |             |             |             |             |             |                 |           |           |               |               |
| Unrealized<br>holding gains<br>on<br>available<br>for sale<br>securities,<br>net of<br>deferred tax<br>expense<br>and<br>reclassification<br>adjustment |                 |             |             |             |             |             |                 |           |           |               | 783           |
| Unrealized losses<br>on derivative<br>financial<br>instruments qualifying<br>as cash<br>flow hedges, net<br>of<br>deferred<br>tax benefit               |                 |             |             |             |             |             |                 |           |           |               | (3,092 )      |
| Comprehensive<br>loss   |                 |             |             |             |             |             |                 |           | (33,293 ) | (2,309 )      |               |
| Common stock issued<br>to dividend<br>Reinvestment<br>plan and employee   |                 |             |             |             |             |             |                 |           |           |               |               |

|  |       |           |     |     |     |          |         |           |             |          |
|--|-------|-----------|-----|-----|-----|----------|---------|-----------|-------------|----------|
| benefit plans (125,021 shares)   |       |           |     |     |     | 124      |         | 387       |             |          |
| Amortization of stock option and restricted stock  |       |           |     |     |     |          |         | 832       |             |          |
| Vesting of restricted stock (12,447 shares issued, 16,162 shares deferred)   |       |           |     |     |     | 6        | 444     | (450 )    |             |          |
| Deferred compensation plan, net, including dividend equivalents  |       |           |     |     |     |          | 86      |           |             |          |
| Dividends on Series A preferred stock  |       |           |     |     |     |          |         |           | (3 )        |          |
| Dividends on Series B preferred stock  | 319   |           |     |     |     |          |         |           | (2,569 )    |          |
| Balance, March 31, 2010  | \$217 | \$174,727 | \$- | \$- | \$- | \$94,176 | \$4,127 | \$622,803 | \$(15,481 ) | \$45,326 |
| Balance, December 31, 2010   | \$217 | \$175,711 | \$- | \$- | \$- | \$94,685 | \$3,894 | \$665,496 | \$(335,567) | \$31,079 |
| Comprehensive loss:  |       |           |     |     |     |          |         |           |             |          |
| Net loss   |       |           |     |     |     |          |         |           | (142,486)   |          |
| Other comprehensive loss:  |       |           |     |     |     |          |         |           |             |          |
| Unrealized holding gains on available for sale securities, net of deferred tax expense and reclassification adjustment |       |           |     |     |     |          |         |           |             | (1,003 ) |
| Unrealized losses on derivative financial instruments qualifying   |       |           |     |     |     |          |         |           |             |          |

|                        |        |         |          |           |          |
|------------------------|--------|---------|----------|-----------|----------|
| as cash                |        |         |          |           |          |
| flow hedges, net       |        |         |          |           |          |
| of                     |        |         |          |           |          |
| deferred               |        |         |          |           |          |
| tax benefit            |        |         |          |           | (2,580 ) |
| Comprehensive          |        |         |          |           |          |
| loss                   |        |         |          | (142,486) | (3,583 ) |
| Preferred for common   |        |         |          |           |          |
| equity exchange        |        |         |          |           |          |
| related to tax         |        |         |          |           |          |
| benefits preservation  |        |         |          |           |          |
| plan (7,755,631        |        |         |          |           |          |
| common shares)         | 16,613 |         | (7,756 ) | (8,857 )  |          |
| Common stock issued    |        |         |          |           |          |
| to dividend            |        |         |          |           |          |
| reinvestment plan      |        |         |          |           |          |
| and employee           |        |         |          |           |          |
| benefit plans          |        |         |          |           |          |
| (230,096 shares)       |        |         | 232      | 143       |          |
| Common and             |        |         |          |           |          |
| preferred stock issued |        |         |          |           |          |
| (17,338,497            |        |         |          |           |          |
| common shares)         |        | 195,872 | 151,185  | 17,338    | (1,866 ) |
| Amortization of stock  |        |         |          |           |          |
| options and            |        |         |          |           |          |
| restricted             |        |         |          |           |          |
| stock awards           |        |         |          |           | 549      |
| Vesting of             |        |         |          |           |          |
| restricted stock       |        |         |          |           |          |
| (7,097                 |        |         |          |           |          |
| shares                 |        |         |          |           |          |
| issued, 31,910         |        |         |          |           |          |
| shares                 |        |         |          |           |          |
| deferred)              |        |         |          |           |          |
| Deferred               |        |         |          |           |          |
| compensation plan,     |        |         |          |           |          |
| net,                   |        |         |          |           |          |
| including              |        |         |          |           |          |
| dividend equivalents   |        |         |          |           | 65       |
| Shares issued          |        |         |          |           |          |
| from deferred          |        |         |          |           |          |
| compensation           |        |         |          |           |          |
| plan (10,491 shares)   |        |         |          |           |          |
| Tax on option exercise |        |         |          |           |          |
| and restricted         |        |         |          |           |          |
| stock                  |        |         |          |           |          |
| vesting                |        |         |          |           | (376 )   |
| Dividends on Series A  |        |         |          |           |          |
| preferred stock        |        |         |          |           | (3 )     |
| Dividends on Series B  |        |         |          |           |          |
| preferred stock        | 338    |         |          |           | (2,602 ) |

Dividends on  
 Series D  
 preferred stock  
 Balance, March  
 31, 2011

|       |           |          |           |           |           |         |           |             |          |    |
|-------|-----------|----------|-----------|-----------|-----------|---------|-----------|-------------|----------|----|
|       |           |          |           |           |           |         |           |             | (173 )   |    |
| \$217 | \$176,049 | \$16,613 | \$195,872 | \$151,185 | \$104,516 | \$3,681 | \$655,350 | \$(480,831) | \$27,496 | \$ |

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.  
Consolidated Statement of Cash Flows (Unaudited)

| (in thousands)  | Three Months Ended<br>March 31, |              |
|---|---------------------------------|--------------|
|   | 2011                            | 2010         |
| Operating activities:   |                                 |              |
| Net loss  | \$ (142,486 )                   | \$ (33,293 ) |
| Adjustments to reconcile net loss to net cash provided by operating activities:               |                                 |              |
| Depreciation, amortization and accretion  | 4,743                           | 3,814        |
| Provision for loan losses   | 190,000                         | 75,000       |
| Stock based compensation  | 549                             | 832          |
| Securities gains, net   | (55 )                           | (61 )        |
| Losses and write downs on sales of other real estate owned                                    | 60,605                          | 8,097        |
| Gain from sale of subsidiary  | -                               | (2,110 )     |
| Changes in assets and liabilities:  |                                 |              |
| Other assets and accrued interest receivable  | (90,321 )                       | (11,557 )    |
| Accrued expenses and other liabilities  | 6,518                           | (4,956 )     |
| Mortgage loans held for sale  | 10,544                          | 8,228        |
| Net cash provided by operating activities   | 40,097                          | 43,994       |
| Investing activities:   |                                 |              |
| Investment securities held to maturity:   |                                 |              |
| Proceeds from maturities and calls  | 21,116                          | -            |
| Purchases   | (1,500 )                        | -            |
| Investment securities available for sale:   |                                 |              |
| Proceeds from sales   | 51,240                          | 40,817       |
| Proceeds from maturities and calls  | 116,175                         | 200,578      |
| Purchases   | (405,979 )                      | (219,354 )   |
| Net decrease in loans   | 93,949                          | 65,889       |
| Proceeds from sales of premises and equipment   | 160                             | 8            |
| Purchases of premises and equipment   | (3,604 )                        | (2,024 )     |
| Net cash received from sale of subsidiary   | -                               | 290          |
| Proceeds from sale of other real estate   | 36,003                          | 21,692       |
| Net cash (used in) provided by investing activities   | (92,440 )                       | 107,896      |
| Financing activities:   |                                 |              |
| Net change in deposits  | 128,576                         | (139,051 )   |
| Net change in federal funds purchased, repurchase agreements, and other short-term borrowings | 1,040                           | 1,091        |
| Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans   | 375                             | 511          |
| Proceeds from issuance of common and preferred stock, net of offering costs                   | 362,529                         | -            |
| Cash dividends on preferred stock   | -                               | (2,253 )     |
| Net cash provided by (used in) financing activities   | 492,520                         | (139,702 )   |
| Net change in cash and cash equivalents   | 440,177                         | 12,188       |

|  |              |            |
|--|--------------|------------|
| Cash and cash equivalents at beginning of period   | 649,457      | 376,367    |
| Cash and cash equivalents at end of period         | \$ 1,089,634 | \$ 388,555 |
| Supplemental disclosures of cash flow information: |              |            |
| Cash paid during the period for:                   |              |            |
| Interest   | \$ 17,936    | \$ 33,283  |
| Income taxes                                       | 1,287        | 767        |
| Unsettled securities purchases                     | 177,532      | 17,588     |

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 1 – Accounting Policies

The accounting and financial reporting policies of United Community Banks, Inc. (“United”) and its subsidiaries conform to accounting principles generally accepted in the United States of America (“GAAP”) and general banking industry practices. The accompanying interim consolidated financial statements have not been audited. All material intercompany balances and transactions have been eliminated. A more detailed description of United’s accounting policies is included in the 2010 annual report filed on Form 10-K.

In management’s opinion, all accounting adjustments necessary to accurately reflect the financial position and results of operations on the accompanying financial statements have been made. These adjustments are normal and recurring accruals considered necessary for a fair and accurate presentation. The results for interim periods are not necessarily indicative of results for the full year or any other interim periods.

Foreclosed property is initially recorded at fair value, less estimated costs to sell. If the fair value, less estimated costs to sell at the time of foreclosure, is less than the loan balance, the deficiency is charged against the allowance for loan losses. If the fair value, less cost to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to operating expenses. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property. Financed sales of foreclosed property are accounted for in accordance with the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification Topic 360, Subtopic 20, Real Estate Sales (“ASC 360-20”).

Note 2 – Accounting Standards Updates

In April 2011, the FASB issued Accounting Standards Update No. 2011-02, A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring (“ASU No. 2011-02”). ASU No. 2011-02 requires a creditor to separately conclude that 1.) the restructuring constitutes a concession and 2.) the debtor is experiencing financial difficulties in order for a modification to be considered a troubled debt restructuring (“TDR”). The guidance was issued to provide clarification and to address diversity in practice in identifying TDR’s. It is effective for United in the third quarter of 2011 and will be applied retrospectively to the beginning of the year. Although evaluation of the impact is not complete, it is not expected to have a material impact on United’s results of operations, financial position, or disclosures.

In April 2011, the FASB issued Accounting Standards Update No. 2011-03, Reconsideration of Effective Control in Repurchase Agreements (“ASU No. 2011-03”). ASU No. 2011-03 removes from the assessment of effective control the criterion related to the transferor’s ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee. In addition, this guidance also eliminates the requirement to demonstrate that a transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets. It is effective for United for the first quarter of 2012, and is not expected to have a material impact on United’s results of operations, financial position, or disclosures.

Note 3 – Mergers and Acquisitions

On June 19, 2009, United Community Bank (“UCB” or the “Bank”) purchased substantially all the assets and assumed substantially all the liabilities of Southern Community Bank (“SCB”) from the Federal Deposit Insurance Corporation (“FDIC”), as Receiver of SCB. UCB and the FDIC entered loss sharing agreements regarding future losses incurred on loans and foreclosed loan collateral existing at June 19, 2009. Under the terms of the loss sharing agreements, the

FDIC will absorb 80 percent of losses and share 80 percent of loss recoveries on the first \$109 million of losses and, absorb 95 percent of losses and share in 95 percent of loss recoveries on losses exceeding \$109 million. The term for loss sharing on 1-4 Family loans is ten years, while the term for loss sharing on all other loans is five years.

Under the loss sharing agreement, the portion of the losses expected to be indemnified by FDIC is considered an indemnification asset in accordance with ASC 805 Business Combinations. The indemnification asset, referred to as “estimated loss reimbursement from the FDIC” is included in the balance of “Assets covered by loss sharing agreements with the FDIC” on the Consolidated Balance Sheet. The indemnification asset was recognized at fair value, which was estimated at the acquisition date based on the terms of the loss sharing agreement. The indemnification asset is expected to be collected over a four-year average life. No valuation allowance was required.

Loans, foreclosed property and the estimated FDIC reimbursement resulting from the loss sharing agreements with the FDIC are reported as “assets covered by loss sharing agreements with the FDIC” in the consolidated balance sheet.

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The table below shows the components of covered assets at March 31, 2011 (in thousands).

| (in thousands)                             | Purchased<br>Impaired<br>Loans | Other<br>Purchased<br>Loans | Other    | Total     |
|--|--------------------------------|-----------------------------|----------|-----------|
| Commercial (secured by real estate)        | \$-                            | \$35,129                    | \$-      | \$35,129  |
| Commercial (commercial and industrial)     | -                              | 3,478                       | -        | 3,478     |
| Construction and land development          | 1,644                          | 13,335                      | -        | 14,979    |
| Residential mortgage                       | 145                            | 9,322                       | -        | 9,467     |
| Installment                                | 7                              | 229                         | -        | 236       |
| Total covered loans                        | 1,796                          | 61,493                      | -        | 63,289    |
| Covered foreclosed property                | -                              | -                           | 30,833   | 30,833    |
| Estimated loss reimbursement from the FDIC | -                              | -                           | 31,667   | 31,667    |
| Total covered assets                       | \$1,796                        | \$61,493                    | \$62,500 | \$125,789 |

#### Note 4 – Securities

During the second quarter of 2010, securities available for sale with a fair value of \$315 million were transferred to held to maturity. The securities were transferred at their fair value on the date of transfer. The unrealized gain of \$7.1 million on the transferred securities on the date of transfer is being amortized into interest revenue as an adjustment to the yield on those securities over the remaining life of the transferred securities. Securities are classified as held to maturity when management has the positive intent and ability to hold them until maturity. Securities held to maturity are carried at amortized cost.

The amortized cost, gross unrealized gains and losses and fair value of securities held to maturity at March 31, 2011 and December 31, 2010, are as follows (in thousands). There were no securities classified as held to maturity at March 31, 2010.

|                                  | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|----------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| As of March 31, 2011             |                   |                              |                               |               |
| U.S. Government agencies         | \$4,989           | \$12                         | \$-                           | \$5,001       |
| State and political subdivisions | 48,497            | 616                          | 731                           | 48,382        |
| Mortgage-backed securities (1)   | 191,944           | 3,041                        | 7                             | 194,978       |
| Total                            | \$245,430         | \$3,669                      | \$738                         | \$248,361     |
| As of December 31, 2010          |                   |                              |                               |               |
| U.S. Government agencies         | \$11,939          | \$79                         | \$-                           | \$12,018      |
| State and political subdivisions | 47,007            | 416                          | 1,005                         | 46,418        |
| Mortgage-backed securities (1)   | 206,861           | 2,700                        | 9                             | 209,552       |
| Total                            | \$265,807         | \$3,195                      | \$1,014                       | \$267,988     |

(1) All are residential type mortgage-backed securities



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The cost basis, unrealized gains and losses, and fair value of securities available for sale at March 31, 2011, December 31, 2010 and March 31, 2010 are presented below (in thousands).

|                                  | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|----------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| As of March 31, 2011             |                   |                              |                               |               |
| U.S. Government agencies         | \$94,966          | \$16                         | \$1,204                       | \$93,778      |
| State and political subdivisions | 26,870            | 983                          | 20                            | 27,833        |
| Mortgage-backed securities (1)   | 1,388,702         | 27,617                       | 1,474                         | 1,414,845     |
| Other                            | 103,408           | 150                          | 1,520                         | 102,038       |
| Total                            | \$1,613,946       | \$28,766                     | \$4,218                       | \$1,638,494   |
| As of December 31, 2010          |                   |                              |                               |               |
| U.S. Government agencies         | \$99,969          | \$67                         | \$1,556                       | \$98,480      |
| State and political subdivisions | 27,600            | 878                          | 36                            | 28,442        |
| Mortgage-backed securities (1)   | 963,475           | 29,204                       | 1,671                         | 991,008       |
| Other                            | 107,811           | 192                          | 1,516                         | 106,487       |
| Total                            | \$1,198,855       | \$30,341                     | \$4,779                       | \$1,224,417   |
| As of March 31, 2010             |                   |                              |                               |               |
| U.S. Government agencies         | \$306,916         | \$553                        | \$891                         | \$306,578     |
| State and political subdivisions | 63,175            | 1,450                        | 81                            | 64,544        |
| Mortgage-backed securities (1)   | 1,101,456         | 41,754                       | 1,031                         | 1,142,179     |
| Other                            | 13,006            | 290                          | 8                             | 13,288        |
| Total                            | \$1,484,553       | \$44,047                     | \$2,011                       | \$1,526,589   |

(1) All are residential type mortgage-backed securities

The following table summarizes held to maturity securities in an unrealized loss position as of March 31, 2011 and December 31, 2010 (in thousands).

|                                  | Less than 12 Months |                    | 12 Months or More |                    | Total      |                    |
|----------------------------------|---------------------|--------------------|-------------------|--------------------|------------|--------------------|
|                                  | Fair Value          | Unrealized<br>Loss | Fair Value        | Unrealized<br>Loss | Fair Value | Unrealized<br>Loss |
| As of March 31, 2011             |                     |                    |                   |                    |            |                    |
| State and political subdivisions | \$21,313            | \$731              | \$-               | \$-                | \$21,313   | \$731              |
| Mortgage-backed securities       | 1,942               | 7                  | -                 | -                  | 1,942      | 7                  |
| Total unrealized loss position   | \$23,255            | \$738              | \$-               | \$-                | \$23,255   | \$738              |
| As of December 31, 2010          |                     |                    |                   |                    |            |                    |
| State and political subdivisions | \$28,949            | \$1,005            | \$-               | \$-                | \$28,949   | \$1,005            |
| Mortgage-backed securities       | 1,951               | 9                  | -                 | -                  | 1,951      | 9                  |
| Total unrealized loss position   | \$30,900            | \$1,014            | \$-               | \$-                | \$30,900   | \$1,014            |



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The following table summarizes available for sale securities in an unrealized loss position as of March 31, 2011, December 31, 2010 and March 31, 2010 (in thousands).

|                                  | Less than 12 Months |                 | 12 Months or More |                 | Total      |                 |
|----------------------------------|---------------------|-----------------|-------------------|-----------------|------------|-----------------|
|                                  | Fair Value          | Unrealized Loss | Fair Value        | Unrealized Loss | Fair Value | Unrealized Loss |
| As of March 31, 2011             |                     |                 |                   |                 |            |                 |
| U.S. Government agencies         | \$73,763            | \$1,204         | \$-               | \$-             | \$73,763   | \$1,204         |
| State and political subdivisions | 1,098               | 15              | 11                | 5               | 1,109      | 20              |
| Mortgage-backed securities       | 292,379             | 1,474           | -                 | -               | 292,379    | 1,474           |
| Other                            | 79,386              | 1,520           | -                 | -               | 79,386     | 1,520           |
| Total unrealized loss position   | \$446,626           | \$4,213         | \$11              | \$5             | \$446,637  | \$4,218         |
| As of December 31, 2010          |                     |                 |                   |                 |            |                 |
| U.S. Government agencies         | \$68,412            | \$1,556         | \$-               | \$-             | \$68,412   | \$1,556         |
| State and political subdivisions | 1,082               | 30              | 12                | 6               | 1,094      | 36              |
| Mortgage-backed securities       | 59,505              | 1,630           | 2,799             | 41              | 62,304     | 1,671           |
| Other                            | 69,985              | 1,516           | -                 | -               | 69,985     | 1,516           |
| Total unrealized loss position   | \$198,984           | \$4,732         | \$2,811           | \$47            | \$201,795  | \$4,779         |
| As of March 31, 2010             |                     |                 |                   |                 |            |                 |
| U.S. Government agencies         | \$138,233           | \$891           | \$-               | \$-             | \$138,233  | \$891           |
| State and political subdivisions | 2,035               | 15              | 3,191             | 66              | 5,226      | 81              |
| Mortgage-backed securities       | 20,382              | 151             | 34,358            | 880             | 54,740     | 1,031           |
| Other                            | -                   | -               | 500               | 8               | 500        | 8               |
| Total unrealized loss position   | \$160,650           | \$1,057         | \$38,049          | \$954           | \$198,699  | \$2,011         |

At March 31, 2011, there were 38 available for sale securities and 26 held to maturity securities that were in an unrealized loss position. United does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of their amortized cost basis. Unrealized losses at March 31, 2011 were primarily attributable to changes in interest rates.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analyst's reports. During the first quarter of 2010, United recorded impairment losses of \$950,000 on investments in financial institutions that showed evidence of other-than-temporary impairment. No impairment losses were identified in the first quarter of 2011.

Realized gains and losses are derived using the specific identification method for determining the cost of securities sold. The following table summarizes securities sales activity for the three-month periods ended March 31, 2011 and 2010 (in thousands).

Three Months Ended  
March 31,

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|  | 2011      | 2010      |
|--|-----------|-----------|
| Proceeds from sales                      | \$ 51,240 | \$ 40,817 |
| Gross gains on sales                     | \$ 331    | \$ 1,260  |
| Gross losses on sales                    | (276 )    | (249 )    |
| Impairment losses                        | -         | (950 )    |
| Net gains on sales of securities         | \$ 55     | \$ 61     |
| Income tax expense attributable to sales | \$ 21     | \$ 24     |

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
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Securities with a carrying value of \$1.83 billion, \$1.43 billion, and \$1.48 billion were pledged to secure public deposits, FHLB advances and other secured borrowings at March 31, 2011, December 31, 2010 and March 31, 2010.

The amortized cost and fair value of held to maturity and available for sale securities at March 31, 2011, by contractual maturity, are presented in the following table (in thousands).

|   | Available for Sale |             | Held to Maturity  |            |
|---|--------------------|-------------|-------------------|------------|
|   | Amortized<br>Cost  | Fair Value  | Amortized<br>Cost | Fair Value |
| U.S. Government agencies:                               |                    |             |                   |            |
| 5 to 10 years   | \$81,387           | \$80,729    | \$-               | \$-        |
| More than 10 years                                      | 13,579             | 13,049      | -                 | -          |
|   | 94,966             | 93,778      | -                 | -          |
| State and political subdivisions:                       |                    |             |                   |            |
| Within 1 year   | 5,265              | 5,344       | -                 | -          |
| 1 to 5 years  | 13,946             | 14,523      | -                 | -          |
| 5 to 10 years   | 6,311              | 6,595       | 4,989             | 5,001      |
| More than 10 years                                      | 1,348              | 1,371       | -                 | -          |
|   | 26,870             | 27,833      | 4,989             | 5,001      |
| Other:  |                    |             |                   |            |
| 1 to 5 years  | 9,906              | 9,785       | 1,002             | 990        |
| 5 to 10 years   | 90,050             | 89,501      | 22,040            | 22,269     |
| More than 10 years                                      | 3,452              | 2,752       | 25,455            | 25,123     |
|   | 103,408            | 102,038     | 48,497            | 48,382     |
| Total securities other than mortgage-backed securities: |                    |             |                   |            |
| Within 1 year   | 5,265              | 5,344       | -                 | -          |
| 1 to 5 years  | 23,852             | 24,308      | 1,002             | 990        |
| 5 to 10 years   | 177,748            | 176,825     | 27,029            | 27,270     |
| More than 10 years                                      | 18,379             | 17,172      | 25,455            | 25,123     |
| Mortgage-backed securities                              | 1,388,702          | 1,414,845   | 191,944           | 194,978    |
|   | \$1,613,946        | \$1,638,494 | \$245,430         | \$248,361  |

Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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## Note 5 – Loans and Allowance for Loan Losses

Major classifications of loans as of March 31, 2011, December 31, 2010 and March 31, 2010, are summarized as follows (in thousands).

|  | March 31,<br>2011 | December 31,<br>2010 | March 31,<br>2010 |
|--|-------------------|----------------------|-------------------|
| Commercial (secured by real estate)    | \$ 1,692,154      | \$ 1,761,424         | \$ 1,765,204      |
| Commercial construction                | 213,177           | 296,582              | 357,188           |
| Commercial (commercial and industrial) | 431,473           | 441,518              | 380,331           |
| Total commercial                       | 2,336,804         | 2,499,524            | 2,502,723         |
| Residential construction               | 549,618           | 695,166              | 960,372           |
| Residential mortgage                   | 1,186,531         | 1,278,780            | 1,390,270         |
| Consumer installment                   | 121,419           | 130,656              | 138,680           |
| Total loans                            | 4,194,372         | 4,604,126            | 4,992,045         |
| Less allowance for loan losses         | 133,121           | 174,695              | 173,934           |
| Loans, net                             | \$ 4,061,251      | \$ 4,429,431         | \$ 4,818,111      |

The Bank makes loans and extensions of credit to individuals and a variety of firms and corporations located primarily in counties in north Georgia, the Atlanta, Georgia MSA, the Gainesville, Georgia MSA, coastal Georgia, western North Carolina and east Tennessee. Although the Bank has a diversified loan portfolio, a substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market.

Changes in the allowance for loan losses for the three months ended March 31, 2011 and 2010 are summarized as follows (in thousands).

|  | Three Months Ended<br>March 31, |            |
|--|---------------------------------|------------|
|  | 2011                            | 2010       |
| Balance beginning of period            | \$ 174,695                      | \$ 155,602 |
| Provision for loan losses              | 190,000                         | 75,000     |
| Charge-offs:                           |                                 |            |
| Commercial (secured by real estate)    | 48,707                          | 2,936      |
| Commercial construction                | 49,715                          | 2,211      |
| Commercial (commercial and industrial) | 4,362                           | 4,554      |
| Residential construction               | 92,255                          | 44,190     |
| Residential mortgage                   | 36,676                          | 4,640      |
| Consumer installment                   | 1,096                           | 1,129      |
| Total loans charged-off                | 232,811                         | 59,660     |
| Recoveries:                            |                                 |            |
| Commercial (secured by real estate)    | 100                             | 972        |
| Commercial construction                | -                               | 5          |
| Commercial (commercial and industrial) | 322                             | 444        |
| Residential construction               | 117                             | 1,090      |
| Residential mortgage                   | 293                             | 89         |

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|                       |            |            |
|-----------------------|------------|------------|
| Consumer installment  | 405        | 392        |
| Total recoveries      | 1,237      | 2,992      |
| Net charge-offs       | 231,574    | 56,668     |
| Balance end of period | \$ 133,121 | \$ 173,934 |

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At March 31, 2011, December 31, 2010 and March 31, 2010, loans with a carrying value of \$857 million, \$1.02 billion and \$1.56 billion were pledged as collateral to secure FHLB advances and other contingent funding sources.

The following table presents the balance and activity in the allowance for loan losses by portfolio segment and the recorded investment in loans by portfolio segment based on impairment method as of March 31, 2011, December 31, 2010 and March 31, 2010 (in thousands).

|  | Commercial<br>(Secured<br>by Real<br>Estate) | Commercial<br>Construction | Commercial<br>and<br>Industrial | Residential<br>Construction | Residential<br>Mortgage | Consumer<br>Installments | Unallocated |
|--|--|----------------------------|---------------------------------|-----------------------------|-------------------------|--------------------------|-------------|
| <b>Three Months Ended March 31, 2011</b> |  |                            |                                 |                             |                         |                          |             |
| Allowance for loan losses:               |  |                            |                                 |                             |                         |                          |             |
| Beginning balance                        | \$31,191                                     | \$6,780                    | \$7,580                         | \$92,571                    | \$22,305                | \$3,030                  | \$11,238    |
| Charge-offs                              | (46,101 )                                    | (24,158 )                  | (4,363 )                        | (119,874)                   | (37,220 )               | (1,095 )                 | -           |
| Recoveries                               | 100  | -                          | 322                             | 117                         | 293                     | 405                      | -           |
| Provision                                | 35,069                                       | 23,359                     | 4,048                           | 89,706                      | 39,751                  | 216                      | (2,149 )    |
| Ending balance                           | \$20,259                                     | \$5,981                    | \$7,587                         | \$62,520                    | \$25,129                | \$2,556                  | \$9,089     |
| Ending allowance attributable to loans:  |  |                            |                                 |                             |                         |                          |             |
| Individually evaluated for impairment    | \$-  | \$-                        | \$-                             | \$-                         | \$-                     | \$-                      | \$-         |
| Collectively evaluated for impairment    | 20,259                                       | 5,981                      | 7,587                           | 62,520                      | 25,129                  | 2,556                    | 9,089       |
| Total ending allowance balance           | \$20,259                                     | \$5,981                    | \$7,587                         | \$62,520                    | \$25,129                | \$2,556                  | \$9,089     |
| Loans:                                   |  |                            |                                 |                             |                         |                          |             |
| Individually evaluated for impairment    | \$17,154                                     | \$3,624                    | \$-                             | \$22,667                    | \$5,157                 | \$-                      | \$-         |
| Collectively evaluated for impairment    | 1,675,000                                    | 209,553                    | 431,473                         | 526,951                     | 1,181,374               | 121,419                  | -           |
| Total loans                              | \$1,692,154                                  | \$213,177                  | \$431,473                       | \$549,618                   | \$1,186,531             | \$121,419                | \$-         |
| <b>December 31, 2010</b>                 |  |                            |                                 |                             |                         |                          |             |
| Allowance for loan losses:               |  |                            |                                 |                             |                         |                          |             |
| Ending allowance attributable to loans:  |  |                            |                                 |                             |                         |                          |             |
| Individually evaluated for impairment    | \$268  | \$-                        | \$-                             | \$644                       | \$137                   | \$-                      | \$-         |
| Collectively evaluated for impairment    | 30,923                                       | 6,780                      | 7,580                           | 91,927                      | 22,168                  | 3,030                    | 11,238      |
| Total ending allowance balance           | \$31,191                                     | \$6,780                    | \$7,580                         | \$92,571                    | \$22,305                | \$3,030                  | \$11,238    |
| Loans:                                   |  |                            |                                 |                             |                         |                          |             |
| Individually evaluated for impairment    | \$41,818                                     | \$20,311                   | \$5,874                         | \$39,505                    | \$15,468                | \$-                      | \$-         |
| Collectively evaluated for impairment    | 1,719,606                                    | 276,271                    | 435,644                         | 655,661                     | 1,263,312               | 130,656                  | -           |
| Total loans                              | \$1,761,424                                  | \$296,582                  | \$441,518                       | \$695,166                   | \$1,278,780             | \$130,656                | \$-         |
| <b>Three Months Ended March 31, 2010</b> |  |                            |                                 |                             |                         |                          |             |
| Allowance for loan losses:               |  |                            |                                 |                             |                         |                          |             |
| Beginning balance                        | \$19,208                                     | \$5,861                    | \$6,892                         | \$93,585                    | \$17,266                | \$2,545                  | \$10,245    |
| Charge-offs                              | (2,936 )                                     | (2,211 )                   | (4,554 )                        | (44,190 )                   | (4,640 )                | (1,129 )                 | -           |
| Recoveries                               | 972  | 5                          | 444                             | 1,090                       | 89                      | 392                      | -           |
| Provision                                | 4,564  | 4,772                      | 3,898                           | 53,349                      | 6,642                   | 1,086                    | 689         |
| Ending balance                           | \$21,808                                     | \$8,427                    | \$6,680                         | \$103,834                   | \$19,357                | \$2,894                  | \$10,934    |
| Ending allowance attributable to loans:  |  |                            |                                 |                             |                         |                          |             |
| Individually evaluated for impairment    | \$1,272                                      | \$627                      | \$-                             | \$4,398                     | \$529                   | \$6                      | \$-         |
| Collectively evaluated for impairment    | 20,536                                       | 7,800                      | 6,680                           | 99,436                      | 18,828                  | 2,888                    | 10,934      |

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|                                       |             |           |           |           |             |           |          |
|---------------------------------------|-------------|-----------|-----------|-----------|-------------|-----------|----------|
| Total ending allowance balance        | \$21,808    | \$8,427   | \$6,680   | \$103,834 | \$19,357    | \$2,894   | \$10,934 |
| Loans:                                |             |           |           |           |             |           |          |
| Individually evaluated for impairment | \$38,519    | \$22,268  | \$-       | \$131,249 | \$22,056    | \$941     | \$-      |
| Collectively evaluated for impairment | 1,726,685   | 334,920   | 380,331   | 829,123   | 1,368,214   | 137,739   | -        |
| Total loans                           | \$1,765,204 | \$357,188 | \$380,331 | \$960,372 | \$1,390,270 | \$138,680 | \$-      |

United reviews all loans that are on nonaccrual with a balance of \$500,000 or greater for impairment. A loan is considered impaired when, based on current events and circumstances, it is probable that all amounts due, according to the contractual terms of the loan, will not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Interest payments received on impaired loans are applied as a reduction of the outstanding principal balance.

In the first quarter 2011, following the completion of a transaction to raise \$380 million in new capital, United's Board of Directors adopted an asset disposition plan which included the bulk sale of \$267 million in classified loans. Those loans were classified as held for sale at the end of the first quarter and were written down to the expected proceeds from the sale. The charge-offs on the loans transferred to held for sale in anticipation of the bulk loan sale which closed on April 18, 2011, increased first quarter 2011 loan charge offs by \$186 million.

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Individually evaluated impaired loans at March 31, 2011, December 31, 2010 and March 31, 2010 were as follows (in thousands).

|  | March 31,<br>2011 | December 31,<br>2010 | March 31,<br>2010 |
|--|-------------------|----------------------|-------------------|
| Period-end loans with no allocated allowance for loan losses | \$ 48,602         | \$ 115,338           | \$ 158,559        |
| Period-end loans with allocated allowance for loan losses    | -                 | 7,638                | 56,474            |
| Total  | \$ 48,602         | \$ 122,976           | \$ 215,033        |
| <br>Amount of allowance for loan losses allocated            | <br>\$ -          | <br>\$ 1,049         | <br>\$ 6,832      |

The average balances of impaired loans and income recognized on impaired loans while they were considered impaired is presented below for the three months ended March 31, 2011 and March 31, 2010 (in thousands).

|  | Three Months<br>Ended<br>March 31,<br>2011 | 2010       |
|--|--|------------|
| Average balance of individually evaluated impaired loans during period | \$ 95,163                                  | \$ 210,854 |
| Interest income recognized during impairment                           | -  | -          |
| Cash-basis interest income recognized                                  | -  | -          |

The following table presents loans individually evaluated for impairment by class of loans as of March 31, 2011, December 31, 2010 and March 31, 2010 (in thousands).

|                                     | March 31, 2011                 |   |                                | December 31, 2010              |   |                                | March 31, 2010                                |                                |   |
|-------------------------------------|--------------------------------|---|--------------------------------|--------------------------------|---|--------------------------------|---|--------------------------------|---|
|                                     | Unpaid<br>Principal<br>Balance | Allowance<br>for<br>Recorded<br>Investment<br>Losses<br>Allocated | Unpaid<br>Principal<br>Balance | Unpaid<br>Principal<br>Balance | Allowance<br>for<br>Recorded<br>Investment<br>Losses<br>Allocated | Unpaid<br>Principal<br>Balance | Recorded<br>Investment<br>Losses<br>Allocated | Unpaid<br>Principal<br>Balance | Allowance<br>for<br>Recorded<br>Investment<br>Losses<br>Allocated |
| With no related allowance recorded: |                                |   |                                |                                |   |                                |   |                                |   |
| Commercial (secured by real estate) | \$ 27,811                      | \$ 17,154   | \$ -                           | \$ 60,238                      | \$ 39,588   | \$ -                           | \$ 42,498                                     | \$ 34,589                      | \$ -  |
| Commercial construction             | 4,360                          | 3,624   | -                              | 33,898                         | 20,311  | -                              | 21,855  | 16,018                         | -   |
| Commercial (commercial and          | -                              | -   | -                              | 10,115                         | 5,874   | -                              | -   | -                              | -   |

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|                   |           |           |      |            |            |          |            |            |          |
|-------------------|-----------|-----------|------|------------|------------|----------|------------|------------|----------|
| industrial)       |           |           |      |            |            |          |            |            |          |
| Total             |           |           |      |            |            |          |            |            |          |
| commercial        | 32,171    | 20,778    | -    | 104,251    | 65,773     | -        | 64,353     | 50,607     | -        |
| Residential       |           |           |      |            |            |          |            |            |          |
| construction      | 49,205    | 22,667    | -    | 59,502     | 34,597     | -        | 167,166    | 89,863     | -        |
| Residential       |           |           |      |            |            |          |            |            |          |
| mortgage          | 8,801     | 5,157     | -    | 21,528     | 14,968     | -        | 24,261     | 18,089     | -        |
| Consumer          |           |           |      |            |            |          |            |            |          |
| installment       | -         | -         | -    | -          | -          | -        | -          | -          | -        |
| Total with no     |           |           |      |            |            |          |            |            |          |
| related allowance |           |           |      |            |            |          |            |            |          |
| recorded          | 90,177    | 48,602    | -    | 185,281    | 115,338    | -        | 255,780    | 158,559    | -        |
| With an           |           |           |      |            |            |          |            |            |          |
| allowance         |           |           |      |            |            |          |            |            |          |
| recorded:         |           |           |      |            |            |          |            |            |          |
| Commercial        |           |           |      |            |            |          |            |            |          |
| (secured by real  |           |           |      |            |            |          |            |            |          |
| estate)           | -         | -         | -    | 2,230      | 2,230      | 268      | 4,228      | 3,930      | 1,272    |
| Commercial        |           |           |      |            |            |          |            |            |          |
| construction      | -         | -         | -    | -          | -          | -        | 8,372      | 6,250      | 627      |
| Commercial        |           |           |      |            |            |          |            |            |          |
| (commercial and   |           |           |      |            |            |          |            |            |          |
| industrial)       | -         | -         | -    | -          | -          | -        | -          | -          | -        |
| Total             |           |           |      |            |            |          |            |            |          |
| commercial        | -         | -         | -    | 2,230      | 2,230      | 268      | 12,600     | 10,180     | 1,899    |
| Residential       |           |           |      |            |            |          |            |            |          |
| construction      | -         | -         | -    | 14,480     | 4,908      | 644      | 53,971     | 41,386     | 4,398    |
| Residential       |           |           |      |            |            |          |            |            |          |
| mortgage          | -         | -         | -    | 500        | 500        | 137      | 5,488      | 3,967      | 529      |
| Consumer          |           |           |      |            |            |          |            |            |          |
| installment       | -         | -         | -    | -          | -          | -        | 1,111      | 941        | 6        |
| Total with an     |           |           |      |            |            |          |            |            |          |
| allowance         |           |           |      |            |            |          |            |            |          |
| recorded          | -         | -         | -    | 17,210     | 7,638      | 1,049    | 73,170     | 56,474     | 6,832    |
| Total             | \$ 90,177 | \$ 48,602 | \$ - | \$ 202,491 | \$ 122,976 | \$ 1,049 | \$ 328,950 | \$ 215,033 | \$ 6,832 |

There were no loans more than 90 days past due and still accruing interest at March 31, 2011, December 31, 2010 or March 31, 2010. Nonaccrual loans at March 31, 2011, December 31, 2010 and March 31, 2010 were \$83.8 million, \$179 million and \$281 million, respectively. Nonaccrual loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually evaluated impaired loans with larger balances.

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The following table presents the recorded investment in nonaccrual loans by loan class as of March 31, 2011, December 31, 2010 and March 31, 2010 (in thousands).

|   | Nonaccrual Loans  |                         |                   |
|---|-------------------|-------------------------|-------------------|
|   | March 31,<br>2011 | December<br>31,<br>2010 | March 31,<br>2010 |
| Commercial (secured by real estate)         | \$ 20,648         | \$ 44,927               | \$ 45,918         |
| Commercial construction                     | 3,701             | 21,374                  | 23,556            |
| Commercial (commercial and industrial)      | 2,198             | 5,611                   | 3,610             |
| Total commercial                            | 26,547            | 71,912                  | 73,084            |
| Residential construction                    | 32,038            | 54,505                  | 147,326           |
| Residential mortgage                        | 23,711            | 51,083                  | 57,920            |
| Consumer installment                        | 1,473             | 1,594                   | 2,472             |
| Total                                       | \$ 83,769         | \$ 179,094              | \$ 280,802        |
| Balance as a percentage of unpaid principal | 57.3              | 62.2                    | 71.6              |
|   | %                 | %                       | %                 |

The following table presents the aging of the recorded investment in past due loans as of March 31, 2011, December 31, 2010 and March 31, 2010 by class of loans (in thousands).

| As of March 31, 2011                   | 30 - 59<br>Days<br>Past Due | 60 - 89<br>Days<br>Past Due | Greater<br>Than 90<br>Days Past<br>Due | Total Past<br>Due | Loans Not<br>Past Due | Total       |
|--|-----------------------------|-----------------------------|--|-------------------|-----------------------|-------------|
| Commercial (secured by real estate)    | \$11,522                    | \$9,244                     | \$9,659                                | \$30,425          | \$1,661,729           | \$1,692,154 |
| Commercial construction                | 5,458                       | 1,880                       | 1,237                                  | 8,575             | 204,602               | 213,177     |
| Commercial (commercial and industrial) | 1,485                       | 854                         | 876                                    | 3,215             | 428,258               | 431,473     |
| Total commercial                       | 18,465                      | 11,978                      | 11,772                                 | 42,215            | 2,294,589             | 2,336,804   |
| Residential construction               | 13,349                      | 9,514                       | 13,405                                 | 36,268            | 513,350               | 549,618     |
| Residential mortgage                   | 16,439                      | 6,658                       | 10,789                                 | 33,886            | 1,152,645             | 1,186,531   |
| Consumer installment                   | 1,705                       | 346                         | 573                                    | 2,624             | 118,795               | 121,419     |
| Total loans                            | \$49,958                    | \$28,496                    | \$36,539                               | \$114,993         | \$4,079,379           | \$4,194,372 |
| As of December 31, 2010                |                             |                             |  |                   |                       |             |
| Commercial (secured by real estate)    | \$10,697                    | \$3,672                     | \$19,457                               | \$33,826          | \$1,727,598           | \$1,761,424 |
| Commercial construction                | 4,616                       | 2,917                       | 9,189                                  | 16,722            | 279,860               | 296,582     |
| Commercial (commercial and industrial) | 2,016                       | 2,620                       | 3,092                                  | 7,728             | 433,790               | 441,518     |
| Total commercial                       | 17,329                      | 9,209                       | 31,738                                 | 58,276            | 2,441,248             | 2,499,524   |

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|                          |          |          |           |           |             |             |
|--------------------------|----------|----------|-----------|-----------|-------------|-------------|
| Residential construction | 13,599   | 5,158    | 34,673    | 53,430    | 641,736     | 695,166     |
| Residential mortgage     | 24,375   | 7,780    | 38,209    | 70,364    | 1,208,416   | 1,278,780   |
| Consumer installment     | 2,104    | 462      | 808       | 3,374     | 127,282     | 130,656     |
| Total loans              | \$57,407 | \$22,609 | \$105,428 | \$185,444 | \$4,418,682 | \$4,604,126 |

As of March 31, 2010

|  |          |          |           |           |             |             |
|--|----------|----------|-----------|-----------|-------------|-------------|
| Commercial (secured by real estate)    | \$21,315 | \$16,281 | \$36,334  | \$73,930  | \$1,691,274 | \$1,765,204 |
| Commercial construction                | 1,666    | 7,524    | 14,876    | 24,066    | 333,122     | 357,188     |
| Commercial (commercial and industrial) | 3,327    | 2,005    | 1,680     | 7,012     | 373,319     | 380,331     |
| Total commercial                       | 26,308   | 25,810   | 52,890    | 105,008   | 2,397,715   | 2,502,723   |
| Residential construction               | 26,354   | 22,284   | 102,193   | 150,831   | 809,541     | 960,372     |
| Residential mortgage                   | 33,570   | 17,181   | 47,936    | 98,687    | 1,291,583   | 1,390,270   |
| Consumer installment                   | 1,941    | 1,213    | 1,093     | 4,247     | 134,433     | 138,680     |
| Total loans                            | \$88,173 | \$66,488 | \$204,112 | \$358,773 | \$4,633,272 | \$4,992,045 |

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There were no specific reserves established for loans considered to be troubled debt restructurings at March 31, 2011. As of December 31, 2010, \$173,000 of specific reserves were allocated to customers whose loan terms have been modified in troubled debt restructurings. United has committed to lend additional amounts totaling up to \$519,000 and \$1.17 million as of March 31, 2011 and December 31, 2010, respectively, to customers with outstanding loans that are classified as troubled debt restructurings.

The following table presents additional information on troubled debt restructurings including the number of loan contracts restructured and the pre and post modification recorded investment. Also included in the table are the number of contracts and the recorded investment for those trouble debt restructurings that have subsequently defaulted (dollars in thousands).

|  | Number<br>of<br>Contracts | Pre-                        | Post-                       | Troubled Debt   |            |
|--|---------------------------|-----------------------------|-----------------------------|---|------------|
|  |                           | Modification<br>Outstanding | Modification<br>Outstanding | Restructurings That<br>Have Subsequently<br>Defaulted |            |
|  |                           | Recorded                    | Recorded                    | Number of   | Recorded   |
| As of March 31, 2011                   |                           | Investment                  | Investment                  | Contracts   | Investment |
| Commercial (secured by real estate)    | 29                        | \$ 25,094                   | \$ 22,211                   | 3   | \$ 1,799   |
| Commercial construction                | 6                         | 9,622                       | 9,622                       | -   | -          |
| Commercial (commercial and industrial) | 5                         | 155                         | 155                         | -   | -          |
| Total commercial                       | 40                        | 34,871                      | 31,988                      | 3   | 1,799      |
| Residential construction               | 54                        | 14,582                      | 13,759                      | 4   | 972        |
| Residential mortgage                   | 32                        | 4,013                       | 3,882                       | 3   | 278        |
| Consumer installment                   | 7                         | 122                         | 117                         | -   | -          |
| Total loans                            | 133                       | \$ 53,588                   | \$ 49,746                   | 10  | \$ 3,049   |
| As of December 31, 2010                |                           |                             |                             |   |            |
| Commercial (secured by real estate)    | 41                        | \$ 40,649                   | \$ 36,759                   | 3   | \$ 1,402   |
| Commercial construction                | 16                        | 37,980                      | 37,067                      | 2   | 1,083      |
| Commercial (commercial and industrial) | 7                         | 645                         | 364                         | 1   | 7          |
| Total commercial                       | 64                        | 79,274                      | 74,190                      | 6   | 2,492      |
| Residential construction               | 63                        | 22,012                      | 20,782                      | 11  | 2,028      |
| Residential mortgage                   | 43                        | 6,574                       | 6,285                       | 4   | 324        |
| Consumer installment                   | 7                         | 124                         | 124                         | -   | -          |
| Total loans                            | 177                       | \$ 107,984                  | \$ 101,381                  | 21  | \$ 4,844   |
| As of March 31, 2010                   |                           |                             |                             |   |            |
| Commercial (secured by real estate)    | 36                        | \$ 30,367                   | \$ 30,264                   | 1   | \$ 747     |
| Commercial construction                | 8                         | 19,793                      | 18,008                      | 1   | 311        |
| Commercial (commercial and industrial) | 5                         | 248                         | 248                         | -   | -          |
| Total commercial                       | 49                        | 50,408                      | 48,520                      | 2   | 1,058      |
| Residential construction               | 31                        | 16,439                      | 14,955                      | 6   | 1,259      |
| Residential mortgage                   | 25                        | 5,911                       | 5,860                       | 1   | 3          |

|                      |     |           |           |   |         |
|----------------------|-----|-----------|-----------|---|---------|
| Consumer installment | 6   | 1,331     | 1,331     | - | -       |
| Total loans          | 111 | \$ 74,089 | \$ 70,666 | 9 | \$2,320 |

### Risk Ratings

United categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, current economic trends, among other factors. United analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. United uses the following definitions for its risk ratings:

Watch. Weakness exists that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. Collateral values generally afford adequate coverage, but may not be immediately marketable.

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Substandard. Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.

Doubtful. Specific weaknesses characterized as Substandard that are severe enough to make collection in full unlikely. There is no reliable secondary source of full repayment.

Loss. Loans categorized as Loss have the same characteristics as Doubtful however probability of loss is certain. Loans classified as such are generally charged-off.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are generally new loans that have not yet been assigned a grade or loan payments that have not yet been posted to the loan accounting system.

As of March 31, 2011, December 31, 2010 and March 31, 2010, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands).

| As of March 31, 2011                   | Pass        | Watch     | Substandard | Doubtful /<br>Loss | Not Rated | Total       |
|--|-------------|-----------|-------------|--------------------|-----------|-------------|
| Commercial (secured by real estate)    | \$1,466,583 | \$82,715  | \$140,299   | \$-                | \$2,557   | \$1,692,154 |
| Commercial construction                | 166,780     | 8,205     | 38,586      | -                  | (394 )    | 213,177     |
| Commercial (commercial and industrial) | 410,133     | 6,824     | 18,608      | -                  | (4,092 )  | 431,473     |
| Total commercial                       | 2,043,496   | 97,744    | 197,493     | -                  | (1,929 )  | 2,336,804   |
| Residential construction               | 377,590     | 60,463    | 112,572     | -                  | (1,007 )  | 549,618     |
| Residential mortgage                   | 1,052,604   | 40,779    | 92,843      | -                  | 305       | 1,186,531   |
| Consumer installment                   | 114,401     | 626       | 3,829       | -                  | 2,563     | 121,419     |
| Total loans                            | \$3,588,091 | \$199,612 | \$406,737   | \$-                | \$(68 )   | \$4,194,372 |

As of December 31, 2010

|  |             |           |           |     |         |             |
|--|-------------|-----------|-----------|-----|---------|-------------|
| Commercial (secured by real estate)    | \$1,475,992 | \$82,762  | \$201,688 | \$- | \$982   | \$1,761,424 |
| Commercial construction                | 174,049     | 10,413    | 112,120   | -   | -       | 296,582     |
| Commercial (commercial and industrial) | 403,986     | 15,153    | 22,379    | -   | -       | 441,518     |
| Total commercial                       | 2,054,027   | 108,328   | 336,187   | -   | 982     | 2,499,524   |
| Residential construction               | 398,926     | 82,973    | 213,267   | -   | -       | 695,166     |
| Residential mortgage                   | 1,101,645   | 38,378    | 136,915   | -   | 1,842   | 1,278,780   |
| Consumer installment                   | 122,056     | 650       | 4,872     | -   | 3,078   | 130,656     |
| Total loans                            | \$3,676,654 | \$230,329 | \$691,241 | \$- | \$5,902 | \$4,604,126 |

As of March 31, 2010

|  |             |          |           |     |         |             |
|--|-------------|----------|-----------|-----|---------|-------------|
|  | \$1,492,357 | \$74,964 | \$196,711 | \$- | \$1,172 | \$1,765,204 |
|--|-------------|----------|-----------|-----|---------|-------------|

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|  |             |           |           |       |         |             |
|--|-------------|-----------|-----------|-------|---------|-------------|
| Commercial (secured by real estate)    |             |           |           |       |         |             |
| Commercial construction                | 245,795     | 11,833    | 98,862    | -     | 698     | 357,188     |
| Commercial (commercial and industrial) | 331,798     | 6,711     | 39,671    | 70    | 2,081   | 380,331     |
| Total commercial                       | 2,069,950   | 93,508    | 335,244   | 70    | 3,951   | 2,502,723   |
| Residential construction               | 542,627     | 114,747   | 300,882   | 238   | 1,878   | 960,372     |
| Residential mortgage                   | 1,203,330   | 45,996    | 138,720   | 136   | 2,088   | 1,390,270   |
| Consumer installment                   | 134,194     | 333       | 6,388     | 8     | (2,243) | 138,680     |
| Total loans                            | \$3,950,101 | \$254,584 | \$781,234 | \$452 | \$5,674 | \$4,992,045 |

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## Note 6 – Foreclosed Property

Major classifications of foreclosed properties at March 31, 2011, December 31, 2010 and March 31, 2010 are summarized as follows (in thousands).

|   | March 31,<br>2011 | December<br>31,<br>2010 | March 31,<br>2010 |   |      |
|---|-------------------|-------------------------|-------------------|---|------|
| Commercial (secured by real estate)                       | \$ 15,500         | \$ 25,893               | \$ 22,694         |   |      |
| Commercial construction                                   | 11,568            | 17,808                  | 14,435            |   |      |
| Total commercial  | 27,068            | 43,701                  | 37,129            |   |      |
| Residential construction                                  | 67,406            | 91,385                  | 82,095            |   |      |
| Residential mortgage                                      | 12,927            | 23,687                  | 27,043            |   |      |
| Total foreclosed property                                 | 107,401           | 158,773                 | 146,267           |   |      |
| Less valuation allowance                                  | 53,023            | 16,565                  | 9,992             |   |      |
| Foreclosed property, net                                  | \$ 54,378         | \$ 142,208              | \$ 136,275        |   |      |
| <br>  |                   |                         |                   |   |      |
| Balance as a percentage of original loan unpaid principal | 30.3              | %                       | 64.4              | % | 65.9 |
|   |                   |                         |                   |   | %    |

Activity in the valuation allowance for foreclosed property is presented in the following table (in thousands).

|                              | Three Months Ended<br>March 31, |          |
|------------------------------|---------------------------------|----------|
|                              | 2011                            | 2010     |
| Balance at beginning of year | \$ 16,565                       | \$ 7,433 |
| Additions charged to expense | 48,585                          | 4,579    |
| Direct write downs           | (12,127 )                       | (2,020 ) |
| Balance at end of year       | \$ 53,023                       | \$ 9,992 |

Expenses related to foreclosed assets include (in thousands).

|  | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2011                            | 2010      |
| Net loss on sales                        | \$ 12,020                       | \$ 3,518  |
| Provision for unrealized losses          | 48,585                          | 4,579     |
| Operating expenses, net of rental income | 4,294                           | 2,716     |
| Total foreclosed property expense        | \$ 64,899                       | \$ 10,813 |

## Note 7 – Earnings Per Share

United is required to report on the face of the statement of operations, loss per common share with and without the dilutive effects of potential common stock issuances from instruments such as options, convertible securities and warrants. Basic earnings per common share is based on the weighted average number of common shares outstanding during the period while the effects of potential common shares outstanding during the period are included in diluted earnings per common share. During the three months ended March 31, 2011 and 2010, United accrued dividends on Series A preferred stock totaling \$3,000. In the first quarter of 2011 and 2010, United accrued dividends of \$2.60 million and \$2.57 million on Series B preferred stock. Additionally, in the first quarter of 2011, United accrued \$173,000 of dividends on Series D preferred stock. The preferred stock dividends were subtracted from net loss in order to arrive at net loss available to common shareholders. There is no dilution from potentially dilutive securities for the three months ended March 31, 2011 and 2010, due to the antidilutive effect of the net loss for those periods.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
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The following table sets forth the computation of basic and diluted loss per share for the three months ended March 31, 2011 and 2010 (in thousands, except per share data).

|   | Three Months Ended |             |
|---|--------------------|-------------|
|   | March 31,          |             |
|   | 2011               | 2010        |
| Net loss available to common shareholders | \$ (145,264)       | \$ (35,865) |
| Weighted average shares outstanding:      |                    |             |
| Basic                                     | 92,330             | 94,390      |
| Effect of dilutive securities             |                    |             |
| Stock options                             | -                  | -           |
| Warrants                                  | -                  | -           |
| Diluted                                   | 92,330             | 94,390      |
| Loss per common share:                    |                    |             |
| Basic                                     | \$ (1.57 )         | \$ (.38 )   |
| Diluted                                   | \$ (1.57 )         | \$ (.38 )   |

At March 31, 2011, United had a number of potentially dilutive securities outstanding including 182,661,503 shares issuable upon the expected conversion of Series F and Series G preferred stock. Such securities are mandatorily convertible to common stock upon shareholder approval. United is requesting shareholder approval at its annual shareholders' meeting on June 16, 2011. Other potentially dilutive securities include a warrant to purchase 1,099,542 common shares at \$12.28 per share issued to the U.S. Treasury in connection with the issuance of United's Series B preferred stock; 648,350 shares issuable upon exercise of warrants attached to trust preferred securities with an exercise price of \$20.00 per share; 3,326,543 shares issuable upon exercise of stock options granted to employees with a weighted average exercise price of \$18.71; 77,075 shares issuable upon completion of vesting of restricted stock awards; 7,058,824 shares issuable upon exercise of warrants exercisable at \$4.25 per share, granted to Fletcher International in connection with the 2010 asset purchase and sale agreement; 12,380,952 shares issuable upon conversion of preferred stock if Fletcher International exercises its option to purchase \$65 million in convertible preferred stock, convertible at \$5.25 per share; 5,813,953 shares issuable upon exercise of warrants, exercisable at \$6.02 per share to be granted to Fletcher International upon exercise of its option to acquire preferred stock; and 7,755,631 shares issuable upon exercise of warrants owned by Elm Ridge Off Shore Fund and Elm Ridge Value Fund, exercisable at \$2.50 per share. Additionally, there were 48,000,000 shares potentially issuable under the indemnification provisions of United's first quarter private equity transaction if a change of ownership is deemed to have occurred under Section 382 of the Internal Revenue Code. Management does not believe there was an ownership change prior to, or in connection with, the private equity transaction completed in the first quarter. Therefore management does not expect the indemnity shares to be issued. A final determination on whether a change of ownership occurred and whether the indemnity shares will be issued as a result, is expected to be completed by June 30, 2011.

Note 8 – Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

United is exposed to certain risks arising from both its business operations and economic conditions. United principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. United manages interest rate risk primarily by managing the amount, sources, and duration of its investment securities portfolio and debt funding and through the use of derivative financial instruments. Specifically, United enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. United's derivative financial instruments are used to manage differences in the amount, timing, and duration of United's known or expected cash receipts and its known or expected cash payments principally related to United's loans and wholesale borrowings.

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The table below presents the fair value of United's derivative financial instruments as well as their classification on the consolidated balance sheet as of March 31, 2011, December 31, 2010 and March 31, 2010.

Derivatives designated as hedging instruments under ASC 815 Hedge Accounting (in thousands).

| Interest Rate Products | Balance Sheet Location | Fair Value     |                   |                |
|------------------------|------------------------|----------------|-------------------|----------------|
|                        |                        | March 31, 2011 | December 31, 2010 | March 31, 2010 |
| Asset derivatives      | Other assets           | \$ -           | \$ -              | \$ 6,113       |

As of March 31, 2011, December 31, 2010 and March 31, 2010, United did not have any derivatives in a net liability position.

#### Cash Flow Hedges of Interest Rate Risk

United's objectives in using interest rate derivatives are to add stability to net interest revenue and to manage its exposure to interest rate movements. To accomplish this objective, United primarily uses interest rate swaps as part of its interest rate risk management strategy. For United's variable-rate loans, interest rate swaps designated as cash flow hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate floors designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates fall below the strike rate on the contract in exchange for an up front premium. United had no active derivative contracts outstanding at March 31, 2011 or December 31, 2010 that were designated as cash flow hedges of interest rate risk.

The effective portion of changes in the fair value of derivatives designated, and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2010, such derivatives were used to hedge the variable cash flows associated with existing prime-based, variable-rate loans. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three months ended March 31, 2011 and 2010, \$1.30 million and \$522,000, respectively, in hedge ineffectiveness was recognized in other fee revenue.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest revenue as interest payments are received on United's prime-based, variable-rate loans. At March 31, 2011, the amount included in other comprehensive income represents deferred gains from terminated cash flow hedges where the forecasted hedging transaction is expected to remain effective over the remaining unexpired term of the original contract. Such gains are being deferred and recognized over the remaining life of the contract on a straight line basis. During the three months ended March 31, 2011, United accelerated the reclassification of \$1.30 million in gains from terminated positions as a result of forecasted transactions becoming probable not to occur. During the next twelve months, United estimates that an additional \$10.2 million of the deferred gains on terminated cash flow hedging positions will be reclassified as an increase to interest revenue.

#### Fair Value Hedges of Interest Rate Risk

United is exposed to changes in the fair value of certain of its fixed rate obligations due to changes in LIBOR, a benchmark interest rate. United uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the benchmark interest rate. Interest rate swaps designated as fair value hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreements without the exchange of the underlying notional amount. As of March 31, 2011 and December 31, 2010, United had no active derivatives designated as fair value hedges of interest rate risk.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. United includes the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the related derivatives. During the three months ended March 31, 2010, United recognized net gains of \$88,000 related to ineffectiveness of the fair value hedging relationships. United also recognized a net reduction of interest expense of \$1.39 million for the three months ended March 31, 2010 related to United's fair value hedges, which includes net settlements on the derivatives. There were no active fair value hedges during the first quarter of 2011.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
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Tabular Disclosure of the Effect of Derivative Instruments on the Income Statement

The tables below present the effect of United's derivative financial instruments on the consolidated statement of operations for the three months ended March 31, 2011 and 2010.

Derivatives in Fair Value Hedging Relationships (in thousands).

| Location of Gain (Loss) Recognized in Income on Derivative | Amount of Gain (Loss) Recognized in Income on Derivative |             | Amount of Gain (Loss) Recognized in Income on Hedged Item |          |
|--|--|-------------|---|----------|
|  | 2011   | 2010        | 2011  | 2010     |
| Other fee revenue  | \$ -   | \$ (1,195 ) | \$ -  | \$ 1,283 |

Derivatives in Cash Flow Hedging Relationships (in thousands).

|                        | Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion) |         | Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion) |         |
|------------------------|--|---------|--|---------|
|                        | 2011   | 2010    | Location   |         |
|                        |  |         | Interest revenue   | \$2,923 |
|                        |  |         | Other income   | 1,303   |
| Interest rate products | \$-  | \$1,475 | Total  | \$4,226 |
|                        |  |         |  | \$6,012 |
|                        |  |         |  | 522     |
|                        |  |         |  | \$6,534 |

Credit-risk-related Contingent Features

United manages its credit exposure on derivatives transactions by entering into a bi-lateral credit support agreement with each counterparty. The credit support agreements require collateralization of exposures beyond specified minimum threshold amounts. The details of these agreements, including the minimum thresholds, vary by counterparty. At March 31, 2011, United had no active derivative positions and therefore no credit support agreements remained in effect.

Note 9 – Stock-Based Compensation

United has an equity compensation plan that allows for grants of incentive stock options, nonqualified stock options, restricted stock awards (also referred to as “nonvested stock” awards), stock awards, performance share awards or stock appreciation rights. Options granted under the plan can have an exercise price no less than the fair market value of the underlying stock at the date of grant. The general terms of the plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain option and restricted stock awards provide for accelerated vesting if there is a change in control (as defined in the plan). As of March 31, 2011, approximately 1,276,000

additional awards could be granted under the plan. Through March 31, 2011, only incentive stock options, nonqualified stock options and restricted stock awards and units had been granted under the plan.

The following table shows stock option activity for the first three months of 2011.

| Options                          | Shares    | Weighted-Average<br>Exercise Price | Weighted-Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>Intrinsic<br>Value<br>(\$000) |
|----------------------------------|-----------|------------------------------------|--|--|
| Outstanding at December 31, 2010 | 3,391,577 | \$ 18.60                           |  |  |
| Expired                          | (65,034 ) | 12.98                              |  |  |
| Outstanding at March 31, 2011    | 3,326,543 | 18.71                              | 4.5  | \$-  |
| Exercisable at March 31, 2011    | 2,681,281 | 19.81                              | 3.8  | -  |

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No options were granted during the first three months of 2011. The fair value of each option is estimated on the date of grant using the Black-Scholes model. Because United's option plan has not been in place long enough to gather sufficient information about exercise patterns to establish an expected life, United uses the formula provided by the SEC in SAB No. 107 to determine the expected life of options.

The weighted average assumptions used to determine the fair value of stock options are presented in the table below.

|                          | Three Months Ended<br>March 31, |       |   |
|--------------------------|---------------------------------|-------|---|
|                          | 2011                            | 2010  |   |
| Expected volatility      | NA                              | 55.00 | % |
| Expected dividend yield  | NA                              | 0.00  | % |
| Expected life (in years) | NA                              | 6.25  |   |
| Risk-free rate           | NA                              | 3.12  | % |

For 2010, expected volatility was determined using United's historical monthly volatility for over a period of 25 quarters ending December 31, 2009. Compensation expense relating to stock options of \$441,000 and \$662,000, was included in earnings for the three months ended March 31, 2011 and 2010, respectively. Deferred tax benefits of \$172,000 and \$266,000, respectively, were included in the determination of income tax benefit for the three-month periods ended March 31, 2011 and 2010. The amount of compensation expense for both periods was determined based on the fair value of the options at the time of grant, multiplied by the number of options granted that are expected to vest, which was then amortized over the vesting period. The forfeiture rate for options is estimated to be approximately 3% per year. No options were exercised during the first three months of 2011 or 2010.

The table below presents the activity in restricted stock awards for the first three months of 2011.

| Restricted Stock                 | Shares   | Weighted-Average<br>Grant-Date Fair<br>Value |
|----------------------------------|----------|--|
| Outstanding at December 31, 2010 | 116,082  | \$ 11.94                                     |
| Vested                           | (39,007) | 10.38  |
| Outstanding at March 31, 2011    | 77,075   | 12.73  |

Compensation expense for restricted stock is based on the fair value of restricted stock awards at the time of grant, which is equal to the value of United's common stock on the date of grant. The value of restricted stock grants that are expected to vest is amortized into expense over the vesting period. For the three months ended March 31, 2011 and 2010, compensation expense of \$107,000 and \$170,000, respectively, was recognized related to restricted stock awards. The total intrinsic value of the restricted stock was \$180,000 at March 31, 2011.

As of March 31, 2011, there was \$1.73 million of unrecognized compensation cost related to non-vested stock options and restricted stock awards granted under the plan. That cost is expected to be recognized over a weighted-average period of 1.6 years. The aggregate grant date fair value of options and restricted stock awards that vested during the

three months ended March 31, 2011, was \$423,000.

Note 10 – Common and Preferred Stock Issued / Common Stock Issuable

United sponsors a Dividend Reinvestment and Share Purchase Plan (“DRIP”) that allows participants who already own United’s common stock to purchase additional shares directly from the company. The DRIP also allows participants to automatically reinvest their quarterly dividends in additional shares of common stock without a commission. United’s 401(k) retirement plan regularly purchases shares of United’s common stock directly from United. In addition, United has an Employee Stock Purchase Program (“ESPP”) that allows eligible employees to purchase shares of common stock at a 5% discount, with no commission charges. For the three months ended March 31, 2011 and 2010, United issued 230,096 and 125,021 shares, respectively, and increased capital by \$375,000 and \$511,000, respectively, through these programs. The DRIP program has been suspended until 2012 when United expects to regain its S-3 filing status.

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United offers its common stock as an investment option in its deferred compensation plan. The common stock component of the deferred compensation plan is accounted for as an equity instrument and is reflected in the consolidated financial statements as common stock issuable. At March 31, 2011 and 2010, 397,138 and 262,002 shares, respectively, were issuable under the deferred compensation plan.

On February 22, 2011, United entered into a share exchange agreement (the "Share Exchange Agreement") with Elm Ridge Offshore Master Fund, Ltd. and Elm Ridge Value Partners, L.P. (collectively referred to as "Elm Ridge Parties"). Under the Share Exchange Agreement, the Elm Ridge Parties agreed to transfer to the Company 7,755,631 shares of the Company's common stock in exchange for 16,613 shares of the Company's cumulative perpetual preferred stock, Series D and warrants to purchase 7,755,631 common shares with an exercise price of \$2.50 per share that expires on August 22, 2013. This exchange transaction did not result in a net increase or decrease to total shareholder's equity for the quarter ended March 31, 2011.

During the first quarter of 2011, United entered into investment agreements (the "Investment Agreements") with Corsair Georgia, L.P. ("Corsair") and a group of institutional investors (the "Additional Investors"). United issued 17,338,497 of the Company's common stock for \$1.90 per share, 195,872 shares of mandatorily convertible cumulative non-voting perpetual preferred stock, Series F (the "Series F Preferred Stock"), and 151,185 shares of mandatorily convertible cumulative non-voting perpetual preferred stock, Series G (the "Series G Preferred Stock"). Under the terms of the Investment Agreements and following receipt of required shareholder approvals, the Series F Preferred Stock will be mandatorily convertible into 103,090,506 shares of voting common stock and the Series G Preferred Stock will be mandatorily convertible into 79,570,997 shares of non-voting common stock. This private placement transaction resulted in an increase to shareholders' equity of \$363 million, net of \$17.5 million in issuance costs. Upon the conversion of the convertible preferred sock, Corsair will own approximately 22.5% of United's pro forma outstanding common stock. The Additional Investors will own approximately 47.2% of United's pro forma outstanding common stock.

Note 11 – Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

Note 12 – Discontinued Operations

On March 31, 2010, United completed the sale of its consulting subsidiary, Brintech, Inc. ("Brintech"). The sales price was \$2.9 million with United covering certain costs related to the sale transaction resulting in a net, pre-tax gain of \$2.1 million. As a result of the sale, Brintech is presented in the consolidated financial statements as a discontinued operation with all revenue and expenses related to the sold operations deconsolidated from the consolidated statement of operations for all periods presented. The net results of operations from Brintech are reported on a separate line on the consolidated statement of operations titled "Loss from discontinued operations, net of income taxes." The gain from the sale, net of income taxes and selling costs, is presented on a separate line titled "Gain from sale of subsidiary, net of income taxes and selling costs."

Note 13 – Transaction with Fletcher International

On April 1, 2010, United entered into a securities purchase agreement with Fletcher International, Ltd. and the Bank entered into an asset purchase and sale agreement with Fletcher International, Inc. and certain affiliates thereof. Under the terms of the agreements, the Bank sold \$103 million in nonperforming commercial and residential mortgage loans and foreclosed properties to Fletcher's affiliates with a nominal aggregate sales price equal to the Bank's carrying

amount. The nonperforming assets sale transaction closed on April 30, 2010. The consideration for the sale consisted of \$20.6 million in cash and a loan for \$82.4 million. As part of the agreement, Fletcher received a warrant to acquire 7,058,824 shares of United's common stock at a price of \$4.25 per share. In accordance with the terms of the securities purchase agreement, Fletcher has the right during the next two years to purchase up to \$65 million in United's Series C Convertible Preferred Stock. The Series C Convertible Preferred Stock pays a dividend equal to the lesser of 8% or LIBOR plus 4%. The Series C Convertible Preferred Stock is convertible by Fletcher into common stock at \$5.25 per share (12,380,952 shares). If Fletcher has not purchased all of the Series C Convertible Preferred Stock by May 31, 2011, it must pay United 5% of the commitment amount not purchased by such date, and it must pay United an additional 5% of the commitment amount not purchased by May 31, 2012. In addition, Fletcher will receive an additional warrant to purchase \$35 million in common stock at \$6.02 per share (5,813,953 shares) when it purchases the last \$35 million of Series C Convertible Preferred Stock. All of the warrants settle on a cashless exercise basis and the net shares to be delivered upon cashless exercise will be less than what would have been issuable if the warrant had been exercised for cash.

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All of the components of the transaction, including all equity instruments issued under the securities purchase agreement and the notes receivable received as consideration from the sale of nonperforming assets were recorded at fair value. Because the value of the equity instruments and assets exchanged in the transaction exceeded the value of the cash and notes receivable received, United recorded a loss of \$45.3 million on the transaction with Fletcher.

The table below presents a summary of the assets and equity instruments transferred and received at their respective fair values (\$ in thousands, except per share amounts).

|  | Valuation Approach         | Fair Value Hierarchy | Fair Value |
|--|----------------------------|----------------------|------------|
| Warrants Issued / Assets Transferred to Fletcher at Fair Value:                              |                            |                      |            |
| Warrant to purchase \$30 million in common stock at \$4.25 per share                         | Black-Scholes              | Level 3              | \$17,577   |
| Option to purchase convertible preferred stock and warrant                                   | Monte-Carlo Simulation     | Level 3              | 22,236     |
| Fair value of equity instruments recognized in capital surplus                               |                            |                      | 39,813     |
| Foreclosed properties transferred under Asset Purchase Agreement                             | Appraised Value            | Level 2              | 33,434     |
| Nonperforming loans transferred under Asset Purchase Agreement                               | Collateral Appraised Value | Level 2              | 69,655     |
| Total nonperforming assets transferred   |                            |                      | 103,089    |
| Total value of assets and equity instruments transferred                                     |                            |                      | 142,902    |
| Less - Cash and Notes Receivable Received in Exchange at Fair Value:                         |                            |                      |            |
| Cash down payment received from asset sale   | NA                         | NA                   | 20,618     |
| Notes receivable (par value \$82,471, net of \$4,531 discount)                               | Discounted Cash Flows      | Level 3              | 77,940     |
| Total value of cash and notes receivable received  |                            |                      | 98,558     |
| Fair value of assets and equity instruments transferred in excess of cash and notes received |                            |                      | 44,344     |
| Transaction fees   |                            |                      | 1,005      |
| Loss recognized on Fletcher transaction  |                            |                      | \$45,349   |

The \$17.6 million value of the warrant to purchase \$30 million in common stock was determined as of April 1, 2010, the date the terms were agreed to. The following modeling assumptions were used: dividend yield - 0%; risk-free interest rate - 3.89%; current stock price - \$4.77; term - 9 years; and volatility - 33%. Although most of the modeling assumptions were based on observable data, because of the subjectivity involved in estimating expected volatility, the valuation is considered Level 3.

The \$22.2 million value of the option to purchase convertible preferred stock and warrant was determined by an independent valuation firm using a Monte Carlo Simulation method appropriate for valuing complex securities with derivatives. The model uses 50,000 simulations of daily stock price paths using geometric Brownian motion and

incorporates in a unified way all conversion, exercise and contingency conditions. Because of the significant assumptions involved in the valuation process, not all of which were based on observable data, the valuation is considered to be Level 3.

The \$103 million of nonperforming assets sold were transferred at United's carrying amount which had previously been written down to appraised value. Because the appraisals were based on sales of similar assets (observable data), the valuation is considered to be Level 2.

The \$82.5 million of notes receivable were recorded at their estimated fair value of \$77.9 million, net of a \$4.5 million interest discount, which was determined based on discounted expected cash flows over the term at a rate commensurate with the credit risk inherent in the notes. The contractual rate on the notes is fixed at 3.5% for five years. The discount rate used for purposes of determining the fair value of the notes was 5.48% based on the terms, structure and risk profile of the notes. Note prepayments were estimated based on the expected marketing time for the underlying collateral since the notes require that principal be reduced as the underlying assets are sold. The valuation is considered Level 3 due to estimated prepayments which have a significant impact on the value and are not based on observable data.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
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## Note 14 – Assets and Liabilities Measured at Fair Value

## Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents United's assets and liabilities measured at fair value on a recurring basis as of March 31, 2011, December 31, 2010 and March 31, 2010, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands).

| March 31, 2011                       | Level 1        | Level 2            | Level 3        | Total              |
|--------------------------------------|----------------|--------------------|----------------|--------------------|
| <b>Assets</b>                        |                |                    |                |                    |
| Securities available for sale:       |                |                    |                |                    |
| U.S. Government agencies             | \$-            | \$93,778           | \$-            | \$93,778           |
| State and political subdivisions     | -              | 27,833             | -              | 27,833             |
| Mortgage-backed securities           | -              | 1,410,411          | 4,434          | 1,414,845          |
| Other                                | -              | 101,688            | 350            | 102,038            |
| Deferred compensation plan assets    | 3,107          | -                  | -              | 3,107              |
| <b>Total</b>                         | <b>\$3,107</b> | <b>\$1,633,710</b> | <b>\$4,784</b> | <b>\$1,641,601</b> |
| <b>Liabilities</b>                   |                |                    |                |                    |
| Deferred compensation plan liability | \$3,107        | \$-                | \$-            | \$3,107            |
| <b>Total liabilities</b>             | <b>\$3,107</b> | <b>\$-</b>         | <b>\$-</b>     | <b>\$3,107</b>     |
| <br>                                 |                |                    |                |                    |
| December 31, 2010                    | Level 1        | Level 2            | Level 3        | Total              |
| <b>Assets</b>                        |                |                    |                |                    |
| Securities available for sale:       |                |                    |                |                    |
| U.S. Government agencies             | \$-            | \$98,480           | \$-            | \$98,480           |
| State and political subdivisions     | -              | 28,442             | -              | 28,442             |
| Mortgage-backed securities           | -              | 986,074            | 4,934          | 991,008            |
| Other                                | -              | 106,137            | 350            | 106,487            |
| Deferred compensation plan assets    | 3,252          | -                  | -              | 3,252              |
| <b>Total</b>                         | <b>\$3,252</b> | <b>\$1,219,133</b> | <b>\$5,284</b> | <b>\$1,227,669</b> |
| <b>Liabilities</b>                   |                |                    |                |                    |
| Deferred compensation plan liability | \$3,252        | \$-                | \$-            | \$3,252            |
| <b>Total liabilities</b>             | <b>\$3,252</b> | <b>\$-</b>         | <b>\$-</b>     | <b>\$3,252</b>     |
| <br>                                 |                |                    |                |                    |
| March 31, 2010                       | Level 1        | Level 2            | Level 3        | Total              |
| <b>Assets</b>                        |                |                    |                |                    |
| Securities available for sale:       |                |                    |                |                    |
| U.S. Government agencies             | \$-            | \$296,578          | \$10,000       | \$306,578          |
| State and political subdivisions     | -              | 64,544             | -              | 64,544             |

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|                                      |         |             |          |             |
|--------------------------------------|---------|-------------|----------|-------------|
| Mortgage-backed securities           | -       | 1,115,153   | 27,026   | 1,142,179   |
| Other                                | -       | 12,238      | 1,050    | 13,288      |
| Deferred compensation plan assets    | 3,420   | -           | -        | 3,420       |
| Derivative financial instruments     | -       | 6,113       | -        | 6,113       |
| Total                                | \$3,420 | \$1,494,626 | \$38,076 | \$1,536,122 |
| Liabilities                          |         |             |          |             |
| Deferred compensation plan liability | \$3,420 | \$-         | \$-      | \$3,420     |
| Total liabilities                    | \$3,420 | \$-         | \$-      | \$3,420     |

## UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The following table shows a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs that are classified as Level 3 values (in thousands).

|   | Securities<br>Available for Sale |
|---|----------------------------------|
| Balance at December 31, 2010  | \$ 5,284                         |
| Amounts included in earnings  | (8 )                             |
| Purchases, sales, issuances, settlements, maturities, paydowns, net | (492 )                           |
| Balance at March 31, 2011   | \$ 4,784                         |

## Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

United may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The table below presents United's assets and liabilities measured at fair value on a nonrecurring basis as of March 31, 2011, December 31, 2010 and March 31, 2010, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands).

|                       | Level 1 | Level 2 | Level 3   | Total     |
|-----------------------|---------|---------|-----------|-----------|
| March 31, 2011        |         |         |           |           |
| Assets                |         |         |           |           |
| Loans                 | \$-     | \$-     | \$34,241  | \$34,241  |
| Loans held for sale   | -       | -       | 80,629    | 80,629    |
| Foreclosed properties | -       | -       | 53,102    | 53,102    |
| Total                 | \$-     | \$-     | \$167,972 | \$167,972 |
| December 31, 2010     |         |         |           |           |
| Assets                |         |         |           |           |
| Loans                 | \$-     | \$-     | \$106,904 | \$106,904 |
| Foreclosed properties | -       | -       | 85,072    | 85,072    |
| Total                 | \$-     | \$-     | \$191,976 | \$191,976 |
| March 31, 2010        |         |         |           |           |
| Assets                |         |         |           |           |
| Loans                 | \$-     | \$-     | \$175,166 | \$175,166 |
| Foreclosed properties | -       | -       | 93,060    | 93,060    |
| Total                 | \$-     | \$-     | \$268,226 | \$268,226 |

## Assets and Liabilities Not Measured at Fair Value

For financial instruments that have quoted market prices, those quotes are used to determine fair value. Financial instruments that have no defined maturity, have a remaining maturity of 180 days or less, or reprice frequently to a

market rate, are assumed to have a fair value that approximates reported book value, after taking into consideration any applicable credit risk. If no market quotes are available, financial instruments are valued by discounting the expected cash flows using an estimated current market interest rate for the financial instrument. For off-balance sheet derivative instruments, fair value is estimated as the amount that United would receive or pay to terminate the contracts at the reporting date, taking into account the current unrealized gains or losses on open contracts.

The short maturity of United's assets and liabilities results in having a significant number of financial instruments whose fair value equals or closely approximates carrying value. Such financial instruments are reported in the following balance sheet captions: cash and cash equivalents, mortgage loans held for sale, federal funds purchased, repurchase agreements and other short-term borrowings. The fair value of securities available for sale equals the balance sheet value. As of March 31, 2010 the fair value of interest rate contracts used for balance sheet management was an asset of approximately \$6.11 million. United did not have any active derivative contracts outstanding at March 31, 2011 or December 31, 2010.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
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Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect the premium or discount on any particular financial instrument that could result from the sale of United's entire holdings. Because no ready market exists for a significant portion of United's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include the mortgage banking operation, brokerage network, deferred income taxes, premises and equipment and goodwill. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have significant effect on fair value estimates and have not been considered in the estimates.

Off-balance sheet instruments (commitments to extend credit and standby letters of credit) are generally short-term and at variable rates. Therefore, both the carrying amount and the estimated fair value associated with these instruments are immaterial.

The carrying amount and fair values for other financial instruments that are not measured at fair value in United's balance sheet at March 31, 2011, December 31, 2010, and March 31, 2010 are as follows (in thousands).

|                                    | March 31, 2011     |            | December 31, 2010  |            | March 31, 2010     |            |
|------------------------------------|--------------------|------------|--------------------|------------|--------------------|------------|
|                                    | Carrying<br>Amount | Fair Value | Carrying<br>Amount | Fair Value | Carrying<br>Amount | Fair Value |
| Assets:                            |                    |            |                    |            |                    |            |
| Securities held to maturity        | \$245,430          | \$248,361  | \$265,807          | \$267,988  | \$-                | \$-        |
| Loans, net                         | 4,061,251          | 3,933,549  | 4,429,431          | 4,196,142  | 4,818,111          | 4,477,941  |
| Liabilities:                       |                    |            |                    |            |                    |            |
| Deposits                           | 6,597,748          | 6,588,398  | 6,469,172          | 6,481,867  | 6,487,588          | 6,513,488  |
| Federal Home Loan Bank<br>advances | 55,125             | 58,965     | 55,125             | 59,498     | 114,303            | 120,422    |
| Long-term debt                     | 150,166            | 124,603    | 150,146            | 93,536     | 150,086            | 119,400    |

#### Note 15 – Subsequent Event

On April 18, 2011, United completed the bulk sale of \$80.6 million of loans that were reported as held for sale at March 31, 2011. The proceeds from the bulk sale were \$86.5 million which will result in an allowance for loan loss recovery in the second quarter of 2011.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”), about United and its subsidiaries. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, and can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “projects”, “plans”, “goal”, “targets”, “potential”, “seeks”, “intends”, or “anticipates” or the negative thereof or comparable terminology. Forward-looking statements include discussions of strategy, financial projections, guidance and estimates (including their underlying assumptions), statements regarding plans, objectives, expectations or consequences of various transactions, and statements about the future performance, operations, products and services of United and its subsidiaries. We caution our shareholders and other readers not to place undue reliance on such statements.

Our businesses and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experience may materially differ from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2010, as well as the following:

- the condition of the banking system and financial markets;
  - our ability to become profitable;
- the results of our most recent internal credit stress test may not accurately predict the impact on our financial condition if the economy was to continue to deteriorate;
  - our ability to raise capital as may be necessary;
  - our ability to maintain liquidity or access other sources of funding;
    - changes in the cost and availability of funding;
  - the success of the local economies in which we operate;
- our concentrations of residential and commercial construction and development loans and commercial real estate loans are subject to unique risks that could adversely affect our earnings;
  - changes in prevailing interest rates may negatively affect our net income and the value of our assets;
    - the accounting and reporting policies of United;
  - if our allowance for loan losses is not sufficient to cover actual loan losses;
- we may be subject to losses due to fraudulent and negligent conduct of our loan customers, third party service providers or employees;
  - our ability to fully realize our deferred tax asset balances;
  - competition from financial institutions and other financial service providers;
- the United States Department of Treasury may change the terms of our Series B Preferred Stock;
  - risks with respect to future expansion and acquisitions;
  - conditions in the stock market, the public debt market and other capital markets deteriorate;
- the impact of the Dodd-Frank Act and related regulations and other changes in financial services laws and regulations;
  - the failure of other financial institutions;
- a special assessment that may be imposed by the Federal Deposit Insurance Corporation (“FDIC”) on all FDIC-insured institutions in the future, similar to the assessment in 2009 that decreased our earnings; and
- regulatory or judicial proceedings, board resolutions, informal memorandums of understanding or formal enforcement actions imposed by regulators that occur, or any such proceedings or enforcement actions that is more

severe than we anticipate.

All written or oral forward-looking statements attributable to us or any person acting on our behalf made after the date of this prospectus supplement are expressly qualified in their entirety by the risk factors and cautionary statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2010.

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## Overview

The following discussion is intended to provide insight into the results of operations and financial condition of United Community Bank, Inc. (“United”) and its subsidiaries and should be read in conjunction with the consolidated financial statements and accompanying notes.

United is a bank holding company registered with the Federal Reserve under the Bank Holding Company Act of 1956 that was incorporated under the laws of the state of Georgia in 1987 and commenced operations in 1988. At March 31, 2011, United had total consolidated assets of \$7.97 billion, total loans of \$4.19 billion, excluding the loans acquired from Southern Community Bank (“SCB”) that are covered by loss sharing agreements and therefore have a different risk profile and loans that were classified as held for sale that have been written down to the expected proceeds from sales based on indicative bids. United also had total deposits of \$6.60 billion and stockholders’ equity of \$850 million.

United’s activities are primarily conducted by its wholly owned Georgia banking subsidiary (the “Bank”). The Bank operations are conducted under a community bank model that operates 27 “community banks” with local bank presidents and boards in north Georgia, the Atlanta-Sandy Springs-Marietta, Georgia metropolitan statistical area (the “Atlanta MSA”), the Gainesville, Georgia metropolitan statistical area (the “Gainesville MSA”), coastal Georgia, western North Carolina, and east Tennessee. On March 31, 2010, United sold Brintech, Inc., (“Brintech”) a consulting services firm for the financial services industry, resulting in a pre-tax gain of \$2.1 million, net of selling costs. The income statements for all periods presented reflect Brintech as a discontinued operation with revenue, expenses and income taxes related to Brintech removed from revenue, expenses, income taxes and loss from continuing operations. The balance sheet and cash flow statement have not been adjusted to reflect Brintech as a discontinued operation as Brintech’s assets and contribution to cash flows were not material.

Operating loss from continuing operations and operating loss from continuing operations per diluted share are non-GAAP performance measures. United’s management believes that operating performance is useful in analyzing United’s financial performance trends since it excludes items that are non-recurring in nature and therefore most of the discussion in this section will refer to operating performance measures. A reconciliation of these operating performance measures to GAAP performance measures is included in the table on page 34.

United reported a net operating loss from continuing operations of \$142 million for the first quarter of 2011. This compared to a net operating loss from continuing operations of \$34.5 million for the first quarter of 2010. Diluted operating loss from continuing operations per common share was \$1.57 for the first quarter of 2011, compared to a diluted operating loss from continuing operations per common share of \$.39 for the first quarter of 2010. The first quarter of 2011 operating loss reflects the Board of Director’s decision to adopt the Problem Asset Disposition Plan described below under “Recent Developments” to quickly dispose of problem assets following United’s successful Private Placement described below under “Recent Developments.”

United’s operating provision for loan losses was \$190 million for the three months ended March 31, 2011, compared to \$75.0 million for the same period in 2010. During the first quarter of 2011, performing substandard loans with a pre-charge down carrying amount of \$166 million and nonperforming loans with a pre-charge down carrying amount of \$101 million were collectively written down to the expected sales proceeds of \$80.6 million, in conjunction with the Bulk Loan Sale described below under “Recent Developments.” Net charge-offs for the first quarter of 2011 were \$232 million, of which \$186 million related to the transfer of loans to the held for sale classification and \$26.1 million of charge-offs for other first quarter bulk loan sales and foreclosure write downs for accelerated disposition in accordance with the Problem Asset Disposition Plan. As of March 31, 2011, United’s allowance for loan losses of \$133 million, or 3.17% of loans, compared to \$174 million, or 3.48% of loans, at March 31, 2010. Nonperforming assets of \$138 million, which excludes assets of SCB that are covered by loss sharing agreements with the FDIC,

decreased to 1.73% of total assets at March 31, 2011, compared to 4.32% as of December 31, 2010 and 5.32% as of March 31, 2010. The decrease in this ratio was due to the execution of the Problem Asset Disposition Plan and a general improving trend in credit quality indicators.

Taxable equivalent net interest revenue was \$56.4 million for the first quarter of 2011, compared to \$61.3 million for the same period of 2010. The decrease in net interest revenue was primarily the result of lower levels of loans. Average loans for the quarter declined \$574 million from the first quarter of 2010. Net interest margin decreased from 3.49% for the three months ended March 31, 2010 to 3.30% for the same period in 2011. Interest reversals on performing loans that were moved to held for sale accounted for 11 basis points of the 19 basis points decrease. Over the past year, United has maintained above normal levels of liquidity. The level of excess liquidity peaked in the first quarter of 2011 and lowered the margin by approximately 49 basis points. Excess liquidity in the first quarter of 2010 lowered the margin by approximately 18 basis points.

Operating fee revenue increased \$172,000, or 1%, from the first quarter of 2010. The increase was primarily attributable to the acceleration of deferred gains related to the ineffectiveness of terminated cash flow hedges. This helped to offset a decline in service charges and fees, which were down \$727,000, due to regulatory changes requiring customer consent prior to utilizing United's overdraft services.

For the first quarter of 2011, operating expenses of \$115 million were up \$60.5 million from the first quarter of 2010. The increase was primarily due to an increase in foreclosed property costs, in anticipation of the Bulk Loan Sale and other accelerated asset dispositions described below under "Recent Developments." Foreclosed property costs were up \$54.1 million from the first quarter of 2010. Professional fees were \$1.39 million higher in the first quarter of 2011 compared to the same period last year, primarily due to fees related to the Private Placement and Bulk Loan Sale. In addition, FDIC assessments and other regulatory charges increased \$1.79 million, or 49%, from the prior year as a result of a higher assessment rate and a higher level of insured deposits.

## Recent Developments

On February 22, 2011, the Company entered into a share exchange agreement with Elm Ridge Offshore Master Fund, Ltd. and Elm Ridge Value Partners, L.P. (collectively, the “Elm Ridge Parties”). Under the share exchange agreement, the Elm Ridge Parties agreed to transfer to the Company 7,755,631 shares of the Company’s common stock in exchange for 16,613 shares of the Company’s cumulative perpetual preferred stock, Series D and warrants to purchase 7,755,631 common shares. See Note 10 to the consolidated financial statements for further details of the share exchange agreement.

During the first quarter of 2011, United announced its plans to sell \$380 million of common stock in a private placement to a group of investors (the “Private Placement”). United entered into investment agreements (the “Investment Agreements”) with Corsair Georgia, L.P. and a group of institutional investors (collectively, the “Investors”) and closed the Private Placement on March 30, 2011. Pursuant to the Private Placement, the Investors purchased and United issued 17,338,497 of the Company’s existing common stock for \$1.90 per share, \$196 million of mandatorily convertible cumulative non-voting perpetual preferred stock, Series F (the “Series F Preferred Stock”), and \$151 million of mandatorily convertible cumulative non-voting perpetual preferred stock, Series G (the “Series G Preferred Stock”). Under the terms of the Private Placement Agreement and following receipt of required shareholder approvals, the Series F Preferred Stock will be mandatorily convertible into 103,090,506 shares of voting common stock and the Series G Preferred Stock will be mandatorily convertible into 79,570,997 shares of non-voting common stock. Following such conversion at \$1.90 per common share, the Investors will own an aggregate of 120,429,003 shares of common stock and 79,570,997 shares of non-voting common stock, or 69.7% of the Company’s pro forma outstanding common stock. The Private Placement resulted in an increase to shareholders’ equity of \$363 million.

Also during the first quarter of 2011, the Board of Directors approved a plan to sell approximately \$293 million in substandard and nonperforming loans, and to accelerate the disposition of approximately \$142 million in foreclosed properties (the “Problem Asset Disposition Plan”). The substandard and nonperforming loans were sold for an aggregate purchase price of approximately \$86.5 million by the Bank in a bulk transaction (the “Bulk Loan Sale”) on April 18, 2011 pursuant to an asset purchase and sale agreement (the “Asset Purchase Agreement”) entered into by the Bank, CF Southeast LLC (“CF Southeast”) and CF Southeast Trust 2011-1 (“CF Trust” and together with CF Southeast, the “Purchasers”). United plans to sell substantially all of the foreclosed properties in the second and third quarters of 2011.

## Critical Accounting Policies

The accounting and reporting policies of United are in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and conform to general practices within the banking industry. The more critical accounting and reporting policies include United’s accounting for the allowance for loan losses, fair value measurements, and income taxes. In particular, United’s accounting policies related to allowance for loan losses, fair value measurements and income taxes involve the use of estimates and require significant judgment to be made by management. Different assumptions in the application of these policies could result in material changes in United’s consolidated financial position or consolidated results of operations. See “Asset Quality and Risk Elements” herein for additional discussion of United’s accounting methodologies related to the allowance for loan losses.

## GAAP Reconciliation and Explanation

This Form 10-Q contains non-GAAP financial measures, which are performance measures determined by methods other than in accordance with GAAP. Such non-GAAP financial measures include, among others the following: operating provision for loan losses, operating fee revenue, operating revenue, operating expense, operating (loss) income from continuing operations, operating (loss) income, operating earnings (loss) from continuing operations per

share, operating earnings (loss) per share, operating earnings (loss) from continuing operations per diluted share and operating earnings (loss) per diluted share. Management uses these non-GAAP financial measures because it believes they are useful for evaluating our operations and performance over periods of time, as well as in managing and evaluating our business and in discussions about our operations and performance. Management believes these non-GAAP financial measures provide users of our financial information with a meaningful measure for assessing our financial results and credit trends, as well as comparison to financial results for prior periods. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled financial measures used by other companies. A reconciliation of these operating performance measures to GAAP performance measures is included in on the table on page 34.

## Discontinued Operations

Effective March 31, 2010, United sold its Brintech subsidiary. As a result, the operations of Brintech are being accounted for as a discontinued operation. All revenue, including the gain from the sale, expenses and income taxes relating to Brintech have been deconsolidated from the consolidated statement of operations and are presented on one line titled "Loss from discontinued operations" for all periods presented. Because Brintech's assets, liabilities and cash flows were not material to the consolidated balance sheet and statement of cash flows, no such adjustments have been made to those financial statements.

## Transaction with Fletcher International

### Description of Transaction

On April 1, 2010, the Bank entered into an asset purchase and sale agreement (the "Asset Purchase Agreement") with Fletcher International Inc. ("Fletcher Inc.") and five affiliated limited liability companies ("LLCs") formed by Fletcher Inc. for the purpose of acquiring nonperforming assets under the Asset Purchase Agreement. United has no ownership interest in the LLCs. The asset sale transaction was completed on April 30, 2010 with the Bank transferring nonperforming commercial and residential construction loans and foreclosed properties having a carrying value of \$103 million in exchange for cash of \$20.6 million and notes receivable for \$82.5 million. The loans accrue interest at a fixed rate of 3.5% and mature in five years. Principal and interest payments will be made quarterly based on a 30-year amortization schedule. Fletcher Inc. also contributed cash and securities to the LLCs equal to 17.5% of the purchase price to pre-fund the estimated carrying costs of the assets for approximately three years. These funds are held in escrow as additional collateral on the loans and cannot be removed by Fletcher Inc. without United's consent. The securities that can be held by the LLCs are marketable equity securities and funds managed by Fletcher affiliates. Carrying costs include debt service payments, servicing fees and other direct costs associated with holding and managing the underlying properties.

Also on April 1, 2010, United and Fletcher International Ltd ("Fletcher Ltd", together with Fletcher Inc. and their affiliates, "Fletcher") entered into a securities purchase agreement (the "Securities Purchase Agreement") pursuant to which Fletcher Ltd. agreed to purchase from United, and United agreed to issue and sell to Fletcher Ltd., 65,000 shares of United's Series C convertible preferred stock, par value \$1.00 per share (the "Convertible Preferred Stock"), at a purchase price of \$1,000 per share, for an aggregate purchase price of \$65 million. The Convertible Preferred Stock will bear interest at an annual rate equal to the lesser of 8% or LIBOR + 4%. If all conditions precedent to Fletcher Ltd.'s obligations to purchase the Convertible Preferred Stock have been satisfied and Fletcher Ltd. has not purchased all of the Convertible Preferred Stock by May 26, 2011, it must pay United 5% of the commitment amount not purchased by that date, and it must also pay United an additional 5% of any commitment amount not purchased by May 26, 2012.

The Convertible Preferred Stock is redeemable by Fletcher Ltd. at any time into common stock or non-voting Common Stock Equivalent Junior Preferred Stock ("Junior Preferred Stock") of United, at an equivalent price of \$5.25 per share of common stock (equal to 12,380,952 shares of common stock), subject to certain adjustments. After May 26, 2015, if the closing stock price for United's common stock is above \$12.04, United has the right to require conversion and it is United's intent to convert all of the then outstanding Convertible Preferred Stock into an equivalent amount of common stock or Junior Preferred Stock.

The Securities Purchase Agreement provides that United shall not effect any conversion or redemption of the Convertible Preferred Stock, and Fletcher Ltd. shall not have the right to convert or redeem any portion of the Convertible Preferred Stock, into common stock to the extent such conversion or redemption would result in aggregate issuances to Fletcher Ltd. in excess of 9.75% of the number of shares of common stock that would be

outstanding after giving effect to such conversion or redemption. In the event that United cannot effect a conversion or redemption of the Convertible Preferred Stock into common stock due to this limit, the conversion or redemption shall be effected into an equal number of shares of Junior Preferred Stock.

Concurrently with the payment of the \$10 million deposit under the Asset Purchase Agreement by Fletcher, United granted a warrant to Fletcher to purchase Junior Preferred Stock. The warrant was initially equal to \$15 million and was increased to \$30 million upon the completion of the asset sale pursuant to the Asset Purchase Agreement. An additional \$35 million warrant will be issued on a dollar for dollar basis by the aggregate dollar amount of the Convertible Preferred Stock purchased under the Securities Purchase Agreement in excess of \$30 million. The \$30 million warrant price is equivalent to \$4.25 per common share (cash exercise equal to 7,058,824 shares of common stock). The \$35 million warrant price is equivalent to \$6.02 per common share (cash exercise equal to 5,813,953 shares of common stock). The warrants may only be exercised by net share settlement (cashless exercise) and are exercisable for nine years from April 1, 2010, subject to limited extension upon certain events specified in the warrant agreement. All of the warrants settle on a cashless basis and the net shares to be issued to Fletcher Ltd. upon exercise of the warrants will be less than the total shares that would have been issuable if the warrants had been exercised for cash payments.

Also, as part of the transaction, United and Fletcher entered into a servicing agreement whereby United will act as servicer of the nonperforming assets for Fletcher in exchange for a servicing fee of 20 basis points. Because the servicing arrangement is considered a normal servicing arrangement and the fee is appropriate for the services provided, United did not recognize a servicing asset or liability related to the servicing agreement.

## Accounting Treatment

Although the Asset Purchase Agreement and the Securities Purchase Agreement are two separate agreements, they were accounted for as part of one transaction because they were entered into simultaneously and the Securities Purchase Agreement was dependent upon the sale of nonperforming assets. United evaluated this transaction to determine whether the transfer should be accounted for as a sale or a secured borrowing and whether the Fletcher LLCs should be consolidated with United. When evaluating whether the transfer should be accounted for as a sale, United primarily evaluated whether control had been surrendered, the rights of Fletcher to exchange and pledge the assets, and whether United retains effective control, which included evaluating any continuing involvement in the assets. Based on the evaluation, the transfer of assets under the Asset Purchase Agreement meets the definition as a sale under current accounting standards and was accounted for as such. United further evaluated whether the Fletcher LLCs should be consolidated which included evaluating whether United has a controlling financial interest and is therefore the primary beneficiary. This evaluation principally included determining whether United directs the activities that have the most significant impact on the LLCs economic performance and whether United has an obligation to absorb losses or the right to receive benefits that could be significant to the LLCs. Based on that evaluation, the LLCs have not been included as part of the consolidated group of subsidiaries in United's consolidated financial statements.

In addition to evaluating the accounting for the transfer of assets, United considered whether the warrant and the option to purchase convertible preferred stock with an additional warrant should be accounted for as liabilities or equity instruments. In making this evaluation, United considered whether Fletcher or any subsequent holders of the instruments could require settlement of the instruments in cash or other assets rather than common or preferred stock. Because the transaction was structured so that the warrants and option to purchase convertible preferred stock and the additional warrant can only be settled through the issuance of common or preferred stock, United concluded that the warrant and option to purchase convertible preferred stock with an additional warrant should be accounted for as equity instruments.

All of the components of the transaction, including all equity instruments issued under the Securities Purchase Agreement and the notes receivable received as consideration from the sale of nonperforming assets were recorded at fair value. Because the value of the equity instruments and assets exchanged in the transaction exceeded the value of the cash and notes receivable received, United recorded a loss of \$45.3 million on the transaction with Fletcher.

The table below presents a summary of the assets and equity instruments transferred and received at their respective fair values (\$ in thousands, except per share amounts).

|  | Valuation Approach         | Fair Value Hierarchy | Fair Value |     |
|--|----------------------------|----------------------|------------|-----|
| Warrants Issued / Assets Transferred to Fletcher at Fair Value:      |                            |                      |            |     |
| Warrant to purchase \$30 million in common stock at \$4.25 per share | Black-Scholes              | Level 3              | \$ 17,577  | (1) |
| Option to purchase convertible preferred stock and warrant           | Monte-Carlo Simulation     | Level 3              | 22,236     | (2) |
| Fair value of equity instruments recognized in capital surplus       |                            |                      | 39,813     |     |
| Foreclosed properties transferred under Asset Purchase Agreement     | Appraised Value            | Level 2              | 33,434     | (3) |
| Nonperforming loans transferred under Asset Purchase Agreement       | Collateral Appraised Value | Level 2              | 69,655     | (3) |

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|  |                       |         |           |     |
|--|-----------------------|---------|-----------|-----|
| Total nonperforming assets transferred   |                       |         | 103,089   |     |
| Total value of assets and equity instruments transferred                                     |                       |         | 142,902   |     |
| Cash and Notes Receivable Received in Exchange at Fair Value:                                |                       |         |           |     |
| Cash down payment received from asset sale   | NA                    | NA      | 20,618    |     |
| Notes receivable (par value \$82,471, net of \$4,531 discount)                               | Discounted Cash Flows | Level 3 | 77,940    | (4) |
| Total value of cash and notes receivable received  |                       |         | 98,558    |     |
| Fair value of assets and equity instruments transferred in excess of cash and notes received |                       |         | 44,344    |     |
| Transaction fees   |                       |         | 1,005     |     |
| Loss recognized on Fletcher transaction  |                       |         | 45,349    |     |
| Tax benefit  |                       |         | (15,367)  |     |
| After tax loss   |                       |         | \$ 29,982 |     |

Notes

- (1) The \$17.6 million value of the \$30 million warrant was determined as of April 1, 2010, the date the terms were agreed to and signed. The following modeling assumptions were used: dividend yield - 0%; risk-free interest rate - 3.89%; current stock price - \$4.77; term - 9 years; and volatility - 33%. Although most of the modeling assumptions were based on observable data, because of the subjectivity involved in estimating expected volatility, the valuation is considered Level 3.
- (2) The \$22.2 million value of the option to purchase convertible preferred stock and warrant was determined by an independent valuation firm using a Monte Carlo Simulation method appropriate for valuing complex securities with derivatives. The model uses 50,000 simulations of daily stock price paths using geometric Brownian motion and incorporates in a unified way all conversion, exercise and contingency conditions. Because of the significant assumptions involved in the valuation process, not all of which were based on observable data, the valuation is considered to be Level 3.
- (3) The \$103 million of nonperforming assets sold were transferred at United's carrying value which had been written down to appraised value. Because the appraisals were based on sales of similar assets (observable data), the valuation is considered to be Level 2.
- (4) The \$82.5 million of notes receivable were recorded at their estimated fair value of \$77.9 million, net of a \$4.5 million interest discount, which was determined based on discounted expected cash flows over the term at a rate commensurate with the credit risk inherent in the notes. The contractual rate on the notes is fixed at 3.5% for five years. The discount rate used for purposes of determining the fair value of the notes was 5.48% based on the terms, structure and risk profile of the notes. Note prepayments were estimated based on the expected marketing times for the underlying collateral since the notes require that principal be reduced as the underlying assets are sold. The valuation is considered Level 3 due to estimated prepayments which have a significant impact on the value and are not based on observable data.

Table 1 - Financial  
Highlights  
Selected Financial  
Information

| (in thousands, except<br>per share<br>data; taxable<br>equivalent)           | 2011             | 2010              |                  |                   | First<br>Quarter | 2011-2010<br>Change |
|--|------------------|-------------------|------------------|-------------------|------------------|---------------------|
|  | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | Second<br>Quarter | First<br>Quarter |                     |
| <b>INCOME SUMMARY</b>  |                  |                   |                  |                   |                  |                     |
| Interest revenue   | \$ 75,965        | \$ 81,215         | \$ 84,360        | \$ 87,699         | \$ 89,849        |                     |
| Interest expense   | 19,573           | 21,083            | 24,346           | 26,072            | 28,570           |                     |
| Net interest revenue   | 56,392           | 60,132            | 60,014           | 61,627            | 61,279           | (8 ) %              |
| Operating provision for<br>loan losses (1)                                   | 190,000          | 47,750            | 50,500           | 61,500            | 75,000           |                     |
| Operating fee revenue<br>(2)   | 11,838           | 12,442            | 12,861           | 11,579            | 11,666           | 1                   |
| Total operating<br>revenue (1)(2)  | (121,770)        | 24,824            | 22,375           | 11,706            | (2,055 )         |                     |
| Operating expenses (3)   | 115,271          | 64,918            | 64,906           | 58,308            | 54,820           | 110                 |
| Loss on sale of<br>nonperforming assets                                      | -                | -                 | -                | 45,349            | -                |                     |
| Operating loss from<br>continuing operations<br>before taxes                 | (237,041)        | (40,094 )         | (42,531 )        | (91,951 )         | (56,875 )        | (317 )              |
| Operating income tax<br>benefit  | (94,555 )        | (16,520 )         | (16,706 )        | (32,419 )         | (22,417 )        |                     |
| Net operating loss<br>from continuing<br>operations (1)(2)(3)                | (142,486)        | (23,574 )         | (25,825 )        | (59,532 )         | (34,458 )        | (314 )              |
| Noncash goodwill<br>impairment charges                                       | -                | -                 | (210,590)        | -                 | -                |                     |
| Partial reversal of fraud<br>loss provision, net of<br>tax expense           | -                | 7,179             | -                | -                 | -                |                     |
| Loss from discontinued<br>operations   | -                | -                 | -                | -                 | (101 )           |                     |
| Gain from sale of<br>subsidiary, net of<br>income taxes and<br>selling costs | -                | -                 | -                | -                 | 1,266            |                     |
| Net loss   | (142,486)        | (16,395 )         | (236,415)        | (59,532 )         | (33,293 )        | (328 )              |
| Preferred dividends and<br>discount accretion                                | 2,778            | 2,586             | 2,581            | 2,577             | 2,572            |                     |
| Net loss available to<br>common shareholders                                 | \$ (145,264)     | \$ (18,981 )      | \$ (238,996)     | \$ (62,109 )      | \$ (35,865 )     |                     |

PERFORMANCE  
MEASURES

Per common share:

|   |            |           |           |           |           |        |
|---|------------|-----------|-----------|-----------|-----------|--------|
| Diluted operating loss from continuing operations (1)(2)(3) | \$ (1.57 ) | \$ (.28 ) | \$ (.30 ) | \$ (.66 ) | \$ (.39 ) | (303 ) |
| Diluted loss from continuing operations                     | (1.57 )    | (.20 )    | (2.52 )   | (.66 )    | (.39 )    | (303 ) |
| Diluted loss  | (1.57 )    | (.20 )    | (2.52 )   | (.66 )    | (.38 )    | (313 ) |
| Book value  | 2.96       | 4.84      | 5.14      | 7.71      | 7.95      | (63 )  |
| Tangible book value (5)                                     | 2.89       | 4.76      | 5.05      | 5.39      | 5.62      | (49 )  |

Key performance ratios:

|  |             |            |             |            |            |
|--|-------------|------------|-------------|------------|------------|
| Return on equity (4)(6)                                      | (147.11 ) % | (17.16 ) % | (148.04 ) % | (35.89 ) % | (20.10 ) % |
| Return on assets (6)   | (7.61 )     | (.89 )     | (12.47 )    | (3.10 )    | (1.70 )    |
| Net interest margin (6)                                      | 3.30        | 3.58       | 3.57        | 3.60       | 3.49       |
| Operating efficiency ratio from continuing operations (2)(3) | 169.08      | 89.45      | 89.38       | 141.60     | 75.22      |
| Equity to assets   | 8.82        | 8.85       | 11.37       | 11.84      | 11.90      |
| Tangible equity to assets (5)                                | 8.73        | 8.75       | 9.19        | 9.26       | 9.39       |
| Tangible common equity to assets (5)                         | 5.51        | 6.35       | 6.78        | 6.91       | 7.13       |
| Tangible common equity to risk-weighted assets (5)           | 6.40        | 9.05       | 9.60        | 9.97       | 10.03      |

## ASSET QUALITY \*

|   |           |            |            |            |            |
|---|-----------|------------|------------|------------|------------|
| Non-performing loans                              | \$ 83,769 | \$ 179,094 | \$ 217,766 | \$ 224,335 | \$ 280,802 |
| Foreclosed properties                             | 54,378    | 142,208    | 129,964    | 123,910    | 136,275    |
| Total non-performing assets (NPAs)                | 138,147   | 321,302    | 347,730    | 348,245    | 417,077    |
| Allowance for loan losses                         | 133,121   | 174,695    | 174,613    | 174,111    | 173,934    |
| Operating net charge-offs (1)                     | 231,574   | 47,668     | 49,998     | 61,323     | 56,668     |
| Allowance for loan losses to loans                | 3.17 %    | 3.79 %     | 3.67 %     | 3.57 %     | 3.48 %     |
| Operating net charge-offs to average loans (1)(6) | 20.71     | 4.03       | 4.12       | 4.98       | 4.51       |
| NPAs to loans and foreclosed properties           | 3.25      | 6.77       | 7.11       | 6.97       | 8.13       |
| NPAs to total assets                              | 1.73      | 4.32       | 4.96       | 4.55       | 5.32       |

AVERAGE  
BALANCES (\$ in  
millions)

|  |          |          |          |          |          |       |
|--|----------|----------|----------|----------|----------|-------|
| Loans                                  | \$ 4,599 | \$ 4,768 | \$ 4,896 | \$ 5,011 | \$ 5,173 | (11 ) |
| Investment securities                  | 1,625    | 1,354    | 1,411    | 1,532    | 1,518    | 7     |
| Earning assets                         | 6,902    | 6,680    | 6,676    | 6,854    | 7,085    | (3 )  |
| Total assets                           | 7,595    | 7,338    | 7,522    | 7,704    | 7,946    | (4 )  |
| Deposits                               | 6,560    | 6,294    | 6,257    | 6,375    | 6,570    | -     |
| Shareholders' equity                   | 670      | 649      | 855      | 912      | 945      | (29 ) |
| Common shares -<br>basic (thousands)   | 92,330   | 94,918   | 94,679   | 94,524   | 94,390   |       |
| Common shares -<br>diluted (thousands) | 92,330   | 94,918   | 94,679   | 94,524   | 94,390   |       |

AT PERIOD END (\$ in  
millions)

|  |          |          |          |          |          |       |
|--|----------|----------|----------|----------|----------|-------|
| Loans *                                  | \$ 4,194 | \$ 4,604 | \$ 4,760 | \$ 4,873 | \$ 4,992 | (16 ) |
| Investment securities                    | 1,884    | 1,490    | 1,310    | 1,488    | 1,527    | 23    |
| Total assets                             | 7,974    | 7,443    | 7,013    | 7,652    | 7,837    | 2     |
| Deposits                                 | 6,598    | 6,469    | 5,999    | 6,330    | 6,488    | 2     |
| Shareholders' equity                     | 850      | 636      | 662      | 904      | 926      | (8 )  |
| Common shares<br>outstanding (thousands) | 104,516  | 94,685   | 94,433   | 94,281   | 94,176   |       |

(1) Excludes the partial reversal of a previously established provision for fraud-related loan losses of \$11.8 million, net of tax expense of \$4.6 million in the fourth quarter of 2010. Operating charge-offs also exclude the \$11.8 million related partial recovery of the previously charged off amount. (2) Excludes revenue generated by discontinued operations in the first quarter of 2010. (3) Excludes the goodwill impairment charge of \$211 million in the third quarter of 2010 and expenses relating to discontinued operations in the first quarter of 2010. (4) Net loss available to common shareholders, which is net of preferred stock dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss). (5) Excludes effect of acquisition related intangibles and associated amortization. (6) Annualized.

\* Excludes loans and foreclosed properties covered by loss sharing agreements with the FDIC.

Table 1 Continued - Operating Earnings to GAAP  
Earnings Reconciliation  
Selected Financial Information

| (in thousands, except per share data; taxable equivalent)               | 2011          |                | 2010          |                |               |
|---|---------------|----------------|---------------|----------------|---------------|
|   | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | First Quarter |
| Interest revenue reconciliation   |               |                |               |                |               |
| Interest revenue - taxable equivalent                                   | \$75,965      | \$81,215       | \$84,360      | \$87,699       | \$89,849      |
| Taxable equivalent adjustment   | (435 )        | (497 )         | (511 )        | (500 )         | (493 )        |
| Interest revenue (GAAP)   | \$75,530      | \$80,718       | \$83,849      | \$87,199       | \$89,356      |
| Net interest revenue reconciliation                                     |               |                |               |                |               |
| Net interest revenue - taxable equivalent                               | \$56,392      | \$60,132       | \$60,014      | \$61,627       | \$61,279      |
| Taxable equivalent adjustment   | (435 )        | (497 )         | (511 )        | (500 )         | (493 )        |
| Net interest revenue (GAAP)   | \$55,957      | \$59,635       | \$59,503      | \$61,127       | \$60,786      |
| Provision for loan losses reconciliation                                |               |                |               |                |               |
| Operating provision for loan losses                                     | \$190,000     | \$47,750       | \$50,500      | \$61,500       | \$75,000      |
| Partial reversal of special fraud-related provision for loan loss       | -             | (11,750 )      | -             | -              | -             |
| Provision for loan losses (GAAP)  | \$190,000     | \$36,000       | \$50,500      | \$61,500       | \$75,000      |
| Total revenue reconciliation  |               |                |               |                |               |
| Total operating revenue   | \$(121,770 )  | \$24,824       | \$22,375      | \$11,706       | \$(2,055 )    |
| Taxable equivalent adjustment   | (435 )        | (497 )         | (511 )        | (500 )         | (493 )        |
| Partial reversal of special fraud-related provision for loan loss       | -             | 11,750         | -             | -              | -             |
| Total revenue (GAAP)  | \$(122,205 )  | \$36,077       | \$21,864      | \$11,206       | \$(2,548 )    |
| Expense reconciliation  |               |                |               |                |               |
| Operating expense   | \$115,271     | \$64,918       | \$64,906      | \$103,657      | \$54,820      |
| Noncash goodwill impairment charge                                      | -             | -              | 210,590       | -              | -             |
| Operating expense (GAAP)  | \$115,271     | \$64,918       | \$275,496     | \$103,657      | \$54,820      |
| Loss from continuing operations before taxes reconciliation             |               |                |               |                |               |
| Operating loss from continuing operations before taxes                  | \$(237,041 )  | \$(40,094 )    | \$(42,531 )   | \$(91,951 )    | \$(56,875 )   |
| Taxable equivalent adjustment   | (435 )        | (497 )         | (511 )        | (500 )         | (493 )        |
| Noncash goodwill impairment charge                                      | -             | -              | (210,590 )    | -              | -             |
| Partial reversal of special fraud-related provision for loan loss       | -             | 11,750         | -             | -              | -             |
| Loss from continuing operations before taxes (GAAP)                     | \$(237,476 )  | \$(28,841 )    | \$(253,632 )  | \$(92,451 )    | \$(57,368 )   |
| Income tax benefit reconciliation                                       |               |                |               |                |               |
| Operating income tax benefit  | \$(94,555 )   | \$(16,520 )    | \$(16,706 )   | \$(32,419 )    | \$(22,417 )   |
| Taxable equivalent adjustment   | (435 )        | (497 )         | (511 )        | (500 )         | (493 )        |
| Partial reversal of special fraud-related provision for loan loss       | -             | 4,571          | -             | -              | -             |
| Income tax benefit (GAAP)   | \$(94,990 )   | \$(12,446 )    | \$(17,217 )   | \$(32,919 )    | \$(22,910 )   |
| Diluted loss from continuing operations per common share reconciliation |               |                |               |                |               |
| Diluted operating loss from continuing operations per common share      | \$(1.57 )     | \$(.28 )       | \$(.30 )      | \$(.66 )       | \$(.39 )      |

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|  |           |     |          |   |          |   |          |   |          |   |
|--|-----------|-----|----------|---|----------|---|----------|---|----------|---|
| Noncash goodwill impairment charge                                   | -         | -   | (2.22    | ) | -        | - | -        | - | -        |   |
| Partial reversal of special fraud-related provision for loan loss    | -         | .08 | -        | - | -        | - | -        | - | -        |   |
| Diluted loss from continuing operations per common share (GAAP)      | \$(1.57   | )   | \$(.20   | ) | \$(2.52  | ) | \$(.66   | ) | \$(.39   | ) |
| Book value per common share reconciliation                           |           |     |          |   |          |   |          |   |          |   |
| Tangible book value per common share                                 | \$2.89    |     | \$4.76   |   | \$5.05   |   | \$5.39   |   | \$5.62   |   |
| Effect of goodwill and other intangibles                             | .07       |     | .08      |   | .09      |   | 2.32     |   | 2.33     |   |
| Book value per common share (GAAP)                                   | \$2.96    |     | \$4.84   |   | \$5.14   |   | \$7.71   |   | \$7.95   |   |
| Efficiency ratio from continuing operations reconciliation           |           |     |          |   |          |   |          |   |          |   |
| Operating efficiency ratio from continuing operations                | 169.08    | %   | 89.45    | % | 89.38    | % | 141.60   | % | 75.22    | % |
| Noncash goodwill impairment charge                                   | -         |     | -        |   | 290.00   |   | -        |   | -        |   |
| Efficiency ratio from continuing operations (GAAP)                   | 169.08    | %   | 89.45    | % | 379.38   | % | 141.60   | % | 75.22    | % |
| Average equity to assets reconciliation                              |           |     |          |   |          |   |          |   |          |   |
| Tangible common equity to assets                                     | 5.51      | %   | 6.35     | % | 6.78     | % | 6.91     | % | 7.13     | % |
| Effect of preferred equity   | 3.22      |     | 2.40     |   | 2.41     |   | 2.35     |   | 2.26     |   |
| Tangible equity to assets  | 8.73      |     | 8.75     |   | 9.19     |   | 9.26     |   | 9.39     |   |
| Effect of goodwill and other intangibles                             | .09       |     | .10      |   | 2.18     |   | 2.58     |   | 2.51     |   |
| Equity to assets (GAAP)  | 8.82      | %   | 8.85     | % | 11.37    | % | 11.84    | % | 11.90    | % |
| Actual tangible common equity to risk-weighted assets reconciliation |           |     |          |   |          |   |          |   |          |   |
| Tangible common equity to risk-weighted assets                       | 6.40      | %   | 9.05     | % | 9.60     | % | 9.97     | % | 10.03    | % |
| Effect of other comprehensive income                                 | (.58      | )   | (.62     | ) | (.81     | ) | (.87     | ) | (.85     | ) |
| Effect of deferred tax limitation                                    | (5.10     | )   | (3.34    | ) | (2.94    | ) | (2.47    | ) | (1.75    | ) |
| Effect of trust preferred  | 1.12      |     | 1.06     |   | 1.06     |   | 1.03     |   | 1.00     |   |
| Effect of preferred equity   | 5.97      |     | 3.52     |   | 3.51     |   | 3.41     |   | 3.29     |   |
| Tier I capital ratio (Regulatory)                                    | 7.81      | %   | 9.67     | % | 10.42    | % | 11.07    | % | 11.72    | % |
| Net charge-offs reconciliation                                       |           |     |          |   |          |   |          |   |          |   |
| Operating net charge-offs  | \$231,574 |     | \$47,668 |   | \$49,998 |   | \$61,323 |   | \$56,668 |   |
| Subsequent partial recovery of fraud-related charge-off              | -         |     | (11,750  | ) | -        |   | -        |   | -        |   |
| Net charge-offs (GAAP)   | \$231,574 |     | \$35,918 |   | \$49,998 |   | \$61,323 |   | \$56,668 |   |
| Net charge-offs to average loans reconciliation                      |           |     |          |   |          |   |          |   |          |   |
| Operating net charge-offs to average loans                           | 20.71     | %   | 4.03     | % | 4.12     | % | 4.98     | % | 4.51     | % |
| Subsequent partial recovery of fraud-related charge-off              | -         |     | (1.00    | ) | -        |   | -        |   | -        |   |
| Net charge-offs to average loans (GAAP)                              | 20.71     | %   | 3.03     | % | 4.12     | % | 4.98     | % | 4.51     | % |

## Results of Operations

United reported a net operating loss from continuing operations of \$142 million for the first quarter of 2011. This compared to a net operating loss from continuing operations of \$34.5 million for the same period in 2010. For the first quarter of 2011, diluted operating loss from continuing operations per share was \$1.57. This compared to diluted operating loss from continuing operations per share of \$.39 for the first quarter of 2010. The first quarter of 2011 operating loss reflects the Board of Director's decision to adopt the Problem Asset Disposition Plan to quickly dispose of problem assets following United's successful Private Placement at the end of the first quarter.

### Net Interest Revenue (Taxable Equivalent)

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and borrowed funds) is the single largest component of total revenue. United actively manages this revenue source to provide optimal levels of revenue while balancing interest rate, credit and liquidity risks. Taxable equivalent net interest revenue for the three months ended March 31, 2011 was \$56.4 million, down \$4.89 million, or 8%, from the first quarter of 2010. The decrease in net interest revenue for the first quarter of 2011 compared to the first quarter of 2010 was mostly due to lower average loan balances, although the reversal of \$2.01 million of interest on performing substandard loans reclassified as held for sale in anticipation of the second quarter Bulk Loan Sale also contributed to the decrease. United continues its intense focus on loan and deposit pricing, in an effort to maintain a steady level of net interest revenue, despite continuing attrition in the loan portfolio.

Average loans decreased \$574 million, or 11%, from the first quarter of last year. The decrease in the loan portfolio was a result of the continued slowdown in the housing market as well as the Bulk Loan Sale completed in April 2011. Loan charge-offs, foreclosure activity and management's efforts to rebalance the loan portfolio by reducing the concentration of residential construction loans have all contributed to declining loan balances. While loan balances have declined, United continues to make new loans. During the first quarter of 2011, United funded \$52.6 million in new loans, primarily commercial and small business loans in north Georgia and the Atlanta MSA.

Average interest-earning assets for the first quarter of 2011 decreased \$183 million, or 3%, from the same period in 2010. The decrease of \$574 million in average loans was partially offset by increases of \$107 million in the investment securities portfolio and \$283 million in other interest-earning assets. Loan demand has been weak due to the poor economy and management's efforts to reduce United's exposure to residential construction loans. The increase in the securities portfolio and other interest-earning assets was due to purchases of floating rate mortgage-backed securities and short-term commercial paper in an effort to temporarily invest excess liquidity, including the proceeds from the new capital raised at the end of the first quarter of 2011. Average interest-bearing liabilities decreased \$193 million, or 3%, from the first quarter of 2010 due to the rolling off of higher-cost certificates of deposit as funding needs decreased. The average yield on interest earning assets for the three months ended March 31, 2011, was 4.45%, down 68 basis points from 5.13% for the same period of 2010. Interest reversals on performing loans classified as held for sale as part of the Bulk Loan Sale accounted for approximately 11 basis points of the decrease. Another significant contributing factor to the decrease in the yield on interest earning assets was the shift in earning asset mix from loans, which generally yield a higher rate than other asset classes, to temporary investments which have relatively low yields. In light of the weak economic environment, United maintained above normal levels of liquidity by entering into brokered deposit arrangements and temporarily investing the proceeds in short-term commercial paper and floating rate mortgage-backed securities at a slightly negative spread.

The average cost of interest-bearing liabilities for the first quarter of 2011 was 1.32% compared to 1.86% for the same period of 2010, reflecting the effect of falling rates on United's floating rate liabilities and United's ability to reduce deposit pricing. Also contributing to the overall lower rate on interest-bearing liabilities was a shift in the mix of deposits away from more expensive time deposits toward lower-rate transaction deposits. United's shrinking balance

sheet also permitted the reduction of more expensive wholesale borrowings.

The banking industry uses two ratios to measure relative profitability of net interest revenue. The net interest spread measures the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities. The interest rate spread eliminates the effect of non-interest-bearing deposits and gives a direct perspective on the effect of market interest rate movements. The net interest margin is an indication of the profitability of a company's investments, and is defined as net interest revenue as a percent of average total interest-earning assets, which includes the positive effect of funding a portion of interest-earning assets with customers' non-interest bearing deposits and stockholders' equity.

For the three months ended March 31, 2011 and 2010, the net interest spread was 3.13% and 3.27%, respectively, while the net interest margin was 3.30% and 3.49%, respectively. The decline in net interest margin for the quarter reflects interest reversals on performing loans that were transferred to the held for sale category. This transfer accounted for 11 basis points of the quarter over quarter decrease of 19 basis points. In addition, the above normal levels of liquidity lowered the net interest margin by approximately 49 basis points in the first quarter of 2011, compared to 18 basis points for the first quarter of 2010.

The following table shows the relationship between interest revenue and expense, and the average amounts of interest-earning assets and interest-bearing liabilities for the three months ended March 31, 2011 and 2010.

Table 2 - Average Consolidated Balance Sheets and Net Interest Analysis For the Three Months Ended March 31,

| (dollars in thousands,<br>taxable equivalent)        | 2011               |           |              | 2010               |           |              |
|--|--------------------|-----------|--------------|--------------------|-----------|--------------|
|  | Average<br>Balance | Interest  | Avg.<br>Rate | Average<br>Balance | Interest  | Avg.<br>Rate |
| <b>Assets:</b>                                       |                    |           |              |                    |           |              |
| <b>Interest-earning assets:</b>                      |                    |           |              |                    |           |              |
| Loans, net of unearned income (1)(2)                 | \$ 4,598,860       | \$ 61,070 | 5.39 %       | \$ 5,172,847       | \$ 72,219 | 5.66 %       |
| Taxable securities (3)                               | 1,599,481          | 13,345    | 3.34         | 1,487,646          | 15,892    | 4.27         |
| Tax-exempt securities (1)(3)                         | 25,827             | 424       | 6.57         | 30,050             | 509       | 6.78         |
| Federal funds sold and other interest-earning assets | 677,453            | 1,126     | .66          | 394,348            | 1,229     | 1.25         |
| Total interest-earning assets                        | 6,901,621          | 75,965    | 4.45         | 7,084,891          | 89,849    | 5.13         |
| <b>Non-interest-earning assets:</b>                  |                    |           |              |                    |           |              |
| Allowance for loan losses                            | (169,113 )         |           |              | (187,288 )         |           |              |
| Cash and due from banks                              | 134,341            |           |              | 104,545            |           |              |
| Premises and equipment                               | 179,353            |           |              | 181,927            |           |              |
| Other assets (3)                                     | 548,348            |           |              | 762,228            |           |              |
| Total assets   | \$ 7,594,550       |           |              | \$ 7,946,303       |           |              |
| <b>Liabilities and Shareholders' Equity:</b>         |                    |           |              |                    |           |              |
| <b>Interest-bearing liabilities:</b>                 |                    |           |              |                    |           |              |
| <b>Interest-bearing deposits:</b>                    |                    |           |              |                    |           |              |
| NOW  | \$ 1,373,142       | 1,324     | .39          | \$ 1,361,696       | 1,854     | .55          |
| Money market   | 928,542            | 2,028     | .89          | 723,470            | 1,757     | .98          |
| Savings  | 187,423            | 77        | .17          | 180,448            | 84        | .19          |
| Time less than \$100,000                             | 1,540,342          | 5,451     | 1.44         | 1,692,652          | 8,891     | 2.13         |
| Time greater than \$100,000                          | 990,881            | 4,151     | 1.70         | 1,155,776          | 6,770     | 2.38         |
| Brokered   | 698,288            | 2,130     | 1.24         | 736,999            | 4,537     | 2.50         |
| Total interest-bearing deposits                      | 5,718,618          | 15,161    | 1.08         | 5,851,041          | 23,893    | 1.66         |
| Federal funds purchased and other borrowings         | 101,097            | 1,042     | 4.18         | 102,058            | 1,038     | 4.12         |
| Federal Home Loan Bank advances                      | 55,125             | 590       | 4.34         | 114,388            | 977       | 3.46         |
| Long-term debt                                       | 150,157            | 2,780     | 7.51         | 150,078            | 2,662     | 7.19         |
| Total borrowed funds                                 | 306,379            | 4,412     | 5.84         | 366,524            | 4,677     | 5.18         |

|  |              |           |        |              |           |        |
|--|--------------|-----------|--------|--------------|-----------|--------|
| Total interest-bearing liabilities         | 6,024,997    | 19,573    | 1.32   | 6,217,565    | 28,570    | 1.86   |
| Non-interest-bearing liabilities:          |              |           |        |              |           |        |
| Non-interest-bearing deposits              | 841,351      |           |        | 718,975      |           |        |
| Other liabilities                          | 58,634       |           |        | 64,337       |           |        |
| Total liabilities                          | 6,924,982    |           |        | 7,000,877    |           |        |
| Shareholders' equity                       | 669,568      |           |        | 945,426      |           |        |
| Total liabilities and shareholders' equity | \$ 7,594,550 |           |        | \$ 7,946,303 |           |        |
| Net interest revenue                       |              | \$ 56,392 |        |              | \$ 61,279 |        |
| Net interest-rate spread                   |              |           | 3.13 % |              |           | 3.27 % |
| Net interest margin (4)                    |              |           | 3.30 % |              |           | 3.49 % |

(1) Interest revenue on tax-exempt securities and loans has been increased to reflect comparable interest on taxable securities and loans. The rate used was 39%, reflecting the statutory federal income tax rate and the federal tax adjusted state income tax rate.

(2) Included in the average balance of loans outstanding are loans where the accrual of interest has been discontinued and loans that are held for sale.

(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of \$27.2 million in 2011 and \$43.2 million in 2010 are included in other assets for purposes of this presentation.

(4) Net interest margin is taxable equivalent net-interest revenue divided by average interest-earning assets.

The following table shows the relative effect on net interest revenue for changes in the average outstanding amounts (volume) of interest-earning assets and interest-bearing liabilities and the rates earned and paid on such assets and liabilities (rate). Variances resulting from a combination of changes in rate and volume are allocated in proportion to the absolute dollar amounts of the change in each category.

Table 3 - Change in Interest Revenue and Expense on a Taxable Equivalent Basis  
(in thousands)

|  | Three Months Ended March 31, 2011 |             |              |
|--|-----------------------------------|-------------|--------------|
|  | Volume                            | Rate        | Total        |
| Interest-earning assets:                             |                                   |             |              |
| Loans  | \$ (7,742 )                       | \$ (3,407 ) | \$ (11,149 ) |
| Taxable securities                                   | 1,128                             | (3,675 )    | (2,547 )     |
| Tax-exempt securities                                | (70 )                             | (15 )       | (85 )        |
| Federal funds sold and other interest-earning assets | 633                               | (736 )      | (103 )       |
| Total interest-earning assets                        | (6,051 )                          | (7,833 )    | (13,884 )    |
| Interest-bearing liabilities:                        |                                   |             |              |
| NOW accounts   | 16                                | (546 )      | (530 )       |
| Money market accounts                                | 461                               | (190 )      | 271          |
| Savings deposits                                     | 3                                 | (10 )       | (7 )         |
| Time deposits less than \$100,000                    | (744 )                            | (2,696 )    | (3,440 )     |
| Time deposits greater than \$100,000                 | (874 )                            | (1,745 )    | (2,619 )     |
| Brokered deposits                                    | (227 )                            | (2,180 )    | (2,407 )     |
| Total interest-bearing deposits                      | (1,365 )                          | (7,367 )    | (8,732 )     |
| Federal funds purchased & other borrowings           | (10 )                             | 14          | 4            |
| Federal Home Loan Bank advances                      | (592 )                            | 205         | (387 )       |
| Long-term debt                                       | 1                                 | 117         | 118          |
| Total borrowed funds                                 | (601 )                            | 336         | (265 )       |
| Total interest-bearing liabilities                   | (1,966 )                          | (7,031 )    | (8,997 )     |
| Decrease in net interest revenue                     | \$ (4,085 )                       | \$ (802 )   | \$ (4,887 )  |

#### Provision for Loan Losses

The provision for loan losses is based on management's evaluation of losses inherent in the loan portfolio and corresponding analysis of the allowance for loan losses at quarter-end. The provision for loan losses was \$190 million for the first quarter of 2011, compared to \$75.0 million for the same period in 2010. The amount of provision recorded in the first quarter was the amount required such that the total allowance for loan losses reflected the appropriate balance, in the estimation of management, and was sufficient to cover inherent losses in the loan portfolio. The increase in the provision for loan losses compared to a year ago was primarily due to increased charge-offs recorded in conjunction with the Problem Asset Disposition Plan and transfer of loans to the held for sale category in anticipation of the Bulk Loan Sale. For the three months ended March 31, 2011, net loan charge-offs as an annualized percentage of average outstanding loans were 20.71%, compared to 4.51% for the same periods in 2010. When charge-offs

specifically related to loans transferred to the held for sale classification are excluded, the charge-off rate for the first quarter of 2011 was 4.08%.

As the residential construction and housing markets have struggled, it has been difficult for many builders and developers to obtain cash flow from selling lots and houses needed to service debt. This deterioration of the residential construction and housing market was the primary factor that resulted in higher credit losses and increases in non-performing assets over the last three years. Although a majority of the charge-offs have been within the residential construction and development portion of the portfolio, credit quality deterioration has migrated to other loan categories as unemployment levels have remained high throughout United's markets. Additional discussion on credit quality and the allowance for loan losses is included in the Asset Quality and Risk Elements section of this report on page 42.

## Fee Revenue

Operating fee revenue for the three months ended March 31, 2011 was \$11.8 million, a decrease of \$172,000, or 1%, from the same period of 2010. Fee revenue from continuing operations excludes consulting fees earned by United's Brintech subsidiary which was sold on March 31, 2010. All periods are presented on a continuing operations basis.

The following table presents the components of fee revenue for the first quarters of 2011 and 2010.

Table 4 - Fee Revenue  
(dollars in thousands)

|                                | Three Months Ended<br>March 31, |           | Change  |
|--------------------------------|---------------------------------|-----------|---------|
|                                | 2011                            | 2010      |         |
| Service charges and fees       | \$ 6,720                        | \$ 7,447  | (10 ) % |
| Mortgage loan and related fees | 1,494                           | 1,479     | 1       |
| Brokerage fees                 | 677                             | 567       | 19      |
| Securities gains, net          | 55                              | 61        |         |
| Other                          | 2,892                           | 2,112     | 37      |
| Total fee revenue              | \$ 11,838                       | \$ 11,666 | 1       |

Service charges and fees of \$6.72 million were down \$727,000, or 10%, from the first quarter of 2010. The decrease was primarily due to lower overdraft fees resulting from decreased utilization of our courtesy overdraft services with the recent changes to Regulation E requiring customers to opt in to such services.

Mortgage loans and related fees for the first quarter of 2011 were up \$15,000, or 1%, from the same period in 2010. In the first quarter of 2011, United closed 481 loans totaling \$74.5 million compared with 412 loans totaling \$64.7 million in the first quarter of 2010.

United incurred net securities gains of \$55,000 and \$61,000, respectively, for the three months ended March 31, 2011 and 2010. The first quarter of 2010 net gain included \$950,000 in impairment charges on trust preferred securities of a bank whose financial condition had deteriorated. The impairment charge was more than offset by realized gains from securities sales.

For the three months ended March 31, 2011, other fee revenue increased \$780,000, or 37%, from the same period in 2010. This increase was due to the ineffectiveness of United's cash flow and fair value hedges. In the first quarter of 2011, United recognized \$1.30 million in income from hedge ineffectiveness compared with \$610,000 in income from hedge ineffectiveness in the first quarter of 2010. Most of the hedge ineffectiveness in 2010 and all of the hedge ineffectiveness in 2011 relates to terminated cash flow hedges where the gains realized on the terminated positions are being deferred over the original term of the derivative instrument. The ineffectiveness, which is caused by a decrease in qualifying prime-based loans, results in the accelerated recognition of the deferred gains.

## Operating Expenses

The following table presents the components of operating expenses for the three months ended March 31, 2011 and 2010. The table is presented to reflect Brintech as a discontinued operation, and accordingly, operating expenses associated with Brintech have been excluded from the table for all periods presented.

Table 5 - Operating Expenses  
(dollars in thousands)

|  | Three Months Ended |           |        |
|--|--------------------|-----------|--------|
|  | March 31,<br>2011  | 2010      | Change |
| Salaries and employee benefits                                     | \$ 24,924          | \$ 24,360 | 2 %    |
| Communications and equipment                                       | 3,344              | 3,273     | 2      |
| Occupancy  | 4,074              | 3,814     | 7      |
| Advertising and public relations                                   | 978                | 1,043     | (6 )   |
| Postage, printing and supplies                                     | 1,118              | 1,225     | (9 )   |
| Professional fees  | 3,330              | 1,943     | 71     |
| FDIC assessments and other regulatory charges                      | 5,413              | 3,626     | 49     |
| Amortization of intangibles  | 762                | 802       | (5 )   |
| Other  | 6,429              | 3,921     | 64     |
| Total operating expenses excluding<br>foreclosed property expenses | 50,372             | 44,007    | 14     |
| Foreclosed property expense  | 64,899             | 10,813    | 500    |
| Total operating expenses   | \$ 115,271         | \$ 54,820 | 110    |

Operating expenses for the first quarter of 2011 totaled \$115 million, up \$60.5 million, or 110%, from the first quarter of 2010 mostly reflecting an increase in foreclosed property losses incurred in connection with United's classified asset disposition plans. Excluding foreclosed property costs, total operating expenses were \$50.4 million, up \$6.37 million, or 14%, from a year ago.

Salaries and employee benefits for the first quarter of 2011 were \$24.9 million, up \$564,000, or 2%, from the same period of 2010. The increase was primarily due to higher group medical insurance costs and a lower level of deferred direct loan origination costs. Headcount totaled 1,815 at March 31, 2011, compared to 1,814 at March 31, 2010.

Occupancy expense of \$4.07 million for the first quarter of 2011 was up \$260,000, or 7%, compared to the first quarter of 2010. The increase was due to higher costs for electricity, real estate taxes and insurance for premises and equipment.

Postage, printing and supplies expense for the first quarter of 2011 totaled \$1.12 million, down \$107,000, or 9%, from the same period of 2010. United continued its efforts to encourage customers to accept electronic statements and controlled courier expense through the use of remote capture technology.

Professional fees for the first quarter of 2011 of \$3.33 million were up \$1.39 million, or 71%, from the same period in 2010, primarily due to \$1.00 million of costs associated with the Private Placement and Bulk Loan Sale.

Foreclosed property expense of \$64.9 million for the first quarter of 2011 was up \$54.1 million from the first quarter of 2010, reflecting higher write downs on foreclosed properties to expedite sales under the Problem Asset Disposition Plan. Such write downs for the first quarter of 2011 were \$48.6 million compared to \$4.58 million a year ago. Losses

realized on sales of foreclosed properties were also up in the first quarter of 2011, totaling \$12.0 million compared with \$3.52 million a year ago. This expense category also includes legal fees, property taxes, marketing costs, utility services, maintenance and repair charges, that totaled \$4.29 million for the first quarter of 2011 compared with \$2.72 million a year ago.

FDIC assessments and other regulatory charges of \$5.41 million for the first quarter of 2011, increased \$1.79 million from the first quarter of 2010. The increase was due to an increase in United's assessment rate as well as an increase in insured deposits.

Other expense of \$6.43 million for the first quarter of 2011 increased \$2.51 million from the first quarter of 2010. The increase was primarily due to \$2.60 million of property taxes and other loan collateral costs incurred to prepare loans for the Bulk Loan Sale.

## Income Taxes

Income tax benefit for the first quarter of 2011 was \$95.0 million as compared with income tax benefit of \$22.9 million for the first quarter of 2010, representing an effective tax rate of approximately 40% for both periods. The effective tax rates were different from the statutory tax rates primarily due to interest revenue on certain investment securities and loans that are exempt from income taxes, tax exempt fee revenue, tax credits received on affordable housing investments, and the change in valuation allowance on deferred tax assets as discussed below.

As a result of the Private Placement and the Problem Asset Disposition Plan which includes the Bulk Loan Sale, United expects to accelerate its return to profitability. The change from a pre-tax loss to pre-tax earnings will affect the effective tax rate going forward. Because in aggregate, United's permanent tax differences are generally in United's favor, they tend to reduce the effective tax rate below the blended statutory rate of 38.9% when United has pre-tax earnings and they increase the effective tax rate above the blended statutory rate when United has a pre-tax loss. The effective tax rates can be volatile as earnings or losses approach a break-even point since United would report a tax benefit even if it were to break even as a result of the permanent tax differences. Therefore some volatility in the effective tax rate is expected as United moves from a loss position to positive earnings.

Management determined that it is more likely than not that approximately \$4.81 million at March 31, 2011 and \$3.87 million at March 31, 2010, net of Federal benefit, in state low income housing tax credits will expire unused due to their very short three to five year carry forward period.

At March 31, 2011, United had net deferred tax assets of \$266 million, net of a valuation allowance of \$4.81 million related to state tax credits that are expected to expire unused. Accounting Standards Codification Topic 740, Income Taxes, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. Management considers both positive and negative evidence and analyzes changes in near-term market conditions as well as other factors which may impact future operating results. In making such judgments, significant weight is given to evidence that can be objectively verified. At March 31, 2011, management believes that it is more likely than not that, with the exception of those state tax credits that are expected to expire unused due to a relatively short carryforward period of only three to five years, it will be able to realize its deferred tax benefits through its ability to carry losses forward to future profitable years. Despite recent losses and the challenging economic environment, United has a history of strong earnings, is well-capitalized, continues to grow its core customer deposit base while maintaining very high customer satisfaction scores, and has cautiously optimistic expectations regarding future taxable income. The deferred tax assets are analyzed quarterly for changes affecting realizability. United's most recent analysis, which management believes is based on conservative assumptions, indicated that the deferred tax assets will be fully utilized well in advance of the twenty-year carryforward period allowed for net operating losses; however, there can be no guarantee that a valuation allowance will not be necessary in future periods. Inherent in management's assertion that it is more likely than not that United will be able to fully utilize its deferred tax assets is an expectation that United returns to profitability within a short period of time following the execution of the Private Placement and the Problem Asset Disposition Plan. Also important at arriving at that conclusion is the assumption that an "ownership change" as defined by Section 382 of the Internal Revenue Code of 1986, as amended, and related Internal Revenue Service pronouncements ("Section 382") did not occur as a result of the first quarter Private Placement. Management believes that no such change of control has occurred.

As of February 22, 2011, United adopted a tax benefits preservation plan designed to protect its ability to utilize its substantial tax assets. Those tax assets include net operating losses that it could utilize in certain circumstances to offset taxable income and reduce its federal income tax liability and the future tax benefits from potential net unrealized built in losses. United's ability to use its tax benefits would be substantially limited if it were to experience an ownership change as defined under Section 382. In general, an ownership change would occur if United's "5-percent shareholders," as defined under Section 382, collectively increase their ownership in United by more than 50% over a

rolling three-year period. The tax benefits preservation plan is designed to reduce the likelihood that United will experience an ownership change by discouraging any person or group from becoming a beneficial owner of 4.99% or more of United's common stock then outstanding.

In connection with the tax benefits preservation plan, on February 22, 2011, United entered into a share exchange agreement with the Elm Ridge Parties to transfer to the Company 7,755,631 shares of United's common stock, in exchange for 16,613 shares of the Company's series D preferred shares and warrants to purchase 7,755,631 shares of common stock. Prior to entering into the share exchange agreement, collectively, the Elm Ridge Parties were United's largest shareholder. By exchanging the Elm Ridge Parties' common stock for the Series D Preferred Shares and warrants, United eliminated its only "5-percent shareholder" and, as a result, obtained further protection against an ownership change under Section 382.

Additional information regarding income taxes can be found in Note 15 to the consolidated financial statements filed with United's 2010 Form 10-K.

## Balance Sheet Review

Total assets at March 31, 2011, December 31, 2010 and March 31, 2010 were \$7.97 billion, \$7.44 billion and \$7.84 billion, respectively. Average total assets for the first quarter of 2011 were \$7.60 billion, down from \$7.95 billion in the first quarter of 2010.

## Loans

The following table presents a summary of the loan portfolio.

Table 6 - Loans Outstanding (excludes loans covered by loss share agreement)

(dollars in thousands)

|  | March 31,<br>2011 | December 31,<br>2010 | March 31,<br>2010 |
|--|-------------------|----------------------|-------------------|
| <b>By Loan Type</b>                    |                   |                      |                   |
| Commercial (secured by real estate)    | \$ 1,692,154      | \$ 1,761,424         | \$ 1,765,204      |
| Commercial construction                | 213,177           | 296,582              | 357,188           |
| Commercial (commercial and industrial) | 431,473           | 441,518              | 380,331           |
| Total commercial                       | 2,336,804         | 2,499,524            | 2,502,723         |
| Residential construction               | 549,618           | 695,166              | 960,372           |
| Residential mortgage                   | 1,186,531         | 1,278,780            | 1,390,270         |
| Installment                            | 121,419           | 130,656              | 138,680           |
| Total loans                            | \$ 4,194,372      | \$ 4,604,126         | \$ 4,992,045      |
| <b>As a percentage of total loans:</b> |                   |                      |                   |
| Commercial (secured by real estate)    | 41 %              | 38 %                 | 35 %              |
| Commercial construction                | 5                 | 6                    | 7                 |
| Commercial (commercial and industrial) | 10                | 10                   | 8                 |
| Total commercial                       | 56                | 54                   | 50                |
| Residential construction               | 13                | 15                   | 19                |
| Residential mortgage                   | 28                | 28                   | 28                |
| Installment                            | 3                 | 3                    | 3                 |
| Total                                  | 100 %             | 100 %                | 100 %             |
| <b>By Geographic Location</b>          |                   |                      |                   |
| Atlanta MSA                            | \$ 1,179,362      | \$ 1,310,222         | \$ 1,404,247      |
| Gainesville MSA                        | 281,591           | 312,049              | 372,064           |
| North Georgia                          | 1,531,279         | 1,688,586            | 1,813,774         |
| Western North Carolina                 | 639,897           | 701,798              | 755,674           |
| Coastal Georgia                        | 312,090           | 335,020              | 388,245           |
| East Tennessee                         | 250,153           | 256,451              | 258,041           |
| Total loans                            | \$ 4,194,372      | \$ 4,604,126         | \$ 4,992,045      |

Substantially all of United's loans are to customers (including customers who have a seasonal residence in United's market areas) located in the immediate market areas of its community banks in Georgia, North Carolina, and Tennessee, and more than 85% of the loans are secured by real estate. At March 31, 2011, total loans, excluding loans acquired from SCB that are covered by loss sharing agreements with the FDIC and loans classified as held for sale, were \$4.19 billion, a decrease of \$798 million, or 16%, from March 31, 2010. The rate of loan growth began to decline in the first quarter of 2007 and the balances have continued to decline. The decrease in the loan portfolio began with deterioration in the residential construction and housing markets. This deterioration resulted in part in an oversupply of lot inventory, houses and land within United's markets, which further slowed construction activities and acquisition and development projects. The resulting recession that began in the housing market led to high rates of unemployment that resulted in stress in the other segments of United's loan portfolio. Despite the weak economy and lack of loan demand, United has continued to pursue lending opportunities which resulted in \$52.6 million in new loans that were funded in the first quarter of 2011.

## Asset Quality and Risk Elements

United manages asset quality and controls credit risk through review and oversight of the loan portfolio as well as adherence to policies designed to promote sound underwriting and loan monitoring practices. United's credit administration function is responsible for monitoring asset quality, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures among all of the community banks. Additional information on the credit administration function is included in Item 1 under the heading Loan Review and Non-performing Assets in United's Annual Report on Form 10-K.

United classifies performing loans as "substandard" when there is a well-defined weakness or weaknesses that jeopardize the repayment by the borrower and there is a distinct possibility that United could sustain some loss if the deficiency is not corrected. The table below presents performing substandard loans for the last five quarters.

Table 7 - Performing Substandard Loans  
(dollars in thousands)

|                          | March 31,<br>2011 | December<br>31,<br>2010 | September<br>30,<br>2010 | June 30,<br>2010 | March 31,<br>2010 |
|--------------------------|-------------------|-------------------------|--------------------------|------------------|-------------------|
| By Category              |                   |                         |                          |                  |                   |
| Commercial (sec. by RE)  | \$119,651         | \$156,765               | \$157,245                | \$140,805        | \$151,573         |
| Commercial construction  | 34,887            | 90,745                  | 102,592                  | 78,436           | 75,304            |
| Commercial & industrial  | 16,425            | 16,767                  | 22,251                   | 22,052           | 35,474            |
| Total commercial         | 170,963           | 264,277                 | 282,088                  | 241,293          | 262,351           |
| Residential construction | 80,534            | 158,770                 | 177,381                  | 149,305          | 153,799           |
| Residential mortgage     | 69,119            | 86,143                  | 86,239                   | 79,484           | 80,812            |
| Installment              | 2,352             | 2,957                   | 4,218                    | 4,364            | 3,922             |
| Total                    | \$322,968         | \$512,147               | \$549,926                | \$474,446        | \$500,884         |
| By Market                |                   |                         |                          |                  |                   |
| Atlanta MSA              | \$100,200         | \$185,327               | \$214,676                | \$183,612        | \$191,009         |
| Gainesville MSA          | 17,417            | 33,962                  | 27,097                   | 22,602           | 27,879            |
| North Georgia            | 148,228           | 212,992                 | 229,845                  | 199,498          | 222,037           |
| North Carolina           | 27,280            | 42,335                  | 37,085                   | 34,742           | 25,749            |
| East Tennessee           | 6,739             | 8,308                   | 8,882                    | 8,663            | 7,105             |
| Coastal Georgia          | 23,104            | 29,223                  | 32,341                   | 25,329           | 27,105            |
| Total loans              | \$322,968         | \$512,147               | \$549,926                | \$474,446        | \$500,884         |

At March 31, 2011, performing substandard loans totaled \$323 million and decreased \$189 million from the prior quarter-end, and decreased \$178 million from a year ago. Most of the decrease occurred in United's Atlanta and north Georgia markets and was primarily the result of the reclassification of loans to held for sale in anticipation of our Bulk Loan Sale which was completed on April 18, 2011. The overall trend in performing substandard loans had been declining which was expected to continue absent the loan sale transaction. Residential construction and commercial construction loans showed the most significant decreases as they represented more than 60% of the pre-charge down carrying amount of the aggregate loans included in the loan sale.

Reviews of substandard performing and non-performing loans, past due loans and larger credits, are conducted on a regular basis with management each quarter and are designed to identify risk migration and potential charges to the allowance for loan losses. These reviews are performed by the responsible lending officers and the loan review department and also consider such factors as the financial strength of borrowers, the value of the applicable collateral,

past loan loss experience, anticipated loan losses, changes in risk profile, prevailing economic conditions and other factors. United also uses external loan review in addition to United's internal loan review to ensure the independence of the loan review process.

The following table presents a summary of the changes in the allowance for loan losses for the three months ended March 31, 2011 and 2010.

Table 8 - Allowance for Loan Losses  
(in thousands)

|  | Asset Disposition Plan |            | Three Months Ended March 31, 2011 |                             |                              | 2010       |            |
|--|------------------------|------------|-----------------------------------|-----------------------------|------------------------------|------------|------------|
|  | Bulk Loan Sale (1)     | Other      | Bulk Loan Sales (2)               | Foreclosure Charge-Offs (3) | Other Charge-Offs Recoveries | Total      | Total      |
|  | Accruing               | Nonaccrual |                                   |                             |                              |            |            |
| Balance beginning of period            |                        |            |                                   |                             |                              | \$ 174,695 | \$ 155,602 |
| Provision for loan losses              |                        |            |                                   |                             |                              | 190,000    | 75,000     |
| Charge-offs:                           |                        |            |                                   |                             |                              |            |            |
| Commercial (secured by real estate)    | \$ 29,451              | \$ 11,091  | \$ 3,318                          | \$ 1,905                    | \$ 2,942                     | 48,707     | 2,936      |
| Commercial construction                | 32,530                 | 15,328     | 292                               | 419                         | 1,146                        | 49,715     | 2,211      |
| Commercial (commercial and industrial) | 365                    | 2,303      | 859                               | -                           | 835                          | 4,362      | 4,554      |
| Residential construction               | 43,018                 | 23,459     | 3,325                             | 11,693                      | 10,760                       | 92,255     | 44,190     |
| Residential mortgage                   | 13,917                 | 14,263     | 1,676                             | 1,538                       | 5,282                        | 36,676     | 4,640      |
| Installment                            | 86                     | 168        | 30                                | 24                          | 788                          | 1,096      | 1,129      |
| Total loans charged-off                | 119,367                | 66,612     | 9,500                             | 15,579                      | 21,753                       | 232,811    | 59,660     |
| Recoveries:                            |                        |            |                                   |                             |                              |            |            |
| Commercial (secured by real estate)    | -                      | -          | -                                 | -                           | 100                          | 100        | 972        |
| Commercial construction                | -                      | -          | -                                 | -                           | -                            | -          | 5          |
| Commercial (commercial and industrial) | -                      | -          | -                                 | -                           | 322                          | 322        | 444        |
| Residential construction               | -                      | -          | -                                 | -                           | 117                          | 117        | 1,090      |
| Residential mortgage                   | -                      | -          | -                                 | -                           | 293                          | 293        | 89         |
| Installment                            | -                      | -          | -                                 | -                           | 405                          | 405        | 392        |
|  | -                      | -          | -                                 | -                           | 1,237                        | 1,237      | 2,992      |

|  |            |           |          |           |           |              |              |      |
|--|------------|-----------|----------|-----------|-----------|--------------|--------------|------|
| Total recoveries                                   |            |           |          |           |           |              |              |      |
| Net charge-offs                                    | \$ 119,367 | \$ 66,612 | \$ 9,500 | \$ 15,579 | \$ 20,516 | 231,574      | 56,668       |      |
| Balance end of period                              |            |           |          |           |           | \$ 133,121   | \$ 173,934   |      |
| Total loans: *                                     |            |           |          |           |           |              |              |      |
| At period-end                                      |            |           |          |           |           | \$ 4,194,372 | \$ 4,992,045 |      |
| Average  |            |           |          |           |           | 4,534,294    | 5,091,474    |      |
| Allowance as a percentage of period-end loans      |            |           |          |           |           | 3.17         | %            | 3.48 |
|  |            |           |          |           |           |              |              | %    |
| As a percentage of average loans:                  |            |           |          |           |           |              |              |      |
| Net charge-offs                                    |            |           |          |           |           | 20.71        |              | 4.51 |
| Provision for loan losses                          |            |           |          |           |           | 16.99        |              | 5.97 |
| Allowance as a percentage of non-performing loans  |            |           |          |           |           |              |              |      |
| As reported  |            |           |          |           |           | 159          |              | 62   |
| Excluding impaired loans with no allocated reserve |            |           |          |           |           | 379          |              | 142  |

\* Excludes loans covered by loss sharing agreements with the FDIC

(1) Charge-offs totaling \$186 million were recognized on the bulk loan sale in the first quarter of 2011. The loans were transferred to the loans held for sale category in anticipation of the second quarter bulk loan sale that was completed on April 18, 2011.

(2) Losses on smaller bulk sale transactions completed during the first quarter of 2011.

(3) Loan charge-offs recognized in the first quarter of 2011 related to loans transferred to foreclosed properties. Such charge-offs were elevated in the first quarter as a result of the asset disposition plan, which called for aggressive write downs to expedite sales in the second and third quarters of 2011.

The provision for loan losses charged to earnings was based upon management's judgment of the amount necessary to maintain the allowance at a level appropriate to absorb losses inherent in the loan portfolio at the balance sheet date. The amount each quarter is dependent upon many factors, including growth and changes in the composition of the loan portfolio, net charge-offs, delinquencies, management's assessment of loan portfolio quality, the value of collateral, and other macro-economic factors and trends. The evaluation of these factors is performed quarterly by management through an analysis of the appropriateness of the allowance for loan losses. The decreases in the provision and the stabilization of the level of the allowance for loan losses compared to the previous periods reflects stabilizing trends in substandard loans, leading to an expectation that charge-off levels will continue to decline.

At March 31, 2011, the allowance for loan losses was \$133 million, or 3.17% of loans, compared with \$175 million, or 3.79% of loans, at December 31, 2010 and \$174 million, or 3.48% of loans, at March 31, 2010. The decrease in the allowance for loan losses is consistent with the decrease in classified loans resulting from the execution of the Problem Asset Disposition Plan, including the Bulk Loan Sale which reduced the amount of loss remaining in the loan portfolio.

Management believes that the allowance for loan losses at March 31, 2011 reflects the losses inherent in the loan portfolio. This assessment involves uncertainty and judgment; therefore, the adequacy of the allowance for loan losses cannot be determined with precision and may be subject to change in future periods. In addition, bank regulatory authorities, as part of their periodic examination of the Bank, may require adjustments to the provision for loan losses in future periods if, in their opinion, the results of their review warrant such additions. See the "Critical Accounting Policies" section in United's Annual Report on Form 10-K for additional information on the allowance for loan losses.

## Nonperforming Assets

The table below summarizes non-performing assets, excluding SCB's assets covered by the loss-sharing agreement with the FDIC. Those assets have been excluded from non-performing assets, as the loss-sharing agreement with the FDIC and purchase price adjustments to reflect credit losses effectively eliminate the likelihood of recognizing any losses on the covered assets.

Table 9 - Nonperforming Assets  
(dollars in thousands)

|   | March 31,<br>2011 | December 31,<br>2010 | March 31,<br>2010 |
|---|-------------------|----------------------|-------------------|
| Nonperforming loans*  | \$ 83,769         | \$ 179,094           | \$ 280,802        |
| Foreclosed properties (OREO)                                    | 54,378            | 142,208              | 136,275           |
| <b>Total nonperforming assets</b>                               | <b>\$ 138,147</b> | <b>\$ 321,302</b>    | <b>\$ 417,077</b> |
| Nonperforming loans as a percentage<br>of total loans           | 2.00 %            | 3.89 %               | 5.62 %            |
| Nonperforming assets as a percentage<br>of total loans and OREO | 3.25              | 6.77                 | 8.13              |
| Nonperforming assets as a percentage<br>of total assets         | 1.73              | 4.32                 | 5.32              |

\* There were no loans 90 days or more past due that were still accruing at period end.

At March 31, 2011, nonperforming loans were \$83.8 million, compared to \$179 million at December 31, 2010 and \$281 million at March 31, 2010. The ratio of non-performing loans to total loans decreased from December 31, 2010 and March 31, 2010 due the reclassification of nonperforming loans having a pre-charge down carrying amount of \$101 million to held for sale in anticipation of the Bulk Loan Sale in April 2011. Non-performing assets, which include non-performing loans and foreclosed real estate, totaled \$138 million at March 31, 2011, compared with \$321 million at December 31, 2010 and \$417 million at March 31, 2010. In the first quarter of 2011, write-downs totaling \$48.6 million were recorded in conjunction with the Problem Asset Disposition Plan to expedite sales. In addition, United sold \$56.5 million of foreclosed properties. Both of these events helped lower the balance of foreclosed properties by 60% compared to March 31, 2010.

Table 10 - Bulk Loan Sale Summary  
(1)

|                            | Performing Loans          |                    |                               | Nonperforming Loans       |                    |                               | Total Loans               |                    |                               |
|----------------------------|---------------------------|--------------------|-------------------------------|---------------------------|--------------------|-------------------------------|---------------------------|--------------------|-------------------------------|
|                            | Carrying<br>Amount<br>(2) | Charge-Offs<br>(3) | Loans<br>Held for<br>Sale (4) | Carrying<br>Amount<br>(2) | Charge-Offs<br>(3) | Loans<br>Held for<br>Sale (4) | Carrying<br>Amount<br>(2) | Charge-Offs<br>(3) | Loans<br>Held for<br>Sale (4) |
| (in thousands)             |                           |                    |                               |                           |                    |                               |                           |                    |                               |
| BY<br>CATEGORY             |                           |                    |                               |                           |                    |                               |                           |                    |                               |
| Commercial<br>(sec. by RE) | \$ 40,902                 | \$ 29,451          | \$ 11,451                     | \$ 17,202                 | \$ 11,091          | \$ 6,111                      | \$ 58,104                 | \$ 40,542          | \$ 17,562                     |

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|                          |            |            |           |            |           |           |            |            |           |
|--------------------------|------------|------------|-----------|------------|-----------|-----------|------------|------------|-----------|
| Commercial construction  | 45,490     | 32,530     | 12,960    | 22,440     | 15,328    | 7,112     | 67,930     | 47,858     | 20,072    |
| Commercial & industrial  | 504        | 365        | 139       | 3,398      | 2,303     | 1,095     | 3,902      | 2,668      | 1,234     |
| Total commercial         | 86,896     | 62,346     | 24,550    | 43,040     | 28,722    | 14,318    | 129,936    | 91,068     | 38,868    |
| Residential construction | 59,747     | 43,018     | 16,729    | 35,509     | 23,459    | 12,050    | 95,256     | 66,477     | 28,779    |
| Residential mortgage     | 19,342     | 13,917     | 5,425     | 21,717     | 14,263    | 7,454     | 41,059     | 28,180     | 12,879    |
| Consumer / installment   | 120        | 86         | 34        | 237        | 168       | 69        | 357        | 254        | 103       |
| Total                    | \$ 166,105 | \$ 119,367 | \$ 46,738 | \$ 100,503 | \$ 66,612 | \$ 33,891 | \$ 266,608 | \$ 185,979 | \$ 80,629 |

BY MARKET

|                        |            |            |           |            |           |           |            |            |           |
|------------------------|------------|------------|-----------|------------|-----------|-----------|------------|------------|-----------|
| Atlanta MSA            | \$ 51,647  | \$ 37,186  | \$ 14,461 | \$ 13,755  | \$ 8,545  | \$ 5,210  | \$ 65,402  | \$ 45,731  | \$ 19,671 |
| Gainesville MSA        | 4,949      | 3,563      | 1,386     | 3,695      | 2,442     | 1,253     | 8,644      | 6,005      | 2,639     |
| North Georgia          | 80,831     | 57,969     | 22,862    | 70,901     | 47,699    | 23,202    | 151,732    | 105,668    | 46,064    |
| Western North Carolina | 15,468     | 11,138     | 4,330     | 7,228      | 4,743     | 2,485     | 22,696     | 15,881     | 6,815     |
| Coastal Georgia        | 9,493      | 6,835      | 2,658     | 3,528      | 2,180     | 1,348     | 13,021     | 9,015      | 4,006     |
| East Tennessee         | 3,717      | 2,676      | 1,041     | 1,396      | 1,003     | 393       | 5,113      | 3,679      | 1,434     |
| Total                  | \$ 166,105 | \$ 119,367 | \$ 46,738 | \$ 100,503 | \$ 66,612 | \$ 33,891 | \$ 266,608 | \$ 185,979 | \$ 80,629 |

(1) This schedule presents a summary of classified loans included in the bulk loan sale transaction that closed on April 18, 2011.

(2) This column represents the book value, or carrying amount, of the loans prior to charge offs to mark loans to expected proceeds from sale.

(3) This column represents the charge-offs required to adjust the loan balances to the expected proceeds from the sale based on indicative bids received from prospective buyers, including principal payments received or committed advances made after the c

(4) This column represents the expected proceeds from the bulk sale based on indicative bids received from prospective buyers and equals the balance shown on the consolidated balance sheet as loans held for sale.

United's policy is to place loans on non-accrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in accordance with the loan terms or when the loan becomes 90 days past due and is not well secured and in the process of collection. When a loan is classified on non-accrual status, interest previously accrued but not collected is reversed against current interest revenue. Principal and interest payments received on a non-accrual loan are applied to reduce outstanding principal.

The following table summarizes non-performing assets by category and market. As with Tables 6, 7 and 9, assets covered by the loss-sharing agreement with the FDIC, related to the acquisition of SCB, are excluded from this table.

Table 11 - Nonperforming Assets  
by Quarter (1)  
(in thousands)

| BY<br>CATEGORY               | March 31, 2011      |                          |               | December 31, 2010   |                          |               | March 31, 2010      |                          |               |
|------------------------------|---------------------|--------------------------|---------------|---------------------|--------------------------|---------------|---------------------|--------------------------|---------------|
|                              | Nonaccrual<br>Loans | Foreclosed<br>Properties | Total<br>NPAs | Nonaccrual<br>Loans | Foreclosed<br>Properties | Total<br>NPAs | Nonaccrual<br>Loans | Foreclosed<br>Properties | Total<br>NPAs |
| Commercial<br>(sec. by RE)   | \$20,648            | \$7,886                  | \$28,534      | \$44,927            | \$23,659                 | \$68,586      | \$45,918            | \$21,597                 | \$67,515      |
| Commercial<br>construction   | 3,701               | 11,568                   | 15,269        | 21,374              | 17,808                   | 39,182        | 23,556              | 14,285                   | 37,841        |
| Commercial<br>& industrial   | 2,198               | -                        | 2,198         | 5,611               | -                        | 5,611         | 3,610               | -                        | 3,610         |
| Total<br>commercial          | 26,547              | 19,454                   | 46,001        | 71,912              | 41,467                   | 113,379       | 73,084              | 35,882                   | 108,966       |
| Residential<br>construction  | 32,038              | 25,807                   | 57,845        | 54,505              | 78,231                   | 132,736       | 147,326             | 74,220                   | 221,546       |
| Residential<br>mortgage      | 23,711              | 9,117                    | 32,828        | 51,083              | 22,510                   | 73,593        | 57,920              | 26,173                   | 84,093        |
| Consumer /<br>installment    | 1,473               | -                        | 1,473         | 1,594               | -                        | 1,594         | 2,472               | -                        | 2,472         |
| Total<br>NPAs                | \$83,769            | \$54,378                 | \$138,147     | \$179,094           | \$142,208                | \$321,302     | \$280,802           | \$136,275                | \$417,077     |
| Balance as<br>a % of         |                     |                          |               |                     |                          |               |                     |                          |               |
| Unpaid<br>Principal          | 57.3 %              | 30.3 %                   | 42.4          | 67.2 %              | 64.4 %                   | 65.9          | 71.6 %              | 67.5 %                   | 70.2 %        |
| BY<br>MARKET                 |                     |                          |               |                     |                          |               |                     |                          |               |
| Atlanta MSA                  | \$21,501            | \$16,913                 | \$38,414      | \$48,289            | \$41,154                 | \$89,443      | \$81,914            | \$36,951                 | \$118,865     |
| Gainesville<br>MSA           | 4,332               | 2,157                    | 6,489         | 5,171               | 9,273                    | 14,444        | 17,058              | 3,192                    | 20,250        |
| North<br>Georgia             | 30,214              | 23,094                   | 53,308        | 83,551              | 66,211                   | 149,762       | 109,280             | 63,128                   | 172,408       |
| Western<br>North<br>Carolina | 18,849              | 7,802                    | 26,651        | 25,832              | 11,553                   | 37,385        | 31,353              | 8,588                    | 39,941        |
| Coastal<br>Georgia           | 5,847               | 3,781                    | 9,628         | 11,145              | 11,901                   | 23,046        | 33,438              | 21,871                   | 55,309        |

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|           |          |          |           |           |           |           |           |           |           |
|-----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| East      |          |          |           |           |           |           |           |           |           |
| Tennessee | 3,026    | 631      | 3,657     | 5,106     | 2,116     | 7,222     | 7,759     | 2,545     | 10,304    |
| Total     |          |          |           |           |           |           |           |           |           |
| NPAs      | \$83,769 | \$54,378 | \$138,147 | \$179,094 | \$142,208 | \$321,302 | \$280,802 | \$136,275 | \$417,077 |

(1) Excludes non-performing loans and foreclosed properties covered by the loss-sharing agreement with the FDIC, related to the acquisition of SCB.

In April 2011, United sold nonperforming loans in the Bulk Loan Sale with a pre-write down carrying amount of \$101 million and performing substandard loans with a pre-write down carrying amount of \$166 million. In anticipation of that sale, United recorded charge-offs of \$186 million and transferred these loans to the held for sale category at March 31, 2011. Nonperforming assets in the residential construction category were \$57.8 million at March 31, 2011, compared with \$222 million at March 31, 2010, a decrease of \$164 million, or 74%. Commercial nonperforming assets decreased from \$109 million at March 31, 2010 to \$46.0 million at March 31, 2011. Residential mortgage non-performing assets of \$32.8 million decreased \$51.3 million from March 31, 2010. While United experienced a reduction in nonperforming assets across all markets, the execution of the Problem Asset Disposition Plan, including the Bulk Loan Sale and the write down of foreclosed properties contributed to a decline in the North Georgia market and Atlanta MSA, where nonperforming asset levels had been particularly elevated.

At March 31, 2011, December 31, 2010, and March 31, 2010 United had \$49.7 million, \$101 million and \$70.7, respectively, in loans with terms that have been modified in a troubled debt restructuring (“TDR”). Included therein were \$6.4 million, \$17.3 million and \$6.08 million of TDRs that were not performing in accordance with their modified terms and were included in nonperforming loans. The remaining TDRs with an aggregate balance of \$43.3 million, \$84.1 million and \$64.6 million, respectively, were performing according to their modified terms and are therefore not considered to be nonperforming assets.

At March 31, 2011, December 31, 2010, and March 31, 2010, there were \$48.6 million, \$123 million and \$215 million, respectively, of loans classified as impaired under the Accounting Standards Codification. Included in impaired loans at March 31, 2011, December 31, 2010 and March 31, 2010, was \$48.6 million, \$115 million and \$159 million, respectively, that did not require specific reserves or had previously been charged down to net realizable value. The balance of impaired loans at December 31, 2010 and March 31, 2010, of \$7.64 million and \$56.5 million, respectively had specific reserves that totaled \$1.05 million and \$6.83 million. At March 31, 2011 there were no impaired loans with specific reserves. The average recorded investment in impaired loans for the quarters ended March 31, 2011 and 2010 was \$95.2 million and \$211 million, respectively. There was no interest revenue recognized on loans while they were impaired for the first three months of 2011 or 2010. United’s policy is to discontinue the recognition of interest revenue for loans classified as impaired under the Financial Accounting Standards Board’s Accounting Standards Codification (“ASC”) Topic 310-10-35, Receivables, when a loan meets the criteria for nonaccrual status.

The table below summarizes activity in non-performing assets by quarter. Assets covered by loss sharing agreements with the FDIC, related to the acquisition of SCB, are not included in this table.

Table 12 - Activity in Nonperforming Assets by Quarter

(in thousands)

|                              | First Quarter 2011 (1)(2) |                       |            | Fourth Quarter 2010 (1) |                       |            | First Quarter 2010 (1) |                       |            |
|------------------------------|---------------------------|-----------------------|------------|-------------------------|-----------------------|------------|------------------------|-----------------------|------------|
|                              | Nonaccrual Loans          | Foreclosed Properties | Total NPAs | Nonaccrual Loans        | Foreclosed Properties | Total NPAs | Nonaccrual Loans       | Foreclosed Properties | Total NPAs |
| Beginning Balance            | \$ 179,094                | \$ 142,208            | \$ 321,302 | \$ 217,766              | \$ 129,964            | \$ 347,730 | \$ 264,092             | \$ 120,770            | \$ 384,862 |
| Loans placed on non-accrual  |                           | -                     | 54,730     | 81,023                  | -                     | 81,023     | 139,030                | -                     | 139,030    |
| Payments received            | (3,550 )                  | -                     | (3,550 )   | (7,250 )                | -                     | (7,250 )   | (5,733 )               | -                     | (5,733 )   |
| Loan charge-offs             | (43,969 )                 | -                     | (43,969 )  | (47,913 )               | -                     | (47,913 )  | (58,897 )              | -                     | (58,897 )  |
| Foreclosures                 | (17,052 )                 | 17,052                | -          | (61,432 )               | 61,432                | -          | (49,233 )              | 49,233                | -          |
| Capitalized costs            | -                         | 270                   | 270        | -                       | 170                   | 170        | -                      | 320                   | 320        |
| Note / property sales        | (11,400 )                 | (44,547 )             | (55,947 )  | (3,100 )                | (33,509 )             | (36,609 )  | (8,457 )               | (25,951 )             | (34,408 )  |
| Loans trans to held for sale |                           |                       | (74,084 )  | -                       | -                     | -          | -                      | -                     | -          |
| Write downs                  | -                         | (48,585 )             | (48,585 )  | -                       | (8,031 )              | (8,031 )   | -                      | (4,579 )              | (4,579 )   |
| Net gains (losses) on sales  | -                         | (12,020 )             | (12,020 )  | -                       | (7,818 )              | (7,818 )   | -                      | (3,518 )              | (3,518 )   |
| Ending Balance               | \$ 83,769                 | \$ 54,378             | \$ 138,147 | \$ 179,094              | \$ 142,208            | \$ 321,302 | \$ 280,802             | \$ 136,275            | \$ 417,077 |

(1) Excludes non-performing loans and foreclosed properties covered by the loss-sharing agreement with the FDIC, related to the acquisition of SCB.

(2) The NPA activity shown for the first quarter of 2011 is presented with all activity related to loans transferred to the held for sale classification on one line as if those loans were transferred to held for sale at the beginning of the period. During the first quarter of 2011, \$27.1 million in loans transferred to held for sale were placed on nonaccrual, \$1.1 million in payments were received on nonaccrual loans transferred to held for sale and \$66.6 million in charge-offs were recorded on nonaccrual loans transferred to held for sale to mark them down to the expected proceeds from the sale.

Foreclosed property is initially recorded at fair value, less estimated costs to sell. If the fair value, less estimated costs to sell at the time of foreclosure, is less than the loan balance, the deficiency is charged against the allowance for loan losses. If the fair value, less estimated costs to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to foreclosed property costs. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property. Financed sales of foreclosed property are accounted for in accordance with ASC 360-20, Real Estate Sales. For the first quarters of 2011 and 2010, United transferred \$17.1 million and \$49.2 million, respectively, of loans into foreclosed property. During the same periods, proceeds from sales of OREO were \$44.5 million and \$26.0

million, respectively, which includes \$8.54 million and \$4.26 million of sales that were financed by United, respectively. During the first quarter of 2011, United recorded \$48.6 million in write-downs on foreclosed property in order to expedite sales in the second and third quarter.

#### Investment Securities

The composition of the investment securities portfolio reflects United's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of revenue. The investment securities portfolio also provides a balance to interest rate risk and credit risk in other categories of the balance sheet while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits. Total investment securities at March 31, 2011 increased \$357 million from a year ago. The increase in the securities portfolio was a result of a buildup of liquidity resulting partially from strong core deposit growth with little loan demand to invest the proceeds. In addition, United has intentionally sought to maintain above normal amounts of liquidity due to the uncertain economy. United invested the proceeds from deposits in short-term commercial paper and floating rate mortgage-backed securities. United chose floating rate securities because they have less market risk in the event rates begin to rise.

During the second quarter of 2010, United transferred securities available for sale with a fair value of \$315 million to held to maturity. The transferred securities were those that United has the ability and positive intent to hold until maturity. Generally, the transferred securities had longer durations and were more susceptible to market price volatility due to changes in interest rates. At March 31, 2011, United had securities held to maturity with a carrying value of \$245 million and securities available for sale totaling \$1.64 billion. At March 31, 2011, December 31, 2010, and March 31, 2010, the securities portfolio represented approximately 24%, 20%, and 19% of total assets, respectively.

The investment securities portfolio primarily consists of U.S. Government sponsored agency mortgage-backed securities, non-agency mortgage-backed securities, U.S. Government agency securities, corporate bonds, and municipal securities. Mortgage-backed securities rely on the underlying pools of mortgage loans to provide a cash flow of principal and interest. The actual maturities of these securities will differ from contractual maturities because loans underlying the securities can prepay. Decreases in interest rates will generally cause an acceleration of prepayment levels. In a declining interest rate environment, United may not be able to reinvest the proceeds from these prepayments in assets that have comparable yields. In a rising rate environment, the opposite occurs. Prepayments tend to slow and the weighted average life extends. This is referred to as extension risk which can lead to lower levels of liquidity due to the delay of cash receipts and can result in the holding of a below market yielding asset for a longer period of time.

#### Goodwill and Other Intangible Assets

Goodwill represents the premium paid for acquired companies above the fair value of the assets acquired and liabilities assumed, including separately identifiable intangible assets. As a result of the significant drop in United's stock price during the third quarter of 2010, United conducted an interim goodwill impairment test to determine if the stock price decline might indicate goodwill was impaired. United's third quarter interim 2010 impairment test indicated that goodwill was in fact impaired and United recorded a charge to earnings for the entire remaining balance of \$211 million. In performing the interim impairment test, United engaged the services of a national third party valuation expert who employed commonly used valuation techniques including an earnings approach that considered discounted future expected cash earnings and three market approaches.

Other intangible assets, primarily core deposit intangibles representing the value of United's acquired deposit base, are amortizing intangible assets that are required to be tested for impairment only when events or circumstances indicate that impairment may exist. There were no events or circumstances that led management to believe that any impairment exists in United's other intangible assets.

#### Deposits

United initiated several programs in early 2009 to improve core earnings by growing customer transaction deposit accounts and lowering overall pricing on deposit accounts to improve its net interest margin and increase net interest revenue. The programs were very successful in increasing core transaction deposit accounts and reducing more costly time deposit balances as United's funding needs decreased due to lower loan demand. United has continued to pursue customer transaction deposits by stressing its high customer satisfaction scores.

Total deposits as of March 31, 2011 were \$6.60 billion, an increase of \$110 million, or 2%, from March 31, 2010. Total non-interest-bearing demand deposit accounts of \$865 million increased \$124 million, or 17%, due to the success of core deposit programs. Also impacted by the programs were NOW, money market and savings accounts of \$2.48 billion which increased \$221 million, or 10%, from March 31, 2010.

Total time deposits, excluding brokered deposits, as of March 31, 2011 were \$2.57 billion, down \$208 million from March 31, 2010. Time deposits less than \$100,000 totaled \$1.58 billion, a decrease of \$66.6 million, or 4%, from a year ago. Time deposits of \$100,000 and greater totaled \$990 million as of March 31, 2011, a decrease of \$142 million, or 13%, from March 31, 2010. United continued to offer low rates on certificates of deposit, allowing balances to decline as United's funding needs declined due to weak loan demand.

#### Wholesale Funding

The Bank is a shareholder in the Federal Home Loan Bank ("FHLB") of Atlanta. Through this affiliation, FHLB secured advances totaled \$55.1 million and \$114 million as of March 31, 2011 and 2010, respectively. United

anticipates continued use of this short- and long-term source of funds. FHLB advances outstanding at March 31, 2011 had fixed interest rates ranging up to 4.49%. During the third quarter of 2010, United prepaid approximately \$50 million of fixed-rate advances and incurred prepayment charges of \$2.23 million. Additional information regarding FHLB advances is provided in Note 11 to the consolidated financial statements included in United's 2010 Form 10-K.

At March 31, 2011 and 2010, United had \$102 million in repurchase agreements and other short-term borrowings outstanding, United takes advantage of these additional sources of liquidity when rates are favorable compared to other forms of short-term borrowings, such as FHLB advances and brokered deposits.

## Interest Rate Sensitivity Management

The absolute level and volatility of interest rates can have a significant effect on United's profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest revenue to changing interest rates, in order to achieve United's overall financial goals. Based on economic conditions, asset quality and various other considerations, management establishes tolerance ranges for interest rate sensitivity and manages within these ranges.

United's net interest revenue, and the fair value of its financial instruments, are influenced by changes in the level of interest rates. United manages its exposure to fluctuations in interest rates through policies established by the Asset/Liability Management Committee ("ALCO"). ALCO meets periodically and has responsibility for approving asset/liability management policies, formulating and implementing strategies to improve balance sheet positioning and/or earnings, and reviewing United's interest rate sensitivity.

One of the tools management uses to estimate the sensitivity of net interest revenue to changes in interest rates is an asset/liability simulation model. Resulting estimates are based upon a number of assumptions for each scenario, including the level of balance sheet growth, loan and deposit repricing characteristics and the rate of prepayments. The ALCO regularly reviews the assumptions for accuracy based on historical data and future expectations, however, actual net interest revenue may differ from model results. The primary objective of the simulation model is to measure the potential change in net interest revenue over time using multiple interest rate scenarios. The base scenario assumes rates remain flat and is the scenario to which all others are compared in order to measure the change in net interest revenue. Policy limits are based on gradually rising and falling rate scenarios, which are compared to this base scenario. Another commonly analyzed scenario is a most-likely scenario that projects the expected change in rates based on the slope of the yield curve. Other scenarios analyzed may include rate shocks, narrowing or widening spreads, and yield curve steepening or flattening. While policy scenarios focus on a twelve month time frame, longer time horizons are also modeled.

United's policy is based on the 12-month impact on net interest revenue of interest rate ramps that increase 200 basis points and decrease 200 basis points from the base scenario. In the ramp scenarios, rates change 25 basis points per month over the initial eight months. The policy limits the change in net interest revenue over the next 12 months to a 10% decrease in either scenario. The policy ramp and base scenarios assume a static balance sheet. Historically low rates on March 31, 2011 and 2010 made use of the down 200 basis points scenario problematic. At March 31, 2011 United's simulation model indicated that a 200 basis point increase in rates would cause an approximate 3.39% increase in net interest revenue over the next twelve months, and a 25 basis point decrease would cause an approximate .09% increase in net interest revenue over the next twelve months. The increase of 3.39% in net interest revenue for a 200 basis point ramp up of interest rates was impacted by the significant amount of excess liquidity at March 31, 2011. If excess liquidity were reduced to a normal level, the 3.39% increase would be reduced to an increase of .11% which is consistent with our policy to manage our interest rate risk closer to a neutral position. At March 31, 2010, United's simulation model indicated that a 200 basis point increase in rates would cause an approximate .65% increase in net interest revenue and a 25 basis point decrease in rates over the next twelve months would cause an approximate .77% increase in net interest revenue.

Interest rate sensitivity is a function of the repricing characteristics of the portfolio of assets and liabilities. These repricing characteristics are the time frames within which the interest-earning assets and interest-bearing liabilities are subject to change in interest rates either at replacement, repricing or maturity during the life of the instruments. Interest rate sensitivity management focuses on the maturity structure of assets and liabilities and their repricing characteristics during periods of changes in market interest rates. Effective interest rate sensitivity management seeks to ensure that both assets and liabilities respond to changes in interest rates within an acceptable timeframe, thereby minimizing the effect of interest rate changes on net interest revenue.

United may have some discretion in the extent and timing of deposit repricing depending upon the competitive pressures in the markets in which it operates. Changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. The interest rate spread between an asset and its supporting liability can vary significantly even when the timing of repricing for both the asset and the liability remains the same, due to the two instruments repricing according to different indices.

Varying interest rate environments can create unexpected changes in prepayment levels of assets and liabilities that are not reflected in an interest rate sensitivity gap analysis. These prepayments may have significant effect on the net interest margin. Because of these limitations, an interest sensitivity gap analysis alone generally does not provide an accurate assessment of exposure to changes in interest rates.

In order to manage its interest rate sensitivity, United periodically enters into off-balance sheet contracts that are considered derivative financial instruments. Derivative financial instruments can be a cost-effective and capital-effective means of modifying the repricing characteristics of on-balance sheet assets and liabilities. These contracts generally consist of interest rate swaps under which United pays a variable rate and receives a fixed rate and interest rate floor contracts where United pays a premium up front to a counterparty to the right to be compensated if a specified rate index falls below a pre-determined floor rate.

United's derivative financial instruments are classified as either cash flow or fair value hedges. The change in fair value of cash flow hedges is recognized in other comprehensive income. Fair value hedges recognize currently in earnings both the effect of the change in the fair value of the derivative financial instrument and the offsetting effect of the change in fair value of the hedged asset or liability associated with the particular risk of that asset or liability being hedged. At March 31, 2011, United did not have any active derivative contracts outstanding.

From time to time, United will terminate swap or floor positions when conditions change and the position is no longer necessary to manage United's overall sensitivity to changes in interest rates. In those situations where the terminated swap or floor was in an effective hedging relationship at the time of termination and the hedging relationship is expected to remain effective throughout the original term of the swap or floor, the resulting gain or loss is amortized over the remaining life of the original contract. For swap contracts, the gain or loss is amortized over the remaining original contract term using the straight line method of amortization. For floor contracts, the gain or loss is amortized over the remaining original contract term based on the original floorlet schedule. At March 31, 2011, United had \$15.5 million in gains from terminated derivative positions included in other comprehensive income that will be amortized into earnings over their remaining original contract terms. Approximately \$10.2 million is expected to be reclassified into interest revenue over the next twelve months.

United's policy requires all derivative financial instruments be used only for asset/liability management through the hedging of specific transactions or positions, and not for trading or speculative purposes. Management believes that the risk associated with using derivative financial instruments to mitigate interest rate risk sensitivity is minimal and should not have any material unintended effect on our financial condition or results of operations. In order to mitigate potential credit risk, from time to time United may require the counterparties to derivative contracts to pledge securities as collateral to cover the net exposure.

#### Liquidity Management

The objective of liquidity management is to ensure that sufficient funding is available, at reasonable cost, to meet the ongoing operational cash needs and to take advantage of revenue producing opportunities as they arise. While the desired level of liquidity will vary depending upon a variety of factors, it is the primary goal of United to maintain a sufficient level of liquidity in all expected economic environments. Liquidity is defined as the ability to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining United's ability to meet the daily cash flow requirements of the Bank's customers, both depositors and borrowers. In addition, because United is a separate entity and apart from the Bank, it must provide for its own liquidity. United is responsible for the payment of dividends declared for its common and preferred shareholders, and interest and principal on any outstanding debt or trust preferred securities.

Two key objectives of asset/liability management are to provide for adequate liquidity in order to meet the needs of customers and to maintain an optimal balance between interest-sensitive assets and interest-sensitive liabilities to optimize net interest revenue. Daily monitoring of the sources and uses of funds is necessary to maintain a position that meets both requirements.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments and the maturities and sales of securities, as well as the ability to use these as collateral for borrowings on a secured basis. We also maintain excess funds in short-term interest-bearing assets that provide additional liquidity. Mortgage loans held for sale totaled \$25.4 million at March 31, 2011, and typically turn over every 45 days as the closed loans are sold to investors in the secondary market. In addition, at March 31, 2011 United held \$1.2 billion in excess liquidity including \$470 million in short-term commercial paper, \$440 million in balances in excess of reserve requirements at the Federal Reserve Bank and \$300 million in floating rate mortgage-backed securities.

The liability section of the balance sheet provides liquidity through interest-bearing and noninterest-bearing deposit accounts. Federal funds purchased, Federal Reserve short-term borrowings, FHLB advances and securities sold under agreements to repurchase are additional sources of liquidity and represent United's incremental borrowing capacity. These sources of liquidity are generally short-term in nature and are used as necessary to fund asset growth and meet other short-term liquidity needs.

Substantially all of the parent company's liquidity is obtained from subsidiary service fees and dividends from the Bank, which is limited by applicable law.

At March 31, 2011, United had sufficient qualifying collateral to increase FHLB advances by \$979 million and Federal Reserve discount window capacity of \$149 million. United's internal policy limits brokered deposits to 25% of total assets. At March 31, 2011, United had the capacity to increase brokered deposits by \$1.31 billion, subject to certain regulatory approvals, and still remain within this limit. In addition to these wholesale sources, United has the ability to attract retail deposits at any time by competing more aggressively on pricing.

As disclosed in United's consolidated statement of cash flows, net cash provided by operating activities was \$40.1 million for the three months ended March 31, 2011. The net loss of \$142 million for the three month period included non-cash expenses for the provision for loan losses of \$190 million and losses and write downs on foreclosed property of \$60.6 million. As an offset, other assets increased \$90.3 million, primarily due to an increase in deferred tax assets. Net cash used in investing activities of \$92.4 million consisted primarily of purchases of securities of \$407 million and purchases of premises and equipment of \$3.60 million, that were offset by proceeds from sales of securities of \$51.2 million, maturities and calls of investment securities of \$137 million, net proceeds from sales of other real estate and notes of \$47.4 million, and a net decrease in loans of \$93.9 million. Net cash provided by financing activities of \$493 million consisted primarily of a net increase of \$129 million in deposits and the proceeds from \$363 million in newly issued common and preferred stock. In the opinion of management, United had a significant excess liquidity position at March 31, 2011, which was sufficient to meet its expected cash flow requirements.

## Capital Resources and Dividends

Shareholders' equity at March 31, 2011 was \$850 million, an increase of \$215 million from December 31, 2010. Accumulated other comprehensive income, which includes unrealized gains and losses on securities available for sale and the unrealized gains and losses on derivatives qualifying as cash flow hedges, is excluded in the calculation of regulatory capital adequacy ratios. Excluding the change in the accumulated other comprehensive income, shareholders' equity increased \$218 million from December 31, 2010.

During the first quarter of 2011, United closed the Private Placement. Pursuant to the Private Placement, the Investors purchased and United issued \$3.29 million of the Company's existing common stock, consisting of 17,338,497 shares, for \$1.90 per share and issued \$347 million in preferred stock consisting of 195,872 shares of Series F Preferred Stock, and 151,185 shares of Series G Preferred Stock. Under the terms of the Private Placement Agreement and following receipt of required shareholder approvals, the Series F Preferred Stock will be mandatorily convertible into 103,090,506 shares of voting common stock and the Series G Preferred Stock will be mandatorily convertible into 79,570,997 shares of non-voting common stock. Following such conversion, the Investors will own an aggregate of 120,429,003 shares of common stock and 79,570,997 shares of non-voting common stock. The Private Placement resulted in an increase to shareholders' equity of \$363 million.

On February 22, 2011, the Company entered into the Share Exchange Agreement with the Elm Ridge Parties. Under the Share Exchange Agreement, the Elm Ridge Parties agreed to transfer to the Company 7,755,631 shares of the Company's common stock in exchange for 16,613 Series D Preferred Shares and warrants to purchase 7,755,631 common shares.

United accrued \$2.3 million in dividends on Series A and Series B preferred stock in the first quarter of 2011 as well as \$173,000 in dividends on Series D preferred stock. United recognizes that cash dividends are an important component of shareholder value, and therefore, intends to provide for cash dividends when earnings, capital levels and other factors permit.

The Board Resolution provides that United may not incur additional indebtedness, pay cash dividends, make payments on our trust preferred securities or repurchase outstanding stock without prior approval of the Federal Reserve. We were not given permission to pay interest on our trust preferred securities and dividends on our preferred stock during the first quarter of 2011. As a result of such deferrals, United may not pay dividends on any of common or preferred stock or trust preferred securities until all accrued and unpaid amounts under the deferred securities have been paid. Effective April 15, 2011, United received approval from the Federal Reserve for payment of currently payable and previously deferred dividends and interest on its preferred stock and trust preferred securities.

The Bank is currently subject to a memorandum of understanding ("MOU") which requires, among other things, that the Bank maintain its Tier 1 leverage ratio at not less than 8% and its total risk-based capital ratio at not less than 10% during the life of the MOU. Additionally, the MOU requires that, prior to declaring or paying any cash dividends to United, the Bank must obtain the written consent of its regulators.

United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI". Below is a quarterly schedule of high, low and closing stock prices and average daily volume for 2011 and 2010.

Table 13 - Stock Price Information

| 2011 |     |       |                  | 2010 |     |       |                  |
|------|-----|-------|------------------|------|-----|-------|------------------|
| High | Low | Close | Avg Daily Volume | High | Low | Close | Avg Daily Volume |

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|                |        |        |        |           |        |        |        |           |
|----------------|--------|--------|--------|-----------|--------|--------|--------|-----------|
| First quarter  | \$2.37 | \$1.19 | \$2.33 | 1,136,603 | \$5.00 | \$3.21 | \$4.41 | 882,923   |
| Second quarter |        |        |        |           | 6.20   | 3.86   | 3.95   | 849,987   |
| Third quarter  |        |        |        |           | 4.10   | 2.04   | 2.24   | 810,161   |
| Fourth quarter |        |        |        |           | 2.60   | 1.10   | 1.95   | 1,084,578 |

The Board of Governors of the Federal Reserve System has issued guidelines for the implementation of risk-based capital requirements by U.S. banks and bank holding companies. These risk-based capital guidelines take into consideration risk factors, as defined by regulators, associated with various categories of assets, both on and off-balance sheet. Under the guidelines, capital strength is measured in two tiers that are used in conjunction with risk-weighted assets to determine the risk-based capital ratios. The guidelines require an 8% total risk-based capital ratio, of which 4% must be Tier I capital. However, to be considered well-capitalized under the guidelines, a 10% total risk-based capital ratio is required, of which 6% must be Tier I capital.

Under the risk-based capital guidelines, assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of the collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with the category. The resulting weighted values from each of the risk categories are added together, and generally this sum is the company's total risk weighted assets. Risk-weighted assets for purposes of United's capital ratios are calculated under these guidelines.

A minimum leverage ratio is required in addition to the risk-based capital standards and is defined as Tier I capital divided by average assets adjusted for goodwill and deposit-based intangibles. Although a minimum leverage ratio of 3% is required, the Federal Reserve Board requires a bank holding company to maintain a leverage ratio greater than 3% if it is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve Board. The Federal Reserve Board uses the leverage and risk-based capital ratios to assess capital adequacy of banks and bank holding companies.

The following table shows United's capital ratios, as calculated under regulatory guidelines, at March 31, 2011, December 31, 2010 and March 31, 2010.

Table 14 -  
Capital Ratios  
(dollars in  
thousands)

|                    | Regulatory Guidelines |         | United Community Banks, Inc.<br>(Consolidated) |           |                   |                |                |                   | United Community Bank |  |  |
|--------------------|-----------------------|---------|--|-----------|-------------------|----------------|----------------|-------------------|-----------------------|--|--|
|                    | Well Capitalized      | Minimum | March 31, 2011 Pro Forma (1)                   | Actual    | December 31, 2010 | March 31, 2010 | March 31, 2011 | December 31, 2010 | March 31, 2010        |  |  |
| Risk-based ratios: |                       |         |  |           |                   |                |                |                   |                       |  |  |
| Tier I capital     | 4.0 %                 | 6.0 %   | 13.23 %  | 7.81 %    | 9.67 %            | 11.72 %        | 12.95 %        | 10.72 %           | 12.52 %               |  |  |
| Total capital      | 8.0                   | 10.0    | 15.72  | 15.63     | 12.11             | 14.45          | 14.73          | 12.48             | 14.37                 |  |  |
| Leverage ratio     | 3.0                   | 5.0     | 8.54   | 5.05      | 6.75              | 8.15           | 8.34           | 7.45              | 8.65                  |  |  |
| Tier I capital     |                       |         | \$627,423                                      | \$370,621 | \$483,257         | \$622,287      | \$611,958      | \$534,161         | \$664,163             |  |  |
| Total capital      |                       |         | 745,721  | 741,242   | 605,204           | 767,099        | 695,948        | 621,807           | 761,777               |  |  |

(1) Pro forma ratios and capital amounts assume conversion of Series F and Series G preferred stock to common stock as of period-end. Conversion is mandatory following shareholder approval of the transaction which is expected at United's annual shareholders' meeting on June 16, 2011.

United's Tier I capital excludes other comprehensive income, and consists of stockholders' equity and qualifying capital securities, less goodwill and deposit-based intangibles. Tier II capital components include supplemental capital items such as a qualifying allowance for loan losses and qualifying subordinated debt. Tier I capital plus Tier II capital components is referred to as Total Risk-Based capital.

#### Effect of Inflation and Changing Prices

A bank's asset and liability structure is substantially different from that of an industrial firm in that primarily all assets and liabilities of a bank are monetary in nature with relatively little investment in fixed assets or inventories. Inflation has an important effect on the growth of total assets and the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio.

United's management believes the effect of inflation on financial results depends on United's ability to react to changes in interest rates, and by such reaction, reduce the inflationary effect on performance. United has an asset/liability management program to manage interest rate sensitivity. In addition, periodic reviews of banking services and products are conducted to adjust pricing in view of current and expected costs.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes in United's quantitative and qualitative disclosures about market risk as of March 31, 2011 from that presented in the Annual Report on Form 10-K for the year ended December 31, 2010. The interest rate sensitivity position at March 31, 2011 is included in management's discussion and analysis on page 48 of this report.

Item 4. Controls and Procedures

United's management, including the Chief Executive Officer and Chief Financial Officer, supervised and participated in an evaluation of the Company's disclosure controls and procedures as of March 31, 2011. Based on, and as of the date of that evaluation, United's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective in accumulating and communicating information to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures of that information under the Securities and Exchange Commission's rules and forms and that the disclosure controls and procedures are designed to ensure that the information required to be disclosed in reports that are filed or submitted by United under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no significant changes in the internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Part II. Other Information

Item 1. Legal Proceedings

In the ordinary course of operations, United and the Bank are defendants in various legal proceedings. In the opinion of management, there is no pending or threatened proceeding in which an adverse decision could result in a material adverse change in the consolidated financial condition or results of operations of United.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in United's Form 10-K for the year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds – None

Item 3. Defaults upon Senior Securities – None

Item 4. (Removed and Reserved)

Item 5. Other Information – None

Item 6. Exhibits

3.1 Restated Articles of Incorporation of United Community Banks, Inc., as amended.

3.2 Amended and Restated Bylaws of United Community Banks, Inc., dated September 12, 1997, as amended.

- 4.1 See Exhibits 3.1 and 3.2 for provisions of the Restated Articles of Incorporation, as amended, and Amended and Restated Bylaws, as amended, which define the rights of security holders.

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- 4.2 Tax Benefits Preservation Plan, dated as of February 22, 2011, by and between United Community Banks, Inc. and Illinois Stock Transfer Company, which includes the Company's Articles of Amendment to its Restated Articles of Incorporation, setting forth the rights, restrictions, privileges and preferences of the Junior Participating Preferred Stock, Series E, as Exhibit A and Form of Right Certificate as Exhibit B (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on February 24, 2011.)
- 4.3 Form of Summary of Rights for Tax Benefits Preservation Plan, dated as of February 22, 2011, by and between United Community Banks, Inc. and Illinois Stock Transfer Company (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on February 24, 2011.)
- 4.4 Form of Warrant to Purchase Shares of Common Stock issued on February 22, 2011 (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on February 24, 2011.)
- 4.5 Amendment to Tax Benefits Preservation Plan, dated as of March 29, 2011, by and between United Community Banks, Inc. and Illinois Stock Transfer Company (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on March 31, 2011.)
- 10.1 Investment Agreement, dated as of March 16, 2011, between United Community Banks, Inc. and Corsair Georgia, L.P. (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on March 17, 2011.)
- 10.2 Form of Subscription Agreement, dated as of March 16, 2011, between United Community Banks, Inc. and each Additional Investor. (incorporated herein by reference to Exhibit 10.2 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on March 17, 2011.)
- 10.3 Asset Purchase and Sale Agreement dated April 18, 2011, among United Community Bank, CF Southeast, LLC and CF Southeast Trust 2011-1
- 31.1 Certification by Jimmy C. Tallent, President and Chief Executive Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by Rex S. Schuette, Executive Vice President and Chief Financial Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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 COMMUNITY BANKS,  
INC.

/ s / J i m m y C .  
Tallent  
Jimmy C. Tallent  
President and Chief Executive Officer  
(Principal Executive Officer)

/ s / R e x S .  
Schuette  
Rex S. Schuette  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

/ s / A l a n H .  
Kumler  
Alan H. Kumler  
Senior Vice President and Controller  
(Principal Accounting Officer)

Date: May 4, 2011

ARTICLES OF AMENDMENT  
OF  
UNITED COMMUNITY BANKS, INC.

1.

The name of the corporation is United Community Banks, Inc.

2.

The Restated Articles of Incorporation, as amended, of the corporation are amended by adding the powers, rights, and preferences, and the qualifications, limitations, and restrictions thereof, of the Mandatorily Convertible Cumulative Non-Voting Perpetual Preferred Stock, Series F as set forth in Exhibit A attached hereto and Mandatorily Convertible Cumulative Non-Voting Perpetual Preferred Non-Voting Stock, Series G as set forth in Exhibit B attached hereto.

3.

The amendment was adopted by the board of directors of the corporation at a meeting duly convened and held on March 14, 2011. Pursuant to O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation, as amended, of the corporation, shareholder consent was not required.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Restated Articles of Incorporation, as amended, of United Community Banks, Inc. this 29th day of March, 2011.

UNITED COMMUNITY BANKS, INC.

By: /s/ Rex S. Schuette  
Name: Rex S. Schuette  
Title: Executive Vice President and Chief Financial Officer

EXHIBIT A

DESIGNATIONS, POWERS, PREFERENCES,  
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS  
OF  
MANDATORILY CONVERTIBLE CUMULATIVE NON-VOTING PERPETUAL PREFERRED STOCK, SERIES  
F  
OF  
UNITED COMMUNITY BANKS, INC.

First: The name of the Corporation is United Community Banks, Inc., a corporation organized and existing under the laws of the State of Georgia (the "Corporation").

Second: The Restated Articles of Incorporation of the Corporation, as amended, authorize the issuance of 10,000,000 shares of preferred stock, par value \$1.00 per share, of the Corporation ("Preferred Stock") in one or more series, and authorizes the Board of Directors of the Corporation (the "Board of Directors") to fix by resolution or resolutions the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the shares of such series.

Third: That the following resolution was duly adopted by the Board of Directors as required by O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation at a meeting duly convened and held on March 14, 2011, at which a quorum was present and acting throughout.

Resolved, that pursuant to the provisions of the Restated Articles of Incorporation of the Corporation, as amended, and applicable law, a series of Preferred Stock, par value \$1.00 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

RIGHTS AND PREFERENCES

Section 1. Designation. There is hereby created out of the authorized and unissued shares of preferred stock of the Corporation a series of preferred stock designated as the "Mandatorily Convertible Cumulative Non-Voting Perpetual Preferred Stock, Series F" (the "Series F Preferred Stock"). The number of shares constituting such series shall be 195,872. The par value of the Series F Preferred Stock shall be \$1.00 per share, and the liquidation preference shall be \$1,000 per share.

Section 2. Ranking. The Series F Preferred Stock will, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank (i) on a parity with the Corporation's Series A Non-Cumulative Preferred Stock, the Fixed Rate Cumulative Perpetual Preferred Stock, Series B, the Series C Fixed Rate Cumulative Perpetual Preferred Stock, the Cumulative Perpetual Preferred Stock, Series D, the Junior Participating Preferred Stock, Series E, the Series G Mandatorily Convertible Perpetual Preferred Stock (the "Series G Preferred Stock") and with each other class or series of equity securities of the Corporation the terms of which do not expressly provide that such class or series will rank senior or junior to the Series F Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Parity Securities"), and (ii) senior to the Corporation's common stock, par value \$1.00 per share (the "Common Stock"), the Corporation's non-voting common stock, par value \$1.00 per share (the "Non-Voting Common Stock" and, together with the Common Stock, the "Company Common Stock"), and each other class or series of capital stock of the Corporation outstanding or established after the Effective Date by the Corporation the terms of which do not expressly provide that it ranks on a parity with or senior to the Series F Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Junior Securities"). The Corporation has the power to authorize and/or issue additional shares or classes or series of Junior Securities without the consent of the Holders.

Section 3. Definitions. The following initially capitalized terms shall have the following meanings, whether used in the singular or the plural:

- (a) "Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.
- (b) "Applicable Conversion Price" means the Conversion Price in effect at any given time.
- (c) "Articles of Incorporation" means the Restated Articles of Incorporation of the Corporation, as amended.
- (d) "As-Converted Dividend" means, with respect to any Dividend Period, the product of (i) the pro forma per share semi-annual Common Stock dividend derived by (A) annualizing the last dividend declared during such Dividend Period on the Common Stock and (B) dividing such annualized dividend by two and (ii) the number of shares of Common Stock into which a share of Series F Preferred Stock would then be convertible (assuming receipt of the Stockholder Approval); provided, however, that for any Dividend Period with respect to which no dividend on the Common Stock has been declared, the As-Converted Dividend shall be \$0.00.

- (e) “BHC Act” means the Bank Holding Company Act of 1956, as amended.
- (f) “BHC Affiliated Person” means, with respect to any Person, its Affiliates which for purposes of this definition include all “affiliates” as defined in the BHC Act or Regulation Y of the Board of Governors of the Federal Reserve.
- (g) “Business Day” means any day that is not Saturday or Sunday and that, in New York City, is not a day on which banking institutions generally are authorized or obligated by law or executive order to be closed.
- (h) “Certificate of Designations” means the Articles of Amendment to the Articles of Incorporation, dated March 29, 2011.
- (i) “CIBC Act” means the Change in Bank Control Act of 1978, as amended.
- (j) “Closing Price” of the Common Stock (or other relevant capital stock or equity interest) on any date of determination means the closing sale price or, if no closing sale price is reported, the last reported sale price of the shares of the Common Stock (or other relevant capital stock or equity interest) on The NASDAQ Global Select Market on such date. If the Common Stock (or other relevant capital stock or equity interest) is not traded on The NASDAQ Global Select Market on any date of determination, the Closing Price of the Common Stock (or other relevant capital stock or equity interest) on such date of determination means the closing sale price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant capital stock or equity interest) is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant capital stock or equity interest) is so listed or quoted, or if the Common Stock (or other relevant capital stock or equity interest) is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock (or other relevant capital stock or equity interest) in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization, or, if that bid price is not available, the market price of the Common Stock (or other relevant capital stock or equity interest) on that date as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

For purposes of this Certificate of Designation, all references herein to the “Closing Price” and “last reported sale price” of the Common Stock (or other relevant capital stock or equity interest) on The NASDAQ Global Select Market shall be such closing sale price and last reported sale price as reflected on the website of The NASDAQ Global Select Market (<http://www.nasdaq.com>) and as reported by Bloomberg Professional Service; provided that in the event that there is a discrepancy between the closing sale price or last reported sale price as reflected on the website of The NASDAQ Global Select Market and as reported by Bloomberg Professional Service, the closing sale price and last reported sale price on the website of The NASDAQ Global Select Market shall govern.

- (k) “Common Stock” has the meaning set forth in Section 2.
- (l) “Company Common Stock” has the meaning set forth in Section 2.

- (m) “Conversion Price” means \$1.90, subject to adjustment as set forth herein.
- (n) “Current Market Price” means, on any date, the average of the daily Closing Price per share of the Common Stock or other securities on each of the five consecutive Trading Days preceding the earlier of the day before the date in question and the day before the Ex-Date with respect to the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 10.
- (o) “Distributed Property” has the meaning set forth in Section 10(a)(iv).
- (p) “Dividend” has the meaning set forth in Section 4(b).
- (q) “Dividend Payment Date” has the meaning set forth in Section 4(b).
- (r) “Dividend Period” has the meaning set forth in Section 4(c).
- (s) “Dividend Rate” means, with respect to any Dividend Period, the sum of (a) the greater of (i) LIBOR and (ii) 2.0% plus (b) 15.0%; provided however if such amount is greater than 18.0%, the Dividend Rate shall be 18.0%.
- (t) “Effective Date” means the date on which shares of the Series F Preferred Stock are first issued.
- (u) “Exchange Property” has the meaning set forth in Section 11(a).
- (v) “Ex-Date”, when used with respect to any issuance or distribution, means the first date on which the Common Stock or other securities trade without the right to receive the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 10.
- (w) “Holder” means the Person in whose name the shares of the Series F Preferred Stock are registered, which may be treated by the Corporation as the absolute owner of the shares of Series F Preferred Stock for the purpose of making payment and settling the related conversions and for all other purposes.
- (x) “Junior Securities” has the meaning set forth in Section 2.
- (y) “LIBOR” means, with respect to any Dividend Period, the rate for deposits in U.S. dollars for a three-month period that appears on Bloomberg Screen US0003M Index <GO> page (or other applicable page) as of 11:00 a.m. (London time) on the second London Banking Day preceding the first day of that Dividend Period. If the rate described above does not appear on such Bloomberg Screen page, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 a.m., London time on the second London Banking Day preceding the first day of that Dividend Period. The Corporation will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York, New York, selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period and in a principal amount of not less than \$1,000,000. However, if the banks selected by the Corporation to provide quotations are not quoting as described above, LIBOR for that Dividend Period will be the same as LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most recent rate that could have been

determined in accordance with the first sentence of this paragraph had the Series F Preferred Stock been outstanding. The establishment of LIBOR will be final and binding in the absence of manifest error.

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- (z) “Liquidation Preference” means, as to the Series F Preferred Stock, \$1,000 per share (as adjusted for any split, subdivision, combination, consolidation, recapitalization or similar event with respect to the Series F Preferred Stock).
- (aa) “London Banking Day” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.
- (bb) “Mandatory Conversion Date” means, with respect to the shares of Series F Preferred Stock of any Holder, the second Business Day after which the Corporation has received the Stockholder Approvals (or if a Reorganization Event has theretofore been consummated, the date of consummation of such Reorganization Event) necessary to permit such Holder to convert such shares of Series F Preferred Stock into authorized Common Stock without such conversion resulting in a Violation, provided, however, that if a Mandatory Conversion Date would otherwise occur on or after an Ex-Date for an issuance or distribution that results in an adjustment of the Conversion Price pursuant to Section 10 and on or before the Record Date for such issuance or distribution, such Mandatory Conversion Date shall instead occur on the first calendar day after the Record Date for such issuance or distribution, and provided, further, that if a Mandatory Conversion Date would otherwise occur but such Holder has not received all accrued and unpaid dividends, whether or not declared with respect to any Dividend Period completed prior to such Mandatory Conversion Date, such Mandatory Conversion Date shall instead occur on the first calendar day after such Holder has received all such accrued and unpaid dividends.
- (cc) “Non-Voting Common Stock” has the meaning set forth in Section 2.
- (dd) “Notice of Mandatory Conversion” has the meaning set forth in Section 9(a).
- (ee) “Parity Securities” has the meaning set forth in Section 2.
- (ff) “Person” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.
- (gg) “Record Date” has the meaning set forth in Section 4(d).
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- (hh) “Reorganization Event” has the meaning set forth in Section 11(a).
- (ii) “Series F Preferred Stock” has the meaning set forth in Section 1.
- (jj) “Series G Preferred Stock” has the meaning set forth in Section 2.
- (kk) “Stockholder Approvals” means all stockholder approvals necessary to (i) approve the conversion of the Series F Preferred Stock into Common Stock for purposes of Rule 5635 of the Nasdaq Stock Market Rules and (ii) amend the Articles of Incorporation to (A) authorize a number of shares of Non-Voting Common Stock sufficient to permit the full conversion of the Series G Preferred Stock into Non-Voting Common Stock and the issuance of certain additional shares of Non-Voting Common Stock and (B) increase the number of authorized shares of Common Stock to at least such number as shall be sufficient to permit the full conversion of the Series F Preferred Stock and the Non-Voting Common Stock.
- (ll) “Trading Day” means a day on which the shares of Common Stock:
- (i) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business; and
- (ii) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.
- (mm) “Violation” means a violation of the stockholder approval requirements of Rule 5635 of the Nasdaq Stock Market Rules.
- (nn) “Voting Securities” has the meaning set forth in the BHC Act and any rules or regulations promulgated thereunder.

Section 4. Dividends. (a) From and after the Effective Date, the Holders shall be entitled to receive, when, as and if declared by the Board of Directors or a duly authorized committee of the Board of Directors, out of funds legally available therefor, cumulative dividends of the type and in the amounts determined as set forth in this Section 4, and no more.

(b) Commencing on the Effective Date, dividends shall accrue and shall be payable semi-annually in arrears on March 30th and September 30th of each year (each, a “Dividend Payment Date”) or, if any such day is not a Business Day, the next Business Day. Dividends payable pursuant to this Section 4, if, when and as declared by the Board of Directors or a duly authorized committee of the Board of Directors, will be, for each outstanding share of Series F Preferred Stock, payable in cash at an annual rate equal to the Dividend Rate multiplied by the sum of (i) the Liquidation Preference plus (ii) all accrued and unpaid dividends for any prior Dividend Period that are payable on such share of Series F Preferred Stock, payable in cash (such dividend, the “Dividend”); provided that, in the event that the As-Converted Dividend for such Dividend Period is greater than the Dividend, each outstanding share of Series F Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, the As-Converted Dividend rather than the Dividend.

(c) Dividends payable pursuant to Section 4 will be computed on the basis of a 360-day year of twelve 30-day months and, for any Dividend Period greater or less than a full Dividend Period, will be computed on the basis of the actual number of days elapsed in the period divided by 360. The period from the Effective Date to but excluding September 30, 2011 and each period from and including a Dividend Payment Date to but excluding the following Dividend Payment Date is herein referred to as a “Dividend Period”.

(d) Each dividend will be payable to Holders of record as they appear in the records of the Corporation on the applicable record date (each, a “Record Date”), which with respect to dividends payable pursuant to this Section 4, shall be on the fifteenth day of the month immediately prior to the month in which the relevant Dividend Payment Date occurs.

(e) Dividends on the Series F Preferred Stock are cumulative. Such dividends shall begin to accrue and be cumulative from the Effective Date (in the case of the shares of Series F Preferred Stock issued on the Effective Date), shall compound at the relevant rate on each subsequent Dividend Payment Date (i.e., no dividends shall accrue on another dividend unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable semi-annually in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date.

(f) So long as any shares of Series F Preferred Stock remain outstanding, if all dividends payable pursuant to Section 4 on all outstanding shares of the Series F Preferred Stock for any Dividend Period have not been declared and paid, or declared and funds set aside therefor, the Corporation shall not, directly or indirectly, (x) declare or pay dividends with respect to, or make any distributions on, or, directly or indirectly, redeem, purchase or acquire any of its Junior Securities or (y) directly or indirectly, redeem, purchase or acquire any of its Parity Securities, other than, in each case, (i) redemptions, purchases or other acquisitions of Junior Securities or Parity Securities in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants or in connection with a dividend reinvestment plan, (ii) any declaration of a dividend in connection with any stockholders’ rights plan, or the issuance of rights, stock or other property under any stockholders’ rights plan, or the redemption or repurchase of rights pursuant thereto, (iii) conversions or exchanges of Junior Securities or Parity Securities for Junior Securities or Parity Securities, respectively, and (iv) any purchase of fractional interests in shares of the Corporation’s capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged. If dividends payable pursuant to Section 4 for any Dividend Payment Date are not paid in full, or declared and funds set aside therefor on the shares of the Series F Preferred Stock and there are issued and outstanding shares of Parity Securities with the same Dividend Payment Date (or, in the case of Parity Securities having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period applicable to such Dividend Payment Date), then all dividends declared on shares of the Series F Preferred Stock and such Parity Securities on such date or dates, as the case may be, shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as full semi-annual dividends per share payable on the shares of the Series F Preferred Stock pursuant to Section 4 and all such Parity Securities otherwise payable on such Dividend Payment Date (or, in the case of Parity Securities having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period applicable to such Dividend Payment Date) (subject to such dividends on such Parity Securities having been declared by the Board of Directors out of legally available funds and including, in the case of any such Parity Securities that bear cumulative dividends, all accrued but unpaid dividends) bear to each other. However, the foregoing provisions shall not restrict the ability of any Affiliate of the Corporation to engage in any market making transactions in Junior Securities in the ordinary course of business.

(g) If the Mandatory Conversion Date with respect to any share of Series F Preferred Stock is prior to the Dividend Payment Date applicable to any Dividend Period, the Holder of such share of Series F Preferred Stock will not have the right to receive any dividends on the Series F Preferred Stock with respect to such Dividend Period, provided that this provision shall not affect any rights to receive any accrued but unpaid dividends on the Series F Preferred Stock attributable to any Dividend Period completed prior to the Mandatory Conversion Date.

(h) The Corporation, in satisfaction of its obligation to issue preferred stock under any provision of this Certificate of Designations to any Holder, may, in order to minimize the number of its authorized and unissued shares of preferred stock used for such purpose, issue depositary shares for such preferred stock, with such depositary shares and underlying preferred stock being in such denominations as the Corporation and such Holder shall mutually agree.

Section 5. Liquidation. (a) In the event the Corporation voluntarily or involuntarily liquidates, dissolves or winds up, the Holders at the time shall be entitled to receive liquidating distributions in an amount equal to the greater of (i) the Liquidation Preference per share of Series F Preferred Stock plus an amount equal to any accrued but unpaid dividends, whether or not declared, thereon to and including the date of such liquidation and (ii) the payment or distribution to which such Holders would have been entitled if the Series F Preferred Stock were converted into Common Stock (assuming receipt of the Stockholder Approvals) immediately before such liquidation, dissolution or winding-up, out of assets legally available for distribution to the Corporation's stockholders, before any distribution of assets is made to the holders of the Company Common Stock or any other Junior Securities. After payment of the full amount of such liquidation distribution, the Holders shall not be entitled to any further participation in any distribution of assets by the Corporation.

(b) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series F Preferred Stock and the corresponding amounts payable on any Parity Securities, Holders and the holders of such Parity Securities shall share ratably in any distribution of assets of the Corporation in proportion to the full respective liquidating distributions to which they would otherwise be respectively entitled.

(c) The Corporation's consolidation or merger with or into any other entity, the consolidation or merger of any other entity with or into the Corporation, or the sale of all or substantially all of the Corporation's property or business will not constitute its liquidation, dissolution or winding up.

Section 6. Maturity. The Series F Preferred Stock shall be perpetual unless converted in accordance with this Certificate of Designations.

Section 7. Redemptions.

(a) Optional Redemption. The Series F Preferred Stock may not be redeemed by the Corporation prior to December 31, 2015. After December 31, 2015, the Corporation, at its option, may redeem in whole at any time the shares of Series F Preferred Stock at the time outstanding, upon notice given as provided in Section 7(c) below, at a redemption price per share payable in cash equal to the greater of (i) 150.0% of the sum of (A) the Liquidation Preference, plus (B) all accrued and unpaid dividends, whether or not declared, up to, but excluding, the date fixed for redemption and (ii) 125.0% of (A) the number of shares of Common Stock into which a share of Series F Preferred Stock would be convertible on the Trading Day immediately prior to the date fixed for redemption (assuming receipt of Stockholder Approvals) multiplied by (B) the Closing Price of Common Stock on such Trading Day. The redemption price for any shares of Series F Preferred Stock shall be payable on the redemption date to the Holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to a Record Date for a Dividend Period shall not be paid to the Holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Record Date.

(b) No Sinking Fund. The Series F Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series F Preferred Stock will have no right to require redemption of any shares of Series F Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Series F Preferred Stock shall be given by first class mail, postage prepaid, addressed to the Holders of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption; provided, however, that failure to give such notice by mail, or any defect in such notice or in the mailing thereof, to any Holder of shares of Series F Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series F Preferred Stock to be so redeemed except as to the Holder to whom the Corporation has failed to give such notice or except as to the Holder to whom notice was defective. Notwithstanding the foregoing, if the Series F Preferred Stock or any depositary shares representing interests in the Series F Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the Holders of Series F Preferred Stock at such time and in any manner permitted by such facility. Each such notice given to a Holder shall state: (1) the redemption date; (2) the number of shares of Series F Preferred Stock to be redeemed; (3) the redemption price (or manner of determination of the redemption price); and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

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(d) Effectiveness of Redemption. If notice of redemption has been duly given as provided in Section 7(c) and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the Holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date unless the Corporation defaults in the payment of the redemption price, in which case such rights shall continue until the redemption price is paid, dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the Holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the Holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares. Shares of outstanding Series F Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series.

Section 8. Mandatory Conversion. Effective as of the close of business on the Mandatory Conversion Date with respect to the shares of Series F Preferred Stock of a Holder, all such Holder's shares of Series F Preferred Stock shall automatically convert into shares of Common Stock as set forth below. The number of shares of Common Stock into which a share of Series F Preferred Stock shall be convertible shall be determined by dividing (i) the Liquidation Preference by (ii) the Applicable Conversion Price (subject to the conversion procedures of Section 9 hereof); provided, that the Series F Preferred Stock shall not convert into Common Stock unless and until all accrued and unpaid dividends, whether or not declared, with respect to any Dividend Period completed prior to the Mandatory Conversion Date (but not with respect to the Dividend Period in which the Mandatory Conversion Date occurs) have been paid in cash to the Holders. Upon conversion, Holders shall receive cash in lieu of fractional shares in accordance with Section 13 hereof.

Section 9. Conversion Procedures.

(a) At least one Business Day prior to the Mandatory Conversion Date with respect to shares of any Holder, the Corporation shall provide notice of such conversion to such Holder (such notice a "Notice of Mandatory Conversion"). In addition to any information required by applicable law or regulation, the Notice of Mandatory Conversion with respect to such Holder shall state, as appropriate:

- (i) the Mandatory Conversion Date;
  - (ii) the Applicable Conversion Price;
  - (iii) the number of shares of Common Stock to be issued upon conversion of each share of Series F Preferred Stock held of record by such Holder and subject to such mandatory conversion;
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- (iv) if certificates are to be issued, the place or places where certificates for shares of Series F Preferred Stock held of record by such Holder are to be surrendered for issuance of certificates representing shares of Common Stock; and
- (v) the amount of accrued and unpaid dividends to be paid in cash on each share of Series F Preferred Stock held of record by such Holder prior to such mandatory conversion.
- (b) Effective immediately prior to the close of business on the Mandatory Conversion Date with respect to any shares of Series F Preferred Stock dividends shall no longer be declared on any such shares of Series F Preferred Stock and such shares of Series F Preferred Stock shall cease to be outstanding, in each case, subject to the right of the Holder to receive (i) shares of Common Stock issuable upon such mandatory conversion, (ii) any declared and unpaid dividends on such share to the extent provided in Section 4(g) and (iii) any other payments to which such Holder is otherwise entitled pursuant to Section 5, Section 7, Section 8, Section 11 or Section 13 hereof, as applicable.
- (c) No allowance or adjustment, except pursuant to Section 4 or Section 10, shall be made in respect of dividends payable to holders of the Common Stock of record as of any date prior to the close of business on the Mandatory Conversion Date with respect to any share of Series F Preferred Stock. Prior to the close of business on the Mandatory Conversion Date with respect to any share of Series F Preferred Stock, shares of Common Stock issuable upon conversion thereof, or other securities issuable upon conversion of, such share of Series F Preferred Stock shall not be deemed outstanding for any purpose, and the Holder thereof shall have no rights with respect to the Common Stock or other securities issuable upon conversion (including voting rights, rights to respond to tender offers for the Common Stock or other securities issuable upon conversion and rights to receive any dividends or other distributions on the Common Stock or other securities issuable upon conversion) by virtue of holding such share of Series F Preferred Stock.
- (d) Shares of Series F Preferred Stock duly converted in accordance with this Certificate of Designations, or otherwise reacquired by the Corporation, will resume the status of authorized and unissued preferred stock, undesignated as to series and available for future issuance. The Corporation may from time-to-time take such appropriate action as may be necessary to reduce the authorized number of shares of Series F Preferred Stock; provided, however, that the Corporation shall not take any such action if such action would reduce the authorized number of shares of Series F Preferred Stock below the number of shares of Series F Preferred Stock then outstanding.
- (e) The Person or Persons entitled to receive the Common Stock and/or cash, securities or other property issuable upon conversion of Series F Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Common Stock and/or securities as of the close of business on the Mandatory Conversion Date with respect thereto. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock and/or cash, securities or other property (including payments of cash in lieu of fractional shares) to be issued or paid upon conversion of shares of Series F Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payment, in the name of the Holder and in the manner shown on the records of the Corporation.
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(f) On the Mandatory Conversion Date with respect to any share of Series F Preferred Stock, certificates representing shares of Common Stock shall be issued and delivered to the Holder thereof or such Holder's designee (or, at the Corporation's option such shares shall be registered in book-entry form) upon presentation and surrender of the certificate evidencing the Series F Preferred Stock to the Corporation and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes.

Section 10. Anti-Dilution Adjustments.

(a) The Conversion Price shall be subject to the following adjustments:

(i) Stock Dividends and Distributions. If the Corporation pays dividends or other distributions on the Company Common Stock in shares of Company Common Stock, then the Conversion Price in effect immediately prior to the Ex-Date for such dividend or distribution will be multiplied by the following fraction:

$$\frac{\text{OS0}}{\text{OS1}}$$

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to Ex-Date for such dividend or distribution.

OS1 = the sum of the number of shares of Company Common Stock outstanding immediately prior to the Ex-Date for such dividend or distribution plus the total number of shares of Company Common Stock constituting such dividend or distribution.

For the purposes of this clause (i), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. If any dividend or distribution described in this clause (i) is declared but not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such dividend or distribution, to such Conversion Price that would be in effect if such dividend or distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(ii) Subdivisions, Splits and Combination of the Company Common Stock. If the Corporation subdivides, splits or combines the shares of Company Common Stock, then the Conversion Price in effect immediately prior to the effective date of such share subdivision, split or combination will be multiplied by the following fraction:

$$\frac{\text{OS0}}{\text{OS1}}$$

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to the effective date of such share subdivision, split or combination.

OS1 = the number of shares of Company Common Stock outstanding immediately after the opening of business on the effective date of such share subdivision, split or combination.

For the purposes of this clause (ii), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. If any subdivision, split or combination described in this clause (ii) is announced but the outstanding shares of Company Common Stock are not subdivided, split or combined, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to subdivide, split or combine the outstanding shares of Company Common Stock, to such Conversion Price that would be in effect if such subdivision, split or combination had not been announced (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(iii) Issuance of Stock Purchase Rights. If the Corporation issues to all or substantially all holders of the shares of Company Common Stock rights or warrants (other than rights or warrants issued pursuant to a stockholders' rights plan, a dividend reinvestment plan or share purchase plan or other similar plans, including that certain Tax Benefits Preservation Plan, dated February 22, 2011, as amended, between the Corporation and Illinois Stock Transfer Company) entitling them to subscribe for or purchase the shares of Company Common Stock at less than the Current Market Price on the date fixed for the determination of stockholders entitled to receive such rights or warrants, then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{\text{OS0} + \text{Y}}{\text{OS0} + \text{X}}$$

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to the Ex-Date for such distribution.

X = the total number of shares of Company Common Stock issuable pursuant to such rights or warrants.

Y = the number of shares of Company Common Stock equal to the aggregate price payable to exercise such rights or warrants divided by the Current Market Price on the date fixed for the determination of stockholders entitled to receive such rights or warrants.

For the purposes of this clause (iii), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. The Corporation shall not issue any such rights or warrants in respect of shares of the Company Common Stock acquired by the Corporation. In the event that such rights or warrants described in this clause (iii) are not so issued, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to issue such rights or warrants, to the Conversion Price that would then be in effect if such issuance had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock). To the extent that such rights or warrants are not exercised prior to their expiration or shares of Company Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Price shall be readjusted to such Conversion Price that would then be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Company Common Stock actually delivered (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock). In determining the aggregate offering price payable for such shares of Company Common Stock, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined in a reasonable manner by the Board of Directors).

(iv) Debt or Asset Distributions. If the Corporation distributes to all or substantially all holders of shares of Common Stock evidences of indebtedness, shares of capital stock, securities, cash or other assets (excluding any dividend or distribution referred to in clause (i) above, any rights or warrants referred to in clause (iii) above, any dividend or distribution paid exclusively in cash, any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its applicable subsidiaries, and any dividend of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit in the case of certain spin-off transactions as described below) (such evidences of indebtedness, shares of capital stock, securities, cash or other assets, the "Distributed Property"), then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{SP_0 - FMV}{SP_0}$$

Where,

SP<sub>0</sub> the Current Market Price per share of Common Stock on such date.

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FMV the fair market value of the portion of the distribution applicable to one share of Common Stock on such date as determined in good faith by the Board of Directors.

In a “spin-off”, where the Corporation makes a distribution to all holders of shares of Common Stock consisting of capital stock of any class or series, or similar equity interests of, or relating to, a subsidiary or other business unit, the Conversion Price will be adjusted on the fifteenth Trading Day after the effective date of the distribution by multiplying such Conversion Price in effect immediately prior to such fifteenth Trading Day by the following fraction:

$$\frac{\text{MP0}}{\text{MP0} + \text{MPs}}$$

Where,

MP0 = the average of the Closing Prices of the Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution.

MPs = the average of the Closing Prices of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution, or, if not traded on a national or regional securities exchange or over-the-counter market, the fair market value of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock on such date as determined by the Board of Directors.

In the event that such distribution described in this clause (iv) is not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Price that would then be in effect if such dividend or distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(v) Cash Distributions. If the Corporation makes a distribution consisting exclusively of cash to all holders of the Common Stock, excluding (a) any cash dividend on the Common Stock to the extent a corresponding cash dividend pursuant to Section 4 is paid on the Series F Preferred Stock, (b) any cash that is distributed in a Reorganization Event or as part of a “spin-off” referred to in clause (iv) above, (c) any dividend or distribution in connection with the Corporation’s liquidation, dissolution or winding up, and (d) any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its subsidiaries, then in each event, the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{\text{SP0} - \text{DIV}}{\text{SP0}}$$

Where,

SP0 = the Closing Price per share of Common Stock on the Trading Day immediately preceding the Ex-Date.

DIV = the amount per share of Common Stock of the cash distribution, as determined pursuant to the introduction to this paragraph (v).

In the event that any distribution described in this clause (v) is not so made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such distribution, to the Conversion Price which would then be in effect if such distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(vi) Self Tender Offers and Exchange Offers. If the Corporation or any of its subsidiaries successfully completes a tender or exchange offer for the Common Stock where the cash and the value of any other consideration included in the payment per share of the Common Stock exceeds the Closing Price per share of the Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer, then the Conversion Price in effect at the close of business on such immediately succeeding Trading Day will be multiplied by the following fraction:

$$\frac{OS0 \times SP0}{AC + (SP0 \times OS1)}$$

Where,

SP0 = the Closing Price per share of Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer.

OS0 = the number of shares of Common Stock outstanding immediately prior to the expiration of the tender or exchange offer, including any shares validly tendered and not withdrawn.

OS1 = the number of shares of Common Stock outstanding immediately after the expiration of the tender or exchange offer, giving effect to consummation of the acquisition of all shares validly tendered or exchanged (and not withdrawn) in connection with such tender or exchange.

AC = the aggregate cash and fair market value of the other consideration payable in the tender or exchange offer, as determined by the Board of Directors.

In the event that the Corporation, or one of its subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Corporation, or such subsidiary, is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Price shall be readjusted to be such Conversion Price that would then be in effect if such tender offer or exchange offer had not been made (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock). Except as set forth in the preceding sentence, if the application of this clause (vi) to any tender offer or exchange offer would result in an increase in the Conversion Price, no adjustment shall be made for such tender offer or exchange offer under this clause (vi).

(vii) Rights Plans. To the extent that the Corporation has a rights plan in effect with respect to the Common Stock on the Mandatory Conversion Date, upon conversion of any shares of the Series F Preferred Stock, Holders will receive, in addition to the shares of Common Stock, the rights under the rights plan, unless, prior to the Mandatory Conversion Date, the rights have separated from the shares of Common Stock, in which case the Conversion Price will be adjusted at the time of separation as if the Corporation had made a distribution to all holders of the Common Stock as described in clause (iii) above, subject to readjustment in the event of the expiration, termination or redemption of such rights (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(b) The Corporation may make such decreases in the Conversion Price, in addition to any other decreases required by this Section 10, if the Board of Directors deems it advisable, to avoid or diminish any income tax to holders of the Company Common Stock resulting from any dividend or distribution of shares of Company Common Stock (or issuance of rights or warrants to acquire shares of Company Common Stock) or from any event treated as such for income tax purposes or for any other reason.

(c) (i) All adjustments to the Conversion Price shall be calculated to the nearest 1/10 of a cent. No adjustment in the Conversion Price shall be required if such adjustment would be less than \$0.01; provided, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment; provided further that on the Mandatory Conversion Date adjustments to the Conversion Price will be made with respect to any such adjustment carried forward and which has not been taken into account before such date.

(ii) No adjustment to the Conversion Price shall be made if Holders may participate in the transaction that would otherwise give rise to an adjustment, as a result of holding the Series F Preferred Stock (including without limitation pursuant to Section 4 hereof), without having to convert the Series F Preferred Stock, as if they held the full number of shares of Common Stock into which a share of the Series F Preferred Stock may then be converted.

(iii) The Applicable Conversion Price shall not be adjusted:

(A) upon the issuance of any shares of Company Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Corporation's securities and the investment of additional optional amounts in shares of Company Common Stock under any such plan;

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(B) upon the issuance of any shares of Company Common Stock or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Corporation or any of its subsidiaries;

(C) upon the issuance of any shares of Company Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date shares of the Series F Preferred Stock were first issued and not substantially amended thereafter;

(D) for a change in the par value or no par value of Company Common Stock; or

(E) for accrued and unpaid dividends on the Series F Preferred Stock.

(d) Whenever the Conversion Price is to be adjusted in accordance with Section 10(a) or Section 10(b), the Corporation shall: (i) compute the Conversion Price in accordance with Section 10(a) or Section 10(b), taking into account the \$0.01 threshold set forth in Section 10(c) hereof; (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Price pursuant to Section 10(a) or Section 10(b), taking into account the one percent threshold set forth in Section 10(c) hereof (or if the Corporation is not aware of such occurrence, as soon as practicable after becoming so aware), provide, or cause to be provided, a written notice to the Holders of the occurrence of such event; and (iii) as soon as practicable following the determination of the revised Conversion Price in accordance with Section 10(a) or Section 10(b) hereof, provide, or cause to be provided, a written notice to the Holders setting forth in reasonable detail the method by which the adjustment to the Conversion Price was determined and setting forth the revised Conversion Price.

Section 11. Reorganization Events. (a) In the event that, for so long as any shares of Series F Preferred Stock have not been converted and remain outstanding, there occurs:

(i) any consolidation, merger or other similar business combination of the Corporation with or into another Person, in each case pursuant to which the Common Stock will be converted into cash, securities or other property of the Corporation or another Person;

(ii) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation, in each case pursuant to which the Common Stock will be converted into cash, securities or other property of the Corporation or another Person;

(iii) any reclassification of the Common Stock into securities including securities other than the Common Stock;  
or

(iv) any statutory exchange of the outstanding shares of Common Stock for securities of another Person (other than in connection with a merger or acquisition);

(any such event specified in this Section 11(a), a “Reorganization Event”); then each share of such Holder’s Series F Preferred Stock outstanding immediately prior to such Reorganization Event shall remain outstanding but shall automatically convert, effective as of the close of business on the Mandatory Conversion Date with respect to the shares of Series F Preferred Stock of such Holder, into the type and amount of securities, cash and other property receivable in such Reorganization Event by the holder (excluding the counterparty to the Reorganization Event or an Affiliate of such counterparty) of the greater of (i) the number of shares of Common Stock into which one share of Series F Preferred Stock would then be convertible assuming the receipt of the Stockholder Approvals and (ii) the number of shares of Common Stock that, if one share of Series F Preferred Stock were converted into such number of shares, would result in the fair market value of the securities, cash and other property receivable in such Reorganization Event by a Holder of such number of shares equaling the Liquidation Preference plus, in each case of clause (i) and (ii) above, all accrued and unpaid dividends, whether or not declared, up to, but excluding such date (such securities, cash and other property, the “Exchange Property”). In the event that a Reorganization Event referenced in Section 11(a) involves common stock as all or part of the consideration being offered in a fixed exchange ratio transaction, the fair market value per share of such common stock shall be determined by reference to the average of the closing prices of such common stock for the ten Trading Day period ending immediately prior to the consummation of such Reorganization Event.

(b) In the event that holders of the shares of Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the Holders shall likewise be allowed to make such an election.

(c) The above provisions of this Section 11 shall similarly apply to successive Reorganization Events and the provisions of Section 10 shall apply to any shares of capital stock of the Corporation (or any successor) received by the holders of the Company Common Stock in any such Reorganization Event.

(d) The Corporation (or any successor) shall, within seven days of the consummation of any Reorganization Event, provide written notice to the Holders of such consummation of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 11.

(e) The Corporation shall not enter into any agreement for a transaction constituting a Reorganization Event unless such agreement provides for or does not interfere with or prevent (as applicable) conversion of the Series F Preferred Stock into the Exchange Property in a manner that is consistent with and gives effect to this Section 11.

Section 12. Voting Rights. (a) Holders will not have any voting rights, including the right to elect any directors, except (i) voting rights, if any, required by law, and (ii) voting rights, if any, described in this Section 12.

(b) So long as any shares of Series F Preferred Stock are outstanding, the vote or consent of the Holders of a majority of the shares of Series F Preferred Stock at the time outstanding, voting as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating any of the following actions, whether or not such approval is required by Georgia law;

(i) any amendment, alteration or repeal (including by means of a merger, consolidation or otherwise) of any provision of the Articles of Incorporation (including this Certificate of Designations) or the Corporation's bylaws that would alter or change the rights, preferences or privileges of the Series F Preferred Stock so as to affect them adversely; or

(ii) any amendment or alteration (including by means of a merger, consolidation or otherwise) of the Corporation's Articles of Incorporation to authorize, or create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking equally with or senior to the Series F Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

provided, however, that the creation and issuance, or an increase in the authorized or issued amount, of any series of preferred stock or any securities convertible into preferred stock ranking junior to the Series F Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon the Corporation's liquidation, dissolution or winding up will not, in and of itself, be deemed to adversely affect rights, preferences or privileges of the Series F Preferred Stock and, notwithstanding any provision of Georgia law, Holders will have no right to vote solely by reason of such an increase, creation or issuance.

(c) Notwithstanding the foregoing, Holders shall not have any voting rights if, at or prior to the effective time of the act with respect to which such vote would otherwise be required, all outstanding shares of Series F Preferred Stock shall have been converted into shares of Common Stock.

#### Section 13. Fractional Shares.

(a) No fractional shares of Common Stock will be issued as a result of any conversion of shares of Series F Preferred Stock.

(b) In lieu of any fractional share of Common Stock otherwise issuable in respect of any mandatory conversion pursuant to Section 8 hereof, the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the Mandatory Conversion Date.

(c) If more than one share of the Series F Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series F Preferred Stock so surrendered.

Section 14. Reservation of Common Stock.

(a) Following the receipt of the Stockholder Approvals, the Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Series F Preferred Stock as provided in this Certificate of Designations free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series F Preferred Stock then outstanding. For purposes of this Section 14(a), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series F Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(b) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series F Preferred Stock, as herein provided, shares of Common Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as any such acquired shares are free and clear of all liens, charges, security interests or encumbrances.

(c) All shares of Common Stock delivered upon conversion of the Series F Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances.

(d) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series F Preferred Stock, the Corporation shall use its reasonable best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(e) The Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on The NASDAQ Global Select Market or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all the Common Stock issuable upon conversion of the Series F Preferred Stock.

Section 15. Replacement Certificates.

(a) The Corporation shall replace any mutilated certificate at the Holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Corporation of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be required by the Corporation.

(b) The Corporation shall not be required to issue any certificates representing the Series F Preferred Stock on or after the Mandatory Conversion Date. In place of the delivery of a replacement certificate following the Mandatory Conversion Date, the Corporation, upon delivery of the evidence and indemnity described in clause (a) above, shall deliver the shares of Common Stock pursuant to the terms of the Series F Preferred Stock formerly evidenced by the certificate.

Section 16. Miscellaneous.

(a) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Certificate of Designations) with postage prepaid, addressed: (i) if to the Corporation, to its office at 125 Highway 515 East, Blairsville, Georgia 30512 or (ii) if to any Holder, to such Holder at the address of such Holder as listed in the stock record books of the Corporation, or (iii) to such other address as the Corporation or any such Holder, as the case may be, shall have designated by notice similarly given.

(b) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series F Preferred Stock or shares of Common Stock or other securities issued on account of Series F Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Series F Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Series F Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any Person other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the Person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(c) All payments on the shares of Series F Preferred Stock shall be subject to withholding and backup withholding of tax to the extent required by applicable law, subject to applicable exemptions, and amounts withheld, if any, shall be treated as received by the holders thereof.

(d) No share of Series F Preferred Stock shall have any rights of preemption whatsoever under this Certificate of Designations as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated issued or granted.

(e) The shares of Series F Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law.

(f) The Corporation covenants (1) not to treat the Series F Preferred Stock as preferred stock for purposes of Section 305 of the Internal Revenue Code of 1986, as amended, except as otherwise required by applicable law.

EXHIBIT B

DESIGNATIONS, POWERS, PREFERENCES,  
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS  
OF  
MANDATORILY CONVERTIBLE CUMULATIVE NON-VOTING PERPETUAL  
PREFERRED STOCK, SERIES G  
OF  
UNITED COMMUNITY BANKS, INC.

First: The name of the Corporation is United Community Banks, Inc., a corporation organized and existing under the laws of the State of Georgia (the "Corporation").

Second: The Restated Articles of Incorporation of the Corporation, as amended, authorize the issuance of 10,000,000 shares of preferred stock, par value \$1.00 per share, of the Corporation ("Preferred Stock") in one or more series, and authorizes the Board of Directors of the Corporation (the "Board of Directors") to fix by resolution or resolutions the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the shares of such series.

Third: That the following resolution was duly adopted by the Board of Directors as required by O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation at a meeting duly convened and held on March 14, 2011, at which a quorum was present and acting throughout.

Resolved, that pursuant to the provisions of the Restated Articles of Incorporation of the Corporation, as amended, and applicable law, a series of Preferred Stock, par value \$1.00 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

RIGHTS AND PREFERENCES

Section 1. Designation. There is hereby created out of the authorized and unissued shares of preferred stock of the Corporation a series of preferred stock designated as the "Mandatorily Convertible Cumulative Non-Voting Perpetual Preferred Stock, Series G" (the "Series G Preferred Stock"). The number of shares constituting such series shall be 151,185. The par value of the Series G Preferred Stock shall be \$1.00 per share, and the liquidation preference shall be \$1,000 per share.

Section 2. Ranking. The Series G Preferred Stock will, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank (i) on a parity with the Corporation's Series A Non-Cumulative Preferred Stock, the Fixed Rate Cumulative Perpetual Preferred Stock, Series B, the Series C Fixed Rate Cumulative Perpetual Preferred Stock, the Cumulative Perpetual Preferred Stock, Series D, the Junior Participating Preferred Stock, Series E, the Series F Mandatorily Convertible Perpetual Preferred Stock and with each other class or series of equity securities of the Corporation the terms of which do not expressly provide that such class or series will rank senior or junior to the Series G Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Parity Securities"), and (ii) senior to the Corporation's common stock, par value \$1.00 per share (the "Common Stock"), the Corporation's non-voting common stock, par value \$1.00 per share (the "Non-Voting Common Stock" and, together with the Common Stock, the "Company Common Stock"), and each other class or series of capital stock of the Corporation outstanding or established after the Effective Date by the Corporation the terms of

which do not expressly provide that it ranks on a parity with or senior to the Series G Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as “Junior Securities”). The Corporation has the power to authorize and/or issue additional shares or classes or series of Junior Securities without the consent of the Holders.

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Section 3. Definitions. The following initially capitalized terms shall have the following meanings, whether used in the singular or the plural:

- (a) “Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.
  - (b) “Applicable Conversion Price” means the Conversion Price in effect at any given time.
  - (c) “Articles of Incorporation” means the Restated Articles of Incorporation of the Corporation, as amended.
  - (d) “As-Converted Dividend” means, with respect to any Dividend Period, the product of (i) the pro forma per share semi-annual Common Stock dividend derived by (A) annualizing the last dividend declared during such Dividend Period on the Common Stock and (B) dividing such annualized dividend by two and (ii) the number of shares of Non-Voting Common Stock into which a share of Series G Preferred Stock would then be convertible (assuming receipt of the Stockholder Approval and, if applicable, the Regulatory Approval); provided, however, that for any Dividend Period with respect to which no dividend on the Common Stock has been declared, the As-Converted Dividend shall be \$0.00.
  - (e) “BHC Act” means the Bank Holding Company Act of 1956, as amended.
  - (f) “BHC Affiliated Person” means, with respect to any Person, its Affiliates which for purposes of this definition include all “affiliates” as defined in the BHC Act or Regulation Y of the Board of Governors of the Federal Reserve.
  - (g) “Business Day” means any day that is not Saturday or Sunday and that, in New York City, is not a day on which banking institutions generally are authorized or obligated by law or executive order to be closed.
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- (h) “Certificate of Designations” means the Articles of Amendment to the Articles of Incorporation, dated March 29, 2011.
- (i) “CIBC Act” means the Change in Bank Control Act of 1978, as amended.
- (j) “Closing Price” of the Common Stock (or other relevant capital stock or equity interest) on any date of determination means the closing sale price or, if no closing sale price is reported, the last reported sale price of the shares of the Common Stock (or other relevant capital stock or equity interest) on The NASDAQ Global Select Market on such date. If the Common Stock (or other relevant capital stock or equity interest) is not traded on The NASDAQ Global Select Market on any date of determination, the Closing Price of the Common Stock (or other relevant capital stock or equity interest) on such date of determination means the closing sale price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant capital stock or equity interest) is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant capital stock or equity interest) is so listed or quoted, or if the Common Stock (or other relevant capital stock or equity interest) is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock (or other relevant capital stock or equity interest) in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization, or, if that bid price is not available, the market price of the Common Stock (or other relevant capital stock or equity interest) on that date as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

For purposes of this Certificate of Designation, all references herein to the “Closing Price” and “last reported sale price” of the Common Stock (or other relevant capital stock or equity interest) on The NASDAQ Global Select Market shall be such closing sale price and last reported sale price as reflected on the website of The NASDAQ Global Select Market (<http://www.nasdaq.com>) and as reported by Bloomberg Professional Service; provided that in the event that there is a discrepancy between the closing sale price or last reported sale price as reflected on the website of The NASDAQ Global Select Market and as reported by Bloomberg Professional Service, the closing sale price and last reported sale price on the website of The NASDAQ Global Select Market shall govern.

- (k) “Common Stock” has the meaning set forth in Section 2.
- (l) “Company Common Stock” has the meaning set forth in Section 2.
- (m) “Conversion Price” means \$1.90, subject to adjustment as set forth herein.
- (n) “Current Market Price” means, on any date, the average of the daily Closing Price per share of the Common Stock or other securities on each of the five consecutive Trading Days preceding the earlier of the day before the date in question and the day before the Ex-Date with respect to the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 10.
- (o) “Distributed Property” has the meaning set forth in Section 10(a)(iv).

- (p) “Dividend” has the meaning set forth in Section 4(b).
- (q) “Dividend Payment Date” has the meaning set forth in Section 4(b).
- (r) “Dividend Period” has the meaning set forth in Section 4(c).
- (s) “Dividend Rate” means, with respect to any Dividend Period, the sum of (a) the greater of (i) LIBOR and (ii) 2.0% plus (b) 15.0%; provided however if such amount is greater than 18.0%, the Dividend Rate shall be 18.0%.
- (t) “Effective Date” means the date on which shares of the Series G Preferred Stock are first issued.
- (u) “Exchange Property” has the meaning set forth in Section 11(a).
- (v) “Ex-Date”, when used with respect to any issuance or distribution, means the first date on which the Common Stock or other securities trade without the right to receive the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 10.
- (w) “Holder” means the Person in whose name the shares of the Series G Preferred Stock are registered, which may be treated by the Corporation as the absolute owner of the shares of Series G Preferred Stock for the purpose of making payment and settling the related conversions and for all other purposes.
- (x) “Junior Securities” has the meaning set forth in Section 2.
- (y) “LIBOR” means, with respect to any Dividend Period, the rate for deposits in U.S. dollars for a three-month period that appears on Bloomberg Screen US0003M Index <GO> page (or other applicable page) as of 11:00 a.m. (London time) on the second London Banking Day preceding the first day of that Dividend Period. If the rate described above does not appear on such Bloomberg Screen page, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 a.m., London time on the second London Banking Day preceding the first day of that Dividend Period. The Corporation will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York, New York, selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period and in a principal amount of not less than \$1,000,000. However, if the banks selected by the Corporation to provide quotations are not quoting as described above, LIBOR for that Dividend Period will be the same as LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had the Series G Preferred Stock been outstanding. The establishment of LIBOR will be final and binding in the absence of manifest error.
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- (z) “Liquidation Preference” means, as to the Series G Preferred Stock, \$1,000 per share (as adjusted for any split, subdivision, combination, consolidation, recapitalization or similar event with respect to the Series G Preferred Stock).
- (aa) “London Banking Day” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.
- (bb) “Mandatory Conversion Date” means, with respect to the shares of Series G Preferred Stock of any Holder, the second Business Day after which the Corporation and/or such Holder, as applicable as to a Holder, has received the Stockholder Approvals (or if a Reorganization Event has theretofore been consummated, the date of consummation of such Reorganization Event) and, if applicable, the Regulatory Approval necessary to permit such Holder to convert such shares of Series G Preferred Stock into authorized Non-Voting Common Stock without such conversion resulting in a Violation or, in the case of the Regulatory Approval, a violation of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder, provided, however, that if a Mandatory Conversion Date would otherwise occur on or after an Ex-Date for an issuance or distribution that results in an adjustment of the Conversion Price pursuant to Section 10 and on or before the Record Date for such issuance or distribution, such Mandatory Conversion Date shall instead occur on the first calendar day after the Record Date for such issuance or distribution, and provided, further, that if a Mandatory Conversion Date would otherwise occur but such Holder has not received all accrued and unpaid dividends, whether or not declared, with respect to any Dividend Period completed prior to such Mandatory Conversion Date, such Mandatory Conversion Date shall instead occur on the first calendar day after such Holder has received all such accrued and unpaid dividends.
- (cc) “Non-Voting Common Stock” has the meaning set forth in Section 2.
- (dd) “Notice of Mandatory Conversion” has the meaning set forth in Section 9(a).
- (ee) “Parity Securities” has the meaning set forth in Section 2.
- (ff) “Person” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.
- (gg) “Record Date” has the meaning set forth in Section 4(d).
- (hh) “Regulatory Approval” means, as to any Holder, to the extent applicable and required to permit such Holder to convert such Holder’s shares of Series G Preferred Stock into Non-Voting Common Stock and to own such Non-Voting Common Stock without such Holder being in violation of applicable law, rule or regulation, the receipt of approvals and authorizations of, filings and registrations with or notifications to any governmental authority, or expiration or termination of any applicable waiting period under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.
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- (ii) “Reorganization Event” has the meaning set forth in Section 11(a).
- (jj) “Series G Preferred Stock” has the meaning set forth in Section 1.
- (kk) “Stockholder Approvals” means all stockholder approvals necessary to (1) approve the conversion of the Non-Voting Common Stock into Common Stock for purposes of Rule 5635 of the Nasdaq Stock Market Rules, and (2) approve the amendment to the Articles of Incorporation to (i) authorize a number of shares of Non-Voting Common Stock sufficient to permit the full conversion of the Series G Preferred Stock into Non-Voting Common Stock and the issuance of certain additional shares of Non-Voting Common Stock and (ii) increase the number of authorized shares of Common Stock to at least such number as shall be sufficient to permit the full conversion of the Non-Voting Common Stock.
- (ll) “Trading Day” means a day on which the shares of Common Stock:
  - (i) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business; and
  - (ii) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.
- (mm) “Violation” means a violation of the stockholder approval requirements of Rule 5635 of the Nasdaq Stock Market Rules.
- (nn) “Voting Securities” has the meaning set forth in the BHC Act and any rules or regulations promulgated thereunder.

Section 4. Dividends. (a) From and after the Effective Date, the Holders shall be entitled to receive, when, as and if declared by the Board of Directors or a duly authorized committee of the Board of Directors, out of funds legally available therefor, cumulative dividends of the type and in the amounts determined as set forth in this Section 4, and no more.

(b) Commencing on the Effective Date, dividends shall accrue and shall be payable semi-annually in arrears on March 30th and September 30th of each year (each, a “Dividend Payment Date”) or, if any such day is not a Business Day, the next Business Day. Dividends payable pursuant to this Section 4, if, when and as declared by the Board of Directors or a duly authorized committee of the Board of Directors, will be, for each outstanding share of Series G Preferred Stock, payable in cash at an annual rate equal to the Dividend Rate multiplied by the sum of (i) the Liquidation Preference plus (ii) all accrued and unpaid dividends for any prior Dividend Period that are payable on such share of Series G Preferred Stock, payable in cash (such dividend, the “Dividend”); provided that, in the event that the As-Converted Dividend for such Dividend Period is greater than the Dividend, each outstanding share of Series G Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, the As-Converted Dividend rather than the Dividend.

(c) Dividends payable pursuant to Section 4 will be computed on the basis of a 360-day year of twelve 30-day months and, for any Dividend Period greater or less than a full Dividend Period, will be computed on the basis of the actual number of days elapsed in the period divided by 360. The period from the Effective Date to but excluding September 30, 2011 and each period from and including a Dividend Payment Date to but excluding the following Dividend Payment Date is herein referred to as a “Dividend Period”.

(d) Each dividend will be payable to Holders of record as they appear in the records of the Corporation on the applicable record date (each, a “Record Date”), which with respect to dividends payable pursuant to this Section 4, shall be on the fifteenth day of the month immediately prior to the month in which the relevant Dividend Payment Date occurs.

(e) Dividends on the Series G Preferred Stock are cumulative. Such dividends shall begin to accrue and be cumulative from the Effective Date (in the case of the shares of Series G Preferred Stock issued on the Effective Date), shall compound at the relevant rate on each subsequent Dividend Payment Date (i.e., no dividends shall accrue on another dividend unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable semi-annually in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date.

(f) So long as any shares of Series G Preferred Stock remain outstanding, if all dividends payable pursuant to Section 4 on all outstanding shares of the Series G Preferred Stock for any Dividend Period have not been declared and paid, or declared and funds set aside therefor, the Corporation shall not, directly or indirectly, (x) declare or pay dividends with respect to, or make any distributions on, or, directly or indirectly, redeem, purchase or acquire any of its Junior Securities or (y) directly or indirectly, redeem, purchase or acquire any of its Parity Securities, other than, in each case, (i) redemptions, purchases or other acquisitions of Junior Securities or Parity Securities in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants or in connection with a dividend reinvestment plan, (ii) any declaration of a dividend in connection with any stockholders’ rights plan, or the issuance of rights, stock or other property under any stockholders’ rights plan, or the redemption or repurchase of rights pursuant thereto, (iii) conversions or exchanges of Junior Securities or Parity Securities for Junior Securities or Parity Securities, respectively, and (iv) any purchase of fractional interests in shares of the Corporation’s capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged. If dividends payable pursuant to Section 4 for any Dividend Payment Date are not paid in full, or declared and funds set aside therefor on the shares of the Series G Preferred Stock and there are issued and outstanding shares of Parity Securities with the same Dividend Payment Date (or, in the case of Parity Securities having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period applicable to such Dividend Payment Date), then all dividends declared on shares of the Series G Preferred Stock and such Parity Securities on such date or dates, as the case may be, shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as full semi-annual dividends per share payable on the shares of the Series G Preferred Stock pursuant to Section 4 and all such Parity Securities otherwise payable on such Dividend Payment Date (or, in the case of Parity Securities having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period applicable to such Dividend Payment Date) (subject to such dividends on such Parity Securities having been declared by the Board of Directors out of legally available funds and including, in the case of any such Parity Securities that bear cumulative dividends, all accrued but unpaid dividends) bear to each other. However, the foregoing provisions shall not restrict the ability of any Affiliate of the Corporation to engage in any market making transactions in Junior Securities in the ordinary course of business.

(g) If the Mandatory Conversion Date with respect to any share of Series G Preferred Stock is prior to the Dividend Payment Date applicable to any Dividend Period, the Holder of such share of Series G Preferred Stock will not have the right to receive any dividends on the Series G Preferred Stock with respect to such Dividend Period, provided that this provision shall not affect any rights to receive any accrued but unpaid dividends on the Series G Preferred Stock attributable to any Dividend Period completed prior to the Mandatory Conversion Date.

(h) The Corporation, in satisfaction of its obligation to issue preferred stock under any provision of this Certificate of Designations to any Holder, may, in order to minimize the number of its authorized and unissued shares of preferred stock used for such purpose, issue depositary shares for such preferred stock, with such depositary shares and underlying preferred stock being in such denominations as the Corporation and such Holder shall mutually agree.

Section 5. Liquidation. (a) In the event the Corporation voluntarily or involuntarily liquidates, dissolves or winds up, the Holders at the time shall be entitled to receive liquidating distributions in an amount equal to the greater of (i) the Liquidation Preference per share of Series G Preferred Stock plus an amount equal to any accrued but unpaid dividends, whether or not declared, thereon to and including the date of such liquidation and (ii) the payment or distribution to which such Holders would have been entitled if the Series G Preferred Stock were converted into Non-Voting Common Stock (assuming receipt of the Stockholder Approvals and, if necessary, Regulatory Approval) immediately before such liquidation, dissolution or winding-up, out of assets legally available for distribution to the Corporation's stockholders, before any distribution of assets is made to the holders of the Company Common Stock or any other Junior Securities. After payment of the full amount of such liquidation distribution, the Holders shall not be entitled to any further participation in any distribution of assets by the Corporation.

(b) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series G Preferred Stock and the corresponding amounts payable on any Parity Securities, Holders and the holders of such Parity Securities shall share ratably in any distribution of assets of the Corporation in proportion to the full respective liquidating distributions to which they would otherwise be respectively entitled.

(c) The Corporation's consolidation or merger with or into any other entity, the consolidation or merger of any other entity with or into the Corporation, or the sale of all or substantially all of the Corporation's property or business will not constitute its liquidation, dissolution or winding up.

Section 6. Maturity. The Series G Preferred Stock shall be perpetual unless converted in accordance with this Certificate of Designations.

Section 7. Redemptions.

(a) Optional Redemption. The Series G Preferred Stock may not be redeemed by the Corporation prior to December 31, 2015. After December 31, 2015, the Corporation, at its option, may redeem in whole at any time the shares of Series G Preferred Stock at the time outstanding, upon notice given as provided in Section 7(c) below, at a redemption price per share payable in cash equal to the greater of (i) 150.0% of the sum of (A) the Liquidation Preference, plus (B) all accrued and unpaid dividends, whether or not declared, up to, but excluding, the date fixed for redemption and (ii) 125.0% of (A) the number of shares of Non-Voting Common Stock into which a share of Series G Preferred Stock would be convertible on the Trading Day immediately prior to the date fixed for redemption (assuming receipt of Stockholder Approvals and, if applicable, the Regulatory Approval) multiplied by (B) the Closing Price of Common Stock on such Trading Day. The redemption price for any shares of Series G Preferred Stock shall be payable on the redemption date to the Holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to a Record Date for a Dividend Period shall not be paid to the Holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Record Date.

(b) No Sinking Fund. The Series G Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series G Preferred Stock will have no right to require redemption of any shares of Series G Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Series G Preferred Stock shall be given by first class mail, postage prepaid, addressed to the Holders of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption; provided, however, that failure to give such notice by mail, or any defect in such notice or in the mailing thereof, to any Holder of shares of Series G Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series G Preferred Stock to be so redeemed except as to the Holder to whom the Corporation has failed to give such notice or except as to the Holder to whom notice was defective. Notwithstanding the foregoing, if the Series G Preferred Stock or any depository shares representing interests in the Series G Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the Holders of Series G Preferred Stock at such time and in any manner permitted by such facility. Each such notice given to a Holder shall state: (1) the redemption date; (2) the number of shares of Series G Preferred Stock to be redeemed; (3) the redemption price (or manner of determination of the redemption price); and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

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(d) Effectiveness of Redemption. If notice of redemption has been duly given as provided in Section 7(c) and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the Holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date unless the Corporation defaults in the payment of the redemption price, in which case such rights shall continue until the redemption price is paid, dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the Holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the Holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares. Shares of outstanding Series G Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series.

Section 8. Mandatory Conversion. Effective as of the close of business on the Mandatory Conversion Date with respect to the shares of Series G Preferred Stock of a Holder, all such Holder's shares of Series G Preferred Stock shall automatically convert into shares of Non-Voting Common Stock as set forth below. The number of shares of Non-Voting Common Stock into which a share of Series G Preferred Stock shall be convertible shall be determined by dividing (i) the Liquidation Preference by (ii) the Applicable Conversion Price (subject to the conversion procedures of Section 9 hereof); provided, that the Series G Preferred Stock shall not convert into Non-Voting Common Stock unless and until all accrued and unpaid dividends, whether or not declared, with respect to any Dividend Period completed prior to the Mandatory Conversion Date (but not with respect to the Dividend Period in which the Mandatory Conversion Date occurs) have been paid in cash to the Holders. Upon conversion, Holders shall receive cash in lieu of fractional shares in accordance with Section 13 hereof.

Section 9. Conversion Procedures.

(a) Each Holder shall, promptly upon receipt of each Regulatory Approval applicable to such Holder, if any, provide written notice to the Corporation of such receipt. At least one Business Day prior to the Mandatory Conversion Date with respect to shares of any Holder, the Corporation shall provide notice of such conversion to such Holder (such notice a "Notice of Mandatory Conversion"). In addition to any information required by applicable law or regulation, the Notice of Mandatory Conversion with respect to such Holder shall state, as appropriate:

(i) the Mandatory Conversion Date;

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- (ii) the Applicable Conversion Price;
  - (iii) the number of shares of Non-Voting Common Stock to be issued upon conversion of each share of Series G Preferred Stock held of record by such Holder and subject to such mandatory conversion;
  - (iv) if certificates are to be issued, the place or places where certificates for shares of Series G Preferred Stock held of record by such Holder are to be surrendered for issuance of certificates representing shares of Non-Voting Common Stock; and
  - (v) the amount of accrued and unpaid dividends to be paid in cash on each share of Series G Preferred Stock held of record by such Holder prior to such mandatory conversion.
- (b) Effective immediately prior to the close of business on the Mandatory Conversion Date with respect to any shares of Series G Preferred Stock dividends shall no longer be declared on any such shares of Series G Preferred Stock and such shares of Series G Preferred Stock shall cease to be outstanding, in each case, subject to the right of the Holder to receive (i) shares of Non-Voting Common Stock issuable upon such mandatory conversion, (ii) any declared and unpaid dividends on such share to the extent provided in Section 4(g) and (iii) any other payments to which such Holder is otherwise entitled pursuant to Section 5, Section 7, Section 8, Section 11 or Section 13 hereof, as applicable.
- (c) No allowance or adjustment, except pursuant to Section 4 or Section 10, shall be made in respect of dividends payable to holders of the Non-Voting Common Stock of record as of any date prior to the close of business on the Mandatory Conversion Date with respect to any share of Series G Preferred Stock. Prior to the close of business on the Mandatory Conversion Date with respect to any share of Series G Preferred Stock, shares of Non-Voting Common Stock issuable upon conversion thereof, or other securities issuable upon conversion of, such share of Series G Preferred Stock shall not be deemed outstanding for any purpose, and the Holder thereof shall have no rights with respect to the Non-Voting Common Stock or other securities issuable upon conversion (including voting rights, rights to respond to tender offers for the Non-Voting Common Stock or other securities issuable upon conversion and rights to receive any dividends or other distributions on the Non-Voting Common Stock or other securities issuable upon conversion) by virtue of holding such share of Series G Preferred Stock.
- (d) Shares of Series G Preferred Stock duly converted in accordance with this Certificate of Designations, or otherwise reacquired by the Corporation, will resume the status of authorized and unissued preferred stock, undesignated as to series and available for future issuance. The Corporation may from time-to-time take such appropriate action as may be necessary to reduce the authorized number of shares of Series G Preferred Stock; provided, however, that the Corporation shall not take any such action if such action would reduce the authorized number of shares of Series G Preferred Stock below the number of shares of Series G Preferred Stock then outstanding.
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(e) The Person or Persons entitled to receive the Non-Voting Common Stock and/or cash, securities or other property issuable upon conversion of Series G Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Non-Voting Common Stock and/or securities as of the close of business on the Mandatory Conversion Date with respect thereto. In the event that a Holder shall not by written notice designate the name in which shares of Non-Voting Common Stock and/or cash, securities or other property (including payments of cash in lieu of fractional shares) to be issued or paid upon conversion of shares of Series G Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payment, in the name of the Holder and in the manner shown on the records of the Corporation.

(f) On the Mandatory Conversion Date with respect to any share of Series G Preferred Stock, certificates representing shares of Non-Voting Common Stock shall be issued and delivered to the Holder thereof or such Holder's designee (or, at the Corporation's option such shares shall be registered in book-entry form) upon presentation and surrender of the certificate evidencing the Series G Preferred Stock to the Corporation and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes.

#### Section 10. Anti-Dilution Adjustments.

(a) The Conversion Price shall be subject to the following adjustments:

(i) Stock Dividends and Distributions. If the Corporation pays dividends or other distributions on the Company Common Stock in shares of Company Common Stock, then the Conversion Price in effect immediately prior to the Ex-Date for such dividend or distribution will be multiplied by the following fraction:

$$\frac{OS0}{OS1}$$

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to Ex-Date for such dividend or distribution.

OS1 = the sum of the number of shares of Company Common Stock outstanding immediately prior to the Ex-Date for such dividend or distribution plus the total number of shares of Company Common Stock constituting such dividend or distribution.

For the purposes of this clause (i), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. If any dividend or distribution described in this clause (i) is declared but not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such dividend or distribution, to such Conversion Price that would be in effect if such dividend or distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock).

(ii) Subdivisions, Splits and Combination of the Company Common Stock. If the Corporation subdivides, splits or combines the shares of Company Common Stock, then the Conversion Price in effect immediately prior to the effective date of such share subdivision, split or combination will be multiplied by the following fraction:

$$\frac{OS0}{OS1}$$

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to the effective date of such share subdivision, split or combination.

OS1 = the number of shares of Company Common Stock outstanding immediately after the opening of business on the effective date of such share subdivision, split or combination.

For the purposes of this clause (ii), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. If any subdivision, split or combination described in this clause (ii) is announced but the outstanding shares of Company Common Stock are not subdivided, split or combined, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to subdivide, split or combine the outstanding shares of Company Common Stock, to such Conversion Price that would be in effect if such subdivision, split or combination had not been announced (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock).

(iii) Issuance of Stock Purchase Rights. If the Corporation issues to all or substantially all holders of the shares of Company Common Stock rights or warrants (other than rights or warrants issued pursuant to a stockholders' rights plan, a dividend reinvestment plan or share purchase plan or other similar plans, including that certain Tax Benefits Preservation Plan, dated February 22, 2011, between the Corporation and Illinois Stock Transfer Company) entitling them to subscribe for or purchase the shares of Company Common Stock at less than the Current Market Price on the date fixed for the determination of stockholders entitled to receive such rights or warrants, then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{OS0 + Y}{OS0 + X}$$

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to the Ex-Date for such distribution.

X = the total number of shares of Company Common Stock issuable pursuant to such rights or warrants.

Y = the number of shares of Company Common Stock equal to the aggregate price payable to exercise such rights or warrants divided by the Current Market Price on the date fixed for the determination of stockholders entitled to receive such rights or warrants.

For the purposes of this clause (iii), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. The Corporation shall not issue any such rights or warrants in respect of shares of the Company Common Stock acquired by the Corporation. In the event that such rights or warrants described in this clause (iii) are not so issued, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to issue such rights or warrants, to the Conversion Price that would then be in effect if such issuance had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock). To the extent that such rights or warrants are not exercised prior to their expiration or shares of Company Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Price shall be readjusted to such Conversion Price that would then be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Company Common Stock actually delivered (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock). In determining the aggregate offering price payable for such shares of Company Common Stock, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined in a reasonable manner by the Board of Directors).

(iv) Debt or Asset Distributions. If the Corporation distributes to all or substantially all holders of shares of Company Common Stock evidences of indebtedness, shares of capital stock, securities, cash or other assets (excluding any dividend or distribution referred to in clause (i) above, any rights or warrants referred to in clause (iii) above, any dividend or distribution paid exclusively in cash, any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its applicable subsidiaries, and any dividend of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit in the case of certain spin-off transactions as described below) (such evidences of indebtedness, shares of capital stock, securities, cash or other assets, the “Distributed Property”), then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{SP0 - FMV}{SP0}$$

Where,

SP0 = the Current Market Price per share of Common Stock on such date.

FMV = the fair market value of the portion of the distribution applicable to one share of Common Stock on such date as determined in good faith by the Board of Directors.

In a “spin-off”, where the Corporation makes a distribution to all holders of shares of Company Common Stock consisting of capital stock of any class or series, or similar equity interests of, or relating to, a subsidiary or other business unit, the Conversion Price will be adjusted on the fifteenth Trading Day after the effective date of the distribution by multiplying such Conversion Price in effect immediately prior to such fifteenth Trading Day by the following fraction:

$$\frac{MP0}{MP0 + MP_s}$$

Where,

MP0 = the average of the Closing Prices of the Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution.

MP<sub>s</sub> = the average of the Closing Prices of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution, or, if not traded on a national or regional securities exchange or over-the-counter market, the fair market value of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock on such date as determined by the Board of Directors.

In the event that such distribution described in this clause (iv) is not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Price that would then be in effect if such dividend or distribution had not been declared (but after giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock).

(v) Cash Distributions. If the Corporation makes a distribution consisting exclusively of cash to all holders of the Company Common Stock, excluding (a) any cash dividend on the Company Common Stock to the extent a corresponding cash dividend pursuant to Section 4 is paid on the Series G Preferred Stock, (b) any cash that is distributed in a Reorganization Event or as part of a “spin-off” referred to in clause (iv) above, (c) any dividend or distribution in connection with the Corporation’s liquidation, dissolution or winding up, and (d) any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its subsidiaries, then in each event, the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{SP0 - DIV}{SP0}$$

Where,

SP0 = the Closing Price per share of Common Stock on the Trading Day immediately preceding the Ex-Date.

DIV = the amount per share of Common Stock of the cash distribution, as determined pursuant to the introduction to this paragraph (v).

In the event that any distribution described in this clause (v) is not so made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such distribution, to the Conversion Price which would then be in effect if such distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock).

(vi) Self Tender Offers and Exchange Offers. If the Corporation or any of its subsidiaries successfully completes a tender or exchange offer for the Company Common Stock where the cash and the value of any other consideration included in the payment per share of the Common Stock exceeds the Closing Price per share of the Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer, then the Conversion Price in effect at the close of business on such immediately succeeding Trading Day will be multiplied by the following fraction:

$$\frac{OS0 \times SP0}{AC + (SP0 \times OS1)}$$

Where,

SP0 = the Closing Price per share of Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer.

OS0 = the number of shares of Common Stock outstanding immediately prior to the expiration of the tender or exchange offer, including any shares validly tendered and not withdrawn.

OS1= the number of shares of Common Stock outstanding immediately after the expiration of the tender or exchange offer, giving effect to consummation of the acquisition of all shares validly tendered or exchanged (and not withdrawn) in connection with such tender or exchange.

AC = the aggregate cash and fair market value of the other consideration payable in the tender or exchange offer, as determined by the Board of Directors.

In the event that the Corporation, or one of its subsidiaries, is obligated to purchase shares of Company Common Stock pursuant to any such tender offer or exchange offer, but the Corporation, or such subsidiary, is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Price shall be readjusted to be such Conversion Price that would then be in effect if such tender offer or exchange offer had not been made (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock). Except as set forth in the preceding sentence, if the application of this clause (vi) to any tender offer or exchange offer would result in an increase in the Conversion Price, no adjustment shall be made for such tender offer or exchange offer under this clause (vi).

(vii) Rights Plans. To the extent that the Corporation has a rights plan in effect with respect to the Company Common Stock on the Mandatory Conversion Date, upon conversion of any shares of the Series G Preferred Stock, Holders will receive, in addition to the shares of Non-Voting Common Stock, the rights under the rights plan, unless, prior to the Mandatory Conversion Date, the rights have separated from the shares of Non-Voting Common Stock, in which case the Conversion Price will be adjusted at the time of separation as if the Corporation had made a distribution to all holders of the Non-Voting Common Stock as described in clause (iii) above, subject to readjustment in the event of the expiration, termination or redemption of such rights (but after giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock).

(b) The Corporation may make such decreases in the Conversion Price, in addition to any other decreases required by this Section 10, if the Board of Directors deems it advisable, to avoid or diminish any income tax to holders of the Company Common Stock resulting from any dividend or distribution of shares of Company Common Stock (or issuance of rights or warrants to acquire shares of Company Common Stock) or from any event treated as such for income tax purposes or for any other reason.

(c) (i) All adjustments to the Conversion Price shall be calculated to the nearest 1/10 of a cent. No adjustment in the Conversion Price shall be required if such adjustment would be less than \$0.01; provided, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment; provided further that on the Mandatory Conversion Date adjustments to the Conversion Price will be made with respect to any such adjustment carried forward and which has not been taken into account before such date.

(ii) No adjustment to the Conversion Price shall be made if Holders may participate in the transaction that would otherwise give rise to an adjustment, as a result of holding the Series G Preferred Stock (including without limitation pursuant to Section 4 hereof), without having to convert the Series G Preferred Stock, as if they held the full number of shares of Non-Voting Common Stock into which a share of the Series G Preferred Stock may then be converted.

(iii) The Applicable Conversion Price shall not be adjusted:

(A) upon the issuance of any shares of Company Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Corporation's securities and the investment of additional optional amounts in shares of Company Common Stock under any such plan;

(B) upon the issuance of any shares of Company Common Stock or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Corporation or any of its subsidiaries;

(C) upon the issuance of any shares of Company Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date shares of the Series G Preferred Stock were first issued and not substantially amended thereafter;

(D) for a change in the par value or no par value of Company Common Stock; or

(E) for accrued and unpaid dividends on the Series G Preferred Stock.

(d) Whenever the Conversion Price is to be adjusted in accordance with Section 10(a) or Section 10(b), the Corporation shall: (i) compute the Conversion Price in accordance with Section 10(a) or Section 10(b), taking into account the \$0.01 threshold set forth in Section 10(c) hereof; (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Price pursuant to Section 10(a) or Section 10(b), taking into account the one percent threshold set forth in Section 10(c) hereof (or if the Corporation is not aware of such occurrence, as soon as practicable after becoming so aware), provide, or cause to be provided, a written notice to the Holders of the occurrence of such event; and (iii) as soon as practicable following the determination of the revised Conversion Price in accordance with Section 10(a) or Section 10(b) hereof, provide, or cause to be provided, a written notice to the Holders setting forth in reasonable detail the method by which the adjustment to the Conversion Price was determined and setting forth the revised Conversion Price.

Section 11. Reorganization Events. (a) In the event that, for so long as any shares of Series F Preferred Stock have not been converted and remain outstanding, there occurs:

(i) any consolidation, merger or other similar business combination of the Corporation with or into another Person, in each case pursuant to which the Non-Voting Common Stock will be converted into cash, securities or other property of the Corporation or another Person;

(ii) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation, in each case pursuant to which the Non-Voting Common Stock will be converted into cash, securities or other property of the Corporation or another Person;

(iii) any reclassification of the Non-Voting Common Stock into securities including securities other than the Non-Voting Common Stock; or

(iv) any statutory exchange of the outstanding shares of Non-Voting Common Stock for securities of another Person (other than in connection with a merger or acquisition);

(any such event specified in this Section 10(a), a “Reorganization Event”); then each share of such Holder’s Series G Preferred Stock outstanding immediately prior to such Reorganization Event shall remain outstanding but shall automatically convert, effective as of the close of business on the Mandatory Conversion Date with respect to the shares of Series G Preferred Stock of such Holder (with the term “Regulatory Approval” applied for such purpose, as applicable, to the surviving entity in such Reorganization Event and its securities included in the Exchange Property (as defined below)), into the type and amount of securities, cash and other property receivable in such Reorganization Event by the holder (excluding the counterparty to the Reorganization Event or an Affiliate of such counterparty) of the greater of (i) the number of shares of Non-Voting Common Stock into which one share of Series G Preferred Stock would then be convertible assuming the receipt of the Stockholder Approvals and the Regulatory Approval and (ii) the number of shares of Non-Voting Common Stock that, if one share of Series G Preferred Stock were converted into such number of shares, would result in the fair market value of the securities, cash and other property receivable in such Reorganization Event by a Holder of such number of shares equaling the Liquidation Preference plus, in each case of clause (i) and (ii) above, all accrued and unpaid dividends, whether or not declared, up to, but excluding such date (such securities, cash and other property, the “Exchange Property”). In the event that a Reorganization Event referenced in Section 11(a) involves common stock as all or part of the consideration being offered in a fixed exchange ratio transaction, the fair market value per share of such common stock shall be determined by reference to the average of the closing prices of such common stock for the ten Trading Day period ending immediately prior to the consummation of such Reorganization Event.

(b) In the event that holders of the shares of Non-Voting Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the Holders shall likewise be allowed to make such an election.

(c) The above provisions of this Section 11 shall similarly apply to successive Reorganization Events and the provisions of Section 10 shall apply to any shares of capital stock of the Corporation (or any successor) received by the holders of the Company Common Stock in any such Reorganization Event.

(d) The Corporation (or any successor) shall, within seven days of the consummation of any Reorganization Event, provide written notice to the Holders of such consummation of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 11.

(e) The Corporation shall not enter into any agreement for a transaction constituting a Reorganization Event unless such agreement provides for or does not interfere with or prevent (as applicable) conversion of the Series G Preferred Stock into the Exchange Property in a manner that is consistent with and gives effect to this Section 11.

Section 12. Voting Rights. (a) Holders will not have any voting rights, including the right to elect any directors, except (i) voting rights, if any, required by law, and (ii) voting rights, if any, described in this Section 12.

(b) So long as any shares of Series G Preferred Stock are outstanding, the vote or consent of the Holders of a majority of the shares of Series G Preferred Stock at the time outstanding, voting as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating any of the following actions, whether or not such approval is required by Georgia law;

(i) any amendment, alteration or repeal (including by means of a merger, consolidation or otherwise) of any provision of the Articles of Incorporation (including this Certificate of Designations) or the Corporation's bylaws that would alter or change the rights, preferences or privileges of the Series G Preferred Stock so as to affect them adversely; or

(ii) any amendment or alteration (including by means of a merger, consolidation or otherwise) of the Corporation's Articles of Incorporation to authorize, or create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking equally with or senior to the Series G Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

provided, however, that the creation and issuance, or an increase in the authorized or issued amount, of any series of preferred stock or any securities convertible into preferred stock ranking junior to the Series G Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon the Corporation's liquidation, dissolution or winding up will not, in and of itself, be deemed to adversely affect rights, preferences or privileges of the Series G Preferred Stock and, notwithstanding any provision of Georgia law, Holders will have no right to vote solely by reason of such an increase, creation or issuance.

(c) Notwithstanding the foregoing, Holders shall not have any voting rights if, at or prior to the effective time of the act with respect to which such vote would otherwise be required, all outstanding shares of Series G Preferred Stock shall have been converted into shares of Non-Voting Common Stock.

#### Section 13. Fractional Shares.

(a) No fractional shares of Non-Voting Common Stock will be issued as a result of any conversion of shares of Series G Preferred Stock.

(b) In lieu of any fractional share of Non-Voting Common Stock otherwise issuable in respect of any mandatory conversion pursuant to Section 8 hereof, the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the Mandatory Conversion Date.

(c) If more than one share of the Series G Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of full shares of Non-Voting Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series G Preferred Stock so surrendered.

Section 14. Reservation of Non-Voting Common Stock.

(a) Following the receipt of the Stockholder Approvals, the Corporation shall at all times reserve and keep available out of its authorized and unissued Non-Voting Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Series G Preferred Stock as provided in this Certificate of Designations free from any preemptive or other similar rights, such number of shares of Non-Voting Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series G Preferred Stock then outstanding. For purposes of this Section 14(a), the number of shares of Non-Voting Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series G Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder. Following the receipt of the Stockholder Approvals, the Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Non-Voting Common Stock issued upon conversion of the Series G Preferred Stock free from any preemptive or other similar rights, the same number of shares of Common Stock as the number of shares of Non-Voting Common Stock reserved pursuant to the first sentence of this Section 14(a).

(b) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series G Preferred Stock, as herein provided, shares of Non-Voting Common Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Non-Voting Common Stock), so long as any such acquired shares are free and clear of all liens, charges, security interests or encumbrances.

(c) All shares of Non-Voting Common Stock delivered upon conversion of the Series G Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances.

(d) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series G Preferred Stock, the Corporation shall use its reasonable best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(e) The Corporation hereby covenants and agrees that, if at any time the Non-Voting Common Stock shall be listed on The NASDAQ Global Select Market or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Non-Voting Common Stock shall be so listed on such exchange or automated quotation system, all the Non-Voting Common Stock issuable upon conversion of the Series G Preferred Stock.

Section 15. Replacement Certificates.

(a) The Corporation shall replace any mutilated certificate at the Holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Corporation of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be required by the Corporation.

(b) The Corporation shall not be required to issue any certificates representing the Series G Preferred Stock on or after the Mandatory Conversion Date. In place of the delivery of a replacement certificate following the Mandatory Conversion Date, the Corporation, upon delivery of the evidence and indemnity described in clause (a) above, shall deliver the shares of Non-Voting Common Stock pursuant to the terms of the Series G Preferred Stock formerly evidenced by the certificate.



Section 16. Miscellaneous.

(a) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Certificate of Designations) with postage prepaid, addressed: (i) if to the Corporation, to its office at 125 Highway 515 East, Blairsville, Georgia 30512 or (ii) if to any Holder, to such Holder at the address of such Holder as listed in the stock record books of the Corporation, or (iii) to such other address as the Corporation or any such Holder, as the case may be, shall have designated by notice similarly given.

(b) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series G Preferred Stock or shares of Non-Voting Common Stock or other securities issued on account of Series G Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Series G Preferred Stock or Non-Voting Common Stock or other securities in a name other than that in which the shares of Series G Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any Person other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the Person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(c) All payments on the shares of Series G Preferred Stock shall be subject to withholding and backup withholding of tax to the extent required by applicable law, subject to applicable exemptions, and amounts withheld, if any, shall be treated as received by the holders thereof.

(d) No share of Series G Preferred Stock shall have any rights of preemption whatsoever under this Certificate of Designations as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated issued or granted.

(e) The shares of Series G Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law.

(f) The Corporation covenants (1) not to treat the Series G Preferred Stock as preferred stock for purposes of Section 305 of the Internal Revenue Code of 1986, as amended, except as otherwise required by applicable law.

ARTICLES OF AMENDMENT

OF

UNITED COMMUNITY BANKS, INC.

1.

The name of the corporation is United Community Banks, Inc.

2.

The Restated Articles of Incorporation, as amended, of the corporation are amended by adding the powers, rights, and preferences, and the qualifications, limitations, and restrictions thereof, of the Junior Participating Preferred Stock, Series E as set forth in Exhibit A attached hereto.

3.

The amendment was adopted by the board of directors of the corporation at a meeting duly convened and held on January 17, 2011. Pursuant to O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation, as amended, of the corporation, shareholder consent was not required.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Restated Articles of Incorporation, as amended, of United Community Banks, Inc. this 22nd day of February, 2011.

UNITED COMMUNITY BANKS, INC.

By: /s/ Lois J. Rich

Name: Lois J. Rich

Title: Assistant Corporate Secretary

DESIGNATIONS, POWERS, PREFERENCES,  
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS  
OF  
JUNIOR PARTICIPATING PREFERRED STOCK, SERIES E  
OF  
UNITED COMMUNITY BANKS, INC.

Section 1. Designation And Amount. The shares of such series shall be designated as “Junior Participating Preferred Stock, Series E,” \$1.00 par value per share (the “Series E Preferred Stock”), and the number of shares constituting the Series E Preferred Stock shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series E Preferred stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights, or warrants or upon the conversion of any outstanding securities issued by the Company convertible into Series E Preferred Stock.

Section 2. Dividends And Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series E Preferred Stock with respect to dividends, the holders of shares of Series E Preferred Stock shall be entitled to receive, when, as, and if declared by the Board of Directors out of funds legally available for the purpose, dividends in an amount per share (rounded to the nearest cent) equal to 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series E Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Dividends paid on the shares of Series E Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such

shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series E Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. In addition to any other voting rights required by law, the holders of shares of Series E Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series E Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Company. In the event the Company shall at any time declare or pay any dividend on

the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series E Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar Stock, or by law, the holders of shares of Series E Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Company having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Company.

(c) Except as set forth herein, or as otherwise provided by law, holders of Series E Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Reacquired Shares. Any shares of Series E Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of the Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Articles, or in any other Certificate of Designation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 5. Liquidation, Dissolution Or Winding Up. Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made (a) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series E Preferred Stock unless, prior thereto, the holders of shares of Series E Preferred Stock shall have received \$100 per share, and any such additional amount such that the holders of shares of Series E Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (b) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series E Preferred Stock, except distributions made ratable on the Series E Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series E Preferred Stock were entitled immediately prior to such event under the proviso in clause (a) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 6. Consolidation, Merger, Etc. In case the Company shall enter into any consolidation, merger, combination, or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash, and/or any other property, then in any such case each share of Series E Preferred Stock shall at the same time be similarly exchanged or changed into

an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash, and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series E Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. No Redemption. The shares of Series E Preferred Stock shall not be redeemable.

Section 8. Rank. The Series E Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Company's Preferred Stock and shall rank senior to the Common Stock as to such matters.

Section 9. Amendment. The Articles shall not be amended in any manner which would materially alter or change the powers, preferences, or special rights of the Series E Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least a majority of the outstanding shares of Series E Preferred Stock, voting together as a single class.

ARTICLES OF AMENDMENT

OF

UNITED COMMUNITY BANKS, INC.

1.

The name of the corporation is United Community Banks, Inc.

2.

The Restated Articles of Incorporation, as amended, of the corporation are amended by adding the powers, rights, and preferences, and the qualifications, limitations, and restrictions thereof, of the Cumulative Perpetual Preferred Stock, Series D as set forth in Exhibit A attached hereto.

3.

The amendment was adopted by the board of directors of the corporation at a meeting duly convened and held on January 17, 2011. Pursuant to O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation, as amended, of the corporation, shareholder consent was not required.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Restated Articles of Incorporation, as amended, of United Community Banks, Inc. this 22nd day of February, 2011.

UNITED COMMUNITY BANKS, INC.

By: /s/ Rex S. Schuette

Name: Rex S. Schuette

Title: Executive Vice President and  
Chief Financial Officer

DESIGNATIONS, POWERS, PREFERENCES,  
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS  
OF  
CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES D  
OF  
UNITED COMMUNITY BANKS, INC.

Pursuant to the authority vested in the board of directors (the “Board of Directors”) by the Restated Articles of Incorporation of United Community Banks, Inc. (the “Corporation”), as amended (the “Articles of Incorporation”), the Board of Directors does hereby designate, create, authorize and provide for the issue of a series of preferred stock, which shall be designated as Cumulative Perpetual Preferred Stock, Series D (the “Series D Preferred Stock”), consisting of 25,000 shares having the following powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations:

Section 1. General Matters. Each share of the Series D Preferred Stock shall be identical in all respects to every other share of the Series D Preferred Stock. The Series D Preferred Stock shall be perpetual, subject to the provisions of Section 5 of this Certificate of Designation. The Series D Preferred Stock shall rank at least equally with all Parity Stock outstanding as of the date hereof (except for any senior series that may be issued following the date hereof with the requisite consent of the holders of the Series D Preferred Stock and any other class or series whose vote is required) and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation.

Section 2. Definitions.

(a) “Applicable Dividend Rate” means a rate per annum equal to (i) the sum of 10.00% minus the three-month United States Dollar London Interbank Offered Rate, (“LIBOR”), as announced and published on February 22, 2011 in The Wall Street Journal plus (ii) the most recently published LIBOR, as announced and published from time to time in The Wall Street Journal, and in effect on the last day of the month preceding the applicable Dividend Period; provided, however, that the initial Applicable Dividend Rate shall be 10.00% and shall continue in effect until May 15, 2011. In the event that more than one LIBOR is published in The Wall Street Journal as of the last day of the month preceding any Dividend Period, the highest LIBOR published will be used.

(b) “Articles of Incorporation” has the meaning set forth in the preamble.

(c) "Business Day" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(d) "Bylaws" means the Amended and Restated Bylaws of the Corporation, as they may be further amended from time to time.

(e) "Certificate of Designation" means this Certificate of Designation or comparable instrument relating to the Series D Preferred Stock, as it may be amended from time to time.

(f) "Closing Date" means the date on which the closing of the issuances occurs.

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- (g) “Common Stock” means the common stock, \$1.00 par value per share, of the Corporation.
- (h) “Corporation” has the meaning set forth in the preamble.
- (i) “Dividend Payment Date” means February 15, May 15, August 15 and November 15 of each year.
- (j) “Dividend Period” has the meaning set forth in Section 3(a).
- (k) “Dividend Record Date” has the meaning set forth in Section 3(a).
- (l) “Junior Stock” means Common Stock and any other class or series of stock of the Corporation the terms of which expressly provide that it ranks junior to the Series D Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Corporation.
- (m) “Liquidation Amount” means \$1,000.00 per share of the Series D Preferred Stock.
- (n) “Liquidation Preference” has the meaning set forth in Section 4(a).
- (o) “Parity Stock” means any class of capital stock or series of stock of the Corporation (other than the Series D Preferred Stock) the terms of which expressly provide that such class or series will rank on senior or junior to the Series D Preferred Stock as to dividend rights and/or as to rights upon the liquidation, dissolution or winding up of the Corporation (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).
- (p) “Preferred Stock” means any and all series of preferred stock of the Corporation, including the Series D Preferred Stock.
- (q) “Share Dilution Amount” has the meaning set forth in Section 3(b).

Section 3. Dividends.