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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2008

Commission File Number 0-21656

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

Georgia	**58-1807304**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
63 Highway 515, Blairsville, Georgia	**30512**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (706) 781-2265

Securities registered pursuant to Section 12(b) of the Act: None

Name of exchange on which registered: Nasdaq Global Select

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1.00 par value

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

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

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

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller Reporting Company o

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

State the aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $341,840,253 based on shares held by non-affiliates at $8.53 per share, the closing stock price on the Nasdaq stock market on June 30, 2008).

As of January 31, 2009, 52,974,326 shares of common stock were issued and outstanding, including presently exercisable options to acquire 2,017,841 shares, presently exercisable warrants to acquire 2,797,456 shares, and 130,782 shares issuable under United Community Banks, Inc.'s deferred compensation plan.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 29, 2009 are incorporated herein into Part III by reference.

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PART I

ITEM 1. BUSINESS.

United Community Banks, Inc. ("United"), a bank holding company registered under the Bank Holding Company Act of 1956, was incorporated under the laws of Georgia in 1987 and commenced operations in 1988 by acquiring 100% of the outstanding shares of Union County Bank, Blairsville, Georgia, now known as United Community Bank, Blairsville, Georgia (the "Bank").

Since the early 1990's, United has actively expanded its market coverage through organic growth complemented by selective acquisitions, primarily of banks whose managements share United's community banking and customer service philosophies. Although those acquisitions have directly contributed to United's growth over the last ten years, their contribution has primarily been to provide United access to new markets with attractive growth potential. Organic growth in assets includes growth through existing offices as well as growth at de novo locations and post-acquisition growth at acquired banking offices. Organic growth will continue to be the principal focus of United's balanced growth strategy to extend its reach in both new and existing markets.

To emphasize its commitment to community banking, United conducts substantially all of its operations through a community-focused operating model of 27 separate "community banks", which as of December 31, 2008, operated at 107 locations in north Georgia, the Atlanta MSA, the Gainesville MSA, coastal Georgia, western North Carolina and east Tennessee. The community banks offer a full range of retail and corporate banking services, including checking, savings, and time deposit accounts, secured and unsecured loans, wire transfers, brokerage services, and other financial services, and are led by local bank presidents (referred to herein as the "Presidents") and management with significant experience in, and ties to, their communities. Each of the community bank Presidents has authority, alone or with other local officers, to make most credit decisions.

In June 2007, United completed the acquisition of Gwinnett Commercial Group, Inc. and its wholly-owned subsidiary First Bank of the South. The acquisition of Gwinnett Commercial Group added assets and deposits of $809 million and $568 million, respectively, and five banking offices in the Atlanta MSA.

In December 2006, United completed the acquisition of Southern Bancorp, Inc. a Georgia bank holding company and its wholly-owned subsidiary Southern National Bank. Southern National Bank had two banking offices the Atlanta MSA. In September 2006, United acquired two branch locations in western North Carolina. Both transactions collectively added $430 million in assets and $360 million in deposits.

The Bank, through its full-service retail mortgage lending division, United Community Mortgage Services ("UCMS"), is approved as a seller/servicer for Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") and provides fixed and adjustable-rate home mortgages. During 2008, the Bank originated $374 million of residential mortgage loans throughout Georgia, North Carolina and Tennessee for the purchase of homes and to refinance existing mortgage debt. Substantially all of these mortgages were sold into the secondary market with no recourse to the Bank other than for breach of warranties.

Acquired in 2000, Brintech, Inc. ("Brintech"), a subsidiary of the Bank, is a consulting firm for the financial services industry. Brintech provides consulting, advisory, and implementation services in the areas of strategic planning, profitability improvement, technology, efficiency, security, risk management, network, Internet banking, marketing, core processing, and telecommunications.

The Bank owns an insurance agency, United Community Insurance Services, Inc. ("UCIS"), known as United Community Advisory Services that is a subsidiary of the Bank.

United provides retail brokerage services through an affiliation with a third party broker/dealer.

Forward-Looking Statements

This Form 10-K contains forward-looking statements regarding United, including, without limitation, statements relating to United's expectations with respect to revenue, credit losses, levels of nonperforming assets, expenses, earnings and other measures of financial performance. Words such as "may", "could", "would", "should", "believes", "expects", "anticipates", "estimates", "intends", "plans", "targets" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties that are subject to change based on various factors (many of which are beyond United's control). The following factors, among others, could cause United's financial performance to differ materially from the expectations expressed in such forward-looking statements:

- the condition of the banking system and financial markets;
- our limited ability to raise capital or maintain liquidity;
- our ability to pay dividends;
- our past operating results may not be indicative of future operating results;
- our business is subject to the success of the local economies in which we operate;

- our concentration of construction and land development loans is subject to unique risks that could adversely affect our earnings;
- we may face risks with respect to future expansion and acquisitions or mergers;
- changes in prevailing interest rates may negatively affect our net income and the value of our assets;
- if our allowance for loan losses is not sufficient to cover actual loan losses, earnings would decrease;
- competition from financial institutions and other financial service providers may adversely affect our profitability;
- we may be subject to losses due to fraudulent and negligent conduct of our loan customers, third party service providers or employees;
- business increases, productivity gains and other investments are lower than expected or do not occur as quickly as anticipated;
- competitive pressures among financial services companies increase significantly;
- the success of our business strategy;
- the strength of the United States economy in general;
- changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System;
- inflation or market conditions fluctuate;
- conditions in the stock market, the public debt market and other capital markets deteriorate;
- financial services laws and regulations change;
- technology changes and United fails to adapt to those changes;
- consumer spending and saving habits change;
- unanticipated regulatory or judicial proceedings occur; and
- United is unsuccessful at managing the risks involved in the foregoing.

Additional information with respect to factors that may cause actual results to differ materially from those contemplated by such forward-looking statements may also be included in other reports that United files with the Securities and Exchange Commission. United cautions that the foregoing list of factors is not exclusive and not to place undue reliance on forward-looking statements. United does not intend to update any forward-looking statement, whether written or oral, relating to the matters discussed in this Form 10-K.

Monetary Policy and Economic Conditions

United’s profitability depends to a substantial extent on the difference between interest revenue received from loans, investments, and other earning assets, and the interest paid on deposits and other liabilities. These rates are highly sensitive to many factors that are beyond the control of United, including national and international economic conditions and the monetary policies of various governmental and regulatory authorities, particularly the Federal Reserve. The instruments of monetary policy employed by the Federal Reserve include open market operations in U.S. government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits.

Competition

The market for banking and bank-related services is highly competitive. United actively competes its market areas, which include north Georgia, the Atlanta MSA, the Gainesville MSA, coastal Georgia, western North Carolina and east Tennessee, with other providers of deposit and credit services. These competitors include other commercial banks, savings banks, savings and loan associations, credit unions, mortgage companies, and brokerage firms.

The following table displays the respective percentage of total bank and thrift deposits in each county where the Bank has operations. The table also indicates the ranking by deposit size in each county. All information in the table was obtained from the Federal Deposit Insurance Corporation Summary of Deposits as of June 30, 2008. The following information only shows market share in deposit gathering, which may not be indicative of market presence in other areas.

Share of Local Deposit Markets by County - Banks and Savings Institutions

	Market Share	Rank in Market		Market Share	Rank in Market		Market Share	Rank in Market
Atlanta Region			**North Georgia**			**Coastal Georgia**		
Bartow	7%	7	Chattooga	41%	1	Chatham	2%	11
Carroll	3	9	Fannin	52	1	Glynn	16	3
Cherokee	4	9	Floyd	13	4	Ware	10	4
Cobb	4	8	Gilmer	14	2			
						North Carolina		
Coweta	1	12	Habersham	14	3			
Dawson	33	1	Jackson	3	10	Avery	14	4
DeKalb	1	16	Lumpkin	32	1	Cherokee	42	1
Douglas	2	10	Rabun	11	5	Clay	53	1
Fayette	2	12	Towns	29	2	Graham	77	1
Forsyth	2	13	Union	88	1	Haywood	11	5
Fulton	1	17	White	40	1	Henderson	3	11
Gwinnett	4	7				Jackson	24	2
Hall	12	4	**Tennessee**			Macon	9	4
Henry	3	10	Blount	3	9	Mitchell	28	2
Newton	4	7	Bradley	5	7	Swain	28	2
Paulding	2	11	Knox	1	14	Transylvania	14	3
Pickens	3	7	Loudon	19	2	Watauga	2	11
Rockdale	11	5	McMinn	3	8	Yancey	13	4
Walton	1	11	Monroe	3	8			
			Roane	11	3			

Loans

The Bank makes both secured and unsecured loans to individuals, firms, and corporations. Secured loans include first and second real estate mortgage loans and commercial loans secured by non-real estate assets. The Bank also makes direct installment loans to consumers on both a secured and unsecured basis. At December 31, 2008, commercial (commercial and industrial), commercial (secured by real estate), commercial construction, residential construction, residential mortgage and consumer installment loans represented approximately 7%, 28%, 9%, 26%, 27% and 3%, respectively, of United's total loan portfolio.

Specific risk elements associated with the Bank's lending categories include, but are not limited to:

Loan Type	Risk Elements
Commercial (commercial and industrial)	Industry concentrations; inability to monitor the condition of collateral (inventory, accounts receivable and other non-real estate assets); increased competition; use of specialized or obsolete equipment as collateral; insufficient cash flow from operations to service debt payments; declines in general economic conditions.
Commercial (secured by real estate)	Loan portfolio concentrations; declines in general economic conditions and occupancy rates; business failure and lack of a suitable alternative use for property; environmental contamination.
Commercial construction	Loan portfolio concentrations; inadequate long-term financing arrangements; cost overruns, changes in market demand for property.
Residential construction	Loan portfolio concentrations; inadequate long-term financing arrangements; cost overruns, changes in market demand for property.
Residential mortgage	Loan portfolio concentrations; changes in general economic conditions or in the local economy; loss of borrower's employment; insufficient collateral value due to decline in property value.
Consumer installment	Loss of borrower's employment; changes in local economy; the inability to monitor collateral (vehicles and boats).

Lending Policy

The Bank makes loans primarily to persons or businesses that reside, work, own property, or operate in its primary market areas. Unsecured loans are generally made only to persons who qualify for such credit based on net worth and liquidity. Secured loans are made to persons who are well established and have net worth, collateral, and cash flow to support the loan. Exceptions to the Bank's policies are permitted on a case-by-case basis. Major policy exceptions require the approving officer to document the reason for the exception. Loans exceeding the lending officer's credit limit must be approved through the credit approval process involving Regional Credit Managers. All loans to borrowers whose aggregate lending relationship exceeds $15 million must be reported quarterly to the Bank's Board of Directors for ratification.

United's Credit Administration department provides each lending officer with written guidelines for lending activities as approved by the Bank's Board of Directors. Limited lending authority is delegated to lending officers by Credit Administration as authorized by the Bank's Board of Directors. Loans in excess of individual officer credit authority must be approved by a senior officer with sufficient approval authority delegated by Credit Administration as authorized by the Bank's Board of Directors. Loans to borrowers whose total aggregate loans exceed $15 million require the additional approval of two Bank directors.

Regional Credit Managers

United utilizes its Regional Credit Managers to provide credit administration support to the Bank as needed. The Regional Credit Managers have joint lending approval authority with the community bank Presidents within varying limits set by Credit Administration based on characteristics of each market. The Regional Credit Managers also provide credit underwriting support as needed by the community banks they serve.

Loan Review and Non-performing Assets

The Loan Review Department of United reviews, or engages an independent third party to review, the Bank's loan portfolio on an ongoing basis to identify any weaknesses in the portfolio and to assess the general quality of credit underwriting. The results of such reviews are presented to Executive Management, the community bank Presidents, Credit Administration management and the Audit Committee of the Board of Directors. If an individual loan or credit relationship has a material weakness identified during the review process, the risk rating of the loan, or generally all loans comprising that credit relationship, will be downgraded to the classification that most closely matches the current risk level. The review process also provides for the upgrade of loans that show improvement since the last review. Since each loan in a credit relationship may have a different credit structure, collateral, and other secondary source of repayment, different loans in a relationship can be assigned different risk ratings. Under United's 10-tier loan grading system, grades 1 through 6 are considered "pass" (acceptable) credit risk, grade 7 is a "watch" rating, and grades 8 through 10 are "adversely classified" credits that require management's attention. Both the pass and adversely classified ratings, and the entire 10-grade rating scale, provide for a higher numeric rating for increased risk. For example, a risk rating of 1 is the least risky of all credits and would be typical of a loan that is 100% secured by a deposit at the Bank. Risk ratings of 2 through 6 in the pass category each have incrementally more risk. The four watch list credit ratings and rating definitions are:

7 (Watch)	Weaknesses exist 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.
8 (Substandard)	Specific and well-defined weaknesses that may include poor liquidity and deterioration of financial ratios. Loan may be past-due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.
9 (Doubtful)	Specific weaknesses characterized as Substandard that are severe enough to make collection in full unlikely. No reliable secondary source of full repayment.
10 (Loss)	Same characteristics as Doubtful, however, probability of loss is certain. Loans classified as such are generally charged-off.

In addition, Credit Administration, with supervision and input from Accounting, prepares a quarterly analysis to determine the adequacy of the Allowance for Loan Losses ("ALL") for the Bank and United. The ALL analysis starts with total loans and subtracting loans fully secured by deposit accounts at the Bank, which effectively have no risk of loss. Next, all loans with an adversely classified rating are subtracted, including loans considered impaired. The remaining loan balance for each major loan category is then multiplied by its respective loss factor that is derived from the average historical loss rate for the preceding two year period, adjusted to reflect current economic conditions, which provides a required minimum ALL for pass credits. Loss factors for these loans are determined based on historical loss experience by type of loan. Loans that are considered impaired are evaluated separately and are assigned specific reserves as necessary.

Asset/Liability Committee

United's asset/liability committee ("ALCO") is composed of executive officers and the Treasurer of United. ALCO is charged with managing the assets and liabilities of United and the Bank. ALCO's primary role is to balance asset growth and income generation with the prudent management of interest rate risk, market risk and liquidity risk and with the need to maintain appropriate levels of capital. ALCO directs the Bank's overall balance sheet strategy, including the acquisition and investment of funds. At regular meetings, the committee reviews the interest rate sensitivity and liquidity positions, including stress scenarios, the net interest margin, the investment portfolio, the funding mix and other variables, such as regulatory changes, monetary policy adjustments and the overall state of the economy. A more comprehensive discussion of United's Asset/Liability Management and interest rate risk is contained in *Management's Discussion and Analysis* (Part II, Item 7) and *Quantitative and Qualitative Disclosures About Market Risk* (Part II, Item 7A) sections of this report.

Investment Policy

United's investment portfolio policy is to balance income generation with liquidity, interest rate sensitivity, pledging and regulatory needs. The Chief Financial Officer and the Treasurer of United administer the policy, and it is reviewed from time to time by United's ALCO and the Board of Directors. Portfolio activity, composition, and performance are reviewed and approved periodically by United's Board of Directors or a committee thereof.

Employees

As of December 31, 2008, United and its subsidiaries had 1,919 full-time equivalent employees. Neither United nor any of its subsidiaries are a party to any collective bargaining agreement and management believes that employee relations are good.

Available Information

United's Internet website address is ucbi.com. United makes available free of charge through its website Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with, or furnished to, the Securities & Exchange Commission.

Supervision and Regulation

The following is an explanation of the supervision and regulation of United and the Bank as financial institutions. This explanation does not purport to describe state, federal or Nasdaq Stock Market supervision and regulation of general business corporations or Nasdaq listed companies.

General. United is a registered bank holding company subject to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve") under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). United is required to file annual and quarterly financial information with the Federal Reserve and is subject to periodic examination by the Federal Reserve.

The BHC Act requires every bank holding company to obtain the Federal Reserve's prior approval before (1) it may acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank that it does not already control; (2) it or any of its non-bank subsidiaries may acquire all or substantially all of the assets of a bank; and (3) it may merge or consolidate with any other bank holding company. In addition, a bank holding company is generally prohibited from engaging in, or acquiring, direct or indirect control of the voting shares of any company engaged in non-banking activities. This prohibition does not apply to activities listed in the BHC Act or found by the Federal Reserve, by order or regulation, to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve has determined by regulation or order to be closely related to banking are:

- making or servicing loans and certain types of leases;
- performing certain data processing services;
- acting as fiduciary or investment or financial advisor;
- providing brokerage services;
- underwriting bank eligible securities;
- underwriting debt and equity securities on a limited basis through separately capitalized subsidiaries; and
- making investments in corporations or projects designed primarily to promote community welfare.

Although the activities of bank holding companies have traditionally been limited to the business of banking and activities closely related or incidental to banking (as discussed above), the Gramm-Leach-Bliley Act (the “GLB Act”) relaxed the previous limitations and permitted bank holding companies to engage in a broader range of financial activities. Specifically, bank holding companies may elect to become financial holding companies which may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. Among the activities that are deemed “financial in nature” include:

- lending, exchanging, transferring, investing for others or safeguarding money or securities;
- insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, and acting as principal, agent, or broker with respect thereto;
- providing financial, investment, or economic advisory services, including advising an investment company;
- issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly; and
- underwriting, dealing in or making a market in securities.

A bank holding company may become a financial holding company under this statute only if each of its subsidiary banks is well-capitalized, is well managed and has at least a satisfactory rating under the Community Reinvestment Act. A bank holding company that falls out of compliance with such requirement may be required to cease engaging in certain activities. Any bank holding company that does not elect to become a financial holding company remains subject to the bank holding company restrictions of the BHC Act.

Under this legislation, the Federal Reserve Board serves as the primary “umbrella” regulator of financial holding companies with supervisory authority over each parent company and limited authority over its subsidiaries. The primary regulator of each subsidiary of a financial holding company will depend on the type of activity conducted by the subsidiary. For example, broker-dealer subsidiaries will be regulated largely by securities regulators and insurance subsidiaries will be regulated largely by insurance authorities.

United has no current plans to register as a financial holding company.

United must also register with the Georgia Department of Banking and Finance (“DBF”) and file periodic information with the DBF. As part of such registration, the DBF requires information with respect to the financial condition, operations, management and intercompany relationship of United and the Bank and related matters. The DBF may also require such other information as is necessary to keep itself informed concerning compliance with Georgia law and the regulations and orders issued thereunder by the DBF, and the DBF may examine United and the Bank. Although the Bank operates branches in North Carolina and Tennessee, neither the North Carolina Banking Commission (“NCBC”), nor the Tennessee Department of Financial Institutions (“TDFI”) examines or directly regulates out-of-state holding companies.

United is an “affiliate” of the Bank under the Federal Reserve Act, which imposes certain restrictions on (1) loans by the Bank to United, (2) investments in the stock or securities of United by the Bank, (3) the Bank taking the stock or securities of an “affiliate” as collateral for loans by the Bank to a borrower, and (4) the purchase of assets from United by the Bank. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

The Bank and each of its subsidiaries are regularly examined by the Federal Deposit Insurance Corporation (the “FDIC”). The Bank, as a state banking association organized under Georgia law, is subject to the supervision of, and is regularly examined by, the DBF. The Bank’s North Carolina branches are subject to examination by the NCBC. The Bank’s Tennessee branches are subject to examination by the TDFI. Both the FDIC and the DBF must grant prior approval of any merger, consolidation or other corporation reorganization involving the Bank.

Payment of Dividends. United is a legal entity separate and distinct from the Bank. Most of the revenue of United results from dividends paid to it by the Bank. There are statutory and regulatory requirements applicable to the payment of dividends by the Bank, as well as by United to its shareholders.

Under the regulations of the DBF, dividends may not be declared out of the retained earnings of a state bank without first obtaining the written permission of the DBF, unless such bank meets all the following requirements:

(a) total classified assets as of the most recent examination of the bank do not exceed 80% of equity capital (as defined by regulation);
(b) the aggregate amount of dividends declared or anticipated to be declared in the calendar year does not exceed 50% of the net profits after taxes but before dividends for the previous calendar year; and
(c) the ratio of equity capital to adjusted assets is not less than 6%.

On December 5, 2008, United entered into a Letter Agreement and Securities Purchase Agreement (the “Purchase Agreement”) with the U.S. Treasury Department (“Treasury”) under the TARP Capital Purchase Program discussed below, pursuant to which United sold (i) 180,000 shares of United’s Fixed Rate Cumulative Perpetual Preferred Stock, Series B (the “Series B Preferred Stock”) and (ii) a warrant (the “Warrant”) to purchase 2,149,106 shares of United’s common stock for an aggregate purchase price of $180 million in cash. Pursuant to the terms of the Purchase Agreement, the ability of United to declare or pay dividends or distributions on its common stock is subject to restrictions, including a restriction against increasing dividends from the last quarterly cash dividend per share ($.09) declared on the common stock prior to December 5, 2008, as adjusted for subsequent stock dividends and other similar actions. In addition, as long as Series B Preferred Stock is outstanding, dividend payments are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions. This restriction will terminate on December 5, 2011, or earlier, if the Series B Preferred Stock has been redeemed in whole or Treasury has transferred all of the Series B Preferred Stock to third parties.

The payment of dividends by United and the Bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending upon the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The FDIC has issued a policy statement providing that insured banks should generally only pay dividends out of current operating earnings. In addition to the formal statutes and regulations, regulatory authorities consider the adequacy of the Bank's total capital in relation to its assets, deposits and other such items. Capital adequacy considerations could further limit the availability of dividends from the Bank. At January 1, 2009, the Bank will not have the ability to pay cash dividends in 2009 due to the net loss for 2008. For 2008, United declared cash dividends to common stockholders totaling $8.5 million, or $.18 per common share and stock dividends equal to $.18 per common share.

Capital Adequacy. The Federal Reserve and the FDIC have implemented substantially identical risk-based rules for assessing bank and bank holding company capital adequacy. These regulations establish minimum capital standards in relation to assets and off-balance sheet exposures as adjusted for credit risk. Banks and bank holding companies are required to have (1) a minimum level of Total Capital (as defined) to risk-weighted assets of eight percent (8%); and (2) a minimum Tier I Capital (as defined) to risk-weighted assets of four percent (4%). In addition, the Federal Reserve and the FDIC have established a minimum three percent (3%) leverage ratio of Tier I Capital to quarterly average total assets for the most highly-rated banks and bank holding companies. "Tier I Capital" generally consists of common equity excluding unrecognized gains and losses on available for sale securities and derivatives accounted for as cash flow hedges, plus minority interests in equity accounts of consolidated subsidiaries and certain perpetual preferred stock less certain intangibles. The Federal Reserve and the FDIC will require a bank holding company and a bank, respectively, to maintain a leverage ratio greater than four percent (4%) if either is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve. The Federal Reserve and the FDIC use the leverage ratio in tandem with the risk-based ratio to assess the capital adequacy of banks and bank holding companies. The FDIC, the Office of the Comptroller of the Currency (the "OCC") and the Federal Reserve consider interest rate risk in the overall determination of a bank's capital ratio, requiring banks with greater interest rate risk to maintain adequate capital for the risk.

In addition, Section 38 of the Federal Deposit Insurance Act implemented the prompt corrective action provisions that Congress enacted as a part of the Federal Deposit Insurance Corporation Improvement Act of 1991 (the "1991 Act"). The "prompt corrective action" provisions set forth five regulatory zones in which all banks are placed largely based on their capital positions. Regulators are permitted to take increasingly harsh action as a bank's financial condition declines. Regulators are also empowered to place in receivership or require the sale of a bank to another depository institution when a bank's capital leverage ratio reaches 2%. Better capitalized institutions are generally subject to less onerous regulation and supervision than banks with lesser amounts of capital.

The FDIC has adopted regulations implementing the prompt corrective action provisions of the 1991 Act, which place financial institutions in the following five categories based upon capitalization ratios: (1) a "well-capitalized" institution has a Total risk-based capital ratio of at least 10%, a Tier I risk-based ratio of at least 6% and a leverage ratio of at least 5%; (2) an "adequately capitalized" institution has a Total risk-based capital ratio of at least 8%, a Tier I risk-based ratio of at least 4% and a leverage ratio of at least 4%; (3) an "undercapitalized" institution has a Total risk-based capital ratio of under 8%, a Tier I risk-based ratio of under 4% or a leverage ratio of under 4%; (4) a "significantly undercapitalized" institution has a Total risk-based capital ratio of under 6%, a Tier I risk-based ratio of under 3% or a leverage ratio of under 3%; and (5) a "critically undercapitalized" institution has a leverage ratio of 2% or less. Institutions in any of the three undercapitalized categories would be prohibited from declaring dividends or making capital distributions. The FDIC regulations also establish procedures for "downgrading" an institution to a lower capital category based on supervisory factors other than capital.

To continue to conduct its business as currently conducted, United and the Bank will need to maintain capital well above the minimum levels. As of December 31, 2008 and 2007, the most recent notifications from the FDIC categorize the Bank as "well-capitalized" under current regulations.

Troubled Asset Relief Program. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 ("EESA") was enacted establishing the Troubled Asset Relief Program ("TARP"). On October 14, 2008, Treasury announced its intention to inject capital into U.S. financial institutions under the TARP Capital Purchase Program ("CPP") and since has injected capital into many financial institutions, including United. On December 5, 2008, United entered into the Purchase Agreement with Treasury under the CPP pursuant to which United sold 180,000 shares of Series B Preferred Stock and the Warrant for an aggregate purchase price of $180 million in cash. In the Purchase Agreement, United is subject to restrictions on its ability to pay dividends on its common stock and make certain repurchases of equity securities, including its common stock, without Treasury's consent. In addition, United agreed that, until such time as Treasury ceases to own any securities of United acquired pursuant to the Purchase Agreement, United will take all necessary actions to ensure that its benefit plans with respect to its senior executive officers comply with Section 111(b) of EESA as implemented by any guidance or regulation under the EESA and has agreed to not adopt any benefit plans with respect to, or which covers, its senior executive officers that do not comply with the EESA, and the applicable executives have consented to the foregoing. Finally, the Purchase Agreement provides that Treasury may unilaterally amend any provision of the Purchase Agreement to the extent required to comply with any changes in applicable federal law.

The Special Inspector General for the Troubled Asset Relief Program ("SIGTARP"), was established pursuant to Section 121 of EESA, and has the duty, among other things, to conduct, supervise, and coordinate audits and investigations of the purchase, management and sale of assets by the Treasury under TARP and the CPP, including the shares of non-voting preferred shares purchased from United.

American Recovery and Reinvestment Act of 2009. On February 17, 2009, the American Recovery and Reinvestment Act of 2009 ("ARRA") was enacted. The ARRA, commonly known as the economic stimulus or economic recovery package, includes a wide variety of programs intended to stimulate the economy and provide for extensive infrastructure, energy, health, and education needs. In addition, ARRA imposes certain new executive compensation and corporate expenditure limits on all current and future TARP recipients, including United, until the institution has repaid Treasury, which is now permitted under ARRA without penalty and without the need to raise new capital, subject to Treasury's consultation with the recipient's appropriate regulatory agency. The executive compensation standards are more stringent than those currently in effect under the CPP or those previously proposed by Treasury, but it is not yet clear how these executive compensation standards will relate to the similar standards announced by Treasury in its guidelines on February 4, 2009, or whether the standards will be considered effective immediately or only after implementing regulations are issued by Treasury. The new standards include (but are not limited to) (i) prohibitions on bonuses, retention awards and other incentive compensation, other than restricted stock grants which do not fully vest during the TARP period up to one-third of an employee's total annual compensation, (ii) prohibitions on golden parachute payments for departure from a company, (iii) an expanded clawback of bonuses, retention awards, and incentive compensation if payment is based on materially inaccurate statements of earnings, revenues, gains or other criteria, (iv) prohibitions on compensation plans that encourage manipulation of reported earnings, (v) retroactive review of bonuses, retention awards and other compensation previously provided by TARP recipients if found by Treasury to be inconsistent with the purposes of TARP or otherwise contrary to public interest, (vi) required establishment of a company-wide policy regarding "excessive or luxury expenditures", and (vii) inclusion in a participant's proxy statements for annual shareholder meetings of a nonbinding "say on pay" shareholder vote on the compensation of executives.

Temporary Liquidity Guarantee Program. On November 21, 2008, the Board of Directors of the FDIC adopted a final rule relating to the Temporary Liquidity Guarantee Program ("TLG Program"). The TLG Program was announced by the FDIC on October 14, 2008, preceded by the determination of systemic risk by Treasury, as an initiative to counter the system-wide crisis in the nation's financial sector. Under the TLG Program the FDIC will (i) guarantee, through the earlier of maturity or June 30, 2012, certain newly issued senior unsecured debt issued by participating institutions and (ii) provide full FDIC deposit insurance coverage for non-interest bearing transaction deposit accounts, Negotiable Order of Withdrawal accounts paying less than 0.5% interest per annum and Interest on Lawyers Trust Accounts held at participating FDIC-insured institutions through December 31, 2009. Coverage under the TLG Program was available for the first 30 days without charge. The fee assessment for coverage of senior unsecured debt ranges from 50 basis points to 100 basis points per annum, depending on the initial maturity of the debt. The fee assessment for deposit insurance coverage is 10 basis points per quarter on amounts in covered accounts exceeding $250,000. United elected to participate in both guarantee programs.

Commercial Real Estate. In December 2006, the federal banking agencies, including the FDIC, issued a final guidance on concentrations in commercial real estate lending, noting that recent increases in banks' commercial real estate concentrations could create safety and soundness concerns in the event of a significant economic downturn. The guidance mandates certain minimal risk management practices and categorizes banks with defined levels of such concentrations as banks requiring elevated examiner scrutiny. The Bank has concentrations in commercial real estate loans in excess of those defined levels. Although management believes that United's credit processes and procedures meet the risk management standards dictated by this guidance, regulatory outcomes could effectively limit increases in the real estate concentrations in the Bank's loan portfolio and require additional credit administration and management costs associated with those portfolios.

Loans. Inter-agency guidelines adopted by federal bank regulators mandate that financial institutions establish real estate lending policies with maximum allowable real estate loan-to-value limits, subject to an allowable amount of non-conforming loans as a percentage of capital. The Bank adopted the federal guidelines in 2001.

Transactions with Affiliates. Under federal law, all transactions between and among a state nonmember bank and its affiliates, which include holding companies, are subject to Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder. Generally, these requirements limit these transactions to a percentage of the bank's capital and require all of them to be on terms at least as favorable to the bank as transactions with non-affiliates. In addition, a bank may not lend to any affiliate engaged in non-banking activities not permissible for a bank holding company or acquire shares of any affiliate that is not a subsidiary. The FDIC is authorized to impose additional restrictions on transactions with affiliates if necessary to protect the safety and soundness of a bank. The regulations also set forth various reporting requirements relating to transactions with affiliates.

Financial Privacy. In accordance with the GLB Act, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering Initiatives and the USA Patriot Act. A major focus of governmental policy on financial institutions in recent years has been aimed at combating terrorist financing. This has generally been accomplished by amending existing anti-money laundering laws and regulations. The USA Patriot Act of 2001 (the "USA Patriot Act") has imposed significant new compliance and due diligence obligations, creating new crimes and penalties. The United States Treasury Department has issued a number of implementing regulations which apply to various requirements of the USA Patriot Act to United and the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Future Legislation. Various legislation affecting financial institutions and the financial industry is from time to time introduced in Congress. Such legislation may change banking statutes and the operating environment of United and its subsidiaries in substantial and unpredictable ways, and could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance depending upon whether any of this potential legislation will be enacted, and if enacted, the effect that it or any implementing regulations, would have on the financial condition or results of operations of United or any of its subsidiaries. With the recent enactments of EESA and ARRA, the nature and extent of future legislative and regulatory changes affecting financial institutions is very unpredictable at this time.

Executive Officers of United

Senior executives of United are elected by the Board of Directors annually and serve at the pleasure of the Board of Directors.

The senior executive officers of United, and their ages, positions with United, past five year employment history and terms of office as of February 1, 2009, are as follows:

Name (age)	Position with United	Officer of United Since
Jimmy C. Tallent (56)	President, Chief Executive Officer and Director	1988
Guy W. Freeman (72)	Executive Vice President, Chief Operating Officer and Director	1995
Rex S. Schuette (59)	Executive Vice President and Chief Financial Officer	2001
David Shearrow (49)	Executive Vice President and Chief Risk Officer since April 2007; prior to joining United, he served as Executive Vice President and Senior Credit Officer of SunTrust Banks	2007
Craig Metz (53)	Executive Vice President of Marketing	2002
Bill M. Gilbert (56)	Senior Vice President of Retail Banking	2003
Glenn S. White (57)	President of the Atlanta Region since 2008; previously, he was the President of United Community Bank - Gwinnett since 2007; prior to joining United, he served as Chief Executive Officer of Gwinnett Commercial Group, Inc.	2008

None of the above officers are related and there are no arrangements or understandings between them and any other person pursuant to which any of them was elected as an officer, other than arrangements or understandings with directors or officers of United acting solely in their capacities as such.

ITEM 1A. RISK FACTORS.

An investment in United's common stock involves risk. Investors should carefully consider the risks described below and all other information contained in this Annual Report on Form 10-K and the documents incorporated by reference before deciding to purchase common stock. It is possible that risks and uncertainties not listed below may arise or become material in the future and affect United's business.

Our business may be adversely affected by conditions in the financial markets and economic conditions generally and there can be no assurance that recent efforts to address difficult market and economic conditions will be effective.

Since mid-2007, and particularly during the second half of 2008, the financial markets and economic conditions generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in home prices and the values of subprime mortgages, but spread to all residential construction, particularly in metro Atlanta, and residential mortgages as property prices declined rapidly and affected nearly all asset classes. The effect of the market and economic downturn also spread to other areas of the credit markets and in the availability of liquidity. The magnitude of these declines led to a crisis of confidence in the financial sector as a result of concerns about the capital base and viability of certain financial institutions. During this period, interbank lending and commercial paper borrowing fell sharply, precipitating a credit freeze for both institutional and individual borrowers. Unemployment has also increased significantly.

The recently enacted Emergency Economic Stabilization Act of 2008 and American Recovery and Reinvestment Act of 2009 were signed into law in response to the financial crisis affecting the banking system, financial markets and economic conditions generally. Pursuant to the EESA, Treasury has the authority under the Troubled Asset Relief Program to purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. Treasury announced the Capital Purchase Program under TARP pursuant to which it has purchased and will continue to purchase senior preferred stock in participating financial institutions. The ARRA includes a wide variety of programs intended to stimulate the economy and provide for extensive infrastructure, energy, health, and education needs. In addition, ARRA imposes certain new executive compensation and corporate expenditure limits on all current and future TARP recipients until the institution has repaid Treasury, which is now permitted under ARRA without penalty and without the need to raise new capital, subject to Treasury's consultation with the recipient's appropriate regulatory agency.

The EESA followed, and has been followed by, numerous actions by the U.S. Congress, Federal Reserve Board, Treasury, the FDIC, the SEC and others to address the current crisis, including most recently the ARRA. These measures include homeowner relief that encourages loan restructuring and modification; the establishment of significant liquidity and credit facilities for financial institutions and investment banks; the lowering of the federal funds rate; emergency action against short selling practices; a temporary guaranty program for money market funds; the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; and coordinated international efforts to address illiquidity and other weaknesses in the banking sector. There can be no assurance, however, as to the actual impact that EESA, including TARP and the CPP, the ARRA, and the other initiatives described above will have on the banking system and financial markets or on us. The failure of these programs to help stabilize the banking system and financial markets and a continuation or worsening of current economic conditions could materially and adversely affect our business, financial condition, results of operations, access to credit or the trading price of our common stock.

United's ability to raise capital could be limited and could affect its liquidity and could be dilutive to existing shareholders.

Current conditions in the capital markets are such that traditional sources of capital may not be available to United on reasonable terms if it needed to raise capital. In such case, there is no guarantee that United will be able to borrow funds or successfully raise additional capital at all or on terms that are favorable or otherwise not dilutive to existing shareholders.

Liquidity is essential to our businesses and we rely on external sources to finance a significant portion of our operations.

Liquidity is essential to our businesses. Our liquidity could be substantially affected in a negative fashion by an inability to raise funding in the long-term or short-term debt capital markets or the equity capital markets or an inability to access the secured lending markets. Factors that we cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, could impair our ability to raise funding. In addition, our ability to raise funding could be impaired if lenders develop a negative perception of our long-term or short-term financial prospects. Such negative perceptions could be developed if we are downgraded or put on (or remain on) negative watch by the rating agencies, we suffer a decline in the level of our business activity or regulatory authorities take significant action against us, among other reasons. If we are unable to raise funding using the methods described above, we would likely need to finance or liquidate unencumbered assets to meet maturing liabilities. We may be unable to sell some of our assets, or we may have to sell assets at a discount from market value, either of which could adversely affect our results of operations and financial condition.

Future dividend payments and common stock repurchases are restricted by the terms of Treasury's equity investment in us.

Under the terms of the CPP, until the earlier of December 5, 2011 or the date on which the Series B Preferred Stock has been redeemed in whole or Treasury has transferred all of the Series B Preferred Stock to third parties, we are prohibited from increasing dividends on our common stock from the last quarterly cash dividend per share ($.09) declared on the common stock prior to December 5, 2008, as adjusted for subsequent stock dividends and other similar actions, and from making certain repurchases of equity securities, including our common stock, without Treasury's consent. Furthermore, as long as the Series B Preferred Stock is outstanding, dividend payments and repurchases or redemptions relating to certain equity securities, including our common stock, are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions.

The limitations on executive compensation imposed through our participation in the Capital Purchase Program may restrict our ability to attract, retain and motivate key employees, which could adversely affect our operations.

As part of our participation in the CPP, we agreed to be bound by certain executive compensation restrictions, including limitations on severance payments and the clawback of any bonus and incentive compensation that were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria. Subsequent to the issuance of the preferred stock, the ARRA was enacted, which provides more stringent limitations on severance pay and the payment of bonuses. To the extent that any of these compensation restrictions do not permit us to provide a comprehensive compensation package to our key employees that is competitive in our market area, we have difficulty in attracting, retaining and motivating our key employees, which could have an adverse effect on our results of operations.

The terms governing the issuance of the preferred stock to Treasury may be changed, the effect of which may have an adverse effect on our operations.

The terms of the Purchase Agreement in which we entered into with Treasury provides that Treasury may unilaterally amend any provision of the Purchase Agreement to the extent required to comply with any changes in applicable federal law that may occur in the future. We have no assurances that changes in the terms of the transaction will not occur in the future. Such changes may place restrictions on our business or results of operation, which may adversely affect the market price of our common stock.

Past operating results may not be indicative of future operating results.

United may not be able to sustain its growth. Various factors, such as increased size, economic conditions, regulatory and legislative considerations, competition and the ability to find and retain people that can make United's community-focused operating model successful, may impede its ability to expand its market presence. If United experiences a significant decrease in its growth rate, its results of operations and financial condition may be adversely affected.

United's business is subject to the success of the local economies and real estate markets in which it operates.

United's success significantly depends on the growth in population, income levels, loans and deposits and on the continued stability in real estate values in its markets. If the communities in which it operates do not grow or if prevailing economic conditions locally or nationally are unfavorable, United's business may be adversely affected. Adverse economic conditions in United's specific market areas, specifically decreases in real estate property values due to the nature of United's loan portfolio, approximately 90% of which is secured by real estate, could reduce United's growth rate, affect the ability of customers to repay their loans and generally affect United's financial condition and results of operations. United is less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of more diverse economies.

United's concentration of residential construction loans is subject to unique risks that could adversely affect earnings.

United's residential construction loan portfolio was $1.5 billion at December 31, 2008, comprising 26% of total loans. Residential construction loans are often riskier than home equity loans or residential mortgage loans to individuals. In the event of a general economic slowdown like the one we are currently experiencing, these loans represent higher risk due to slower sales and reduced cash flow that could affect the borrowers' ability to repay on a timely basis.

United may face risks with respect to future expansion and acquisitions.

United regularly engages in de novo branch expansion. Also, when a business opportunity becomes available in the right market with the right management team, United may seek to acquire other financial institutions or parts of those institutions. These involve a number of risks, including:

- the potential inaccuracy of the estimates and judgments used to evaluate credit, operations, management and market risks with respect to an acquired branch or institution, a new branch office or a new market;
- the time and costs of evaluating new markets, hiring or retaining experienced local management and opening new offices and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- the incurrence and possible impairment of goodwill associated with an acquisition and possible adverse effects on results of operations; and
- the risk of loss of key employees and customers of an acquired branch or institution.

Changes in prevailing interest rates may negatively affect net income and the value of United’s assets.

Changes in prevailing interest rates may negatively affect the level of net interest revenue, the primary component of net income. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. At December 31, 2008, our simulation model indicated that a 200 basis point increase in rates over the next twelve months would cause an approximate 3.8% increase in net interest revenue and a 25 basis point decrease in rates over the next twelve months would cause an approximate 2.2% decrease in net interest revenue. United used 25 basis points in the down rate scenario since the targeted Federal Funds rate was at 25 basis points and therefore short-term rates could not move down more than 25 basis points.

Changes in the level of interest rates may also negatively affect the value of United’s assets and its ability to realize gains or avoid losses from the sale of those assets, all of which ultimately affect earnings. In addition, an increase in interest rates may decrease the demand for loans.

If United’s allowance for loan losses is not sufficient to cover actual loan losses, earnings would decrease.

United’s loan customers may not repay their loans according to their terms and the collateral securing the payment of these loans may be insufficient to assure repayment. United may experience significant loan losses which would have a material adverse effect on operating results. Management makes various assumptions and judgments about the collectibility of the loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. United maintains an allowance for loan losses in an attempt to cover any loan losses inherent in the portfolio. In determining the size of the allowance, management relies on an analysis of the loan portfolio based on historical loss experience, volume and types of loans, trends in classification, volume and real estate values, trends in delinquencies and non-accruals, national and local economic conditions and other pertinent information. If those assumptions are incorrect, the allowance may not be sufficient to cover future loan losses and adjustments may be necessary to allow for different economic conditions or adverse developments in the loan portfolio.

United may be subject to losses due to fraudulent and negligent conduct of our loan customers, third party service providers and employees.

When we make loans to individuals or entities, we rely upon information supplied by borrowers and other third parties, including information contained in the applicant’s loan application, property appraisal reports, title information and the borrower’s net worth, liquidity and cash flow information. While we attempt to verify information provided through available sources, we cannot be certain all such information is correct or complete. Our reliance on incorrect or incomplete information could have a material adverse effect on our profitability or financial condition.

Competition from financial institutions and other financial service providers may adversely affect United’s profitability.

The banking business is highly competitive and United experiences competition in each of its markets from many other financial institutions. United competes with commercial banks, credit unions, savings and loan associations, mortgage banking firms, securities brokerage firms, insurance companies, money market funds and other mutual funds, as well as community, super-regional, national and international financial institutions that operate offices in its market areas and elsewhere. United competes with these institutions both in attracting deposits and in making loans. Many of United’s competitors are well-established, larger financial institutions that are able to operate profitably with a narrower net interest margin and have a more diverse revenue base. United may face a competitive disadvantage as a result of its smaller size, more limited geographic diversification and inability to spread costs across broader markets. Although United competes by concentrating marketing efforts in primary markets with local advertisements, personal contacts and greater flexibility and responsiveness in working with local customers, there can be no assurance that this strategy will continue to be successful.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

There are no unresolved comments from the Securities and Exchange Commission staff regarding United’s periodic or current reports under the Exchange Act.

ITEM 2. PROPERTIES.

The executive offices of United are located at 63 Highway 515, Blairsville, Georgia. United owns this property. The Bank conducts business from facilities primarily owned by the Bank, all of which are in a good state of repair and appropriately designed for use as banking facilities. The Bank, Brintech and UCIS provide services or perform operational functions at 124 locations, of which 103 are owned and 21 are leased under operating leases. Note 7 to United’s Consolidated Financial Statements includes additional information regarding amounts invested in premises and equipment.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of operations, United and the Bank are defendants in various legal proceedings incidental to its business. In the opinion of management, there is no pending or threatened proceeding in which an adverse decision will result in a material adverse change in the consolidated financial condition or results of operations of United. No material proceedings terminated in the fourth quarter of 2008.

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

No matters were submitted to a vote of the security holders of United during the fourth quarter of 2008.

PART II

ITEM 5. MARKET FOR UNITED'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Stock. United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI". The closing price for the period ended December 31, 2008 was $13.58. Below is a schedule of high, low and closing stock prices and average daily volume for all quarters in 2008 and 2007.

Stock Price Information

	2008				2007			
	High	Low	Close	Avg Daily Volume	High	Low	Close	Avg Daily Volume
First quarter	$ 20.80	$ 13.38	$ 16.98	441,659	$ 34.98	$ 30.81	$ 32.79	232,269
Second quarter	18.51	8.51	8.53	464,566	33.03	25.80	25.89	266,682
Third quarter	19.05	7.58	13.26	359,971	27.50	22.16	24.52	346,596
Fourth quarter	15.82	9.25	13.58	319,534	25.73	15.13	15.80	421,910

At January 31, 2009, there were approximately 6,538 record shareholders and 15,100 beneficial shareholders of United's common stock.

Dividends. United declared cash dividends of $.18, $.36 and $.32 per common share in 2008, 2007 and 2006, respectively. Also, United declared stock dividends of 1 new share for every 130 shares owned in the third and fourth quarters of 2008. Federal and state laws and regulations impose restrictions on the ability of United and the Bank to pay dividends. In addition, pursuant to the terms of the Purchase Agreement entered into with Treasury under the CPP, the ability of United to declare or pay dividends or distributions its common stock is subject to restrictions, including a restriction against increasing dividends from the last quarterly cash dividend per share ($.09) declared on the common stock prior to December 5, 2008, as adjusted for subsequent stock dividends and other similar actions. In addition, as long as Series B Preferred Stock is outstanding, dividend payments are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions. This restriction will terminate on December 5, 2011, or earlier, if the Series B Preferred Stock has been redeemed in whole or Treasury has transferred all of the Series B Preferred Stock to third parties. Additional information regarding this item is included in Note 16 to the Consolidated Financial Statements, under the heading of "Supervision and Regulation" in Part I of this report and in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Dividends."

Share Repurchases. United had in place a board approved repurchase authorization for up to 3,000,000 shares of United's common stock, which expired in 2008. During, 2007, 2,000,000 shares had been purchased under the authorization. No additional shares were purchased in 2008.

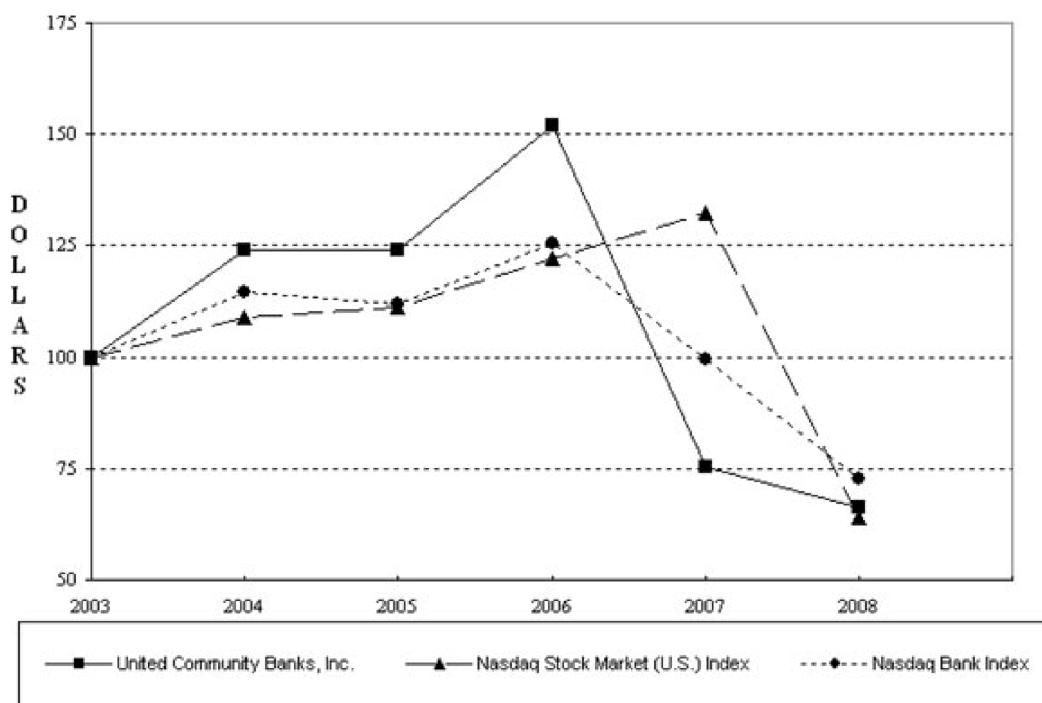
United's Amended and Restated 2000 Key Employee Stock Option Plan allows option holders to exercise stock options by delivering previously acquired shares having a fair market value equal to the exercise price provided that the shares delivered must have been held by the option holder for at least six months. During 2008, 2007 and 2006, optionees delivered 33,759, 1,755 and 17,576 shares, respectively, to exercise stock options.

Sales of Unregistered Securities. On October 31, 2008, United formed United Community Statutory Trust II and United Community Statutory Trust III for the purpose of issuing Trust Preferred Securities in private placement offerings. United Community Statutory Trust II issued $11,767,000 of 9% fixed rate Trust Preferred Securities and United Community Statutory Trust II issued $1.2 million of variable rate Trust Preferred Securities that pay interest at a rate of prime plus 3%. The Trust Preferred Securities issued by both trusts mature on October 31, 2038 and are callable at par anytime after October 31, 2013. The Trust Preferred Securities were issued with warrants that make them convertible into United Community Banks, Inc.'s common stock at the conversion price of $20 per share. The warrants may be exercised anytime prior to October 31, 2013, on which date the unexercised warrants expire. The Trust Preferred Securities qualify as Tier I Capital under applicable Risk-Based Capital guidelines.

On December 5, 2008, United participated in Treasury's CPP by issuing 180,000 shares of Series B Preferred Stock and the Warrant to purchase 2,149,106 shares of United Community Banks, Inc.'s common stock at a price of $12.56 per share for an aggregate purchase price of $180 million. The Series B Preferred Stock qualifies as Tier I capital under risk-based capital guidelines and will pay cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter. The Series B Preferred Stock may be redeemed after December 5, 2011 at the stated amount of $1,000 per share plus any accrued and unpaid dividends. Prior to December 5, 2011, the Series B Preferred Stock may be redeemed only with proceeds from the sale of qualifying equity securities. The Series B Preferred Stock is non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Series B Preferred Stock.

Performance Graph. Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on United's common stock against the cumulative total return on the Nasdaq Stock Market (U.S. Companies) Index and the Nasdaq Bank Stocks Index for the five-year period commencing December 31, 2003 and ending on December 31, 2008.

FIVE YEAR CUMULATIVE TOTAL RETURNS*
COMPARISON OF UNITED COMMUNITY BANKS, INC.,
NASDAQ STOCK MARKET (U.S.) INDEX
AND NASDAQ BANK INDEX
As of December 31,



* Assumes $100 invested on December 31, 2003 in United's common stock and above noted indexes. Total return includes reinvestment of dividends and values of stock and indexes as of December 31 of each year.

	Cumulative Total Return					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
United Community Banks, Inc.	$ 100	$ 124	$ 124	$ 152	$ 75	$ 66
Nasdaq Stock Market (U.S.) Index	100	109	111	122	132	64
Nasdaq Bank Index	100	114	112	125	99	73

ITEM 6. SELECTED FINANCIAL DATA.
UNITED COMMUNITY BANKS, INC.
Selected Financial Information
For the Years Ended December 31,

(in thousands, except per share data; taxable equivalent)	2008	2007	2006	2005	2004	2003
INCOME SUMMARY						
Net interest revenue	$ 238,704	$ 274,483	$ 237,880	$ 196,799	$ 152,998	$ 128,089
Provision for loan losses	184,000	37,600	14,600	12,100	7,600	6,300
Fee revenue	53,141	62,651	49,095	46,148	39,539	38,184
Total revenue	107,845	299,534	272,375	230,847	184,937	159,973
Operating expenses (1)	206,699	190,061	162,070	140,808	110,974	97,251
(Loss) income before taxes	(98,854)	109,473	110,305	90,039	73,963	62,722
Income taxes	(35,404)	40,482	41,490	33,297	26,807	23,247
Net operating (loss) income	(63,450)	68,991	68,815	56,742	47,156	39,475
Fraud loss provision, net of tax	—	10,998	—	—	—	—
Merger-related charges, net of tax	—	—	—	—	565	1,357
Net (loss) income	(63,450)	57,993	68,815	56,742	46,591	38,118
Preferred stock dividends	724	18	19	23	9	66
Net (loss) income available to common shareholders	$ (64,174)	$ 57,975	$ 68,796	$ 56,719	$ 46,582	$ 38,052
OPERATING PERFORMANCE (1)						
Earnings (loss) per common share:						
Basic	$ (1.35)	$ 1.50	$ 1.70	$ 1.47	$ 1.31	$ 1.15
Diluted	(1.35)	1.48	1.66	1.43	1.27	1.12
Return on tangible equity (2)(3)	(12.37)%	14.23%	17.52%	18.99%	19.74%	19.24%
Return on assets	(.76)	.89	1.09	1.04	1.07	1.06
Efficiency ratio	70.49	56.53	56.35	57.77	57.65	58.39
GAAP PERFORMANCE						
Per common share:						
Basic earnings (loss)	$ (1.35)	$ 1.26	$ 1.70	$ 1.47	$ 1.29	$ 1.11
Diluted earnings (loss)	(1.35)	1.24	1.66	1.43	1.25	1.08
Cash dividends declared (rounded)	.18	.36	.32	.28	.24	.20
Stock dividends declared	.18	—	—	—	—	—
Book value	16.95	17.73	14.37	11.80	10.39	8.47
Tangible book value (3)	10.39	10.94	10.57	8.94	7.34	6.52
Key performance ratios:						
Return on equity (2)	(7.82)%	7.79%	13.28%	13.46%	14.39%	14.79%
Return on assets	(.76)	.75	1.09	1.04	1.05	1.02
Net interest margin	3.18	3.88	4.05	3.85	3.71	3.68
Equity to assets	10.25	9.61	8.06	7.63	7.45	7.21
Tangible equity to assets (3)	6.69	6.63	6.32	5.64	5.78	6.02
Tangible common equity to assets (3)	6.59	6.63	6.32	5.64	5.78	6.03
ASSET QUALITY						
Allowance for loan losses	$ 122,271	$ 89,423	$ 66,566	$ 53,595	$ 47,196	$ 38,655
Net charge-offs (1)	151,152	21,834	5,524	5,701	3,617	4,097
Non-performing loans (NPLs)	190,723	28,219	12,458	11,997	8,031	6,627
Foreclosed properties	59,768	18,039	1,196	998	694	962
Total non-performing assets (NPAs)	250,491	46,258	13,654	12,995	8,725	7,589
Allowance for loan losses to loans (1)	2.14%	1.51%	1.24%	1.22%	1.26%	1.28%
Net charge-offs to average loans (1)	2.57	.38	.12	.14	.11	.15
NPAs to loans and foreclosed properties	4.35	.78	.25	.30	.23	.25
NPAs to total assets	2.94	.56	.19	.22	.17	.19
AVERAGE BALANCES						
Loans	$ 5,890,889	$ 5,734,608	$ 4,800,981	$ 4,061,091	$ 3,322,916	$ 2,753,451
Investment securities	1,489,036	1,277,935	1,041,897	989,201	734,577	667,211
Earning assets	7,504,186	7,070,900	5,877,483	5,109,053	4,119,327	3,476,030
Total assets	8,299,330	7,730,530	6,287,148	5,472,200	4,416,835	3,721,284
Deposits	6,524,457	6,028,625	5,017,435	4,003,084	3,247,612	2,743,087
Shareholders' equity	850,426	742,771	506,946	417,309	329,225	268,446
Common shares - Basic	47,369	45,948	40,413	38,477	36,071	34,132
Common shares - Diluted	47,369	46,593	41,575	39,721	37,273	35,252
AT YEAR END						
Loans	$ 5,704,861	$ 5,929,263	$ 5,376,538	$ 4,398,286	$ 3,734,905	$ 3,015,997
Investment securities	1,617,187	1,356,846	1,107,153	990,687	879,978	659,891
Total assets	8,520,765	8,207,302	7,101,249	5,865,756	5,087,702	4,068,834

Deposits	7,003,624	6,075,951	5,772,886	4,477,600	3,680,516	2,857,449
Shareholders' equity	989,382	831,902	616,767	472,686	397,088	299,373
Common shares outstanding	48,009	46,903	42,891	40,020	38,168	35,289

(1) Excludes pre-tax provision for fraud-related loan losses and related charge-offs of $18 million, or $.24 per diluted common share, recorded in 2007 and pre-tax merger-related charges totaling $.9 million, or $.02 per diluted common share, recorded in 2004 and $2.1 million, or $.04 per diluted common share, recorded in 2003. **(2)** Net income available to common stockholders, which excludes preferred stock dividends, divided by average realized common equity which excludes accumulated other comprehensive income (loss). **(3)** Excludes effect of acquisition related intangibles and associated amortization.

UNITED COMMUNITY BANKS, INC.
Selected Financial Information (continued)

(in thousands, except per share data; taxable equivalent)	2008 Fourth Quarter	2008 Third Quarter	2008 Second Quarter	2008 First Quarter	2007 Fourth Quarter	2007 Third Quarter	2007 Second Quarter	2007 First Quarter
INCOME SUMMARY								
Net interest revenue	$ 51,873	$ 58,791	$ 61,753	$ 66,287	$ 69,730	$ 71,681	$ 67,967	$ 65,105
Provision for loan losses [(1)]	85,000	76,000	15,500	7,500	26,500	3,700	3,700	3,700
Fee revenue	10,718	13,121	15,105	14,197	16,100	15,615	16,554	14,382
Total revenue	(22,409)	(4,088)	61,358	72,984	59,330	83,596	80,821	75,787
Operating expenses	52,439	56,970	49,761	47,529	49,336	48,182	47,702	44,841
Income before taxes	(74,848)	(61,058)	11,597	25,455	9,994	35,414	33,119	30,946
Income taxes	(28,101)	(21,184)	4,504	9,377	3,960	12,878	12,043	11,601
Net operating (loss) income	(46,747)	(39,874)	7,093	16,078	6,034	22,536	21,076	19,345
Fraud loss provision, net of tax [(1)]	—	—	—	—	1,833	—	9,165	—
Net (loss) income	(46,747)	(39,874)	7,093	16,078	4,201	22,536	11,911	19,345
Preferred stock dividends	712	4	4	4	4	4	5	5
Net (loss) income available to common shareholders	$ (47,459)	$ (39,878)	$ 7,089	$ 16,074	$ 4,197	$ 22,532	$ 11,906	$ 19,340
OPERATING PERFORMANCE [(1)]								
Earnings (loss) per common share:								
Basic	$ (.99)	$ (.84)	$ .15	$ .34	$ .13	$ .47	$ .47	$ .45
Diluted	(.99)	(.84)	.15	.34	.13	.46	.46	.44
Return on tangible equity [(2)(3)(4)]	NM%	NM%	5.86%	13.16%	5.06%	17.54%	17.52%	17.18%
Return on assets [(4)]	NM	NM	.34	.78	.29	1.11	1.12	1.11
GAAP PERFORMANCE MEASURES								
Per common share:								
Basic earnings (loss)	$ (.99)	$ (.84)	$ .15	$ .34	$ .09	$ .47	$ .26	$ .45
Diluted earnings (loss)	(.99)	(.84)	.15	.34	.09	.46	.26	.44
Cash dividends declared	—	—	.09	.09	.09	.09	.09	.09
Stock dividends declared	.09	.09	—	—	—	—	—	—
Book value	16.95	17.12	17.75	18.50	17.73	17.53	16.98	14.83
Tangible book value [(3)]	10.39	10.48	11.03	11.76	10.94	10.82	10.44	11.06
Key performance ratios:								
Return on equity [(2)(4)]	NM%	NM%	3.41%	7.85%	2.01%	10.66%	7.05%	12.47%
Return on assets [(4)]	NM	NM	.34	.78	.20	1.11	.64	1.11
Net interest margin [(4)]	2.70	3.17	3.32	3.55	3.73	3.89	3.94	3.99
Efficiency ratio	81.34	79.35	65.05	59.05	57.67	55.34	56.59	56.56
Equity to assets	10.08	10.28	10.33	10.30	10.20	10.32	8.94	8.80
Tangible equity to assets [(3)]	6.59	6.65	6.77	6.73	6.58	6.65	6.65	6.66
Tangible common equity to assets [(3)]	6.23	6.65	6.77	6.73	6.58	6.65	6.65	6.66
ASSET QUALITY								
Allowance for loan losses	$ 122,271	$ 111,299	$ 91,035	$ 89,848	$ 89,423	$ 90,935	$ 92,471	$ 68,804
Net charge-offs [(1)]	74,028	55,736	14,313	7,075	13,012	5,236	2,124	1,462
Non-performing loans (NPLs)	190,723	139,266	123,786	67,728	28,219	46,783	30,849	12,319
Foreclosed properties	59,768	38,438	28,378	22,136	18,039	16,554	12,752	1,971
Total non-performing assets (NPAs)	250,491	177,704	152,164	89,864	46,258	63,337	43,601	14,290
Allowance for loan losses to loans[(1)]	2.14%	1.91%	1.53%	1.51%	1.51%	1.53%	1.54%	1.27%
Net charge-offs to average loans [(1)(4)]	5.09	3.77	.97	.48	.87	.35	.15	.11
NPAs to loans and foreclosed properties	4.35	3.03	2.55	1.50	.78	1.06	.73	.26
NPAs to total assets	2.94	2.20	1.84	1.07	.56	.77	.54	.20
AVERAGE BALANCES								
Loans	$5,784,139	$ 5,889,168	$ 5,933,143	$ 5,958,296	$ 5,940,230	$ 5,966,933	$ 5,619,950	$ 5,402,860
Investment securities	1,508,808	1,454,740	1,507,240	1,485,515	1,404,796	1,308,192	1,242,448	1,153,208
Earning assets	7,662,536	7,384,287	7,478,018	7,491,480	7,424,992	7,332,492	5,915,134	6,599,035
Total assets	8,449,097	8,146,880	8,295,748	8,305,621	8,210,120	8,083,739	7,519,392	7,092,710
Deposits	6,982,229	6,597,339	6,461,361	6,051,069	6,151,476	6,246,319	5,945,633	5,764,426
Stockholders' equity	851,956	837,487	856,727	855,659	837,195	834,094	672,348	624,100
Common Shares - Basic	47,844	47,417	47,158	47,052	47,273	48,412	45,001	43,034
Common Shares - Diluted	47,844	47,417	47,249	47,272	47,652	48,977	45,761	43,912
AT PERIOD END								
Loans	$5,704,861	$ 5,829,937	$ 5,933,141	$ 5,967,839	$ 5,929,263	$ 5,952,749	$ 5,999,093	$ 5,402,198
Investment securities	1,617,187	1,400,827	1,430,588	1,508,402	1,356,846	1,296,826	1,213,659	1,150,424
Total assets	8,520,765	8,072,543	8,264,051	8,386,255	8,207,302	8,180,600	8,087,667	7,186,602
Deposits	7,003,624	6,689,335	6,696,456	6,175,769	6,075,951	6,154,308	6,361,269	5,841,687
Stockholders' equity	989,382	816,880	837,890	871,452	831,902	833,761	828,731	638,456
Common shares outstanding	48,009	47,596	47,096	47,004	46,903	47,542	48,781	43,038

(1) Excludes effect of special $15 million fraud related provision for loan losses recorded in the second quarter of 2007, an additional $3 million provision in the fourth quarter of 2007, and $18 million of related loan charge-offs recorded in the fourth quarter of 2007 which were all related to a failed real estate development and are considered non-recurring. **(2)** Net income available to common shareholders, which excludes preferred stock dividends, divided by average realized common equity which excludes accumulated other comprehensive income (loss). **(3)** Excludes effect of acquisition related intangibles and associated amortization. **(4)** Annualized. NM - Not meaningful.

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

Overview

The following discussion is intended to provide insight into the financial condition and results of operations of United and its subsidiaries and should be read in conjunction with the consolidated financial statements and accompanying notes.

Since mid-2007, and particularly during the second half of 2008, the financial markets and economic conditions generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in home prices and the values of subprime mortgages, but spread to all residential construction, particularly in metro Atlanta, and residential mortgages as property prices declined rapidly and to nearly all asset classes. The effect of the market and economic downturn also spread to other areas of the credit markets and in the availability of liquidity. The magnitude of these declines led to a crisis of confidence in the financial sector as a result of concerns about the capital base and viability of certain financial institutions. During this period, interbank lending and commercial paper borrowing fell sharply, precipitating a credit freeze for both institutional and individual borrowers. Unemployment has also increased significantly. By the third quarter of 2008 conditions had deteriorated to the point of failure or near failure of several large financial institutions and the failure of Fannie Mae and Freddie Mac, two government sponsored enterprises or GSEs.

These events created serious concerns about the safety and soundness of the entire financial services industry. The recently enacted Emergency Economic Stabilization Act of 2008 was signed into law in response to the financial crisis affecting the banking system, financial markets and economic conditions generally. Pursuant to EESA, Treasury has the authority under the Troubled Asset Relief Program to purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. Treasury announced the Capital Purchase Program under TARP pursuant to which it has purchased and will continue to purchase senior preferred stock in participating financial institutions. The EESA followed, and has been followed by, numerous actions by the Board of Governors of the Federal Reserve System, the U.S. Congress, Treasury, the Federal Deposit Insurance Corporation, the SEC and others to address the current crisis, including most recently the American Recovery and Reinvestment Act of 2009.

United's markets have been severely disrupted by the weak housing market which resulted in the buildup of surplus housing and finished lot inventory, particularly within the Atlanta MSA, which has put considerable stress on the residential construction portion of United's loan portfolio. As a result, United reported its first ever net loss of $63.5 million in 2008, compared to net income of $58.0 million in 2007. The loss per common share was $1.35 for 2008, compared with diluted earnings per share of $1.24 for 2007. The decrease in earnings from 2007 reflected higher credit losses and net interest margin compression caused by the effect of declining interest rates on United's asset-sensitive balance sheet along with increased competition for customer deposits, our efforts to strengthen liquidity, and the cost to carry a higher level of non-performing assets.

United's approach to managing through the challenging economic cycle has been to aggressively deal with its credit problems and dispose of troubled assets quickly, taking losses as necessary. As a result, United's provision for loan losses was $184 million in 2008 compared with $55.6 million in 2007. Net charge-offs for 2008 were $151.2 million in 2008 compared with $39.8 million in 2007. At the end of 2008, United's allowance for loan losses of $122.3 million was 2.14% of loans compared with $89.4 million or 1.51% of loans at the end of 2007 and total non-performing assets were $250.5 million compared with $46.3 million at the end of 2007.

Taxable equivalent net interest revenue was $238.7 million for 2008, down $35.8 million from 2007. Most of the decrease in net interest revenue was the result of the 70 basis point decrease in the net interest margin described above which decreased from 3.88% in 2007 to 3.18% in 2008.

United also has taken action to ensure sufficient liquidity. A significant portion of the margin compression resulted from management's efforts to strengthen liquidity in response to supply shortages in interbank borrowings and aggressive demand for customer deposits. United built liquidity through a second quarter CD promotion and by gathering brokered deposits and paying down overnight borrowings in the second half of 2008. Adding time deposits produced a stable source of funds and made investment securities collateral available to secure wholesale borrowings as a source of contingent liquidity. Early in the fourth quarter, the U.S. Government's efforts to stabilize the financial services industry began to take effect, eliminating much of the liquidity concern as funds became increasingly available through interbank borrowings.

The weak economic conditions of 2008 were reflected in other components of United's earnings. Total fee revenue of $53.1 million was down $9.5 million from 2007. Mortgage fees declined with lower demand for housing. Consulting fees were down as banks, searching for ways to control expenses, postponed or deferred consulting engagements. Poor conditions in the financial markets also led to a drop in brokerage fees. United responded to the drop in revenue by controlling expenses. Although 2008 operating expenses of $206.7 million were up $16.6 million from 2007, higher foreclosed property expense and FDIC insurance expense accounted for $14.1 million and $3.2 million, respectively, of the increase.

The composition of United's balance sheet at December 31, 2008 reflects the changing economic conditions. At the end of 2008, United held $369 million in commercial paper as short-term investments as part of its emphasis on building liquidity. Loans at December 31, 2008 were $5.7 billion, down $224 million from the end of 2007, due to United's efforts to reduce exposure to residential construction loans. At $1.5 billion, residential construction loans at December 31, 2008 represented 26% of outstanding loans, down from 31% at the end of 2007, a decrease of $350 million. Deposits were up $928 million to $7.0 billion due to efforts to build liquidity. At the end of the year, total equity capital was $989 million, up $157 million from December 31, 2008 reflecting the sale of $180 million in senior preferred securities to the U.S. Treasury under its Capital Purchase Program. The additional capital leaves all of United's regulatory capital ratios significantly above well capitalized levels.

Critical Accounting Policies

The accounting and reporting policies of United and its subsidiaries are in accordance with accounting principles generally accepted in the United States and conform to general practices within the banking industry. Application of these principles requires management to make estimates or judgments that affect the amounts reported in the financial statements and the accompanying notes. These estimates are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates or judgments. Certain policies inherently have a greater reliance on the use of estimates, and as such have a greater possibility of producing results that could be materially different than originally reported.

Estimates or judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon future events. Carrying assets and liabilities at fair value results in more financial statement volatility. The fair values and the information used to record the valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third-party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal cash flow modeling techniques.

The most significant accounting policies for United are presented in Note 1 to the consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management views critical accounting policies to be those that are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant effect on the financial statements. Management considers the accounting policies related to the allowance for loan losses, intangible assets and income taxes to be critical accounting policies.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Estimating the amount of the allowance for loan losses requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on non-impaired loans based on historical loss experience, management's evaluation of the current loan portfolio, and consideration of current economic trends and conditions. The loan portfolio also represents the largest asset type on the consolidated balance sheet. Loan losses are charged against the allowance, while recoveries of amounts previously charged off are credited to the allowance. A provision for loan losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

The allowance for loan losses consists of an allocated component and an unallocated component. The components of the allowance for loan losses represent an estimate pursuant to either Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies,* or SFAS 114, *Accounting by Creditors for Impairment of a Loan.* The allocated component of the allowance for loan losses reflects expected losses resulting from analyses developed through specific credit allocations for individual loans and historical loss experience for each loan category. The specific credit allocations are based on regular analyses of all non –accrual loans over $500,000, which are considered impaired loans. These analyses involve judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The historical loss element is determined using the average of actual losses incurred over the prior two years for each type of loan. The historical loss experience is adjusted for known changes in economic conditions and credit quality trends such as changes in the amount of past due and nonperforming loans. The resulting loss allocation factors are applied to the balance of each type of loan after removing the balance of impaired loans and other specifically allocated loans from each category. The loss allocation factors are updated annually. The allocated component of the allowance for loan losses also includes consideration of concentrations of credit and changes in portfolio mix.

The unallocated portion of the allowance reflects management's estimate of probable inherent but undetectable losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate to subsequent loss rates, and risk factors that have not yet manifested themselves in loss allocation factors. In addition, the unallocated allowance includes a component that accounts for the inherent imprecision in loan loss estimation based on historical loss experience as a result of United's growth through acquisitions, which have expanded the geographic footprint in which it operates, and changed its portfolio mix in recent years. Also, loss data representing a complete economic cycle is not available for all sectors. Uncertainty surrounding the strength and timing of economic cycles also affects estimates of loss. The historical losses used in developing loss allocation factors may not be representative of actual unrealized losses inherent in the portfolio.

There are many factors affecting the allowance for loan losses; some are quantitative while others require qualitative judgment. Although management believes its processes for determining the allowance adequately consider all the potential factors that could potentially result in credit losses, the process includes subjective elements and may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provision for loan losses could be required that could adversely affect earnings or financial position in future periods.

Additional information on United's loan portfolio and allowance for loan losses can be found in the sections of Management's Discussion and Analysis titled "Asset Quality and Risk Elements" and "Nonperforming Assets" and in the sections of Part I, Item 1 titled "Lending Policy" and "Loan Review and Non-performing Assets". Note 1 to the Consolidated Financial Statements includes additional information on United's accounting policies related to the allowance for loan losses.

Intangible Assets

United’s intangible assets consist principally of goodwill, representing the excess of cost over the fair value of net assets of acquired businesses, and core deposit intangibles. United’s goodwill is tested for impairment annually, or more often if events or circumstances indicate impairment may exist. Adverse changes in the economic environment, declining operations of acquired business units, or other factors could result in a decline of the implied fair value of goodwill. If the implied fair value is less than the carrying amount, a loss would be recognized to reduce the carrying amount of goodwill. These changes or factors, if they occur, could be material to United’s operating results for any particular reporting period; the potential effect cannot be reasonably estimated.

Other identifiable intangible assets, primarily core deposit intangibles, are reviewed at least annually for events or circumstances which could affect the recoverability of the intangible asset, such as loss of core deposits, increased competition or adverse changes in the economy. To the extent an “other identifiable intangible asset” is deemed unrecoverable, an impairment loss would be recorded to reduce the carrying amount of the intangible assets. These events or circumstances, if they occur, could be material to United’s operating results for any particular reporting period; the potential effect cannot be reasonably estimated.

Income Tax Accounting

Income tax liabilities or assets are established for the amount of taxes payable or refundable for the current year. Deferred tax liabilities and assets are also established for the future tax consequences of events that have been recognized in the financial statements or tax returns. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and deductions that can be carried forward (used) in future years. The valuation of current and deferred tax liabilities and assets is considered critical as it requires management to make estimates based on provisions of the enacted tax laws. The assessment of tax assets and liabilities involves the use of estimates, assumptions, interpretations, and judgments concerning certain accounting pronouncements and federal and state tax codes. There can be no assurance that future events, such as court decisions or positions of federal and state taxing authorities, will not differ from management’s current assessment, the impact of which could be significant to the consolidated results of operations and reported earnings. United believes its tax assets and liabilities are properly recorded for the respective periods in the consolidated financial statements.

Mergers and Acquisitions

As part of its balanced growth strategy, United selectively engages in evaluation of strategic partnerships. Mergers and acquisitions present opportunities to enter new markets with an established presence and a capable management team already in place. United employs certain criteria to ensure that any merger or acquisition candidate meets strategic growth and earnings objectives that will build future franchise value for shareholders. Additionally, the criteria include ensuring that management of a potential partner shares United’s community banking philosophy of premium service quality and operates in attractive markets with excellent opportunities for further organic growth. As part of this strategy, United completed one bank merger in 2007 and one bank merger and two branch acquisitions in 2006. United will continue to evaluate potential transactions as they are presented.

On June 1, 2007, United completed the acquisition of Gwinnett Commercial Group, Inc. (“Gwinnett”), a bank holding company headquartered in Lawrenceville, Georgia, and its wholly-owned subsidiary First Bank of the South. On June 1, 2007, Gwinnett had assets totaling $809 million, including purchase accounting related intangibles. United exchanged 5,691,948 shares of its common stock valued at $191.4 million and $31.5 million in cash for all of the outstanding shares. First Bank of the South was merged into the Bank and operates as a separate community bank, United Community Bank – Gwinnett.

On December 1, 2006, United completed the acquisition of Southern Bancorp, Inc. (“Southern”), a bank holding company headquartered in Marietta, Georgia, and its wholly owned subsidiary Southern National Bank. On December 1, 2006, Southern had assets totaling $416 million, including purchase accounting related intangibles. United exchanged 2,180,118 shares of its common stock valued at $67.8 million for all of the outstanding shares. Southern National Bank was merged into the Bank. The Cobb County office is now included within United Community Bank – Metro, and the Cherokee County office operates as a separate community bank, United Community Bank – Cherokee.

On September 22, 2006, United completed the acquisition of two western North Carolina banking offices in Sylva and Bryson City. These offices were acquired from another financial institution, and had $8 million in loans and $38 million in deposits on the date they were acquired. United paid a premium for these branches of approximately 8% of deposits. Both of these offices are located in markets where United had a presence and were natural extensions of its existing franchise.

Operating Results

Much of the discussion contained in this report is presented on an operating basis. The presentation of operating earnings excludes an $18 million fraud loss provision recorded in 2007 and merger-related charges in 2003 and 2004 that are considered non-recurring. The presentation of operating earnings is therefore not consistent with generally accepted accounting principles (“GAAP”).

In June 2007, the North Carolina Attorney General appointed a receiver to take custody of the assets of the developers of two failed real estate developments near Spruce Pine, North Carolina, citing possible fraud on the part of the developers. United had loans to 83 individual borrowers totaling $23.6 million secured by undeveloped lots in these developments. United was one of twelve banks that had loaned money to borrowers to finance the purchase of lots. The loans were made to appropriately qualified borrowers in accordance with our standard underwriting procedures. At the time the loans were made, we were not aware that most of the borrowers were simultaneously obtaining loans for additional lots at other banks and thereby taking on debt possibly beyond their repayment ability. We were also unaware that the borrowers' down payments were not paid in cash as indicated on the closing documents, but were financed by the developer and that the developer agreed to service the borrowers' debts. We also subsequently learned that the appraisals relied upon in the underwriting process had been inflated by using comparable sales that were not at arm's length to persons related to the developer and that many of the lots were subdivided into parcels that are too small to be used for their intended purpose. United recognized a provision for fraud-related loan losses of $18 million in 2007 related to these loans and charged-off an equal amount of loans. The special provision reduced net income by $11 million and reduced diluted earnings per share by $.24 in 2007.

Merger-related charges in 2007 and 2006 related to the acquisitions of Gwinnett, Southern and the two North Carolina branches were insignificant and are therefore not shown separately. Pre-tax merger-related charges of $.9 million and $2.1 million were incurred in 2004 and 2003, respectively. These charges decreased net income by $.6 million and $1.4 million and diluted earnings per share by $.02 and $.04, respectively, for 2004 and 2003.

Management includes non-GAAP net operating income because it believes it is useful for evaluating United's operations and performance over periods of time, as well as in managing and evaluating United's business and in discussions about United's operations and performance. Net operating income excludes the pre-tax effect of the special $18 million fraud-related provision for loan losses in 2007 and the merger-related charges in 2003 and 2004 because management believes that the circumstances leading to the provision and such charges were isolated, non-recurring events and do not reflect overall trends in United's earnings and financial performance. Management believes this non-GAAP net operating income provides users of United's financial information with a meaningful measure for assessing United's financial results and credit trends, as well as comparison to financial results for prior periods.

The following is a reconciliation of net operating income to GAAP net income. There were no charges incurred in 2008, 2006, or 2005 that were excluded from the presentation of operating earnings.

Table 1 - Operating Earnings to GAAP Earnings Reconciliation
Presented Only For Periods Where Non-GAAP Earnings Measures Are Shown
(in thousands, except per share data)

	2007			Years Ended December 31,		
	Fourth Quarter	Third Quarter	Second Quarter	2007	2004	2003
Special provision for fraud related loan losses	$ 3,000	$ —	$ 15,000	$ 18,000	$ —	$ —
Merger-related charges included in expenses:						
Salaries and employee benefits - severance and related costs	—	—	—	—	203	135
Professional fees	—	—	—	—	407	885
Contract termination costs	—	—	—	—	119	566
Other merger-related expenses	—	—	—	—	141	502
Total merger-related charges	—	—	—	—	870	2,088
Pre-tax earnings impact of non-operating charges	3,000	—	15,000	18,000	870	2,088
Income tax effect of special provision	1,167	—	5,835	7,002	305	731
After-tax effect of special provision	$ 1,833	$ —	$ 9,165	$ 10,998	$ 565	$ 1,357
Net Income (Loss) Reconciliation						
Operating net income (loss)	$ 6,034	$ 22,536	$ 21,076	$ 68,991	$ 47,156	$ 39,475
After-tax effect of special provision and merger-related charges	(1,833)	—	(9,165)	(10,998)	(565)	(1,357)
Net income (loss) (GAAP)	$ 4,201	$ 22,536	$ 11,911	$ 57,993	$ 46,591	$ 38,118
Basic Earnings (Loss) Per Share Reconciliation						
Basic operating earnings (loss) per share	$ .13	$ .47	$ .47	$ 1.50	$ 1.31	$ 1.15
Per share effect of special provision and merger-related charges	(.04)	—	(.21)	(.24)	(.02)	(.04)
Basic earnings (loss) per share (GAAP)	$ .09	$ .47	$ .26	$ 1.26	$ 1.29	$ 1.11
Diluted Earnings (Loss) Per Share Reconciliation						
Diluted operating earnings (loss) per share	$ .13	$ .46	$ .46	$ 1.48	$ 1.27	$ 1.12
Per share effect of special provision and merger-related charges	(.04)	—	(.20)	(.24)	(.02)	(.04)
Diluted earnings (loss) per share (GAAP)	$ .09	$ .46	$ .26	$ 1.24	$ 1.25	$ 1.08
Provision for Loan Losses Reconciliation						
Operating provision for loan losses	$ 26,500	$ 3,700	$ 3,700	$ 37,600	$ 7,600	$ 6,300
Special provision for fraud related loan losses	3,000	—	15,000	18,000	—	—
Provision for loan losses (GAAP)	$ 29,500	$ 3,700	$ 18,700	$ 55,600	$ 7,600	$ 6,300
Nonperforming Assets Reconciliation						
Nonperforming assets excluding fraud-related assets	$ 40,956	$ 39,761	$ 19,968	$ 40,956	$ 8,725	$ 7,589
Fraud-related loans and OREO included in nonperforming assets	5,302	23,576	23,633	5,302	—	—
Nonperforming assets (GAAP)	$ 46,258	$ 63,337	$ 43,601	$ 46,258	$ 8,725	$ 7,589
Allowance for Loan Losses Reconciliation						
Allowance for loan losses excluding special fraud-related allowance	$ 89,423	$ 75,935	$ 77,471	$ 89,423	$ 47,196	$ 38,655
Fraud-related allowance for loan losses	—	15,000	15,000	—	—	—
Allowance for loan losses (GAAP)	$ 89,423	$ 90,935	$ 92,471	$ 89,423	$ 47,196	$ 38,655
Net Charge Offs Reconciliation						
Net charge offs excluding charge off of fraud-related loans	$ 13,012	$ 5,236	$ 2,124	$ 21,834	$ 3,617	$ 4,097
Fraud-related loans charged off	18,000	—	—	18,000	—	—
Net charge offs (GAAP)	$ 31,012	$ 5,236	$ 2,124	$ 39,834	$ 3,617	$ 4,097

Allowance for Loan Losses to Loans Ratio Reconciliation						
Allowance for loan losses to loans ratio excluding fraud-related allowance	1.51%	1.28%	1.29%	1.51%	1.26%	1.28%
Portion of allowance assigned to fraud-related loans	—	.25	.25	—	—	—
Allowance for loan losses to loans ratio (GAAP)	1.51%	1.53%	1.54%	1.51%	1.26%	1.28%
Nonperforming Assets to Total Assets Ratio Reconciliation						
Nonperforming assets to total assets ratio excluding fraud-related assets	.50%	.49%	.25%	.50%	.17%	.19%
Fraud-related nonperforming assets	.06	.28	.29	.06	—	—
Nonperforming assets to total assets ratio (GAAP)	.56%	.77%	.54%	.56%	.17%	.19%
Net Charge Offs to Average Loans Ratio Reconciliation						
Net charge offs to average loans ratio excluding fraud-related loans	.87%	.35%	.15%	.38%	.11%	.15%
Charge offs of fraud-related loans	1.20	—	—	.31	—	—
Net charge offs to average loans ratio (GAAP)	2.07%	.35%	.15%	.69%	.11%	.15%
Operating Expenses Reconciliation						
Operating expenses (operating basis)	$ 49,336	$ 47,702	$ 47,702	$ 190,061	$ 110,974	$ 97,251
Merger-related charges	—	—	—	—	870	2,088
Operating expenses (GAAP)	$ 49,336	$ 47,702	$ 47,702	$ 190,061	$ 111,844	$ 99,339

Results of Operations

The remainder of this financial discussion focuses on operating earnings, which exclude the fraud-related provision in 2007 and merger-related charges in 2003 and 2004, except for the discussion of income taxes. Operating and GAAP earnings were the same in 2008, 2006, and 2005. For additional information on operating earnings measures, refer to the preceding section on "Operating Results".

Net Interest Revenue (Taxable Equivalent)

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and other liabilities) is the single largest component of United's revenue. United actively manages this revenue source to provide an optimal level of revenue while balancing interest rate, credit, and liquidity risks. Net interest revenue totaled $238.7 million in 2008, a decrease of $35.8 million, or 13%, from the level recorded in 2007. Net interest revenue for 2007 increased $36.6 million, or 15%, over the 2006 level.

The decrease in net interest revenue for 2008 was due primarily to the decline in net interest margin that resulted from many factors including the decrease in the prime interest rate, intensely competitive deposit pricing, efforts to build liquidity and a higher level of non-performing assets. The average yield on loans decreased 185 basis points reflecting the falling prime lending rate through December 2008, on United's predominantly prime-based loan portfolio and the increases in non-performing loans in the second half of 2008. Average loans increased $156 million in 2008, or 3%, from 2007. The increase from 2007 results from the acquisition of Gwinnett, which was included in the 2007 average balances from the acquisition date of June 1, 2007. Loan volume slowed substantially in 2008 reflecting weakness in the housing market, particularly in the Atlanta MSA. Loan balances at year-end in the Atlanta MSA were down $297 million from 2007, and loan volume was down $20 million in north Georgia. In the Gainesville MSA, western North Carolina, east Tennessee and coastal Georgia, loans were up $21 million, $4 million, $20 million and $48 million, respectively, reflecting the relatively stronger economies in those markets.

Competition for deposits kept United from lowering deposit pricing to correspond with the falling rates in its heavily prime-based loan portfolio. The turmoil in the financial services industry, especially in the third and fourth quarters of 2008, added to an already challenging environment as interbank borrowings through federal funds lines became scarce. United responded to the liquidity concerns by replacing overnight funds with brokered deposits, a more stable but also more expensive funding source, and by building up additional liquidity by investing in short-term commercial paper. Later in the fourth quarter, the U.S. Government's efforts to stabilize the financial services industry through increasing deposit insurance coverage and its Temporary Liquidity Guarantee Program ("TLGP") began to take effect, alleviating some of the liquidity concerns.

Average interest-earning assets for the year increased $433 million, or 6%, over 2007. The increase reflects a full year of inclusion of Gwinnett, as well as an 18% increase in the investment securities portfolio. The increase in interest-earning assets was entirely funded by interest-bearing sources, as the increase in average interest-bearing liabilities for the year was $487 million over 2007. The average yield on interest-earning assets for 2008 was 6.22% down from 7.79% in 2007, reflecting the effect of lower short-term interest rates on United's prime-based loans and increased levels of non-performing loans.

The banking industry uses two key ratios to measure relative profitability of net interest revenue, the interest rate spread and the net interest margin. The interest rate 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 other non-interest bearing funding sources 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 percentage of total average interest earning assets which includes the positive effect of funding a portion of interest earning assets with customers' non-interest bearing deposits and with stockholders' equity.

For 2008, 2007 and 2006, United's net interest spread was 2.81%, 3.34% and 3.50%, respectively, while the net interest margin was 3.18%, 3.88% and 4.05%, respectively. Both the net interest margin and net interest spread fell in 2008 due to the aggressive competitive pricing for deposits, the effect of the Federal Reserve's action in lowering short-term rates in 2008 on United's asset-sensitive balance sheet, actions taken to build-up liquidity with more expensive deposits, and due to the higher level of non-performing assets. During most of 2008, there was aggressive competition for retail certificates of deposit ("CDs"), as banks competed for additional liquidity. This competition kept retail CD rates relatively high while the prime rate was falling. In addition, United had a CD special in the second quarter in order to increase liquidity. This also contributed to the margin compression in 2008.

The average rate on interest-bearing liabilities for 2008 was 3.41%, down from 4.45%, reflecting the effect of falling rates on United's floating rate liabilities and a changing deposit mix with a higher portion of our overall funding coming from interest-bearing sources.

The following table shows the relationship between interest revenue and interest expense and the average balances of interest-earning assets and interest-bearing liabilities.

Table 2 - Average Consolidated Balance Sheet and Net Interest Margin Analysis
For the Years Ended December 31,
(In thousands, taxable equivalent)

	2008			2007			2006		
	Average Balance	**Interest**	**Avg. Rate**	**Average Balance**	**Interest**	**Avg. Rate**	**Average Balance**	**Interest**	**Avg. Rate**
Assets:									
Interest-earning assets:									
Loans [1][2]	$ 5,890,889	$ 386,132	6.55%	$ 5,734,608	$ 481,590	8.40%	$ 4,800,981	$ 394,439	8.22%
Taxable securities[3]	1,455,206	74,405	5.11	1,236,595	64,377	5.21	995,172	47,149	4.74
Tax-exempt securities [1][3]	33,830	2,406	7.11	41,340	2,826	6.84	46,725	3,240	6.93
Federal funds sold and other interest-earning assets	124,261	4,026	3.24	58,357	2,124	3.64	34,605	1,867	5.40
Total interest-earning assets	7,504,186	466,969	6.22	7,070,900	550,917	7.79	5,877,483	446,695	7.60
Non-interest-earning assets:									
Allowance for loan losses	(97,385)			(81,378)			(59,376)		
Cash and due from banks	131,778			135,021			122,268		
Premises and equipment	180,857			164,153			123,865		
Other assets[3]	579,894			441,834			222,908		
Total assets	$ 8,299,330			$ 7,730,530			$ 6,287,148		
Liabilities and Shareholders' Equity:									
Interest-bearing liabilities:									
Interest-bearing deposits:									
NOW	$ 1,491,419	$ 28,626	1.92	$ 1,406,655	$ 45,142	3.21	$ 1,115,434	$ 30,549	2.74
Money market	426,988	10,643	2.49	399,838	15,396	3.85	202,477	7,496	3.70
Savings deposits	182,067	764	.42	188,560	1,653	.88	172,698	928	.54
Time deposits less than $100,000	1,724,036	71,844	4.17	1,619,332	79,317	4.90	1,410,869	61,676	4.37
Time deposits greater than $100,000	1,457,397	62,888	4.32	1,377,915	71,467	5.19	1,134,414	54,304	4.79
Brokered deposits	565,111	23,536	4.16	337,323	16,616	4.93	334,243	14,344	4.29
Total interest-bearing deposits	5,847,018	198,301	3.39	5,329,623	229,591	4.31	4,370,135	169,297	3.87
Federal funds purchased, repurchase agreeements, & other short-term borrowings	324,634	7,699	2.37	308,372	16,236	5.27	140,544	7,319	5.21
Federal Home Loan Bank advances	410,605	13,026	3.17	455,620	22,013	4.83	465,820	23,514	5.05
Long-term debt	120,442	9,239	7.67	122,555	8,594	7.01	112,135	8,685	7.75
Total borrowed funds	855,681	29,964	3.50	886,547	46,843	5.28	718,499	39,518	5.50
Total interest-bearing liabilities	6,702,699	228,265	3.41	6,216,170	276,434	4.45	5,088,634	208,815	4.10
Non-interest-bearing liabilities:									
Non-interest-bearing deposits	677,439			699,002			647,300		
Other liabilities	68,766			72,587			44,268		
Total liabilities	7,448,904			6,987,759			5,780,202		
Shareholders' equity	850,426			742,771			506,946		
Total liabilities and shareholders' equity	$ 8,299,330			$ 7,730,530			$ 6,287,148		
Net interest revenue		$ 238,704			$ 274,483			$ 237,880	
Net interest-rate spread			2.81%			3.34%			3.50%
Net interest margin [4]			3.18%			3.88%			4.05%

(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 rate and the federal tax adjusted state tax rate.

(2) Included in the average balance of loans outstanding are loans where the accrual of interest has been discontinued.

(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of $3.3 million in 2008 and pretax unrealized losses of $8.1 million and $17.5 million in 2007 and 2006, respectively, 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 of changes in the average outstanding balances (volume) of earning assets and interest bearing liabilities and the rates earned and paid by United on such assets and liabilities.

Table 3 - Change in Interest Revenue and Interest Expense
(in thousands, taxable equivalent)

	2008 Compared to 2007 Increase (decrease) due to changes in			**2007 Compared to 2006 Increase (decrease) due to changes in**		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest-earning assets:						
Loans	$ 12,806	$ (108,264)	$ (95,458)	$ 78,233	$ 8,918	$ 87,151
Taxable securities	11,196	(1,168)	10,028	12,241	4,987	17,228
Tax-exempt securities	(530)	110	(420)	(370)	(44)	(414)
Federal funds sold and other interest-earning assets	2,159	(257)	1,902	999	(742)	257
Total interest-earning assets	25,631	(109,579)	(83,948)	91,103	13,119	104,222
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW	2,578	(19,094)	(16,516)	8,802	5,791	14,593
Money Market	986	(5,739)	(4,753)	7,588	312	7,900
Savings deposits	(55)	(834)	(889)	92	633	725
Time deposits less than $100,000	4,897	(12,370)	(7,473)	9,707	7,934	17,641
Time deposits greater than $100,000	3,945	(12,524)	(8,579)	12,357	4,806	17,163
Brokered deposits	9,809	(2,889)	6,920	145	2,127	2,272
Total interest-bearing deposits	22,160	(53,450)	(31,290)	38,691	21,603	60,294
Federal funds purchased, repurchase agreements & other short-term borrowings	815	(9,352)	(8,537)	8,798	119	8,917
Federal Home Loan Bank advances	(2,008)	(6,979)	(8,987)	(507)	(994)	(1,501)
Long-term debt	(150)	795	645	769	(860)	(91)
Total borrowed funds	(1,343)	(15,536)	(16,879)	9,060	(1,735)	7,325
Total interest-bearing liabilities	20,817	(68,986)	(48,169)	47,751	19,868	67,619
Increase in net interest revenue	$ 4,814	$ (40,593)	$ (35,779)	$ 43,352	$ (6,749)	$ 36,603

Any variance attributable jointly to volume and rate changes is allocated to the volume and rate variance in proportion to the relationship of the absolute dollar amount of the change in each.

Provision for Loan Losses

The provision for loan losses was $184 million in 2008, compared with $37.6 million in 2007, which excludes the $18 million special provision for fraud-related loan losses, and $14.6 million in 2006. As a percentage of average outstanding loans, the provision was 3.12%, .66% and .30%, respectively, in 2008, 2007 and 2006. The ratio of net loan charge-offs to average outstanding loans for 2008 was 2.57%, compared with .38% for 2007, excluding the $18 million in fraud-related charge-offs, and .12% for 2006. The provision for loan losses for each year is the amount management believes is necessary to position the allowance for loan losses at an amount adequate to absorb losses inherent in the loan portfolio as of the balance sheet date. The increase in the provision for loan losses in 2008 reflects the effect of the economic recession in the United States economy and the weak housing market and its effect on United's loan portfolio, primarily in the Atlanta MSA.

The provision for loan losses is based on management's evaluation of inherent risks in the loan portfolio and the corresponding analysis of the allowance for loan losses. Additional discussions on loan quality and the allowance for loan losses are included in the Asset Quality section of this report, Note 1 to the Consolidated Financial Statements, and above in the Critical Accounting Policies section of this report.

Fee Revenue

Fee revenue for 2008 was $53.1 million, compared with $62.7 million in 2007 and $49.1 million in 2006. The following table presents the components of fee revenue.

Table 4 - Fee Revenue
For the Years Ended December 31,
(in thousands)

	2008	2007	2006	Change 2008-2007
Service charges and fees	$ 31,683	$ 31,433	$ 27,159	1%
Mortgage loan and related fees	7,103	8,537	7,303	(17)
Consulting fees	7,046	8,946	7,291	(21)
Brokerage fees	3,457	4,095	3,083	(16)
Securities gains (losses), net	1,315	3,182	(643)	
Losses on prepayment of borrowings	(2,714)	(2,242)	(636)	
Other	5,251	8,700	5,538	(40)
Total fee revenue	$ 53,141	$ 62,651	$ 49,095	(15)

Comparability between current and prior years is affected by the acquisitions completed over the last 36 months. Earnings for acquired companies are included in consolidated earnings after their respective acquisition dates.

Service charges and fees of $31.7 million were up $250,000, or 1%, from 2007, most of which is due to having a full year of Gwinnett's results included in 2008 earnings. Earnings for 2007 included Gwinnett's results from June 1, the date of acquisition. ATM and debit card revenue grew $564,000 from 2007 but that increase was offset by lower overdraft fees.

Mortgage loan and related fees of $7.1 million were down $1.4 million, or 17%, from 2007. Mortgage fees were down due to a slowing of demand for mortgages through the year brought on by the weak housing market. In 2008, United closed 2,165 mortgage loans totaling $374 million compared with 2,234 loans totaling $410 million in 2007. Substantially all these originated residential mortgages were sold into the secondary market, including the right to service the loans.

Consulting fees of $7.0 million decreased $1.9 million, or 21%, from 2007. The decrease was primarily due to weakening demand for consulting services as banks sought to lower expenses by postponing or deferring consulting engagements. In the third and fourth quarters, several consultants were engaged in a project to improve United's financial performance by assisting management in identifying revenue enhancement and expense reduction opportunities. This project allowed United to maintain the consultants' productivity while providing a valuable service to United, however, these services do not result in the recognition of consolidated consulting fee revenue for financial reporting purposes since the services were performed by a wholly-owned subsidiary.

Brokerage fees decreased $638,000, or 16% from 2007. The decrease in brokerage fees was due to weak market conditions. Additionally, a portion of United's brokerage fee revenue is derived from the value of assets under management which declined with the overall decline in the market, further contributing to the drop in transaction activity.

United incurred net securities gains of $1.3 million and $3.2 million during 2008 and 2007, respectively, which resulted from balance sheet management activities. The gains were offset by losses from the prepayment of FHLB borrowings of $2.7 million and $2.2 million, respectively, which were part of the same overall balance sheet management strategy to reduce interest sensitivity and improve the net interest margin.

Other fee revenue of $5.3 million decreased $3.4 million, or 40%, from 2007. The largest contributors to the decrease were lower earnings on Bank Owned Life Insurance ("BOLI") investments, lower earnings on deferred compensation plan assets and a lower earnings credit on float associated with official checks. Additionally, in 2007 other fee revenue included $600,000 of gains from the sale of foreclosed properties. The decrease in BOLI earnings was due to poor performance in the underlying securities in which the cash surrender value had been invested. The value of the underlying securities, which was comprised of a portfolio of mortgage-backed securities, had depreciated significantly since their original purchase as demand for mortgage-backed securities fell in the wake of the mortgage crisis. Early in the fourth quarter United surrendered the policies and was able to recover most of its original investment, incurring a tax charge which is further described in the section titled *Income Taxes* on page 28 of this report.

Operating Expense

Operating expenses were $206.7 million in 2008 as compared to $190.1 million in 2007 and $162.1 million in 2006. The following table presents the components of operating expenses.

Table 5 - Operating Expenses
For the Years Ended December 31,
(in thousands)

	2008	2007	2006	Change 2008-2007
Salaries and employee benefits	$ 110,574	$ 115,153	$ 100,964	(4)%
Communications and equipment	15,490	15,483	15,071	—
Occupancy	14,988	13,613	11,632	10
Advertising and public relations	6,117	7,524	7,623	(19)
Postage, printing and supplies	6,296	6,365	5,748	(1)
Professional fees	7,509	7,218	4,442	4
Foreclosed property	19,110	4,980	1,021	284
FDIC assessments and other regulatory charges	6,020	2,780	1,130	117
Amortization of intangibles	3,009	2,739	2,032	10
Other	17,586	14,206	12,407	24
Total operating expenses	$ 206,699	$ 190,061	$ 162,070	9

Acquisitions affect expense comparisons between periods since the operating expenses of acquired companies prior to the acquisition date are not included in United’s consolidated financial statements. This affects year-over-year expense comparisons in the year an acquisition is completed and the year immediately following the acquisition. In order to assist in understanding the core expense growth trends, operating expense explanations in this section include an estimate for the amount of the increase related to acquisitions where it is possible to reasonably quantify the amount.

Salaries and employee benefits expense for 2008 was $110.6 million, a decrease of $4.6 million, or 4%, from 2007. The decrease was due to the elimination of all bonus payments in 2008. At December 31, 2008, total staff was 1,994, a decrease of 34 from 2007.

Communication and equipment expense for 2008 was $15.5 million, which was relatively flat compared to 2007. United was able to leverage decisions to upgrade technology in previous years, keeping expense flat despite a full year of expenses associated with the acquisition of Gwinnett.

Occupancy expense for 2008 was $15.0 million, an increase of $1.4 million, or 10%, from 2007. The majority of this increase was the result of higher depreciation charges and property taxes related to new banking facilities placed in service over the last 24 months.

Advertising and public relations expense for 2008 was $6.1 million, a decrease of $1.4 million, or 19%, from 2007 due to efforts to control discretionary spending.

Postage, printing and supplies expense for 2008 was $6.3 million, a decrease of $69,000, or 1%, from 2007.

Professional fees were $7.5 million for 2008, an increase of $291,000, or 4% from 2007 primarily due to higher legal costs associated with loan workouts.

Foreclosed property expense for 2008 was $19.1 million, an increase of $14.1 million from 2007. This expense category includes legal fees, property taxes, marketing costs, utility services, maintenance and repair charges, as well as realized losses and write downs associated with foreclosed properties. The increase in 2008 was due to the higher number of foreclosed properties that were acquired by United and sold throughout the year.

FDIC assessments and other regulatory charges expense for 2008 was $6.0 million, an increase of $3.2 million or 117% from 2007, which is almost entirely due to an increase in FDIC insurance assessments. In January of 2007, the FDIC began assessing deposit insurance premiums to re-capitalize the deposit insurance fund. The FDIC allowed credits to those banks that had paid deposit insurance previously, which significantly reduced the amount of United’s 2007 assessment. For 2007 and 2008, the deposit insurance assessment rates for banks in the lowest risk category ranged from 5 basis points to 7 basis points on deposit balances. United continues to qualify for the lowest risk assessments. During 2008, United’s assessment was at the upper end of the range and beginning in the first quarter of 2009, the FDIC will increase the rate by 7 basis points.

Other expenses were $17.6 million for 2008, an increase of $3.4 million, or 24%, from 2007. The increase from 2007 was due to $1.3 million in losses on deferred compensation plan assets and the accrual of a $2.4 million disputed charge from the transfer of Bank Owned Life Insurance investments.

Income Taxes

Income tax benefit was $37.7 million in 2008, compared to income tax expense of $31.6 million in 2007 and $39.6 million in 2008. The effective tax rates (as a percentage of pre-tax net income) were 37.2%, 35.3% and 36.5% for 2008, 2007 and 2006, respectively. The effective tax rate is different from the statutory tax rates in effect due to permanent differences between taxable income and pre-tax book income such as tax-exempt interest revenue on securities and loans. Additional information regarding income taxes, including a reconciliation of the differences between the recorded income tax provision and the amount of income tax computed by applying the statutory federal income tax rate to income before income taxes, can be found in Note 14 to the Consolidated Financial Statements.

SFAS No. 109, *Accounting for 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. In accordance with SFAS 109, we reviewed our deferred tax assets and determined that no valuation allowance was necessary. Despite the net loss for 2008 and weakness in the housing markets and economy in general, we have a history of strong earnings, are well-capitalized, and have positive expectations regarding future taxable income. The deferred tax asset will be analyzed quarterly for changes affecting realizability, and there can be no guarantee that a valuation allowance will not be necessary in future periods. In making such judgments, significant weight is given to evidence that can be objectively verified. In making decisions regarding any valuation allowance, we consider both positive and negative evidence and analyze changes in near-term market conditions as well as other factors which may impact future operating results.

Fourth Quarter Discussion

Taxable equivalent net interest revenue for the fourth quarter of 2008 decreased $17.9 million, or 26%, to $51.9 million from the same period a year ago primarily due to margin compression. Loans were down $224 million at December 31, 2008 compared to 2007. The net interest margin decreased 103 basis points from the fourth quarter of 2007 to 2.70% for the fourth quarter of 2008. Several factors led to the margin compression including management's efforts to strengthen liquidity, the higher balance of nonperforming assets, competitive pricing pressures on deposits, and the extremely low level the prime rate reached during the fourth quarter of 2008.

The 2008 fourth quarter provision for loan losses was $85 million. Non-performing assets totaled $250.5 million, up $204.2 million from a year ago. Non-performing assets as a percentage of total assets were 2.94% at December 31, 2008, compared with ..56% at December 31, 2007.

Fee revenue of $10.7 million decreased $5.4 million, or 33%, from $16.1 million for the fourth quarter of 2007. Service charges and fees on deposit accounts decreased $608,000, or 7%, to $7.7 million, primarily due to lower overdraft fees. Mortgage fees decreased $192,000, or 11%, to $1.5 million due to decreased demand during the fourth quarter reflecting the continued softness in the housing market. United closed $78 million in mortgage loans in the fourth quarter of 2008, which was flat compared with the fourth quarter of 2007. Consulting fees decreased 51 percent from a year ago to $1.3 million, reflecting a weakening in the market for consulting services and the use of Brintech consultants on internal projects. United recognized securities gains of $838,000 in the fourth quarter 2008, down $526,000 from the fourth quarter 2007. The gains were offset by losses of $2.7 million and $1.1 million in 2008 and 2007, respectively, from the prepayment of Federal Home Loan Bank advances. The two transactions were part of the same balance sheet management initiative to reduce funding costs and improve interest sensitivity.

Operating expenses increased $3.1 million to $52.4 million, a 6% increase from the fourth quarter of 2007. Salaries and employee benefit costs of $24.4 million decreased $2.7 million, or 10%, from the fourth quarter of 2007. This decrease was primarily the result of the elimination of bonuses in 2008. Communications and equipment expenses remained flat at $3.9 million. Occupancy expense increased $174,000 to $3.7 million due to increased depreciation and property taxes. Professional fees increased $504,000 to $2.3 million reflecting higher legal expenses associated with loan workouts. Postage, printing and supplies expense increased $217,000 to $1.8 million. Advertising and public relations expense decreased $515,000, or 27%, reflecting a concerted effort to control expenses. Other operating expense increased $3.2 million to $7.0 million primarily due to a $2.4 million disputed charge from the transfer of BOLI assets and losses on deferred compensation plan assets.

Balance Sheet Review

Total assets at December 31, 2008 were $8.5 billion, an increase of $313 million, or 4%, from December 31, 2007. On an average basis, total assets increased $569 million, or 7%, from 2007 to 2008. Average interest earning assets for 2008 were $7.5 billion, compared with $7.1 billion for 2007, an increase of 6%.

Loans

Total loans averaged $5.9 billion in 2008, compared with $5.7 billion in 2007, an increase of 3%. The increase results from 2007 including the average balance for Gwinnett for only the portion of the year in 2007 after the acquisition date. At December 31, 2008, total loans were $5.7 billion, a decrease of $224 million, or 4%, from December 31, 2007. In 2007, the softening housing market resulted in a much more challenging lending environment and fewer acceptable lending opportunities. The housing market continued to weaken in 2008, while non-performing loans increased to unprecedented levels for United. Most of the loan balance attrition occurred in the Atlanta MSA in residential construction loans as United worked to reduce its portfolio of residential construction loans. At December 31, 2008, residential construction loans comprised 26% of United's loan portfolio compared with 31% at December 31, 2007 and 35% at December 31, 2006.

The following table presents the composition of United's loan portfolio for the last five years.

Table 6 - Loans Outstanding
As of December 31,
(in thousands)

Loans by Category	**2008**	**2007**	**2006**	**2005**	**2004**
Commercial (secured by real estate)	$ 1,626,966	$ 1,475,930	$ 1,229,910	$ 1,055,191	$ 966,558
Commercial (commercial and industrial)	410,529	417,715	295,698	236,882	211,850
Commercial construction	499,663	527,123	469,432	359,450	249,667
Total commercial	2,537,158	2,420,768	1,995,040	1,651,523	1,428,075
Residential construction	1,478,679	1,829,506	1,864,153	1,379,540	1,054,859
Residential mortgage	1,526,388	1,501,916	1,337,728	1,205,685	1,101,653
Installment	162,636	177,073	179,617	161,538	150,318
Total loans	$ 5,704,861	$ 5,929,263	$ 5,376,538	$ 4,398,286	$ 3,734,905

Loans by Market	**2008**	**2007**	**2006**	**2005**	**2004**
Atlanta MSA	$ 1,705,561	$ 2,002,089	$ 1,654,465	$ 1,207,177	$ 1,061,436
Gainesville MSA	420,169	399,560	353,559	248,618	—
North Georgia	2,040,082	2,060,224	2,033,553	1,789,757	1,626,567
North Carolina	809,863	805,999	773,301	668,560	633,314
East Tennessee	265,544	245,769	207,001	177,728	140,040
Coastal Georgia	463,642	415,622	357,659	306,446	273,548
Total loans	$ 5,704,861	$ 5,929,263	$ 5,379,538	$ 4,398,286	$ 3,734,905

Substantially all loans are to customers (including customers who have a seasonal residence in United's market areas) located in Georgia, North Carolina and Tennessee, the immediate market areas of United, and 90% of the loans are secured by real estate.

As of December 31, 2008, United's 25 largest credit relationships consisted of loans and loan commitments ranging from $13 million to $38 million, with an aggregate total credit exposure of $499 million, including $39 million in unfunded commitments, and $442 million in balances outstanding, excluding participations sold.

The following table sets forth the maturity distribution of commercial and construction loans, including the interest rate sensitivity for loans maturing after one year.

Table 7 - Loan Portfolio Maturity
As of December 31, 2008
(in thousands)

	Maturity				Rate Structure for Loans Maturing Over One Year	
	One Year or Less	One through Five Years	Over Five Years	Total	Fixed Rate	Floating Rate
Commercial (commercial and industrial)	$ 261,528	$ 105,632	$ 43,369	$ 410,529	$ 148,980	$ 21
Construction (secured by real estate)	1,814,568	116,656	47,118	1,978,342	146,024	17,750
Total	$ 2,076,096	$ 222,288	$ 90,487	$ 2,388,871	$ 295,004	$ 17,771

Asset Quality and Risk Elements

United manages asset quality and controls credit risk through diversification of the loan portfolio and the application of policies designed to promote sound underwriting and loan monitoring practices. United's credit administration function is charged with monitoring asset quality, establishing credit policies and procedures and managing the consistent application of these policies and procedures at all of United. Additional information on United's loan administration function is included in Item 1 under the heading *Loan Review and Non-performing Assets*.

The provision for loan losses is based on management's judgment of the amount necessary to maintain the allowance for losses at a level adequate to absorb probable losses. The amount each year is dependent upon many factors including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies and other credit quality trends, management's assessment of loan portfolio quality, the value of collateral, and economic factors and trends. The evaluation of these factors is performed by United's credit administration through analysis of the adequacy of the allowance for loan losses.

Reviews of non-performing loans, past due loans and larger credits are designed to identify potential charges to the allowance for loan losses, as well as to determine the adequacy of the allowance and are conducted on a regular basis during the year. These reviews are performed by the responsible lending officers, a separate loan review function or the special assets department with consideration of such factors as the customer's financial position, prevailing and anticipated economic conditions and other pertinent factors.

The following table presents a summary of changes in the allowance for loan losses for each of the past five years.

Table 8 - Allowance for Loan Losses
Years Ended December 31,
(in thousands)

	2008	2007	2006	2005	2004
Balance beginning of period	$ 89,423	$ 66,566	$ 53,595	$ 47,196	$ 38,655
Provision for loan losses	184,000	55,600	14,600	12,100	7,600
Allowance for loan losses acquired from subsidiaries at merger date	—	7,091	3,895	—	4,558
Charge-offs:					
Commercial (commercial and industrial)	5,197	1,188	1,157	1,266	515
Commercial (secured by real estate)	5,843	688	1,138	877	1,859
Commercial construction	1,796	245	11	3	5
Residential construction	123,771	30,351	179	1,198	122
Residential mortgage	12,995	7,022	2,111	1,653	1,271
Installment	3,275	2,200	3,027	2,217	1,716
Total loans charged-off	152,877	41,694	7,623	7,214	5,488
Recoveries:					
Commercial (commercial and industrial)	61	187	177	309	293
Commercial (secured by real estate)	72	97	123	289	140
Commercial construction	4	1	—	1	181
Residential construction	653	117	949	11	351
Residential mortgage	224	486	113	252	370
Installment	711	972	737	651	536
Total recoveries	1,725	1,860	2,099	1,513	1,871
Net charge-offs	151,152	39,834	5,524	5,701	3,617
Balance end of period	$ 122,271	$ 89,423	$ 66,566	$ 53,595	$ 47,196
Total loans:					
At year-end	$ 5,704,861	$ 5,929,263	$ 5,376,538	$ 4,398,286	$ 3,734,905
Average	5,890,889	5,734,608	4,800,981	4,061,091	3,322,916
Allowance as a percentage of year-end loans	2.14%	1.51%	1.24%	1.22%	1.26%
As a percentage of average loans:					
Net charge-offs	2.57	.69	.12	.14	.11
Provision for loan losses	3.12	.97	.30	.30	.23
Allowance as a percentage of non-performing loans	64*	317	534	447	588

* - Excluding impaired loans with no allocated reserve, the coverage ratio was 125% at December 31, 2008.

Management believes that the allowance for loan losses at December 31, 2008 is adequate and appropriate to absorb 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 United, may require additional charges to the provision for loan losses in future periods if the results of their review, in their opinion, warrant such additions. See the "Critical Accounting Policies" section for additional information on the allowance for loan losses.

The allocation of the allowance for loan losses is based on historical data, subjective judgment and estimates and, therefore, is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur. Due to the imprecise nature of the loan loss estimation process and the effects of changing conditions, these risk attributes may not be adequately captured in the data related to the formula-based loan loss components used to determine allocations in United's analysis of the adequacy of the allowance for loan losses. Consequently, management believes that the unallocated allowance appropriately reflects probable inherent but undetected losses in the loan portfolio. The following table summarizes the allocation of the allowance for loan losses for each of the past five years.

Table 9 - Allocation of Allowance for Loan Losses
As of December 31,
(in thousands)

	2008		2007		2006		2005		2004	
	Amount	**%***	**Amount**	**%***	**Amount**	**%***	**Amount**	**%***	**Amount**	**%***
Commercial (commercial and industrial)	$ 8,512	7	$ 7,902	7	$ 5,758	6	$ 4,492	5	$ 3,728	6
Commercial (secured by real estate)	8,948	28	9,520	25	14,716	23	12,401	24	14,107	26
Total commercial	17,460	35	17,422	32	20,474	29	16,893	29	17,835	32
Construction	71,573	35	38,183	40	25,181	43	20,787	40	10,695	35
Residential mortgage	18,364	27	19,611	25	11,323	25	9,049	27	11,511	29
Installment	3,756	3	3,823	3	3,245	3	2,088	4	2,798	4
Unallocated	11,118		10,384		6,343		4,778		4,357	
Total allowance for loan losses	$ 122,271	100	$ 89,423	100	$ 66,566	100	$ 53,595	100	$ 47,196	100

* Loan balance in each category, expressed as a percentage of total loans

Non-performing Assets

Non-performing loans, which include non-accrual loans and accruing loans past due over 90 days, totaled $190.7 million at year-end 2008, compared with $28.2 million at December 31, 2007. At December 31, 2008 and 2007, the ratio of non-performing loans to total loans was 3.34% and .48%, respectively. Non-performing assets, which include non-performing loans and foreclosed real estate, totaled $250.5 million at December 31, 2008, compared with $46.3 million at year-end 2007.

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 both well secured and in the process of collection. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current interest revenue. Interest payments received on non-accrual loans are applied as a reduction of principal.

There were no commitments to lend additional funds to customers whose loans were on non-accrual status at December 31, 2008, although in certain isolated cases, United executed forbearance agreements whereby United will continue to fund construction loans to completion as long as the borrower meets the conditions of the forbearance agreement. The table below summarizes non-performing assets at year-end for the last five years.

Table 10 - Non-Performing Assets
As of December 31,
(in thousands)

	2008	2007	2006	2005	2004
Non-accrual loans (NPLs)	$ 190,723	$ 28,219	$ 12,458	$ 11,997	$ 8,031
Loans past due 90 days or more and still accruing	—	—	—	—	—
Total non-performing loans	190,723	28,219	12,458	11,997	8,031
Foreclosed property	59,768	18,039	1,196	998	694
Total non-performing assets (NPAs)	$ 250,491	$ 46,258	$ 13,654	$ 12,995	$ 8,725
NPLs as a percentage of total loans	3.34%	.48%	.23%	.27%	.22%
NPAs as a percentage of loans and foreclosed properties	4.35	.78	.25	.30	.23
NPAs as a percentage of total assets	2.94	.56	.19	.22	.17

At December 31, 2008 and 2007, there were $142.3 million and $78.4 million, respectively, of loans classified as impaired under the definition outlined in SFAS No. 114. Included in impaired loans at December 31, 2008 and 2007 were $92.6 million and $17.3 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, 2008 of $49.7 million had specific reserves that totaled $15.7 million and the balance of impaired loans at December 31, 2007 of $61.1 million had specific reserves that totaled $13.5 million. The average recorded investment in impaired loans for the years ended December 31, 2008 and 2007 was $97.1 million and $51.3 million, respectively. United's policy is to discontinue the recognition of interest revenue for loans classified as impaired under SFAS No. 114 when the loan meets the criteria for nonaccrual status.

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 securities portfolio also provides a balance to interest rate 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 securities available for sale increased $260 million from the end of 2007. United continued to purchase securities through 2008 as part of a continuing program to help stabilize the interest rate sensitivity of the balance sheet, to increase net interest revenue and to replace maturing securities. The increase in the securities portfolio also contributed to strengthening United's liquidity position since the securities were funded with deposits and are therefore available as collateral for secured wholesale borrowings as a source of contingent liquidity. At December 31, 2008 and 2007, securities available for sale represented 19% and 17%, respectively, of total assets. At December 31, 2008, the effective duration of the investment portfolio based on expected maturities was 2.06 years compared with 3.05 years at December 31, 2007. The following table shows the carrying value of United's securities.

Table 11 - Carrying Value of Investment Securities
As of December 31,
(in thousands)

	2008	**2007**
Securities available for sale:		
U.S. Government agencies	$ 168,385	$ 295,160
State and political subdivisions	43,740	41,314
Mortgage-backed securities	1,379,156	1,015,043
Other	25,906	5,329
Total securities available for sale	$ 1,617,187	$ 1,356,846

The investment securities portfolio consists of U.S. Government agency securities, municipal securities, and mortgage-backed securities which are primarily U.S. Government agency sponsored. A mortgage-backed security relies 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 the contractual maturities because the loans underlying the security may prepay without prepayment penalties. Decreases in long-term interest rates will generally cause an acceleration of prepayment levels. In a declining interest rate environment, proceeds may not be able to be reinvested in assets that have comparable yields.

At December 31, 2008, United had 85% of its total investment securities portfolio in mortgage backed securities, compared with 75% at December 31, 2007. As loan demand slowed through 2008, United purchased additional mortgage-backed securities in order to obtain a favorable yield with low risk. United did not have securities of any issuer in excess of 10% of equity at year-end 2008 or 2007, excluding U.S. Government issues. Only .1% of the securities portfolio is rated below "A" and 97% is rated "Aaa". See Note 5 to the Consolidated Financial Statements for further discussion of investment portfolio and related fair value and maturity information.

Goodwill and Other Intangible Assets

United's goodwill represents the premium paid for acquired companies above the fair value of the assets acquired and liabilities assumed, including separately identifiable intangible assets. United evaluates its goodwill annually, or more frequently if necessary, to determine if any impairment exists. United performed its annual assessment as of December 31, 2008. 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 two market approaches. The first market approach was the Guideline Public Company method that considered United's implied value by comparing United to a select peer group of public companies and their current market valuation and the second market approach was the Merger and Acquisition method that considered the amount an acquiring company might be willing to pay to gain control of United based on recent merger and acquisition activity. United's management concluded that the company's fair value exceeded the carrying value and therefore, no goodwill impairment was recognized.

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 lead management to believe that any impairment exists in United's other intangible assets.

Deposits

Total average deposits for 2008 were $6.5 billion, an increase of $496 million, or 8% from 2007. Average non-interest bearing demand deposit accounts decreased $22 million, or 3%, and average NOW accounts increased $85 million, or 6%, from 2007. Average time deposits for 2008 were $3.7 billion, up from $3.3 billion in 2007. At December 31, 2008, total deposits were $7.0 billion compared with $6.1 billion at the end of 2007, an increase of $928 million, or 15%. In 2007, aggressive pricing competition for CDs made them a less attractive funding source so the Bank allowed attrition of higher-priced CDs where no other customer relationship existed. In 2008, in an effort to increase liquidity, the Bank began competing for CDs, despite the aggressive market. United also increased brokered deposits in order to build additional liquidity. Brokered deposits at December 31, 2008 were $793 million compared with $323 million at December 31, 2007. Late in 2008, market CD pricing relaxed, allowing the Bank to begin replacing higher priced CDs with CDs more in line with the current interest rate environment.

The following table sets forth the scheduled maturities of time deposits of $100,000 and greater and brokered time deposits.

Table 12 - Maturities of Time Deposits of $100,000 and Greater and Brokered Deposits
As of December 31, 2008
(in thousands)

$100,000 and greater:		
Three months or less	$	346,750
Three to six months		242,186
Six to twelve months		612,647
Over one year		221,391
Total	$	1,422,974
Brokered deposits:		
Three months or less	$	165,051
Three to six months		64,593
Six to twelve months		146,633
Over one year		416,692
Total	$	792,969

Wholesale Funding

The Bank is a shareholder in the Federal Home Loan Bank (FHLB) of Atlanta. Through this affiliation, secured advances totaling $235 million were outstanding at rates competitive with time deposits of like maturities. The Bank anticipates continued use of this short and long-term source of funds to minimize interest rate risk and to meet liquidity needs. The FHLB advances outstanding at December 31, 2008 had both fixed and floating interest rates ranging from 0.00% up to 5.06%. Approximately 66% of the FHLB advances mature prior to December 31, 2009. Additional information regarding FHLB advances, including scheduled maturities, is provided in Note 10 to the Consolidated Financial Statements.

Liquidity Management

Liquidity is defined as the ability of a bank 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. The primary objective of liquidity management is to ensure that sufficient funding is available, at reasonable cost, to meet ongoing operational cash needs. While the desired level of liquidity will vary depending on a number of factors, it is the primary goal of United to maintain a sufficient level of liquidity in both normal operating conditions and in periods of market or industry stress.

The primary 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, so that United can also meet the investment objectives of its shareholders as market interest rates change. Daily monitoring of the sources and uses of funds is necessary to maintain a position that meets both goals.

The asset portion of the balance sheet provides liquidity primarily through loan sales and 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 $20.3 million at December 31, 2008, and typically turn over every 45 days as closed loans are sold to investors in the secondary market. Construction and commercial loans that mature in one year or less amounted to $2.1 billion, or 36%, of the loan portfolio at December 31, 2008. In addition, at December 31, 2008, United had $369 million in commercial paper investments that mature within 30 days.

The liability section of the balance sheet provides liquidity primarily through the stability of deposit accounts. Federal funds purchased, FHLB advances, brokered deposits, Federal Reserve discount window borrowings and securities sold under agreements to repurchase are additional wholesale sources of liquidity and represent United's additional borrowing capacity. These sources of liquidity are used as necessary to fund asset growth and meet other short-term liquidity needs.

The table below presents a summary of United's short-term borrowings over the last three years.

Table 13 - Short-Term Borrowings
As of December 31,
(in thousands)

	Period-end balance	Period end weighted-average interest rate	Maximum outstanding at any month-end	Average amounts outstanding during the year	Weighted-average rate for the year
December 31, 2008					
Federal funds purchased	$ 8,197	.27%	$ 294,205	$ 147,459	2.78%
Line of credit	—	—	—	3,350	5.75
Repurchase agreements	100,214	2.00	150,960	114,516	1.43
Other	—	—	215,000	59,309	2.98
	$ 108,411			$ 324,634	
December 31, 2007					
Federal funds purchased	$ 343,834	4.29	366,447	$ 186,795	5.05
Line of credit	42,000	7.24	149,070	10,142	7.26
Repurchase agreements	102,628	3.01	42,000	111,435	4.96
Other	150,000	4.23	150,000	11,904	4.52
	$ 638,462			$ 320,276	
December 31, 2006					
Federal funds purchased	$ 65,884	5.29	249,552	$ 139,823	5.20
Commercial paper	—	—	1,300	632	4.75
Line of credit	—	—	2,000	101	5.80
	$ 65,884			$ 140,556	

United had sufficient qualifying collateral to increase FHLB advances by $727 million and Federal Reserve discount window capacity of $438 million. United's internal policy limits brokered deposits to 25% of total non-brokered deposits. At December 31, 2008, United had the capacity to increase brokered deposits by $760 million 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. The following table shows United's contractual obligations and other commitments.

Table 14 - Contractual Obligations and Other Commitments
As of December 31, 2008
(in thousands)

	Maturity By Years				
	Total	1 or Less	1 to 3	3 to 5	Over 5
Contractual Cash Obligations					
FHLB advances	$ 235,321	$ 155,196	$ —	$ 50,000	$ 30,125
Long-term debt	150,986	—	—	31,500	119,486
Operating leases	11,966	2,990	3,675	1,681	3,620
Total contractual cash obligations	$ 398,273	$ 158,186	$ 3,675	$ 83,181	$ 153,231
Other Commitments					
Lines of credit	$ 733,278	$ 380,940	$ 135,222	$ 24,597	$ 192,519
Commercial letters of credit	25,132	18,377	6,705	50	—
Uncertain tax positions	10,826	3,565	4,252	2,797	212
Total other commitments	$ 769,236	$ 402,882	$ 146,179	$ 27,444	$ 192,731

As disclosed in United's consolidated statement of cash flows, net cash provided by operating activities was $121 million during 2008. The major source of cash provided by operating activities was noncash expenses of depreciation, amortization and accretion, provision for loan losses and stock-based compensation which totaled $203 million which more than offset uses of cash that included the net loss of $63.5 million, a net decrease in accrued expenses and other liabilities of $26.1 million and a deferred tax benefit of $13.6 million. Net cash used in investing activities of $173 million consisted primarily an increase in loans of $48 million, the purchase of premises and equipment of $11 million and the purchase of $821 million of available for sale securities, offset by the maturity of $465 million of available for sale securities and $163 million from the sale of available for sale securities. Net cash provided by financing activities provided the remainder of funding sources for 2008. The $326 million of net cash provided by financing activities consisted primarily of a net increase in deposits of $928 million and proceeds from the issuance of Series B preferred stock of $180 million. These increases were partially offset by a net decrease in short-term borrowings of $488 million and a net decrease in FHLB advances of $287 million. In the opinion of management, United's liquidity position at December 31, 2008 is sufficient to meet its expected cash flow requirements.

Off-Balance Sheet Arrangements

United is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of customers. These financial instruments include commitments to extend credit, letters of credit and financial guarantees.

A commitment to extend credit is an agreement to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Letters of credit and financial guarantees are conditional commitments issued to guarantee a customer's performance to a third party and have essentially the same credit risk as extending loan facilities to customers. Those commitments are primarily issued to local businesses.

The exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit, letters of credit and financial guarantees is represented by the contractual amount of these instruments. United uses the same credit underwriting procedures for making commitments, letters of credit and financial guarantees as for on-balance sheet instruments. United evaluates each customer's creditworthiness on a case-by-case basis and the amount of the collateral, if deemed necessary, is based on the credit evaluation. Collateral held varies, but may include unimproved and improved real estate, certificates of deposit, personal property or other acceptable collateral.

All of these instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The total amount of these instruments does not necessarily represent future cash requirements because a significant portion of these instruments expire without being used.

United is not involved in off-balance sheet contractual relationships, other than those disclosed in this report, that could result in liquidity needs or other commitments, or that could significantly affect earnings. See Notes 2 and 17 to the Consolidated Financial Statements for additional information on off-balance sheet arrangements.

Capital Resources and Dividends

Shareholders' equity at December 31, 2008 was $989.4 million, an increase of $157.5 million, or 19%, from December 31, 2007. 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 ratios. Excluding the increase in the accumulated other comprehensive income, shareholders' equity increased $117.2 million, or 14%. The increase includes $173.2 million of Series B preferred stock issued in connection with the United States Treasury's Capital Purchase Program. Cash dividends of $8.5 million, or $.18 per share, were declared on common stock in the first half of 2008, a decrease of 50% per share from the amount declared in 2007. In order to preserve capital in light of the challenging economic environment, United suspended its cash dividend in the third quarter of 2008 and declared a stock dividend of 1 new share for every 130 shares held in the third and fourth quarters. United has historically retained earnings in order to provide capital for continued growth and expansion. However, in recognition that cash dividends are an important component of shareholder return, management has targeted a long-term payout ratio between 18 and 20% when earnings, capital levels and regulatory conditions permit.

The Federal Reserve 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 which are used in conjunction with risk adjusted 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.

Tier I Capital consists of shareholders' equity, excluding accumulated other comprehensive income and intangible assets (goodwill and deposit-based intangibles), plus qualifying capital securities. United's Tier I capital totaled $671.7 million at December 31, 2008. Tier II capital components include supplemental capital such as the qualifying portion of the allowance for loan losses and qualifying subordinated debt. Tier I capital plus Tier II capital is referred to as Total risk-based capital and was $831 million at December 31, 2008. The ratios, as calculated under the guidelines, were 11.21% and 13.87% for Tier I and Total risk-based capital, respectively, at December 31, 2008.

On December 5, 2008, United participated in Treasury's CPP by selling 180,000 shares of Series B Preferred Stock and a Warrant to purchase 2,149,106 shares of United's common stock to Treasury. The proceeds of $180 million were allocated between the Series B Preferred Stock and the Warrant based on their relative fair values at the time of the sale. Of the $180 million in proceeds, $173.1 million was allocated to the Series B Preferred Stock and $6.9 million was allocated to the Warrant. The discount recorded on the Series B Preferred Stock that resulted from allocating a portion of the proceeds to the Warrant is being accreted directly to into retained earnings over a five-year period applying a level yield. The exercise price of the Warrant is $12.56 and is exercisable at any time on or before December 5, 2018.

The Series B Preferred Stock qualifies as Tier I capital under risk-based capital guidelines and will pay cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter. The Series B Preferred Stock may be redeemed after December 5, 2011 at the stated amount of $1,000 per share plus any accrued and unpaid dividends. Prior to December 5, 2011, the Series B Preferred Stock may be redeemed only with proceeds from the sale of qualifying equity securities. The Series B Preferred Stock is non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Series B Preferred Stock.

On October 31, 2008, United's subsidiaries United Community Statutory Trust II and United Community Statutory Trust III issued trust preferred securities through a private placement. United Community Statutory Trust II, which pays interest at a fixed rate of 9%, issued $11.8 million in trust preferred securities and $364,000 in common securities. United Community Statutory Trust III, which pays interest at a variable rate of prime plus 3%, issued $1.2 million in trust preferred securities and $38,000 in common securities. United purchased all of the common securities issued by each Trust and received the proceeds from the sale of the common and trust preferred securities by entering into a junior subordinated debenture agreement with the Trusts. The junior subordinated debentures have terms that match the terms of the trust preferred securities. The trust preferred securities mature on August 31, 2038 and are callable any time after August 13, 2013 at par. The trust preferred securities were issued with warrants that allow the holder to redeem the trust preferred securities for United's common stock at an exercise price of $20 per share. The warrants can be exercised at any time prior to August 31, 2013, at which time the warrants expire. The proceeds of the issuance of the trust preferred securities were allocated between the trust preferred securities and the warrants based on their relative fair values on the date of issuance. The trust preferred securities qualify as Tier I capital under risk-based capital guidelines.

United has other outstanding junior subordinated debentures related to trust preferred securities totaling $54.5 million at December 31, 2008. The related trust preferred securities of $52.8 million (excluding common securities) qualify as Tier I capital under risk-based capital guidelines provided that total trust preferred securities do not exceed certain quantitative limits. At December 31, 2008, all of United's trust preferred securities qualified as Tier I capital. Further information on United's trust preferred securities is provided in Note 12 to the Consolidated Financial Statements.

In 2008, the Bank issued a $30 million subordinated variable rate note, due August 31, 2015. The subordinated note qualifies as Tier II Capital under risk-based capital guidelines. The note bears interest at a rate of three-month LIBOR + 4%. The note is callable at par at any time. The proceeds were used for general corporate purposes. Of the $96.5 million in subordinated debt that United had outstanding at December 31, 2008, $83.9 million qualified at Tier II capital under risk based capital guidelines.

A minimum leverage ratio is required in addition to the risk-based capital standards and is defined as Tier I capital divided by quarterly average assets reduced by the amount of goodwill and deposit-based intangibles. A minimum leverage ratio of 3% is required for the highest-rated bank holding companies which are not undertaking significant expansion programs, but the Federal Reserve Board requires a bank holding company to maintain a leverage ratio greater than 4% if it is experiencing or anticipating significant growth or is operating with less 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. Management believes that United's capital must be well above the minimum capital requirements to maintain its business plan. United's leverage ratio at December 31, 2008 was 8.26%.

United monitors these capital ratios to ensure that United and the Bank remain within regulatory guidelines. Further information regarding the actual and required capital ratios of United and the Bank is provided in Note 16 to the Consolidated Financial Statements.

Effect of Inflation and Changing Prices

A bank's asset and liability structure is substantially different from that of a general business corporation 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 nominal 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 monitor and manage United's interest rate sensitivity position. In addition, periodic reviews of banking services and products are conducted to adjust pricing in view of current and expected costs.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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 ALCO. The 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.

The following table shows interest sensitivity gaps for specified intervals.

Table 15 - Interest Rate Gap Sensitivity
As of December 31, 2008
(in thousands)

	Interest Sensitivity Periods in Months					
	Immediate	1 to 3	4 to 12	13 to 60	Over 60	Total
Interest earning assets:						
Interest bearing deposits with banks	$ 8,417	$ —	$ —	$ —	$ —	$ 8,417
Investment securities	101,834	111,833	354,118	810,993	238,409	1,617,187
Mortgage loans held for sale	—	20,334	—	—	—	20,334
Loans	3,317,561	195,656	828,721	1,154,887	208,036	5,704,861
Other interest-earning assets	368,609	—	—	—	25,385	393,994
Total interest-earning assets	3,796,421	327,823	1,182,839	1,965,880	471,830	7,744,793
Interest bearing liabilities:						
NOW deposits	1,543,385	—	—	—	—	1,543,385
Money market deposits	466,750	—	—	—	—	466,750
Savings deposits	170,275	—	—	—	—	170,275
Time deposits	361,421	675,946	2,204,973	926,531	307	4,169,178
Fed funds purchased, repurchase agreements & other short-term borrowings	108,411	—	—	—	—	108,411
FHLB advances	75,000	55,196	25,000	50,000	30,125	235,321
Other borrowings	5,585	30,000	—	31,500	83,901	150,986
Total interest-bearing liabilities	2,730,827	761,142	2,229,973	1,008,031	114,333	6,844,306
Interest rate derivatives, net	1,405,000	—	—	—	—	1,405,000
Non-interest bearing deposits	—	—	—	—	654,036	654,036
Interest sensitivity gap	(339,406)	(433,319)	(1,047,134)	957,849	(296,539)	
Cumulative sensitivity gap	$ (339,406)	$ (772,725)	$ (1,819,859)	$ (862,010)	$ (1,158,549)	
Cumulative gap percent[1]	(4)%	(10)%	(23)%	(11)%	(15)%	

(1) Cumulative interest rate sensitivity position as a percent of total interest-earning assets.

One of the tools management uses to estimate the sensitivity of net interest revenue to changes in interest rates is an interest rate simulation model. Such estimates are based upon a number of assumptions for each scenario, including the level of balance sheet growth, deposit repricing characteristics and the rate of prepayments. The simulation model measures the potential change in net interest revenue over a twelve-month period under multiple interest rate scenarios. The base scenario assumes rates remain flat over the next twelve months and is the scenario to which all others are compared to in order to measure the change in net interest revenue. A second commonly analyzed scenario is a most likely scenario that projects the most likely change in rates over the next twelve months 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.

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 flat-rate 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% increase or decrease in either scenario. Historically low rates on December 31, 2008 made use of the down 200 basis point scenario problematic. At December 31, 2008 United's simulation model indicated that a 200 basis point increase in rates over the next twelve months would cause an approximate 3.8% increase in net interest revenue and a 25 basis point decrease in rates over the next twelve months would cause an approximate 2.2% decrease in net interest revenue. At December 31, 2007, United's simulation model indicated that a 200 basis point increase in rates over the next twelve months would cause an approximate 1.3% increase in net interest revenue and a 200 basis point decrease in rates over the next twelve months would cause an approximate 1.5% decrease 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. Interest rate sensitivity is measured as the difference between the volumes of assets and liabilities in United's current portfolio that are subject to repricing at various time horizons: immediate; one to three months; four to twelve months; one to five years; over five years, and on a cumulative basis. The differences are known as interest sensitivity gaps.

As demonstrated in the preceding table, 84% of interest-bearing liabilities will reprice within twelve months compared with 69% of interest-earning assets, however such changes may not be proportionate with changes in market rates within each balance sheet category. In addition, 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 the 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.

The following table presents the contractual maturity of investment securities by maturity date and average yields based on amortized cost (for all obligations on a fully taxable basis). The composition and maturity/repricing distribution of the securities portfolio is subject to change depending on rate sensitivity, capital and liquidity needs.

Table 16 - Expected Maturity of Available for Sale Investment Securities
As of December 31, 2008 *(in thousands)*

	Maturity By Years				
	1 or Less	1 to 5	5 to 10	Over 10	Total
U.S. Government agencies	$ 723	$ —	$ 167,662	$ —	$ 168,385
State and political subdivisions	8,001	18,062	9,519	8,158	43,740
Other securities[1]	50,119	818,055	412,971	123,917	1,405,062
Total securities available for sale	$ 58,843	$ 836,117	$ 590,152	$ 132,075	$ 1,617,187
Weighted average yield[2]	5.43%	5.02%	5.22%	5.73%	5.17%

(1) Includes mortgage-backed securities
(2) Based on amortized cost, taxable equivalent basis

In order to assist in achieving a desired level of interest rate sensitivity, United has entered 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 consist of interest rate swaps under which United pays a variable rate and receives a fixed rate and interest rate floor contracts in which United pays a premium to a counterparty who agrees to pay United the difference between a variable rate and a strike rate if the variable rate falls below the strike rate.

United's derivative financial instruments are classified as either cash flow or fair value hedges. The changes in fair value of derivative instruments classified as cash flow hedges are recognized in other comprehensive income from which amounts are reclassified into interest income over time as the hedged forecasted transactions affect earnings. Fair value hedges recognize currently in earnings both the effect of 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. At December 31, 2008 United had interest rate swap contracts with a total notional amount of $755 million that were designated as cash flow hedges of prime based loans. United had interest rate floor contracts with a total notional amount of $325 million that were also designated as cash flow hedges of prime based loans. At December 31, 2008, United had receive fixed, pay LIBOR swap contracts with a total notional amount of $325 million that were accounted for as fair value hedges of fixed rate liabilities.

The following table presents United's interest rate derivative contracts outstanding.

Table 17 - Derivative Financial Instruments
As of December 31, 2008 *(dollars in thousands)*

Type/Maturity	Notional Amount	Rate Received	Rate Paid	Fair Value[10]
Fair Value Hedges:				
LIBOR Swaps (Brokered CDs)				
March 24, 2009 [1]	$ 60,000	2.85%	(.19)%	$ 395
March 30, 2009 [2]	20,000	2.85	(.10)	133
August 27, 2010 [3]	50,000	4.30	1.55	1,703
September 22, 2010 [4]	50,000	4.25	1.75	1,544
September 30, 2010 [5]	95,000	4.25	1.55	3,225
Total:	275,000	3.85	1.08	7,000
LIBOR Swaps (FHLB Advances)				
January 5, 2009 [6]	25,000	5.06	1.79	12
March 2, 2009 [7]	25,000	4.90	1.77	184
Total:	50,000	4.98	1.78	196
Total Fair Value Hedges	325,000	4.03	1.19	7,196
Cash Flow Hedges:				
Prime Swaps (Prime Loans) [8]				
February 1, 2009	25,000	8.31	3.25	121
May 4, 2009	30,000	8.29	3.25	501
June 9, 2010	100,000	5.82	3.25	3,317
June 11, 2010	25,000	8.26	3.25	1,710
June 13, 2011	25,000	6.72	3.25	1,682
December 12, 2011	25,000	6.86	3.25	1,973
January 2, 2012	100,000	6.71	3.25	7,459
March 12, 2012	50,000	6.87	3.25	4,152
March 27, 2012	50,000	6.76	3.25	4,009
March 27, 2012	50,000	6.72	3.25	3,915
January 31, 2013	50,000	6.26	3.25	3,544
May 6, 2013	50,000	7.21	3.25	5,581
July 22, 2013	100,000	6.88	3.25	10,044
July 25, 2013	50,000	6.92	3.25	5,121
July 25, 2013	25,000	6.91	3.25	2,604
Total:	755,000	6.82	3.25	55,733
Prime Floors (Prime Loans) [9]				
February 1, 2009	25,000	8.75		188
May 1, 2009	25,000	8.75		497
November 1, 2009	75,000	8.75		3,568
February 4, 2010	100,000	8.75		6,078
August 1, 2010	50,000	8.75		4,173
August 4, 2010	50,000	8.75		4,179
Total:	325,000			18,683
Total Cash Flow Hedges:	1,080,000			74,416
Total Derivative Contracts	$ 1,405,000			$ 81,612

(1) Rate Paid equals 1-Month LIBOR minus .655
(2) Rate Paid equals 1-Month LIBOR minus .57
(3) Rate Paid equals 1-Month LIBOR plus 1.075
(4) Rate Paid equals 1-Month LIBOR plus 1.2435
(5) Rate Paid equals 1-Month LIBOR plus 1.075
(6) Rate Paid equals 1-Month LIBOR minus .1101
(7) Rate Paid equals 1-Month LIBOR minus .1280
(8) Rate Paid equals Prime rate as of December 31, 2008
(9) Floor contracts receive cash payments equal to the floor rate less the prime rate.
(10) Excludes accrued interest

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of the registrant and report of independent registered public accounting firm are included herein as follows:

United Community Banks

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The management of United Community Banks, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of the company's principal executive and principal financial officers and affected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of the internal control over financial reporting as of December 31, 2008. In making this assessment, we used the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment, we believe that as of December 31, 2008, United Community Banks, Inc.'s internal control over financial reporting is effective based on those criteria.

Our independent registered public accountants have issued an audit report on our assessment of the company's internal control over financial reporting. This report appears on page 43.

Jimmy C. Tallent
President and Chief Executive Officer

Rex S. Schuette
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and shareholders
United Community Banks, Inc.
Blairsville, Georgia

We have audited the accompanying consolidated balance sheets of United Community Banks, Inc. and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008. We have also audited the Company's internal controls over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective control over financial reporting and for its assessment of the effectiveness internal control over financial reporting included in the accompanying Management's Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Certified Public Accountants

Suite 1800 • 235 Peachtree Street NE • Atlanta, Georgia 30303 • Phone 404-588-4200 • Fax 404-588-4222 • www.pkm.com

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Community Banks, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, United Community Banks, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Porter Keadle Moore, LLP

Atlanta, Georgia
February 24, 2009

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statement of Income
For the Years Ended December 31, 2008, 2007 and 2006
(in thousands, except per share data)

	2008	2007	2006
Interest revenue:			
Loans, including fees	$ 385,959	$ 482,333	$ 394,907
Investment securities:			
Taxable	74,405	64,377	47,149
Tax exempt	1,464	1,718	1,969
Federal funds sold, commercial paper and deposits in banks	2,880	608	802
Total interest revenue	464,708	549,036	444,827
Interest expense:			
Deposits:			
NOW	28,626	45,142	30,549
Money market	10,643	15,396	7,496
Savings	764	1,653	928
Time	158,268	167,400	130,324
Total deposit interest expense	198,301	229,591	169,297
Federal funds purchased, repurchase agreements and other short-term borrowings	7,699	16,236	7,319
Federal Home Loan Bank advances	13,026	22,013	23,514
Long-term debt	9,239	8,594	8,685
Total interest expense	228,265	276,434	208,815
Net interest revenue	236,443	272,602	236,012
Provision for loan losses	184,000	55,600	14,600
Net interest revenue after provision for loan losses	52,443	217,002	221,412
Fee revenue:			
Service charges and fees	31,683	31,433	27,159
Mortgage loan and other related fees	7,103	8,537	7,303
Consulting fees	7,046	8,946	7,291
Brokerage fees	3,457	4,095	3,083
Securities gains (losses), net	1,315	3,182	(643)
Losses on prepayment of borrowings	(2,714)	(2,242)	(636)
Other	5,251	8,700	5,538
Total fee revenue	53,141	62,651	49,095
Total revenue	105,584	279,653	270,507
Operating expenses:			
Salaries and employee benefits	110,574	115,153	100,964
Communications and equipment	15,490	15,483	15,071
Occupancy	14,988	13,613	11,632
Advertising and public relations	6,117	7,524	7,623
Postage, printing and supplies	6,296	6,365	5,748
Professional fees	7,509	7,218	4,442
Foreclosed property	19,110	4,980	1,021
FDIC assessments and other regulatory charges	6,020	2,780	1,130
Amortization of intangibles	3,009	2,739	2,032
Other	17,586	14,206	12,407
Total operating expenses	206,699	190,061	162,070
(Loss) income before income taxes	(101,115)	89,592	108,437
Income tax (benefit) expense	(37,665)	31,599	39,622
Net (loss) income	(63,450)	57,993	68,815
Preferred stock dividends	724	18	19
Net (loss) income available to common shareholders	$ (64,174)	$ 57,975	$ 68,796
(Loss) earnings per common share:			
Basic	$ (1.35)	$ 1.26	$ 1.70
Diluted	(1.35)	1.24	1.66
Cash dividends per common share	.18	.36	.32
Stock dividends per common share	.18	—	—
Weighted average common shares outstanding:			
Basic	47,369	45,948	40,413
Diluted	47,369	46,593	41,575

See accompanying notes to consolidated financial statements

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Balance Sheet
As of December 31, 2008 and 2007
(in thousands, except share data)

	2008	2007
Assets		
Cash and due from banks	$ 116,395	$ 157,549
Interest-bearing deposits in banks	8,417	62,074
Federal funds sold, commercial paper and short-term investments	368,609	—
Cash and cash equivalents	493,421	219,623
Securities available for sale	1,617,187	1,356,846
Mortgage loans held for sale	20,334	28,004
Loans, net of unearned income	5,704,861	5,929,263
Less allowance for loan losses	122,271	89,423
Loans, net	5,582,590	5,839,840
Premises and equipment, net	179,160	180,088
Accrued interest receivable	46,088	62,828
Goodwill and other intangible assets	321,798	325,305
Other assets	260,187	194,768
Total assets	$ 8,520,765	$ 8,207,302
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Demand	$ 654,036	$ 700,941
NOW	1,543,385	1,474,818
Money market	466,750	452,917
Savings	170,275	186,392
Time:		
Less than $100,000	1,953,235	1,573,604
Greater than $100,000	1,422,974	1,364,763
Brokered	792,969	322,516
Total deposits	7,003,624	6,075,951
Federal funds purchased, repurchase agreements and other short-term borrowings	108,411	638,462
Federal Home Loan Bank advances	235,321	519,782
Long-term debt	150,986	107,996
Accrued expenses and other liabilities	33,041	33,209
Total liabilities	7,531,383	7,375,400
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $1 par value; 10,000,000 shares authorized;		
Series A, $10 stated value; 25,800 and 25,800 shares issued and outstanding	258	258
Series B, $1,000 stated value; 180,000 shares issued and outstanding at December 31, 2008	173,180	—
Common stock, $1 par value; 100,000,000 shares authorized; 48,809,301 and 48,809,301 shares issued	48,809	48,809
Common stock issuable; 129,304 and 73,250 shares	2,908	2,100
Capital surplus	460,708	462,881
Retained earnings	265,405	347,391
Treasury stock; 799,892 and 1,905,921 shares, at cost	(16,465)	(43,798)
Accumulated other comprehensive income	54,579	14,261
Total shareholders' equity	989,382	831,902
Total liabilities and shareholders' equity	$ 8,520,765	$ 8,207,302

See accompanying notes to consolidated financial statements

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Shareholders' Equity
For the Years Ended December 31, 2008, 2007 and 2006
(in thousands, except share and per share data)

	Preferred Stock		Common Stock	Common Stock Issuable	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
	Series A	Series B							
Balance, December 31, 2005	$ 322	$ —	$ 40,020	$ 271	$ 193,355	$ 250,563	$ —	$ (11,845)	$ 472,686
Comprehensive income:									
Net income	—	—	—	—	—	68,815	—	—	68,815
Other comprehensive loss:									
Unrealized holding gains on available for sale securities (net of deferred tax expense of $2,113)	—	—	—	—	—	—	—	3,436	3,436
Reclassification adjustment for losses on securities available for sale included in fee revenue (net of tax benefit of $250)	—	—	—	—	—	—	—	393	393
Unrealized gains on derivative financial instruments qualifying as cash flow hedges (net of deferred tax expense of $1,211)	—	—	—	—	—	—	—	1,903	1,903
Reclassification adjustment for losses on terminated swap positions (net of tax benefit of $1,376)	—	—	—	—	—	—	—	2,161	2,161
Comprehensive income						68,815		7,893	76,708
Cash dividends declared on common stock ($.32 per share)	—	—	—	—	—	(13,098)	—	—	(13,098)
Common stock issued for acquisition (2,180,118 shares)	—	—	2,180	—	65,609	—	—	—	67,789
Exercise of stock options, net of shares exchanged (120,441 shares)	—	—	121	—	722	—	—	—	843
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (172,004 shares)	—	—	172	—	4,888	—	—	—	5,060
Amortization of stock options and restricted stock	—	—	—	—	3,107	—	—	—	3,107
Common stock issued for conversion of debt (372,000 shares)	—	—	372	—	2,728	—	—	—	3,100
Vesting of restricted stock awards (26,447 shares)	—	—	26	—	(26)	—	—	—	—
Deferred compensation plan, net, including dividend equivalents	—	—	—	591	—	—	—	—	591
Cash dividends declared on Series A preferred stock ($.60 per share)	—	—	—	—	—	(19)	—	—	(19)
Balance, December 31, 2006	322	—	42,891	862	270,383	306,261	—	(3,952)	616,767
Comprehensive income:									
Net income	—	—	—	—	—	57,993	—	—	57,993
Other comprehensive income:									
Unrealized holding gains on available for sale securities (net of deferred tax expense of $6,163)	—	—	—	—	—	—	—	10,267	10,267
Reclassification adjustment for gains on securities available for sale included in fee revenue (net of tax expense of $1,237)	—	—	—	—	—	—	—	(1,945)	(1,945)
Unrealized gains on derivative financial instruments qualifying as cash flow hedges (net of deferred tax expense of $6,297)	—	—	—	—	—	—	—	9,891	9,891
Comprehensive income						57,993		18,213	76,206
Retirement of Series A preferred stock (6,400 shares)	(64)	—	—	—	—	—	—	—	(64)
Cash dividends declared on common stock ($.36 per share)	—	—	—	—	—	(16,845)	—	—	(16,845)
Common stock issued for acquisition (5,691,948 shares)	—	—	5,692	—	185,649	—	—	—	191,341
Exercise of stock options, net of shares exchanged (150,078 shares)	—	—	86	—	71	—	1,543	—	1,700
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (134,664 shares)	—	—	110	—	3,217	—	615	—	3,942
Amortization of stock options and restricted stock	—	—	—	—	3,580	—	—	—	3,580
Vesting of restricted stock awards (34,277 shares issued, 3,125 shares deferred)	—	—	30	93	(219)	—	96	—	—
Purchases of treasury stock (2,000,000 shares)	—	—	—	—	—	—	(46,056)	—	(46,056)
Deferred compensation plan, net, including dividend equivalents	—	—	—	1,187	—	—	—	—	1,187
Shares issued from deferred compensation plan (1,550 shares)	—	—	—	(42)	38	—	4	—	—
Tax benefit from options exercised	—	—	—	—	162	—	—	—	162
Cash dividends declared on Series A preferred stock ($.60 per share)	—	—	—	—	—	(18)	—	—	(18)
Balance, December 31, 2007	258	—	48,809	2,100	462,881	347,391	(43,798)	14,261	831,902
Comprehensive loss:									
Net loss	—	—	—	—	—	(63,450)	—	—	(63,450)
Other comprehensive income:									
Unrealized holding gains on available for sale securities (net of deferred tax expense of $5,442)	—	—	—	—	—	—	—	8,912	8,912
Reclassification adjustment for gains on securities available	—	—	—	—	—	—	—	(803)	(803)

for sale included in fee revenue (net of tax expense of $512)									
Unrealized gains on derivative financial instruments qualifying as cash flow hedges (net of deferred tax expense of $22,439)	—	—	—	—	—	—	—	35,244	35,244
Reclassification adjustment for gains on terminated floor contracts (net of tax expense of $1,932) included in fee revenue (net of tax expense of $511)	—	—	—	—	—	—	—	(3,035)	(3,035)
Comprehensive loss						(63,450)		40,318	(23,132)
Issuance of Series B preferred stock (180,000 shares)	—	173,097	—	—	6,903	—	—	—	180,000
Issuance of warrants attached to trust preferred securities	—	—	—	—	392	—	—	—	392
Cash dividends declared on common stock ($.18 per share)	—	—	—	—	—	(8,465)	—	—	(8,465)
Stock dividends declared on common stock (723,814 shares)	—	—	—	—	(8,663)	(9,347)	17,934	—	(76)
Exercise of stock options, net of shares exchanged (80,838 shares)	—	—	—	—	(1,257)	—	2,277	—	1,020
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (281,501 shares)	—	—	—	—	(3,259)	—	6,648	—	3,389
Amortization of stock options and restricted stock	—	—	—	—	3,859	—	—	—	3,859
Vesting of restricted stock awards (15,662 shares issued, 8,700 shares deferred)	—	—	—	264	(639)	—	375	—	—
Deferred compensation plan, net, including dividend equivalents	—	—	—	658	—	—	—	—	658
Shares issued from deferred compensation plan (4,214 shares)	—	—	—	(114)	15	—	99	—	—
Tax benefit from options exercised	—	—	—	—	476	—	—	—	476
Cash dividends on Series A preferred stock ($.60 per share)	—	—	—	—	—	(16)	—	—	(16)
Cash dividends on Series B preferred stock (5%)	—	83	—	—	—	(708)	—	—	(625)
Balance, December 31, 2008	$ 258	$ 173,180	$ 48,809	$ 2,908	$ 460,708	$ 265,405	$ (16,465)	$ 54,579	$ 989,382

See accompanying notes to consolidated financial statements

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2008, 2007 and 2006
(in thousands)

	2008	2007	2006
Operating activities:			
Net (loss) income	$ (63,450)	$ 57,993	$ 68,815
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation, amortization and accretion	14,848	13,946	14,817
Provision for loan losses	184,000	55,600	14,600
Stock based compensation	3,859	3,580	3,107
Deferred income tax benefit	(13,566)	(14,228)	(3,510)
Securities (gains) losses, net	(1,315)	(3,182)	643
Losses (gains) on sale of other assets	14	(214)	(780)
Losses on prepayment of borrowings	2,714	2,242	636
Losses and write downs on other real estate owned	12,415	2,659	482
Change in assets and liabilities, net of effects of business combinations:			
Other assets and accrued interest receivable	202	15,270	(29,014)
Accrued expenses and other liabilities	(26,079)	(35,574)	(5,523)
Mortgage loans held for sale	7,670	7,321	(12,990)
Net cash provided by operating activities	121,312	105,413	51,283
Investing activities, net of effects of business combinations:			
Proceeds from sales of securities available for sale	162,679	128,214	128,392
Proceeds from maturities and calls of securities available for sale	464,672	597,215	173,015
Purchases of securities available for sale	(820,665)	(904,158)	(367,083)
Net increase in loans	(47,870)	(113,206)	(715,140)
Purchase of bank owned life insurance	—	(50,000)	—
Purchases of premises and equipment	(10,858)	(34,062)	(29,784)
Net cash (paid for) received from business combinations	—	(4,346)	73,749
Proceeds from sales of other real estate	78,973	22,483	3,902
Net cash used in investing activities	(173,069)	(357,860)	(732,949)
Financing activities, net of effects of business combinations:			
Net change in deposits	927,673	(264,780)	935,064
Net change in federal funds purchased, repurchase agreements and other short-term borrowings	(488,051)	567,233	(68,392)
Proceeds from line of credit	—	42,000	—
Repayment of line of credit	(42,000)	—	—
Proceeds from trust preferred securities	12,967	—	—
Retirement of trust preferred securities	—	(5,000)	—
Proceeds from FHLB advances	400,000	1,200,000	949,452
Repayments of FHLB advances	(686,714)	(1,182,142)	(1,099,136)
Proceeds from issuance of subordinated debt	30,000	—	—
Proceeds from issuance of common stock	3,389	3,942	5,060
Proceeds from exercise of stock options	1,020	1,700	843
Retirement of Series A preferred stock	—	(64)	—
Proceeds from issuance of Series B preferred stock	180,000	—	—
Purchase of treasury stock	—	(46,056)	—
Cash dividends on common stock	(12,713)	(16,029)	(12,492)
Cash dividends on Series A preferred stock	(16)	(18)	(19)
Net cash provided by financing activities	325,555	300,786	710,380
Net change in cash and cash equivalents	273,798	48,339	28,714
Cash and cash equivalents at beginning of year	219,623	171,284	142,570
Cash and cash equivalents at end of year	$ 493,421	$ 219,623	$ 171,284

See accompanying notes to consolidated financial statements

(1) Summary of Significant Accounting Policies

The accounting principles followed by United Community Banks, Inc. (“United”) and its subsidiaries and the methods of applying these principles conform with accounting principles generally accepted in the United States of America (“GAAP”) and with general practices within the banking industry. The following is a description of the more significant of those policies.

Organization and Basis of Presentation

At December 31, 2008, United was a bank holding company whose business was conducted by its wholly-owned bank subsidiary. United is subject to regulation under the Bank Holding Company Act of 1956. The consolidated financial statements include the accounts of United Community Banks, Inc. and its wholly-owned commercial bank subsidiary in Georgia (the “Bank”), and Brintech, Inc., a financial services consulting subsidiary based in Texas. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Bank is a commercial bank that serves markets throughout north Georgia, coastal Georgia, the Atlanta MSA, the Gainesville MSA, western North Carolina and east Tennessee and provides a full range of banking services. The Bank is insured and subject to the regulation of the Federal Deposit Insurance Corporation (“FDIC”) and is also subject to the regulation of the Georgia Department of Banking and Finance.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the balance sheet and revenue and expenses for the years then ended. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change are the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans and the valuation of goodwill and separately identifiable intangible assets associated with mergers and acquisitions.

Operating Segments

Operating segments are components of a business about which separate financial information is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. Public companies are required to report certain financial information about operating segments in interim and annual financial statements. Although United’s operations are divided among 27 community banks, those banks have similar economic characteristics and are therefore aggregated into one operating segment for purposes of segment reporting. Because United has only one operating segment, segment information is not provided separately from the Consolidated Financial Statements.

Cash and Cash Equivalents

Cash equivalents include amounts due from banks, interest-bearing deposits in banks, federal funds sold and commercial paper investments. Federal funds are generally sold for one-day periods, interest-bearing deposits in banks are available on demand and commercial paper investments mature within a period of less than 30 days.

Investment Securities

United classifies its securities in one of three categories: held to maturity, available for sale, or trading. Trading securities are bought and held principally for the purpose of selling them in the near term. Held to maturity securities are those securities for which United has the ability and intent to hold until maturity. All other securities are classified as available for sale. At December 31, 2008 and 2007, all securities were classified as available for sale.

Held to maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Available for sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available for sale securities are excluded from net income and are reported in other comprehensive income as a separate component of shareholders’ equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from held to maturity to available for sale are recorded as a separate component of shareholders’ equity. These unrealized holding gains or losses are amortized into income over the remaining life of the security as an adjustment to the yield in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security.

A decline in the fair value of available for sale and held to maturity securities below cost that is deemed other than temporary is charged to earnings and establishes a new cost basis for the security. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses for securities classified as available for sale and held to maturity are included in net income and derived using the specific identification method for determining the cost of the securities sold.

Federal Home Loan Bank (“FHLB”) stock is included in other assets at its original cost basis, as cost approximates fair value and there is no ready market for such investments.

(1) Summary of Significant Accounting Policies, continued

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of aggregate cost or market value. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net income for the period in which the change occurs. No market valuation allowances were required at December 31, 2008 or 2007 since those loans have market values that approximated the recorded basis.

Loans and Allowance for Loan Losses

With the exception of purchased loans that are recorded at fair value on the date of acquisition, loans are stated at principal amount outstanding, net of any unearned revenue and net of any deferred loan fees and costs. Interest on loans is primarily calculated by using the simple interest method on daily balances of the principal amount outstanding.

The accrual of interest is discontinued when a loan becomes 90 days past due and is not both well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged against interest revenue on loans. Interest payments are applied to the principal balance on nonaccrual loans.

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 revenue on impaired loans is discontinued when the loans meet the criteria for nonaccrual status described above.

The allowance for loan losses is established through a provision for loan losses charged to income. Loans are charged against the allowance for loan losses when available information confirms that the collectability of the principal is unlikely. The allowance represents an amount, which, in management’s judgment, is adequate to absorb probable losses on existing loans as of the date of the balance sheet.

The allowance is composed of general reserves and specific reserves. General reserves are determined by applying loss percentages to the portfolio that are based on historical loss experience and management’s evaluation and “risk grading” of the loan portfolio. Additionally, the general economic and business conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, the findings of internal and external credit reviews and results from external bank regulatory examinations are included in this evaluation. The need for specific reserves is evaluated on impaired loan relationships greater than $500,000. The specific reserves are determined on a loan-by-loan basis based on management’s evaluation of United’s exposure for each credit, given the current payment status of the loan and the value of any underlying collateral. Loans for which specific reserves are provided are excluded from the calculation of general reserves.

Management prepares a quarterly analysis of the allowance for loan losses and material deficiencies are adjusted by increasing the provision for loan losses. Management has an internal loan review department that is independent of the lending function to challenge and corroborate the loan grading system and provide additional analysis used in determining the adequacy of the allowance for loan losses. Management also outsources loan review on a rotating basis to ensure objectivity in the loan review process.

Management believes the allowance for loan losses is adequate at December 31, 2008. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review United’s allowance for loan losses. Such agencies may require United to recognize additions or deductions to the allowance based on their judgment and information available to them at the time of their examination.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the related assets. Costs incurred for maintenance and repairs are expensed as incurred. The range of estimated useful lives for buildings and improvements is 15 to 40 years, for land improvements, 10 to 35 years, and for furniture and equipment, 3 to 10 years.

(1) Summary of Significant Accounting Policies, continued

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill and other intangible assets deemed to have an indefinite useful life are not amortized but instead are subject to an annual review for impairment.

Also in connection with business combinations involving banks and branch locations, United generally records core deposit intangibles representing the value of the acquired core deposit base. Core deposit intangibles are amortized over the estimated useful life of the deposit base, generally on a straight-line or accelerated basis not exceeding 15 years. The remaining useful lives of core deposit intangibles are evaluated periodically to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Income Taxes

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income taxes during the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of United's assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable earnings and tax planning strategies.

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities.

The Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109* ("FIN 48"), as of January 1, 2007. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest and / or penalties related to income tax matters in income tax expense.

Stock-Based Compensation

United uses the fair value method of recognizing expense for stock based compensation based on the fair value of option and restricted stock awards at the date of grant as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123(R), *Share-Based Payment*. United applied the modified prospective approach to adoption in which expense is recognized prospectively for previously granted but unvested options and new option grants.

Derivative Instruments and Hedging Activities

United's interest rate risk management strategy incorporates the use of derivative instruments to minimize fluctuations in net income that are caused by interest rate volatility. United's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that the net interest margin is not, on a material basis, adversely affected by movements in interest rates. United views this strategy as a prudent management of interest rate risk, such that net income is not exposed to undue risk presented by changes in interest rates.

In carrying out this part of its interest rate risk management strategy, United uses interest rate derivative contracts. The two primary types of derivative contracts used by United to manage interest rate risk are interest rate swaps and interest rate floors.

(1) Summary of Significant Accounting Policies, continued

Derivative Instruments and Hedging Activities, continued

Interest rate swaps generally involve the exchange of fixed- and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date.

Interest rate floors are options that entitle the purchaser to receive payments from the counterparty equal to the difference between the rate in an underlying index (i.e. LIBOR, Prime) and a strike rate when the index falls below the strike rate. Similar to swaps, interest rate floors are based on a common notional principal amount and maturity date. The premium paid to the counterparty to purchase the floor is amortized into earnings over the life of the contract. United's hedging strategies involving interest rate derivatives are classified as either Fair Value Hedges or Cash Flow Hedges, depending on the rate characteristics of the hedged item.

Fair Value Hedge: As a result of interest rate fluctuations, fixed-rate assets and liabilities will appreciate or depreciate in fair value. When effectively hedged, this appreciation or depreciation will generally be offset by fluctuations in the fair value of the derivative instruments that are linked to the hedged assets and liabilities. This strategy is referred to as a fair value hedge.

Cash Flow Hedge: Cash flows related to floating-rate assets and liabilities will fluctuate with changes in an underlying rate index. When effectively hedged, the increases or decreases in cash flows related to the floating rate asset or liability will generally be offset by changes in cash flows of the derivative instrument designated as a hedge. This strategy is referred to as a cash flow hedge.

By using derivative instruments, United is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the fair value gain in a derivative. When the fair value of a derivative contract is positive, this situation generally indicates that the counterparty is obligated to pay United, and, therefore, creates a repayment risk for United. When the fair value of a derivative contract is negative, United is obligated to pay the counterparty and, therefore, has no repayment risk. United minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by United. From time to time, United may require the counterparties to pledge securities as collateral to cover the net exposure.

United's derivative activities are monitored by its asset/liability management committee as part of that committee's oversight of United's asset/liability and treasury functions. United's asset/liability committee is responsible for implementing various hedging strategies that are developed through its analysis of data from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the overall interest-rate risk management process.

United recognizes the fair value of derivatives as assets or liabilities in the financial statements. The accounting for the changes in the fair value of a derivative depends on the intended use of the derivative instrument at inception. The change in fair value of instruments used as fair value hedges is accounted for in the net income of the period simultaneous with accounting for the fair value change of the item being hedged. The change in fair value of the effective portion of cash flow hedges is accounted for in other comprehensive income rather than net income. Changes in fair value of derivative instruments that are not intended as a hedge are accounted for in the net income of the period of the change.

As of December 31, 2008 and 2007, United had prime based interest rate floors that were being accounted for as cash flow hedges with a total notional amount of $325 million and $500 million, respectively, for the purpose of protecting cash flows from prime based loans in the event that the prime rate should fall. United also had prime based interest rate swaps with a total notional amount of $755 million and $680 million, respectively, that were being accounted for as cash flow hedges of prime based loans for the purpose of converting floating rate assets to a fixed rate. No hedge ineffectiveness from cash flow hedges was recognized in the statement of income in 2008, 2007 or 2006.

Amounts reported in accumulated other comprehensive income related to derivatives are reclassified to interest revenue as interest payments are received on the United's prime-based loans. During 2009, United estimates that an additional $34.7 million will be recorded as interest revenue relating to the floor and swap contracts on prime-based loans.

As of December 31, 2008 and 2007, United had interest rate swap contracts with a total notional amount of $275 million and $55 million, respectively, that were being accounted for as fair value hedges of brokered certificates of deposit. United recognized income of $139,000 in fee revenue in 2008 and expense of $5,000 and $8,000 in other operating expense in 2007 and 2006, respectively, due to ineffectiveness of these swap contracts. Although some ineffectiveness was recognized, the fair value hedges remain highly effective.

(1) Summary of Significant Accounting Policies, continued

Derivative Instruments and Hedging Activities, continued

As of December 31, 2008 and 2007, United had interest rate swap contracts with a total notional amount of $50 million that were being accounted for as fair value hedges of fixed-rate Federal Home Loan Bank advances. No ineffectiveness has been recognized on these swap contracts as they are being accounted for using the short-cut method of accounting which allows the fair value adjustment for the hedged item to be equal to the fair value adjustment of the swap if all of the terms of each instrument match.

At December 31, 2008 and 2007, United recorded in other assets an asset of approximately $81.6 million and $28.5 million, respectively, for the fair value of these instruments.

Reclassifications

Certain 2007 and 2006 amounts have been reclassified to conform to the 2008 presentation.

Accumulated Other Comprehensive Income

GAAP normally requires that recognized revenues, expenses, gains and losses be included in net income. In addition to net income, other components of comprehensive income include the after-tax effect of changes in unrealized gains and losses on available for sale securities and derivative financial instruments accounted for as cash flow hedges. These items are reported as a separate component of shareholders' equity. United presents comprehensive income as a component of the statement of changes in shareholders' equity.

(2) Recent Accounting Pronouncements

Business Combinations

In December 2007, FASB issued SFAS No. 141(R), *Business Combinations*. SFAS 141(R) will significantly change how entities apply the acquisition method to business combinations. The most significant changes affecting how United will account for business combinations under this statement include: the acquisition date is the date the acquirer obtains control; all (and only) identifiable assets acquired, liabilities assumed, and noncontrolling interests in the acquiree are stated at fair value on the acquisition date; assets or liabilities arising from noncontractual contingencies are measured at their acquisition date fair value only if it is more likely than not that they meet the definition of an asset or liability on the acquisition date; adjustments subsequently made to the provisional amounts recorded on the acquisition date are made retroactively during a measurement period not to exceed one year; acquisition-related restructuring costs that do not meet the criteria in SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, are expensed as incurred; transaction costs are expensed as incurred; reversals of deferred income tax valuation allowances and income tax contingencies are recognized in earnings subsequent to the measurement period; and the allowance for loan losses of an acquiree is not permitted to be recognized by the acquirer. Additionally, SFAS 141(R) requires new and modified disclosures surrounding subsequent changes to acquisition-related contingencies, contingent consideration, noncontrolling interests, acquisition-related transaction costs, fair values and cash flows not expected to be collected for acquired loans, and an enhanced goodwill rollforward. The Company is required to apply SFAS No. 141(R) prospectively to all business combinations completed after January 1, 2009.

Accounting for Transfers of Financial Assets and Repurchase Financing Transactions

In February 2008, the FASB issued FASB Staff Position ("FSP") FAS 140-3 *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions.* This statement provides guidance regarding the accounting for a transfer of a financial asset and repurchase financing where the counterparties for both transactions are the same. In these circumstances, certain criteria must be met in order to not account for the transactions as a linked transaction. This FSP becomes effective for United as of January 1, 2009. United does not anticipate that this FSP will have a material effect on United's financial position, results of operations, or disclosures.

Fair Value Measurements

In February 2008, the FASB issued FSP FAS 157-1 *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* and FSP FAS 157-2 *Effective Date of FASB Statement No. 157*. FSP FAS 157-1 excludes leases from the provisions of SFAS 157, unless the lease is valued under a transaction covered by SFAS 141(R). FSP FAS 157-2 delays implementation of SFAS 157 for nonfinancial assets and nonfinancial liabilities measured at fair value on a non-recurring basis until January 1, 2009. Because United does not have any leases which are subject to fair value accounting and because United already discloses nonfinancial assets measured at fair value on a nonrecurring basis in the financial statements, United does not anticipate that these FSPs will have a material effect on United's financial position, results of operations, or disclosures.

(2) Recent Accounting Pronouncements, continued

Fair Value Measurements, continued

In October, 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. This staff position addressed concerns among financial entities regarding assets trading in markets that were at one time active but have subsequently become inactive. Under FSP FAS 157-3, entities must take into account the facts and circumstances to determine whether the known trades in an inactive market are reflective of orderly transactions that are not forced liquidations or distressed sales. If an entity makes this determination, they can classify the assets as Level 3 of the fair value hierarchy and use an appropriate valuation approach relying to an extent on unobservable inputs, and thus following the appropriate disclosures associated with a recurring Level 3 asset. This FSP was effective upon issuance. United's current portfolio does not include any securities to which FSP FAS 157-3 would apply. Thus, FSP FAS 157-3 did not have a material effect on United's financial position, results of operations, or disclosures.

Disclosures About Derivatives and Hedging

In March 2008, the FASB issued SFAS No. 161 (SFAS 161), *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133*. This statement requires an entity to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related items are accounted for under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is intended to enhance the current disclosure framework in SFAS 133, by requiring the objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This statement becomes effective for United as of January 1, 2009. As this statement is related to disclosures only, United does not anticipate that adoption of this standard will have a material effect on United's financial position or results of operations.

Disclosures About Credit Derivatives and Certain Guarantees

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of SFAS No. 161*. This staff position details the proper disclosure and reporting for credit derivatives for both the party that assumes credit risk (seller) and the party that is protected by the credit derivative (buyer). The disclosures should include the nature, term, reasoning, and events and circumstances that would require the seller to perform under the derivative contract. This FSP is effective for reporting periods ending after November 15, 2008. United is not the buyer or seller on any credit derivatives at this time, and therefore this staff position did not have a material effect on United's financial position or results of operations.

Disclosures About Transfers of Financial Assets and Interests in Variable Interest Entities

In December, 2008, the FASB issued FSP SFAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. This staff position addressed concerns among financial entities regarding the disclosures surrounding variable interest entities. Specifically, it requires additional disclosures about a public enterprise's involvement in variable interest entities. Additional disclosures are also required by the sponsor of a qualified special purpose entity that holds a variable interest entity in the qualifying special purpose entity but was not the transferor of the financial assets and the servicer of the variable interest entity that holds a significant interest in the qualifying special purpose entity, but was not the transferor of the assets to the qualifying special purpose entity. This FSP became effective for reporting periods ending after December 15, 2008. This FSP did not have a material effect on United's financial position, results of operations, or disclosures.

(3) Mergers and Acquisitions

On June 1, 2007, United acquired 100 percent of the outstanding common shares of Gwinnett Commercial Group, Inc. ("Gwinnett"), a bank holding company headquartered in Lawrenceville, Georgia. Gwinnett's results of operations are included in consolidated financial results from the acquisition date. Gwinnett was the parent company of First Bank of the South, a community bank with five full service banking offices serving the north metro Atlanta counties of Gwinnett, DeKalb, and north Fulton and a commercial loan office in Walton County. United continued to expand its presence in metropolitan Atlanta and the acquisition of Gwinnett accomplished a long-standing strategic goal of encircling metro Atlanta. The aggregate purchase price was approximately $222.9 million, including 5,691,948 shares of United's common stock and $31.5 million in cash that was exchanged for all of the outstanding common shares and options to purchase common shares of Gwinnett. The value of the common stock issued of $33.62 per share was determined based on the average of the closing market price of United's common shares over the period beginning two days before and ending two days after the terms of the acquisition were agreed to and announced.

(3) Mergers and Acquisitions, continued

On December 1, 2006, United acquired 100 percent of the outstanding common shares of Southern Bancorp, Inc. (“Southern”), a bank holding company headquartered in Marietta, Georgia. Southern’s results of operations are included in consolidated financial results from the acquisition date. Southern was the parent company of Southern National Bank, a community bank with two full service banking offices serving the northwest side of metropolitan Atlanta. The aggregate purchase price was approximately $67.8 million, including 2,180,118 shares of United’s common stock that was exchanged for all of the outstanding common shares and options to purchase common shares of Southern. The value of the common stock issued of $31.09 per share was determined based on the average of the closing market price of United’s common shares over the period beginning two days before and ending two days after the terms of the acquisition were agreed to and announced.

On September 22, 2006, United completed the acquisition of two branch locations in the western North Carolina counties of Jackson and Swain. The two acquired branch locations were in markets where United already had a presence and added approximately $8 million in new loans, approximately $38 million in deposits and $3 million in intangibles. Results of operations of the acquired branches are included in United’s consolidated results beginning on the acquisition date.

Core deposit intangibles related to the acquisitions are being amortized over a period of 10 years. Goodwill resulting from the acquisitions of Gwinnett in 2007 and Southern in 2006 will not be amortized or deductible for tax purposes. Goodwill resulting from the North Carolina branch acquisitions will not be amortized but will be deductible for tax purposes.

A reconciliation of the accrued merger costs is presented below *(in thousands):*

2008	Beginning Balance	Purchase Adjustments	Amounts Charged to Earnings	Amounts Paid	Ending Balance
Severance and related costs	$ 2,481	$ —	$ —	$ (2,407)	$ 74
Professional fees	4	—	—	(4)	—
Totals	$ 2,485	$ —	$ —	$ (2,411)	$ 74
2007					
Severance and related costs	$ 577	$ 2,348	$ 71	$ (515)	$ 2,481
Professional fees	47	705	—	(748)	4
Contract termination costs	804	(785)	—	(19)	—
Totals	$ 1,428	$ 2,268	$ 71	$ (1,282)	$ 2,485
2006					
Severance and related costs	$ 336	$ 266	$ —	$ (25)	$ 577
Professional fees	81	32	—	(66)	47
Contract termination costs	816	—	—	(12)	804
Other merger-related expenses	85	—	—	(85)	—
Totals	$ 1,318	$ 298	$ —	$ (188)	$ 1,428

At December 31, 2008, accrued merger costs of $74,000 remained unpaid relating to acquisitions, which are primarily unpaid severance costs.

The financial information below presents the pro forma earnings of United assuming that the results of operations of Gwinnett and Southern were included in consolidated earnings for the full years of 2008, 2007 and 2006.

	2008	2007	2006
Total revenue	$ 105,584	$ 290,901	$ 313,191
Net (loss) income	(63,450)	62,251	84,633
Diluted (loss) earnings per common share	(1.35)	1.27	1.72

(4) Cash Flows

United paid approximately $227 million, $276 million and $200 million in interest on deposits and other borrowings during 2008, 2007 and 2006, respectively. In connection with United's 2007 acquisition of Gwinnett, assets having a fair value of approximately $809 million were acquired and liabilities totaling approximately $595 million were assumed. In connection with United's 2006 acquisitions of Southern and two branches in western North Carolina, assets having a fair value of approximately $428 million were acquired and liabilities totaling approximately $387 million were assumed.

During 2008, 2007 and 2006, loans having a carrying value of $132 million, $62.7 million and $8.3 million, respectively, were transferred to other real estate. Also, during 2008, 2007 and 2006, United financed the sale of other real estate properties with loans totaling $10.5 million, $8.3 million and $2.3 million, respectively. Loans made by United to finance the sale of other real estate were made on terms substantially the same as other loans made by United.

(5) Securities Available for Sale

The cost basis, unrealized gains and losses, and fair value of securities available for sale at December 31, 2008 and 2007 are listed below *(in thousands)*:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2008				
U.S. Government agencies	$ 166,263	$ 2,122	$ —	$ 168,385
State and political subdivisions	43,649	469	378	43,740
Mortgage-backed securities	1,363,513	26,356	10,713	1,379,156
Other	26,080	79	253	25,906
Total	$ 1,599,505	$ 29,026	$ 11,344	$ 1,617,187
As of December 31, 2007				
U.S. Government agencies	$ 292,912	$ 2,270	$ 22	$ 295,160
State and political subdivisions	40,651	708	45	41,314
Mortgage-backed securities	1,013,228	6,035	4,220	1,015,043
Other	5,405	12	88	5,329
Total	$ 1,352,196	$ 9,025	$ 4,375	$ 1,356,846

The following summarizes securities in an unrealized loss position as of December 31, 2008 and 2007 *(in thousands)*

	Less than 12 Months		12 Months or More		Total	
As of December 31, 2008	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	$ 9,672	$ 369	$ 14	$ 9	$ 9,686	$ 378
Mortgage-backed securities	215,396	10,210	11,719	503	227,115	10,713
Other	5,228	253	—	—	5,228	253
Total unrealized loss position	$ 230,296	$ 10,832	$ 11,733	$ 512	$ 242,029	$ 11,344
As of December 31, 2007						
U.S. Government agencies	$ —	$ —	$ 9,978	$ 22	$ 9,978	$ 22
State and political subdivisions	—	—	3,547	45	3,547	45
Mortgage-backed securities	32,513	172	339,550	4,048	372,063	4,220
Other	373	88	—	—	373	88
Total unrealized loss position	$ 32,886	$ 260	$ 353,075	$ 4,115	$ 385,961	$ 4,375

Management believes that there were no unrealized losses as of December 31, 2008 and 2007 that represent an other-than-temporary impairment. Unrealized losses at December 31, 2008 and 2007 were primarily attributable to changes in interest rates, and United has both the intent and ability to hold the securities for a time necessary to recover the amortized cost.

(5) Securities Available for Sale, continued

The amortized cost and fair value of the investment securities at December 31, 2008, by contractual maturity, are presented in the following table *(in thousands)*. Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
U.S. Government agencies:		
Within 1 year	$ 700	$ 723
5 to 10 years	165,563	167,662
	166,263	168,385
State and political subdivisions:		
Within 1 year	7,937	8,001
1 to 5 years	17,805	18,062
5 to 10 years	9,447	9,519
More than 10 years	8,460	8,158
	43,649	43,740
Other:		
Within 1 year	9,378	9,364
1 to 5 years	11,355	11,381
5 to 10 years	1,000	1,000
More than 10 years	4,347	4,161
	26,080	25,906
Total securities other than mortgage-backed securities:		
Within 1 year	18,015	18,088
1 to 5 years	29,160	29,443
5 to 10 years	176,010	178,181
More than 10 years	12,807	12,319
Mortgage-backed securities	1,363,513	1,379,156
	$ 1,599,505	$ 1,617,187

At December 31, 2008 and 2007, securities with a carrying value of $1.5 billion and $1.3 billion, respectively, were pledged to secure public deposits and FHLB advances.

The following summarizes securities sales activities for the years ended December 31, 2008, 2007 and 2006 *(in thousands)*:

	2008	2007	2006
Proceeds from sales	$ 162,679	$ 128,214	$ 128,392
Gross gains on sales	$ 1,419	$ 3,511	$ 375
Gross losses on sales	104	329	1,018
Net gains (losses) on sales of securities	$ 1,315	$ 3,182	$ (643)
Income tax expense (benefit) attributable to sales	$ 512	$ 1,237	$ (250)

(6) Loans and Allowance for Loan Losses

Major classifications of loans at December 31, 2008 and 2007, are summarized as follows *(in thousands)*:

	2008	2007
Commercial (secured by real estate)	$ 1,626,966	$ 1,475,930
Commercial (commercial and industrial)	410,529	417,715
Commercial construction	499,663	527,123
Total commercial	2,537,158	2,420,768
Residential construction	1,478,679	1,829,506
Residential mortgage	1,526,388	1,501,916
Installment	162,636	177,073
Total loans	5,704,861	5,929,263
Less allowance for loan losses	122,271	89,423
Loans, net	$ 5,582,590	$ 5,839,840

The Bank grants loans and extensions of credit to individuals and a variety of firms and corporations located primarily in counties in north Georgia, the Atlanta MSA, the Gainesville 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.

United had $142.3 million in loans classified as impaired at December 31, 2008. Of that amount, $49.7 million had specific reserves of $15.7 million allocated and the remaining $92.6 million did not require specific reserves or had been previously written down to net realizable value. At December 31, 2007, United had $78.4 million of loans classified as impaired. Of that amount, $61.1 million had specific reserves of $13.5 million allocated and the remaining $17.3 million did not require specific reserves. United's policy is to discontinue recognition of interest revenue for loans classified as impaired when those loans meet the criteria for nonaccrual status. The average balance of impaired loans for 2008 was $97.1 million. There was no interest revenue recognized on impaired loans in 2008.

Changes in the allowance for loan losses are summarized as follows *(in thousands)*:

	2008	2007	2006
Balance at beginning of year	$ 89,423	$ 66,566	$ 53,595
Provision for loan losses	184,000	55,600	14,600
Charge-offs	(152,877)	(41,694)	(7,623)
Recoveries	1,725	1,860	2,099
Allowance acquired through acquisitions	—	7,091	3,895
Balance at end of year	$ 122,271	$ 89,423	$ 66,566

In the ordinary course of business, the Bank grants loans to executive officers, certain key employees, and directors of the holding company and the Bank, including their immediate families and companies with which they are associated. Management believes that such loans are made substantially on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers. The following is a summary of such loans outstanding and the activity in these loans for the year ended December 31, 2008 *(in thousands)*:

Balances at December 31, 2007	$ 54,457
New loans and advances	49,048
Repayments	(11,014)
Renewals	(29,121)
Adjustment for changes in executive officers and directors	(15,147)
Balances at December 31, 2008	$ 48,223

(6) Loans and Allowance for Loan Losses, continued

At December 31, 2008, loans with a carrying value of $1.9 billion were pledged as collateral to secure FHLB advances and other contingent funding sources.

(7) Premises and Equipment

Premises and equipment at December 31, 2008 and 2007 are summarized as follows, *(in thousands)*:

	2008	2007
Land and land improvements	$ 78,874	$ 75,776
Buildings and improvements	100,162	89,570
Furniture and equipment	70,930	71,174
Construction in progress	1,974	10,745
	251,940	247,265
Less accumulated depreciation	72,780	67,177
Premises and equipment, net	$ 179,160	$ 180,088

Depreciation expense was approximately $11.8 million, $10.6 million and $9.9 million for 2008, 2007 and 2006, respectively.

(8) Goodwill and Other Intangible Assets

A summary of changes in goodwill for the years ended December 31, 2008 and 2007 is presented below, *(in thousands):*

	2008	2007
Beginning balance	$ 306,086	$ 151,974
Goodwill acquired	—	154,504
Purchase adjustments	(496)	(392)
Ending balance	$ 305,590	$ 306,086

United has finite-lived intangible assets capitalized on its balance sheet in the form of core deposit intangibles. These intangible assets are amortized over their estimated useful lives of no more than 15 years.

A summary of core deposit intangible assets as of December 31, 2008 and 2007 is presented below, *(in thousands)*:

	2008	2007
Gross carrying amount	$ 31,152	$ 31,152
Less accumulated amortization	14,944	11,933
Net carrying amount	$ 16,208	$ 19,219

Amortization expense on finite-lived intangible assets was $3.0 million in 2008, $2.7 million for 2007 and $2.0 million for 2006. Amortization expense for each of the years 2009 through 2013 is estimated below *(in thousands)*:

2009	$ 2,955
2010	2,891
2011	2,779
2012	2,708
2013	1,850

(9) Deposits

At December 31, 2008, the contractual maturities of time deposits are summarized as follows *(in thousands)*:

Maturing In:	
2009	$ 3,241,126
2010	698,855
2011	175,078
2012	38,482
2013	15,330
thereafter	307
	$ 4,169,178

At December 31, 2008, United held $793 million in certificates of deposit obtained through the efforts of third party brokers. At December 31, 2007, United had $323 million of such certificates of deposit. The daily average balance of these brokered deposits totaled $565 million and $337 million in 2008 and 2007, respectively. The weighted average rates paid during 2008 and 2007 were 4.18% and 4.92%, respectively, and the weighted average rate as of December 31, 2008 was 4.26%. These deposits generally have maturity dates ranging from 1 week to 5 years.

At December 31, 2008 and 2007, $1,923,000 and $1,765,000 in overdrawn deposit accounts were reclassified as loans. No specific allowance for loan losses was deemed necessary for these accounts at December 31, 2008 and 2007.

(10) Federal Home Loan Bank Advances

At December 31, 2008, the Bank had advances totaling $235 million from the FHLB of which $55 million are fixed rate advances and the remaining $180 million are variable. At December 31, 2007, the Bank had advances totaling $520 million. Interest payments and principal payments are due at various maturity dates and interest rates up to 5.06% at December 31, 2008. At December 31, 2008, the weighted average interest rate on FHLB advances was 2.94%. The FHLB advances are collateralized by commercial (secured by real estate) and residential mortgage loans, investment securities and FHLB stock.

At December 31, 2008, the maturities and current rates of outstanding advances were as follows *(in thousands)*:

Maturing In:	Amount Maturing	Current Rate Range
2009	$ 155,196	0.00% — 5.06%
2010	—	
2011	—	
2012	50,000	4.05% — 4.39%
2013	—	
thereafter	30,125	2.85% — 4.49%
	$ 235,321	

Timing of principal payments may differ from the maturity schedule shown above as some advances include call options that allow the FHLB to require repayment prior to the maturity date.

(11) Short-term Borrowings

United uses a number of sources of short-term borrowings to meet its liquidity needs including federal funds purchased, repurchase agreements, Federal Reserve discount window borrowings, the U.S. Treasury's Term Investment Option (TIO) and Term Auction Facility (TAF) programs and lines of credit. The table below shows the amounts of short-term borrowings outstanding by type at December 31, 2008 and 2007 *(in thousands)*.

	2008	2007
Federal funds purchased	$ 8,197	$ 343,834
Repurchase agreements	100,214	102,628
Lines of credit	—	42,000
Term investment option	—	150,000
Total short-term borrowings	$ 108,411	$ 638,462

Lines of Credit

At December 31, 2007, United maintained a line of credit agreement with a financial institution to borrow up to $45 million with interest indexed to LIBOR, adjusted monthly. United had pledged the common stock of its Georgia bank subsidiary as collateral securing any amounts outstanding on the line of credit. At December 31, 2007, there was $42 million outstanding on this line of credit. In January 2008, the balance was repaid and the line of credit was later terminated.

Term Investment Option / Term Auction Facility

United periodically obtains funds from the U.S. Treasury Department through its Term Investment Option (TIO) and Term Auction Facility (TAF) programs. The funds are obtained through a bid process through the U.S. Treasury Department. United's discount window, TIO and TAF funds are collateralized by commercial loans with maturities ranging from overnight to two weeks. Interest rates on these funds are comparable to the targeted federal funds rate. The Treasury Department suspended TIO auctions in December 2008 due to market conditions.

(12) Long-term Debt

Long-term debt at December 31, 2008 and 2007 consisted of the following *(in thousands)*:

	2008	2007	Issue Date	Stated Maturity Date	Earliest Call Date	Interest Rate
2002 subordinated debentures	$ 31,500	$ 31,500	2002	2012	2012	6.750%
2003 subordinated debentures	35,000	35,000	2003	2015	2010	6.250
2008 subordinated debentures	30,000	—	2008	2015	2008	LIBOR + 4.00
Total subordinated debentures	96,500	66,500				
United Community Capital Trust	21,650	21,650	1998	2028	2008	8.125
United Community Statutory Trust I	5,155	5,155	2000	2030	2010	10.600
United Community Capital Trust II	10,309	10,309	2000	2030	2010	11.295
Southern Bancorp Capital Trust I	4,382	4,382	2004	2034	2009	Prime + 1.00
United Community Statutory Trust II	11,787	—	2008	2038	2013	9.000
United Community Statutory Trust III	1,203	—	2008	2038	2013	Prime + 3.00
Total trust preferred securities	54,486	41,496				
Total long-term debt	$ 150,986	$ 107,996				

Interest is paid semiannually for all subordinated debentures and trust preferred securities.

Subordinated Debentures

Subordinated debentures qualify as Tier II capital under risk based capital guidelines. The 2003 subordinated debentures are callable at par on September 30, 2010 and September 30 of each year thereafter. If not called, the interest rate increases to 7.50% and remains at that rate until maturity or until it is called. The 2008 subordinated debentures are callable at any time.

(12) Long-term Debt, continued

Trust Preferred Securities

Trust preferred securities qualify as Tier I capital under risk based capital guidelines subject to certain limitations. The trust preferred securities are mandatorily redeemable upon maturity, or upon earlier redemption at a premium as provided in the indentures.

The trust preferred securities issued under United Community Statutory Trust II and United Community Statutory Trust III are callable at par any time after August 31, 2013. These trust preferred securities have attached warrants that allow the holder to redeem the trust preferred securities in exchange for common stock at the exercise price of $20 per share. The warrants can be exercised at any time prior to August 31, 2013, the fifth anniversary of their issuance, at which time the warrants expire.

(13) Earnings Per Share

United is required to report on the face of the statement of income, earnings 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 2008, 2007 and 2006, United paid dividends to Series A preferred stockholders totaling $15,000, $18,000 and $19,000, respectively. Additionally, in 2008, United accrued dividends of $708,000 on Series B preferred stock. The preferred stock dividends were subtracted from net (loss) income in order to arrive at net (loss) income available to common shareholders.

The following table sets forth the computation of basic and diluted earnings per common share for the years ended December 31, 2008, 2007 and 2006 *(in thousands, except per share data)*:

	2008	2007	2006
Net (loss) income available to common stockholders	$ (64,174)	$ 57,975	$ 68,796
Effects of convertible debentures	—	—	160
Diluted net (loss) earnings	$ (64,174)	$ 57,975	$ 68,956
(Loss) earnings per common share:			
Basic	$ (1.35)	$ 1.26	$ 1.70
Diluted	(1.35)	1.24	1.66
Weighted average common shares:			
Basic	47,369	45,948	40,413
Effect of dilutive securities:			
Stock options	—	645	804
Convertible debentures	—	—	358
Diluted	47,369	46,593	41,575

(14) Income Taxes

Income tax (benefit) expense for the years ended December 31, 2008, 2007 and 2006 is as follows *(in thousands)*:

	2008	2007	2006
Current	$ (24,099)	$ 45,827	$ 43,132
Deferred	(13,566)	(14,228)	(3,510)
Total income tax (benefit) expense	$ (37,665)	$ 31,599	$ 39,622

(14) Income Taxes, continued

The differences between the provision for income taxes and the amount computed by applying the statutory federal income tax rate of 35% to (loss) income before income taxes are as follows *(in thousands)*:

	2008	2007	2006
Pretax (loss) earnings at statutory rates	$ (35,390)	$ 31,357	$ 37,953
Add (deduct):			
State taxes, net of federal benefit	(6,779)	696	2,470
Bank owned life insurance earnings	1,672	(1,001)	(265)
Adjustment to reserve for uncertain tax positions	3,875	1,684	—
Tax-exempt interest revenue	(1,195)	(986)	(980)
Nondeductible interest expense	149	159	148
Tax credits	(506)	(482)	(373)
Incentive stock option expense	192	315	457
Other	317	(143)	212
Total income tax (benefit) expense	$ (37,665)	$ 31,599	$ 39,622

The following summarizes the sources and expected tax consequences of future taxable deductions (revenue) which comprise the net deferred tax asset at December 31, 2008 and 2007, which is included in other assets (in thousands):

	2008	2007
Deferred tax assets:		
Allowances for loan losses	$ 47,421	$ 41,306
Net operating loss carryforwards	5,659	37
Deferred compensation	5,059	4,714
Reserve for losses on foreclosed properties	2,521	876
Nonqualified share based compensation	2,348	1,325
Interest on nonperforming loans	—	1,013
Accrued expenses	413	986
Other	986	390
Total deferred tax assets	64,407	50,647
Deferred tax liabilities:		
Unrealized gains on cash flow hedges	27,761	7,255
Unrealized gains on securities available for sale	6,708	1,777
Premises and equipment	6,332	5,552
Acquired intangible assets	5,976	6,685
Loan origination costs	2,578	2,369
Prepaid expenses	974	1,060
Total deferred tax liabilities	50,329	24,698
Net deferred tax asset	$ 14,078	$ 25,949

In the opinion of management, it is more likely than not that all of the deferred tax assets will be realized, therefore a valuation allowance is not required.

During 2008, 2007 and 2006, United made income tax payments of approximately $15.2 million, $50.4 million and $53.5 million, respectively.

At December 31, 2008, United had state net operating loss carryforwards of approximately $800,000 that begin to expire in 2020 and approximately $14.8 million that begin to expire in 2023, if not previously utilized. United has state tax credit carryforwards of approximately $8.3 million that begin to expire in 2010, if not previously utilized.

(14) Income Taxes, continued

The amount of unrecognized tax benefits as of December 31, 2008 and 2007 are $9.3 million and $4.7 million, respectively.

A reconciliation of the beginning and ending unrecognized tax benefit is as follows *(in thousands)*:

	2008	2007
Balance at beginning of year	$ 4,729	$ 2,361
Additions based on tax positions related to prior years	2,331	1,089
Decreases based on tax positions related to prior years	(154)	(84)
Additions based on tax positions related to the current year	2,430	1,363
Balance at end of year	$ 9,336	$ 4,729

Approximately $6.1 million of this amount would increase income from continuing operations, and thus affect United's effective tax rate, if ultimately recognized into income.

It is the United's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in their respective federal or state income taxes accounts. The total amount of interest and penalties recorded in the income statement for the year ended December 31, 2008 and 2007 was $880,000 and $207,000, respectively, and the amount accrued for interest and penalties at December 31, 2008 and 2007 was $1.5 million and $610,000, respectively.

United is currently under examination by certain taxing authorities. Based on the outcome of these examinations, or as a result of the expiration of statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized tax benefits for tax positions taken regarding previously filed tax returns will materially change from those recorded as liabilities for uncertain tax positions in the financial statements. United anticipates that these audits may be finalized in the next 12 months. However, based on the status of these examinations and the protocol of finalizing audits by the relevant tax authorities, which could include formal legal proceedings, at this time it is not possible to estimate the effect of such changes, if any, to previously recorded uncertain tax positions.

United and its subsidiaries file a consolidated U.S. federal income tax return, as well as filing various returns in the states where its banking offices are located. United's Georgia and North Carolina-filed state income tax returns are no longer subject to examination by taxing authorities for years before 2003. The federal and remaining state filed income tax returns are no longer subject to examination by taxing authorities for years before 2005.

(15) Employee Benefit Plans

United offers a defined contribution 401(k) and Profit Sharing Plan ("Plan") that covers substantially all employees meeting certain minimum service requirements. The Plan allows employees to make pre-tax contributions to the Plan and United matches these employee contributions dollar-for-dollar up to 5% of eligible compensation, subject to Plan and regulatory limits. United also makes discretionary profit sharing contributions of up to 3.5% of eligible compensation based on earnings performance. Employees begin to receive matching contributions after completing one year of service and benefits vest after three years of service. United's Plan is administered in accordance with applicable laws and regulations. Compensation expense related to the Plan totaled $3.4 million, $3.3 million and $5.0 million in 2008, 2007 and 2006, respectively. The Plan allows employees to choose to invest among a number of investment options, including United's common stock. During 2008, 2007 and 2006, the Plan purchased 134,792, 71,577 and 111,485 shares, respectively, directly from United at the average of the high and low stock price on the date of purchase.

United provides defined post-retirement benefits to certain executive officers and other key employees. Expenses incurred for these post-retirement benefits were approximately $1,421,000, $860,000 and $818,000 for 2008, 2007 and 2006, respectively.

United sponsors a non-qualified deferred compensation plan for its executive officers, certain other key employees and members of its, and its community banks' Boards of Directors. The deferred compensation plan provides for the pre-tax deferral of compensation, fees and other specified benefits. The deferred compensation plan permits each participant to elect to defer a portion of his or her base salary or bonus and permits each director participant to elect to defer all or a portion of his or her director's fees. Further, the deferred compensation plan allows for additional contributions by an employee, with matching contributions by United, for amounts that exceed the allowable amounts under the tax-qualified 401(k) plan. During 2008, 2007 and 2006, United recognized $133,000, $147,000 and $204,000, respectively, in matching contributions for this provision of the deferred compensation plan. The Board of Directors may elect to make a discretionary contribution to any or all participants.

(16) Regulatory Matters

Capital Requirements

United and the Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, United and the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures (as defined) established by regulation to ensure capital adequacy require United and the Banks to maintain minimum amounts and ratios of Total capital and Tier I capital to risk-weighted assets, and of Tier I capital to average assets.

As of December 31, 2008, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must exceed the well-capitalized guideline ratios, as set forth in the table, and meet certain other requirements. Management believes that the Bank exceeded all well-capitalized requirements, and there have been no conditions or events since year-end that would change the status of well-capitalized. The regulatory designation of "well-capitalized" under prompt corrective action regulations is not applicable to United (a bank holding company). However, Regulation Y defines "well-capitalized" for a bank holding company for the purpose of determining eligibility for a streamlined review process for acquisition proposals. For such purposes, "well-capitalized" requires United to maintain a minimum Tier I risk-based capital ratio of 6% and a minimum Total risk-based capital ratio of 10%.

Minimum amounts required for capital adequacy purposes and to be well-capitalized under prompt corrective action provisions are presented below for United and its significant subsidiaries *(dollars in thousands)*.

	Regulatory Guidelines		United (consolidated)		Georgia		North Carolina *	
	Minimum	Well Capitalized	2008	2007	2008	2007	2008	2007
Risk-based ratios:								
Tier I capital	4.0%	6.0%	11.2%	8.6%	11.4%	9.0%	NA	9.0%
Total capital	8.0	10.0	13.9	11.0	13.2	11.5	NA	11.1
Leverage ratio	3.0	5.0	8.3	6.8	8.4	7.1	NA	6.8
Tier I capital			$ 671,667	$ 539,184	$ 690,905	$ 487,988	NA	$ 77,740
Total capital			831,046	683,919	797,083	620,653	NA	95,505

* The North Carolina bank was merged with the Georgia bank on February 1, 2008.

Cash, Dividend, Loan and Other Restrictions

At December 31, 2008, the Bank did not have a required reserve balance at the Federal Reserve Bank. At December 31, 2007, the Georgia and North Carolina banks were required by the Federal Reserve Bank to maintain reserve cash balances of $74 million. Federal and state banking regulations place certain restrictions on dividends paid by the Bank to United. At December 31, 2008, the Bank did not have any earnings available for distribution to United in the form of dividends without requesting regulatory approval.

On December 5, 2008, United entered into a Letter Agreement and Securities Purchase Agreement (the "Purchase Agreement") with the U.S. Treasury Department ("Treasury") under the TARP Capital Purchase Program discussed below, pursuant to which United sold (i) 180,000 shares of United's Fixed Rate Cumulative Perpetual Preferred Stock, Series B (the "Series B Preferred Stock") and (ii) a warrant (the "Warrant") to purchase 2,149,106 shares of United's common stock for an aggregate purchase price of $180 million in cash. Pursuant to the terms of the Purchase Agreement, the ability of United to declare or pay dividends or distributions its common stock is subject to restrictions, including a restriction against increasing dividends from the last quarterly cash dividend per share ($.09) declared on the common stock prior to December 5, 2008, as adjusted for subsequent stock dividends and other similar actions. In addition, as long as Series B Preferred Stock is outstanding, dividend payments are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions. This restriction will terminate on December 5, 2011, or earlier, if the Series B Preferred Stock has been redeemed in whole or Treasury has transferred all of the Series B Preferred Stock to third parties.

(16) Regulatory Matters, continued

The Federal Reserve Act requires that extensions of credit by the Bank to certain affiliates, including United, be secured by specific collateral, that the extension of credit to any one affiliate be limited to 10% of capital and surplus (as defined), and that extensions of credit to all such affiliates be limited to 20% of capital and surplus.

(17) Commitments and Contingencies

United and the Bank are parties to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit written is represented by the contractual amount of these instruments. United uses the same credit policies in making commitments and conditional obligations as for on-balance-sheet instruments. In most cases, collateral or other security is required to support financial instruments with credit risk.

The following table summarizes, as of December 31, 2008 and 2007, the contract amount of off-balance sheet instruments *(in thousands)*:

	2008	2007
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 733,278	$ 917,113
Commercial letters of credit	25,132	28,324

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn on, the total commitment amounts do not necessarily represent future cash requirements. United evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit is based on management's credit evaluation. Collateral held varies, but may include unimproved and improved real estate, certificates of deposit, personal property or other acceptable collateral.

Commercial letters of credit are issued to facilitate commerce and typically result in the commitment being drawn on when the underlying transaction is consummated between the customer and the third party. Those guarantees are primarily issued to local businesses. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds real estate, certificates of deposit, and other acceptable collateral as security supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments varies.

United, in the normal course of business, is subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. Although it is not possible to predict the outcome of these lawsuits, or the range of any possible loss, management, after consultation with legal counsel, does not anticipate that the ultimate aggregate liability, if any, arising from these lawsuits will have a material adverse effect on United's financial position or results of operations.

(18) Preferred Stock

United may issue preferred stock in one or more series, up to a maximum of 10,000,000 shares. Each series shall include the number of shares issued, preferences, special rights and limitations as determined by the Board of Directors.

Series A

At December 31, 2008 and 2007, there were 25,800 Series A preferred shares issued and outstanding, which were issued as non-cumulative preferred stock. The dividend rate of the Series A preferred stock is 6% per annum, provided a dividend has been declared for the common shares. The holders of the Series A preferred stock maintain a liquidation preference to the common stockholder. The Series A preferred stock has no voting rights and United may redeem the Series A preferred stock for an amount equal to the stated value plus the accrued dividend.

Series B

On December 5, 2008, United sold 180,000 shares of Series B Preferred Stock with the Warrant to purchase 2,149,106 shares of common stock, to Treasury under Treasury's Capital Purchase Program. The proceeds from the sale of $180 million were allocated between the Series B Preferred Stock and the Warrant based on their relative fair values at the time of the sale. Of the $180 million in proceeds, $173.1 million was allocated to the Series B Preferred Stock and $6.9 million was allocated to the Warrant. The discount recorded on the Series B Preferred Stock that resulted from allocating a portion of the proceeds to the Warrant is being accreted directly to retained earnings over a five-year period applying a level yield. The exercise price of the Warrant is $12.56 and it is exercisable at any time on or before December 5, 2018.

(18) Preferred Stock, continued

The Series B Preferred Stock qualifies as Tier I capital and will pay cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter. The Series B Preferred Stock may be redeemed after December 5, 2011 at the stated amount of $1,000 per share plus any accrued and unpaid dividends. Prior to December 5, 2011, the Series B Preferred Stock may be redeemed only with proceeds from the sale of qualifying equity securities. The Series B Preferred Stock is non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Series B Preferred Stock.

(19) Shareholders' Equity

United's Board of Directors had previously authorized the repurchase of up to 3,000,000 shares of United's outstanding common stock for general corporate purposes. During 2007, United purchased 2,000,000 shares at an average price of $23.03. No shares were purchased during 2008 other than shares delivered to United for the purpose of exercising stock options. United's share repurchase authorization expired on December 31, 2008.

In 2007, the shareholders approved the Amended and Restated 2000 Key Employee Stock Option Plan ("2000 Plan"). Under the terms of the 2000 Plan, awards of 2,500,000 options, restricted stock awards, stock awards, performance share awards or stock appreciation rights could be granted for shares of United's common stock. Options granted under the 2000 Plan can have an exercise price no less than the fair market value at the date of grant. The general terms of the 2000 Plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain option and restricted stock grants provide for accelerated vesting if there is a change in control of the Company or certain other conditions are met (as defined in the plan document). As of December 31, 2008, approximately 1,402,000 awards could be granted under the 2000 Plan.

Certain acquired companies had stock option plans for their key employees with provisions similar to United's plan. Options under acquired plans were converted at the exchange ratio effective for common shares. No options are available for grant under any of the acquired plans.

Restricted stock and options outstanding and activity for the years ended December 31, 2008, 2007 and 2006 consisted of the following:

	Restricted Stock		Options			
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs.)	Aggregate Intrinsic Value (000's)
December 31, 2005	70,512	$ 23.22	2,220,340	$ 16.36		
Granted	35,125	29.11	491,900	29.00		
Exercised	(26,447)	23.08	(138,017)	10.08		
Cancelled	(750)	29.50	(24,400)	24.78		
December 31, 2006	78,440	25.85	2,549,823	19.05		
Granted	48,400	30.96	605,700	30.56		
Exercised	(37,402)	24.34	(150,078)	11.33		
Cancelled	(5,025)	29.07	(92,888)	27.41		
December 31, 2007	84,413	29.26	2,912,557	21.57		
Stock dividend	1,354	—	51,582	—		
Granted	31,097	14.19	597,750	13.76		
Exercised	(24,366)	26.99	(87,941)	13.41		
Cancelled	(3,000)	30.10	(123,247)	23.65		
December 31, 2008	89,498	24.17	3,350,701	19.99	6.12	$ 1,312
Exerciseable at December 31, 2008			2,018,311	18.76	4.56	$ 1,255

(19) Shareholders' Equity, continued

The following is a summary of stock options outstanding at December 31, 2008:

Options Outstanding				Options Exercisable	
Shares	Range	Weighted Average Price	Average Remaining Life	Shares	Weighted Average Price
427,461	$ 5.00 - 12.50	$ 11.07	2.20	410,200	$ 11.09
876,839	12.51 - 15.00	13.31	7.06	312,326	12.83
393,243	15.01 - 17.50	16.15	4.56	373,209	16.17
279,626	17.51 - 22.50	21.70	6.09	216,288	21.63
373,099	22.51 - 25.00	23.31	5.59	339,228	23.36
446,041	25.01 - 30.00	28.38	7.21	233,514	28.32
554,392	30.01 - 33.50	30.28	8.27	133,546	30.31
3,350,701	5.00 - 33.50	19.99	6.12	2,018,311	18.76

The weighted average fair value of options granted in 2008, 2007 and 2006 was $2.88, $8.25 and $8.68, respectively. The fair value of each option granted was estimated on the date of grant using the Black-Scholes model. The key assumptions used to determine the fair value of options are presented in the table below:

	2008	2007	2006
Expected volatility	23%	20%	22%
Expected dividend yield	2.6%	1.2%	1.1%
Expected life (in years)	6.25	6.27	6.25
Risk free rate	3.4%	4.6%	5.0%

United's stock trading history began in March of 2002 when United listed on the Nasdaq Global Select Market. For 2008, 2007 and 2006, expected volatility was determined using United's historical monthly volatility over the period beginning in March of 2002 through the end of the last completed year. Compensation expense relating to options of $3.0 million, $2.8 million and $2.3 million, respectively, was included in earnings in 2008, 2007 and 2006. A deferred income tax benefit related to stock option expense of $941,000, $713,000 and $377,000 was included in the determination of income tax expense in 2008, 2007 and 2006, respectively. The amount of compensation expense for all periods was determined based on the fair value of options at the time of grant, multiplied by the number of options granted that were expected to vest, which was then amortized over the vesting period. The forfeiture rate for options is estimated to be approximately 3% per year. The total intrinsic value of options exercised during 2008, 2007 and 2006, was $404,000, $2.4 million and $2.8 million, respectively.

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. Compensation expense recognized in the consolidated statement of income for restricted stock in 2008, 2007 and 2006 was $865,000, $757,000, and $831,000, respectively. The total intrinsic value of restricted stock at December 31, 2008 was $1.2 million.

As of December 31, 2008, there was $7.0 million of unrecognized compensation cost related to nonvested stock options and restricted stock granted under the 2000 Plan. The cost is expected to be recognized over a weighted-average period of 1.3 years. The aggregate grant date fair value of options and restricted stock that vested during 2008 was $3.6 million.

United sponsors a Dividend Reinvestment and Stock 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. During 2008, 2007 and 2006, 100,757 shares, 40,419 shares and 43,565 shares, respectively, were issued in connection with the DRIP.

(19) Shareholders' Equity, continued

United offers its common stock as an investment option in its deferred compensation plan. The common stock component is accounted for as an equity instrument and is reflected in the consolidated balance sheet as common stock issuable. The deferred compensation plan does not allow for diversification once an election is made to invest in Company stock and settlement must be accomplished in shares at the time the deferral period is completed. At December 31, 2008 and 2007, United had 129,304 shares and 73,250 shares, respectively, of its common stock that was issuable under the deferred compensation plan.

The table below shows the components of accumulated other comprehensive income at December 31, 2008 and 2007 *(in thousands)*:

	2008	2007
Unrealized gains on securities available for sale, net of tax	$ 10,974	$ 2,865
Unrealized gains on derivative financial instruments qualifying as cash flow hedges, net of tax	43,605	11,396
Accumulated other comprehensive income	$ 54,579	$ 14,261

(20) Fair Value

On January 1, 2008, United adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Fair Value Hierarchy

Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that United has the ability to access.

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. United's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following is a description of the valuation methodologies used for assets and liabilities recorded at fair value.

Securities Available for Sale

Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

(20) Fair Value, continued

Deferred Compensation Plan Assets and Liabilities

Included in other assets in the consolidated balance sheet are assets related to employee deferred compensation plans. The assets associated with these plans are invested in mutual funds and classified as Level 1. Deferred compensation liabilities, also classified as Level 1, are carried at the fair value of the obligation to the employee, which mirrors the fair value of the invested assets and is included in other liabilities in the consolidated balance sheet.

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of cost or market value. The fair value of mortgage loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, United classifies loans subjected to nonrecurring fair value adjustments as Level 2.

Loans

United does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2008, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with SFAS 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, United records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, United records the impaired loan as nonrecurring Level 3.

Foreclosed Assets

Foreclosed assets are adjusted to fair value upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, United records the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, United records the foreclosed asset as nonrecurring Level 3.

Goodwill and Other Intangible Assets

Goodwill and identified intangible assets are subject to impairment testing. United's approach to testing goodwill for impairment is to compare the business unit's carrying value to the implied fair value based on multiples of earnings and tangible book value for recently completed merger transactions. In the event the fair value is determined to be less than the carrying value, the asset is recorded at fair value as determined by the valuation model. As such, United classifies goodwill and other intangible assets subjected to nonrecurring fair value adjustments as Level 3.

Derivative Financial Instruments

Currently, United uses interest rate swaps and interest rate floors to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

(20) Fair Value, continued

The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates fell below the strike rate of the floors. The variable interest rates used in the calculation of projected receipts on the floor are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of SFAS 157, United incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, United has considered the effect of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although United has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2008, United has assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, United has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

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 December 31, 2008, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands)*.

	Level 1	Level 2	Level 3	Balance at December 31, 2008
Assets:				
Securities available for sale	$ —	$ 1,617,187	$ —	$ 1,617,187
Deferred compensation plan assets	3,646	—	—	3,646
Derivative financial instruments	—	81,611	—	81,611
Total	$ 3,646	$ 1,698,798	$ —	$ 1,702,444
Liabilities:				
Deferred compensation plan liability	$ 3,646	$ —	$ —	$ 3,646
Total liabilities	$ 3,646	$ —	$ —	$ 3,646

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 December 31, 2008, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands)*.

	Level 1	Level 2	Level 3	Balance at December 31, 2008
Assets:				
Loans	$ —	$ —	$ 77,562	$ 77,562
Foreclosed properties	—	—	51,876	51,876
Total	$ —	$ —	$ 129,438	$ 129,438

For assets and liabilities that are not presented on the balance sheet at fair value, United uses the following methods to determine fair value:

(20) Fair Value, continued

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 December 31, 2008 and 2007, the fair value of interest rate contracts used for balance sheet management was an asset of approximately $81.6 million and $28.5 million, respectively.

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 a 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 included in United's balance sheet at December 31, 2008 and 2007 are as follows *(in thousands)*:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Loans, net	$ 5,582,590	$ 5,576,842	$ 5,839,840	$ 5,862,033
Liabilities:				
Deposits	7,003,624	7,093,306	6,075,951	6,094,973
Federal Home Loan Bank advances	235,321	242,240	519,782	515,582
Long-term debt	150,986	90,838	107,996	107,834

(21) Condensed Financial Statements of United Community Banks, Inc. (Parent Only)

Statement of Income
For the Years Ended December 31, 2008, 2007 and 2006

(in thousands)

	2008	2007	2006
Dividends from subsidiaries	$ 70,000	$ 42,500	$ 10,000
Other	9,824	12,254	9,232
Total income	79,824	54,754	19,232
Interest expense	8,595	9,332	8,721
Other expense	7,920	10,147	9,522
Total expenses	16,515	19,479	18,243
Income tax benefit	2,384	2,553	3,240
Income before equity in undistributed (loss) income of subsidiaries	65,693	37,828	4,229
Equity in undistributed (loss) income of subsidiaries	(129,143)	20,165	64,586
Net (loss) income	$ (63,450)	$ 57,993	$ 68,815

Balance Sheet
As of December 31, 2008 and 2007

(in thousands)

	2008	2007
Assets		
Cash	$ 36,737	$ 1,630
Investment in subsidiaries	1,065,639	901,062
Investment in subordinated notes issued by subsidiaries	—	73,000
Other assets	67,695	28,611
Total assets	$ 1,170,071	$ 1,004,303
Liabilities and Shareholders’ Equity		
Subordinated debentures	$ 120,986	$ 107,996
Lines of credit	—	42,000
Other liabilities	59,703	22,405
Total liabilities	180,689	172,401
Stockholders’ equity	989,382	831,902
Total liabilities and shareholders’ equity	$ 1,170,071	$ 1,004,303

(21) Condensed Financial Statements of United Community Banks, Inc. (Parent Only), continued

Statement of Cash Flows
For the Years Ended December 31, 2008, 2007 and 2006

(in thousands)

	2008	2007	2006
Operating activities:			
Net (loss) income	$ (63,450)	$ 57,993	$ 68,815
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Equity in undistributed loss (income) of the subsidiaries	129,143	(20,165)	(64,586)
Depreciation, amortization and accretion	596	565	677
Employee stock compensation	3,859	3,580	3,107
Change in assets and liabilities, net of effects of business combinations:			
Other assets	(40,813)	(15,434)	11,922
Other liabilities	43,341	15,457	(10,324)
Net cash provided by operating activities	72,676	41,996	9,611
Investing activities, net of effects of purchase acquisitions:			
Purchases of premises and equipment	—	(76)	(25)
Disposal of premises and equipment	34	—	—
Investment in subsidiaries	(253,000)	(6,000)	(250)
Repayment of subordinated notes by subsidiary	73,000	—	—
Net cash (paid for) received from acquisitions	—	(22,287)	1,914
Purchases of securities available for sale	(250)	(125)	(500)
Net cash (used) provided by investing activities	(180,216)	(28,488)	1,139
Financing activities, net of effects of business combinations:			
Net change in short-term borrowings	(42,000)	42,000	(1,300)
Proceeds from issuance of trust preferred securities	12,967	—	—
Retirement of trust preferred securities	—	(5,000)	—
Proceeds from exercise of stock options	1,020	1,700	843
Proceeds from issuance of common stock	3,389	3,942	5,060
Proceeds from issuance of Series B preferred stock	180,000	—	—
Retirement of Series A preferred stock	—	(64)	—
Purchases of treasury stock	—	(46,056)	—
Cash dividends on common stock	(12,713)	(16,029)	(12,492)
Cash dividends on Series A preferred stock	(16)	(18)	(19)
Net cash provided (used) by financing activities	142,647	(19,525)	(7,908)
Net change in cash	35,107	(6,017)	2,842
Cash at beginning of year	1,630	7,647	4,805
Cash at end of year	$ 36,737	$ 1,630	$ 7,647

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During the past two years, United did not change accountants nor have any disagreements with its accountants on any matters of accounting principles or practices or financial statement disclosure.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure 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 December 31, 2008.

Based on that evaluation, the 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 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 under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified.

Changes in Internal Control Over Financial Reporting

No changes were made to United's internal control over financial reporting during the fourth quarter of 2008 that materially affected, or are reasonably likely to materially affect, United's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

United's management is responsible for establishing and maintaining adequate internal control over financial reporting. Management's assessment of the effectiveness of United's internal control over financial reporting as of December 31, 2008 is included in Item 8 of this Report under the heading "Management's Report on Internal Controls Over Financial Reporting."

ITEM 9B. OTHER INFORMATION.

There were no items required to be reported on Form 8-K during the fourth quarter of 2008 that were not reported on Form 8-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information contained under the headings "Information Regarding Nominees and Other Directors", "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement to be used in connection with the solicitation of proxies for United's 2009 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference. Pursuant to instruction 3 to paragraph (b) of Item 401 of Regulation S-K, information relating to the executive officers of United is included in Item 1 of this Report.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained under the heading "Compensation of Executive Officers and Directors" in the Proxy Statement to be used in connection with the solicitation of proxies for United's 2009 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information contained under the heading "Principal and Management Shareholders" and the "Equity Compensation Plan Information" table in the Proxy Statement to be used in connection with the solicitation of proxies for United's 2009 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference. For purposes of determining the aggregate market value of United's voting stock held by nonaffiliates, shares held by all directors and executive officers of United have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which persons or entities may be "Affiliates" of United as defined by the Commission.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information contained under the heading "Corporate Governance – Certain Relationships and Related Transactions" in the Proxy Statement to be used in connection with the solicitation of proxies for United's 2009 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information contained under the heading "Other Matters – Independent Registered Public Accounting Firm" in the Proxy Statement to be used in connection with the solicitation of proxies for United's 2009 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) 1. Financial Statements.

The following consolidated financial statements are located in Item 8 of this Report:

Report of Independent Registered Public Accounting Firm
Consolidated Statement of Income - Years ended December 31, 2008, 2007, and 2006
Consolidated Balance Sheet - December 31, 2008 and 2007
Consolidated Statement of Changes in Shareholders' Equity - Years ended December 31, 2008, 2007, and 2006
Consolidated Statement of Cash Flows - Years ended December 31, 2008, 2007, and 2006
Notes to Consolidated Financial Statements

2. Financial Statement Schedules.

Schedules to the consolidated financial statements are omitted, as the required information is not applicable.

3. Exhibits.

The following exhibits are required to be filed with this Report on Form 10-K by Item 601 of Regulation S-K:

Exhibit No.	Exhibit
3.1	Restated Articles of Incorporation of United Community Banks, Inc., (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, File No. 0-21656, filed with the Commission on August 14, 2001).
3.2	Amendment to the Restated Articles of Incorporation of United Community Banks, Inc. (incorporated herein by reference to Exhibit 3.3 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-118893, filed with the Commission on September 9, 2004).
3.3	Amended and Restated Bylaws of United Community Banks, Inc., dated September 12, 1997 (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Annual Report on Form 10-K, for the year ended December 31, 1997, File No. 0-21656, filed with the Commission on March 27, 1998).

Exhibit No.	Exhibit
3.4	Amendment to the Amended and Restated Articles of Incorporation of United Community Banks, Inc. (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s current report on Form 8-K, filed with the Commission on December 5, 2008).
4.1	See Exhibits 3.1, 3.2 and 3.3 for provisions of the Restated Articles of Incorporation, as amended, and Amended and Restated Bylaws, which define the rights of the shareholders.
10.1	United Community Banks, Inc.'s 1995 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.3 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-21656).*
10.2	United Community Banks, Inc.'s Profit Sharing Plan, dated as of March 9, 2001 (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-86876, filed with the Commission on April 24, 2002).*
10.3	Amendment No. 1 to United Community Banks, Inc.'s Profit Sharing Plan, dated as of March 15, 2002 (incorporated herein by reference to Exhibit 4.4 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-86876, filed with the Commission on April 24, 2002).*
10.4	United Community Banks, Inc.'s 2000 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-99849, filed with the Commission on September 19, 2002).*
10.5	Amendment to United Community Banks, Inc.'s 2000 Key Employee Stock Option Plan, dated March 5, 2004 (incorporated herein by reference to United Community Banks, Inc.'s Registration Statement on Form S-4, filed on September 9, 2004).*
10.6	Loan and Stock Pledge Agreement dated June 27, 2003, as amended and restated as of October 30, 2003, by and between United Community Banks, Inc. and Silverton Bank (fka The Bankers Bank) (incorporated herein by reference to Exhibit 10.5 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 0-21656, filed with the Commission on March 8, 2004).
10.7	Split-Dollar Agreement between United and Jimmy C. Tallent dated June 1, 1994 (incorporated herein by reference to Exhibit 10.11 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-21656).*
10.8	Form of Amended and Restated Change of Control Severance Agreement by and between United Community Banks, Inc. and Jimmy C. Tallent, Guy W. Freeman, Rex S. Schuette and David Shearrow.*
10.9	Employment Agreement by and between United Community Banks, Inc. and Glenn S. White.*
10.10	United Community Banks, Inc.'s Amended and Restated Modified Retirement Plan, effective as of January 1, 2005.*
10.11	United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of January 1, 2005.*

Exhibit No.	Exhibit
10.12	United Community Banks, Inc. Dividend Reinvestment and Share Purchase Plan (incorporated) herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-3D, File No. 333-127477, filed with the Commission on August 12, 2005).
10.13	United Community Banks, Inc. Employee Stock Purchase Plan, effective as of December 20, 2005 (incorporated herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-130489, filed with the commission on December 20, 2005).
10.14	Amendment Number 2 to United Community Banks, Inc. 2000 Key Employee Stock Option Plan, dated April 26, 2006 (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, File No. 0-21656, filed with the Commission on August 8, 2006).*
10.15	United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan (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 May 1, 2007).*
10.16	Form of Incentive Stock Option Agreement (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 May 1, 2007).*
10.17	Form of Nonqualified Stock Option Agreement (incorporated herein by reference to Exhibit 10.3 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on May 1, 2007).*
10.18	Form of Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.4 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on May 1, 2007).*
10.19	United Community Banks, Inc.'s Management Incentive Plan (incorporated herein by reference to Exhibit 10.5 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on May 1, 2007).*
10.20	Amendment No. 1 to United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan (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 April 13, 2007).*
10.21	Subordinated Term Loan Agreement, dated as of August 29, 2008, among United Community Bank, as borrower, the lenders from time to time party thereto, and SunTrust Bank as administrative agent (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 August 28, 2008).
10.22	Letter Agreement, dated December 5, 2008, between United Community Banks, Inc. and the United States Treasury, with respect to the issuance and sale of Series B Preferred Stock and the Warrant (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 December 5, 2008).
10.23	Form of Senior Executive Officer Waiver, dated December 5, 2008, by Jimmy C. Tallent, Guy W. Freeman, Rex S. Schuette, David Shearrow and Glenn S. White.*

Exhibit No.	Exhibit
14	Code of Ethical Conduct (incorporated herein by reference to Exhibit 14 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 0-21656, filed with the Commission on March 8, 2004.).
21	Subsidiaries of United
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney of certain officers and directors of United (included on Signature Page)
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.

* Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Annual Report on Form 10-K pursuant to Item 15(c) of Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(a) of the Securities Exchange Act of 1934, United has duly caused this Report on Form 10-K, to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Blairsville, State of Georgia, on the 26th day of February, 2009.

UNITED COMMUNITY BANKS, INC.
(Registrant)

By: ***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
President and Chief Executive Officer
(Principal Executive Officer)

By: ***/s/ Rex S. Schuette***
Rex S. Schuette
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: ***/s/ Alan H. Kumler***
Alan H. Kumler
Senior Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

POWER OF ATTORNEY AND SIGNATURES

Know all men by these presents, that each person whose signature appears below constitutes and appoints Jimmy C. Tallent and Robert L. Head, or either of them, as attorney-in-fact, with each having the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of United in the capacities set forth and on the 24th day of February, 2009.

/s/ Jimmy C. Tallent
Jimmy C. Tallent
President, Chief Executive Officer and Director

/s/ Robert L. Head, Jr.
Robert L. Head, Jr.
Chairman of the Board

/s/ W.C. Nelson, Jr.
W. C. Nelson, Jr.
Vice Chairman of the Board

/s/ A. William Bennett
A. William Bennett
Director

/s/ Robert Blalock
Robert Blalock
Director

/s/ Cathy Cox
Cathy Cox
Director

/s/ Guy W. Freeman
Guy W. Freeman
Director

/s/ Hoyt O. Holloway
Hoyt O. Holloway
Director

/s/ John D. Stephens
John D. Stephens
Director

/s/ Tim Wallis
Tim Wallis
Director

EXHIBIT INDEX

Exhibit No.	Description
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32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 10.8

**UNITED COMMUNITY BANKS, INC.
AMENDED AND RESTATED
CHANGE IN CONTROL SEVERANCE AGREEMENT**

THIS AMENDED AND RESTATED AGREEMENT (the "Agreement"), made and entered into as of this 31st day of December 2008, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia Corporation (the "Company"), and ___________ ("Executive").

W I T N E S S E T H:

WHEREAS, Executive is a key employee of the Company and an integral part of the Company's management; and

WHEREAS, the Company desires to assure both itself and its key employees of continuity of management and objective judgment in the event of any Change in Control of the Company, and to induce its key employees to remain employed by the Company; and

WHEREAS, the Company desires to provide certain compensation and benefits to Executive in the event of the termination of his employment under certain circumstances; and

WHEREAS, the Company and Executive entered into a Change in Control Severance Agreement, dated as of June 7, 2001 ("Prior Agreement"); and

WHEREAS, because of certain law changes resulting from the enactment of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the parties desire to amend the Prior Agreement in the manner hereinafter provided;

NOW, THEREFORE, the parties hereby agree to amend and restate the Prior Agreement as follows:

1. TERM OF AGREEMENT.

This Agreement shall commence on the date hereof and shall terminate on the Executive's termination of employment without entitlement to any benefits hereunder; provided, however, the Agreement may be terminated by mutual written agreement of Executive and the Company. This Agreement shall not be considered an employment agreement and in no way guarantees Executive the right to continue in the employment of the Company or its affiliates. Executive's employment is considered employment at will, subject to Executive's right to receive payments and benefits upon certain terminations of employment as provided below.

2. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meanings specified below:

2.1 "Base Salary." Executive's annual salary in effect on his Date of Termination or, if greater, Executive's highest rate of annual salary in effect during the six-month period prior to his Date of Termination.

2.2 "Board" or "Board of Directors." The Board of Directors of the Company, or its successor.

2.3 "Cause." The involuntary termination of Executive by the Company for the following reasons shall constitute a termination for Cause:

(a) If termination shall have been the result of an act or acts by Executive which have been found in an applicable court of law to constitute a felony (other than traffic-related offenses);

(b) If termination shall have been the result of an act or acts by Executive which are in the good faith judgment of the Board determined to be in violation of law or of policies of the Company and which result in demonstrably material injury to the Company;

(c) If termination shall have been the result of an act or acts of proven or undenied dishonesty by Executive resulting or intended to result directly or indirectly in significant gain or personal enrichment to Executive at the expense of the Company; or

(d) Upon the willful and continued failure by Executive substantially to perform his duties with the Company (other than any such failure resulting from incapacity due to mental or physical illness not constituting a Disability, as defined herein), after a demand in writing for substantial performance is delivered by the Board or President, which demand specifically identifies the manner in which the Board or President believes that Executive has not substantially performed his duties, and such failure results in demonstrably material injury to the Company.

With respect to clauses (b), (c) or (d) above of this Section, Executive shall not be deemed to have been involuntarily terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board (after reasonable notice to Executive and an opportunity for him, together with his counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive was guilty of conduct set forth above in clauses (b), (c) or (d) and specifying the particulars thereof in detail. For purposes of this Agreement, no act or failure to act by Executive shall be deemed to be "willful" unless done or omitted to be done by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interests of the Company.

2.4 "Change in Control." A Change in Control of the Company means any one of the following events:

(a) The acquisition (other than from the Company) by any Person of Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that for purposes of this definition, Person shall not include any person who on December 31, 2008 owns ten percent (10%) or more of the Company's outstanding securities, and a Change in Control shall not be deemed to occur solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one (1) or more employee benefit plans maintained by the Company or any of its subsidiaries, or (ii) any corporation, which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

(b) Approval by shareholders of the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation, or (2) a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

(c) A change in the composition of the Board such that the individuals who, as of December 31, 2008, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this definition that any individual who becomes a member of the Board subsequent to December 31, 2008 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

2.5 "CIC Severance Period." A period equal to 36 months from the Executive's Date of Termination.

2.6 "Code." The Internal Revenue Code of 1986, as it may be amended from time to time.

2.7 "Company." United Community Banks, Inc., a Georgia corporation, or any successor to its business and/or assets.

2.8 "Date of Termination." The date specified in the Notice of Termination (which, unless otherwise required by this Agreement, may be immediate) as the date upon which the Executive's employment with the Company is to cease. In the case of termination by Executive for Good Reason, the Date of Termination shall not be less than thirty (30) days nor more than sixty (60) days from the date the notice of termination is given.

2.9 "Disability." Disability shall have the meaning ascribed to such term in the Company's long-term disability plan covering the Executive, or in the absence of such plan, a meaning consistent with Section 22(e)(3) of the Code.

2.10 "Good Reason." A Good Reason for termination by Executive of Executive's employment shall mean the occurrence (without the Executive's express written consent) during the 6-month period prior to, or within the eighteen (18) month period following, the date of a Change in Control of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraphs (a), (c), or (d) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof (the date 6 months prior to the date of the Change in Control is referred to in this Section 2.10 as the "Change in Control Date"):

(a) the substantial adverse change in Executive's responsibilities at the Company from those in effect immediately prior to the Change in Control Date; or

(b) the required relocation of Executive to a location outside of the market area of the Company on the Change in Control Date; or

(c) a material reduction from those in effect on the Change in Control Date in the levels of coverage of Executive under the Company's director and officer liability insurance policy or indemnification commitments; or

(d) after the Change in Control Date, a reduction in Executive's Base Salary, a reduction in his incentive compensation or the failure by the Company to continue to provide Executive with benefits substantially similar to those enjoyed by Executive under any of the Company's pension, deferred compensation, life insurance, medical, health and accident or disability plans in which Executive was participating at the Change in Control Date, the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the Change in Control Date.

Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness, except for a Disability as defined in Section 2.9 above. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.11 "Notice of Termination". A written notice from one party to the other party specifying the Date of Termination and which sets forth in reasonable detail the facts and circumstances relating to the basis for termination of Executive's employment.

2.12 "Person". Any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

3. SCOPE OF AGREEMENT.

This Agreement provides for the payment of compensation and benefits to Executive in the event in connection with a Change in Control his employment is involuntarily terminated by the Company without Cause or if the Executive terminates his employment for Good Reason. If Executive is terminated by the Company for Cause, dies, incurs a Disability or voluntarily terminates employment (other than for Good Reason), this Agreement shall terminate, and Executive shall be entitled to no payments of compensation or benefits pursuant to the terms of this Agreement; provided that in such events, Executive will be entitled to whatever benefits are payable pursuant to the terms of any health, life insurance, disability, welfare, retirement, deferred compensation, or other plan or program maintained by the Company. Executive agrees that this Agreement supercedes and replaces any existing plan or arrangement of the Company, including any employment agreement, which provides Executive severance benefits in the event of his termination under the circumstances covered by this Agreement.

4. BENEFITS UPON TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL.

If a Change in Control occurs during the term of this Agreement and Executive's employment is terminated within six (6) months prior to or eighteen (18) months following the date of the Change in Control, and if such termination is an involuntary termination by the Company without Cause (and does not arise as a result of death or Disability) or a termination by Executive for Good Reason (as defined in Section 2.10 above), Executive shall be entitled to the compensation and benefits described in Section 4.1 through 4.7 below. If Executive does not participate in a particular plan or program at the Change in Control Date (or if the Company no longer maintains or offers such plan or program at the Change in Control Date), the provisions of the section related to such plan, program or award shall not apply to Executive.

4.1 Base Salary. Executive shall continue to receive his Base Salary (subject to withholding of all applicable taxes) for the entire CIC Severance Period (as defined in Section 2.5 above), provided that all such salary payments shall be paid in a lump sum payment (determined by taking the Present Value, as defined in Section 5.5, of such payments) no later than 30 days after his Date of Termination.

4.2 Annual Bonus. Executive shall be entitled to bonus payments from the Company as follows:

(a) Notwithstanding any terms of the plan to the contrary, for the fiscal year that ended prior to Executive's Date of Termination, but for which no annual bonus payments have been paid as of his Date of Termination, Executive shall receive a bonus calculated using the actual results for all performance criteria for such fiscal year, provided that in no case shall the bonus under this subsection (a) be less than the average of the bonuses paid to him with respect to the last two fiscal years in which bonuses were paid to the Executive. Such amount shall be payable at the time such bonus amounts are paid to other participants, or if previously paid to other participants, no later than 30 days after the Executive's Date of Termination.

(b) For the fiscal year during which Executive's Date of Termination occurs, Executive shall receive, within 30 days following his Date of Termination, a prorated bonus (based on the number of days that he was employed during such fiscal year), calculated as if Executive's target award level (including any personal performance component) under the Company's annual incentive had been achieved for such year.

(c) In addition to the bonus payments payable under (a) and (b) above, Executive shall be entitled to an additional bonus amount equal to the average of the bonuses paid to him with respect to the two fiscal years in which bonuses were paid to him immediately preceding the year in which his Date of Termination occurs, multiplied by three (3). Such bonus amount shall be paid in a lump sum within 30 days following the Executive's Date of Termination.

4.3 Health and Life Insurance Coverages.

(a) The group health care (including any executive medical plan) and group term life insurance benefits coverages provided to Executive at his Date of Termination shall be continued at the same level as for active executives and in the same manner as if his employment under this Agreement had not terminated, beginning on the Date of Termination and ending on the last day of the CIC Severance Period. Any additional coverages Executive had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs Executive was paying for such coverages at the time of termination shall be paid by Executive by separate check payable to the Company each month in advance. If the terms of any life insurance plan referred to in this Section, or the laws applicable to such plan do not permit continued participation by Executive, then the Company will arrange for other life insurance coverage(s) satisfactory to Executive at Company's expense which provides substantially similar benefits or will pay Executive a lump sum amount equal to the costs of such coverage(s) for the CIC Severance Period within 30 days following his Date of Termination.

If the terms of the health care plan referred to in this subsection (a) do not permit continued participation by Executive as required by this subsection or if the healthcare benefits to be provided to Executive and his dependents pursuant to this subsection (a) cannot be provided in a manner such that the benefit payments will be tax-free to Executive and his dependents, then the Company shall (i) pay to Executive within five (5) days after Executive's Date of Termination a lump sum amount equal to the monthly rate for COBRA coverage at the date of Executive's termination under the healthcare plan that is then being paid by former active employees for the level of coverage that applies to Executive and his dependents, minus the amount active employees are then paying for such coverage, multiplied by the number of months in the CIC Severance Period (plus a tax gross-up on the lump sum amount determined under this subsection (a)(i)), and (ii) permit Executive and his dependents to elect to participate in the healthcare plan for the Continuation Period upon payment of the applicable rate for COBRA coverage during the Continuation Period;

(b) For purposes of any individual executive life insurance policy (or policies) maintained by the Company for Executive, the Company shall continue to pay the premiums for such policy or policies during the CIC Severance Period.

4.4 Retiree Medical Coverage. If Executive has satisfied the requirements for receiving Retiree Medical Coverage on his Date of Termination or will satisfy such requirements prior to the last day of the CIC Severance Period, Executive (and his dependents) shall be covered by, and receive benefits under, the Company's Retiree Medical Coverage program for executives at his level. Executive's Retiree Medical Coverage shall commence on the date his group health care coverage terminates under section 4.3 above, and shall continue for the life of the Executive (and his dependents) (i.e., the coverage shall be vested and may not be terminated), subject only to such changes in the level of coverage that apply to executives at his level generally.

4.5 Profit Sharing Plan. Executive will be treated as if he continued to participate, consistent with past practices, for the CIC Severance Period in the Profit Sharing Plan (or any successor or replacement plan) as in effect as of his Date of Termination. The compensation payable to Executive under Sections 4.1 and 4.2(c) above shall be treated (unless otherwise excluded) as compensation under the plan as if it were paid on a monthly basis. Executive will receive an amount equal to the Company's contributions to the Profit Sharing Plan, assuming Executive had participated in such plan at the maximum permissible contributions level. The Company shall pay to Executive or, if applicable, his beneficiary, a supplemental benefit equal to the Present Value on the Date of Termination (calculated as provided in the plan) of the excess of (i) the benefit Executive would have been paid under such plan if he had continued to be covered for the CIC Severance Period (less any amounts Executive would have been required to contribute), over (ii) the benefit actually payable under such plan. The Company shall pay such additional benefits in a lump sum within 30 days of Executive's Date of Termination.

4.6 Automobile, Club Dues. Executive shall be provided for the CIC Severance Period at the Company's expense with an automobile or automobile allowance (and reimbursement of related automobile expenses) commensurate with the practice in effect for executives at the date of the Change in Control, and reimbursement of club dues and assessments in accordance with the practice in effect for executives at the date of the Change in Control. The amount of reimbursable expenses under this Section 4.6 for one calendar year shall not affect the amount of reimbursable expenses in a subsequent calendar year and the reimbursement payment shall be made no later than the end of the calendar year following the calendar year during which the expense is incurred.

4.7 Section 409A Compliance. To the extent applicable, this Agreement shall at all times be operated in accordance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the regulations and rulings thereunder ("Section 409A"), including any applicable transition rules. The Company shall have authority to take action, or refrain from taking any action, with respect to the payments and benefits under this Agreement that is reasonably necessary to comply with Section 409A. Specifically, the Company shall have the authority to delay the commencement of any payment or benefit under Section 4 to "key employees" of the Company (as determined by the Company in accordance with procedures established by the Company that are consistent with Section 409A) to a date which is six months after the date of Executive's Termination of Employment (and on such date the payments that would otherwise have been made during such six-month period shall be made) to the extent such delay is required under the provisions of Section 409A, provided that the Company and Executive may agree to take into account any transitional rule available under Section 409A.

4.8 Other Benefits. Except as expressly provided herein, all other fringe benefits provided to Executive as an active employee of the Company (e.g., long-term disability, AD&D, etc.), shall cease on his Date of Termination, provided that any conversion or extension rights applicable to such benefits shall be made available to Executive at his Date of Termination or when such coverages otherwise cease at the end of the CIC Severance Period.

5. LIMITATION ON BENEFITS.

5.1 Notwithstanding anything in this Agreement to the contrary, any benefits payable or to be provided to Executive by the Company or its affiliates, whether pursuant to this Agreement or otherwise, which are treated as Severance Payments shall, but only to the extent necessary, be modified or reduced in the manner provided in 5.2 below so that the benefits payable or to be provided to Executive under this Agreement that are treated as Severance Payments, as well as any payments or benefits provided outside of this Agreement that are so treated, shall not cause the Company to have paid an Excess Severance Payment. In computing such amount, the parties shall take into account all provisions of Code Section 280G, and the regulations thereunder, including making appropriate adjustments to such calculation for amounts established to be Reasonable Compensation.

5.2 In the event that the amount of any Severance Payments which would be payable to or for the benefit of Executive under this Agreement must be modified or reduced to comply with this Section 5, Executive shall direct which Severance Payments are to be modified or reduced; *provided*, *however*, that no increase in the amount of any payment or change in the timing of the payment shall be made without the consent of the Company.

5.3 This Section 5 shall be interpreted so as to avoid the imposition of excise taxes on Executive under Section 4999 of the Code or the disallowance of a deduction to the Company pursuant to Section 280G(a) of the Code with respect to amounts payable under this Agreement or otherwise. Notwithstanding the foregoing, in no event will any of the provisions of this Section 5 create, without the consent of Executive, an obligation on the part of Executive to refund any amount to the Company following payment of such amount.

5.4 In addition to the limits otherwise provided in this Section 5, to the extent permitted by law, Executive may in his sole discretion elect to reduce any payments he may be eligible to receive under this Agreement to prevent the imposition of excise taxes on Executive under Section 4999 of the Code.

5.5 For purposes of this Section 5, the following definitions shall apply:

(a) “Excess Severance Payment”. The term “Excess Severance Payment” shall have the same meaning as the term “excess parachute payment” defined in Section 280G(b)(1) of the Code.

(b) “Severance Payment”. The term “Severance Payment” shall have the same meaning as the term “parachute payment” defined in Section 280G(b)(2) of the Code.

(c) “Reasonable Compensation”. The term “Reasonable Compensation” shall have the same meaning as provided in Section 280G(b)(4) of the Code. The parties acknowledge and agree that, in the absence of a change in existing legal authorities or the issuance of contrary authorities, amounts received by Executive as damages under or as a result of a breach of this Agreement shall be considered Reasonable Compensation.

(d) “Present Value”. The term “Present Value” shall have the same meaning as provided in Section 280G(d)(4) of the Code.

6. MISCELLANEOUS.

6.1 No Obligation to Mitigate. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer after the Date of Termination or otherwise

6.2 Contract Non-Assignable. The parties acknowledge that this Agreement has been entered into due to, among other things, the special skills and knowledge of Executive, and agree that this Agreement may not be assigned or transferred by Executive.

6.3 Successors; Binding Agreement.

(a) In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or that acquires a controlling stock interest in the Company to expressly assume and agree to perform this Agreement, in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effective date of such succession shall be a breach of this Agreement and shall entitle Executive to compensation and benefits from the Company under Section 4 in the amount and on the same terms as Executive would be entitled to hereunder if Executive were to terminate Executive's employment for Good Reason.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive shall die while any amount is still payable to Executive hereunder (other than amounts which, by their terms, terminate upon the death of Executive), all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Executive's estate.

6.4 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or seven days after mailing if mailed first class, certified mail, postage prepaid, addressed as follows:

If to the Company: United Community Banks, Inc.
Attention: Secretary
P.O. Box 398
Blairsville, GA 30514

If to Executive: ______________________
____
____

Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

6.5 Provisions Severable. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

6.6 Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

6.7 Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

6.8 Governing Law. The validity and effect of this Agreement shall be governed by and be construed and enforced in accordance with the laws of the State of Georgia.

6.9 Disputes; Legal Fees; Indemnification.

(a) Disputes. All claims by Executive for compensation and benefits under this Agreement shall be in writing and shall be directed to and be determined by the Board. Any denial by the Board of a claim for benefits under this Agreement shall be provided in writing to Executive within 30 days of such decision and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to Executive for a review of its decision denying a claim and shall further allow Executive to appeal in writing to the Board a decision of the Board within sixty (60) days after notification by the Board that Executive’s claim has been denied. To the extent permitted by applicable law, any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Atlanta, Georgia, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator’s award in any court having jurisdiction.

(b) Legal Fees. If, in connection with a Change in Control, Executive terminates his employment for Good Reason or if the Company involuntarily terminates Executive without Cause, then, in the event Executive incurs legal fees and other expenses in seeking to obtain or to enforce any rights or benefits provided by this Agreement and is successful, in whole or in part, in obtaining or enforcing any such rights or benefits through settlement, mediation, arbitration or otherwise, the Company shall pay Executive's reasonable legal fees and expenses and related costs incurred in enforcing this Agreement including, without limitation, attorneys fees and expenses, experts fees and expenses, investigative fees, and travel expenses. The legal fees, expenses and related costs payable to Executive under this Section 6.9(b) shall be paid within sixty (60) days after such amounts are determined to be payable pursuant to this Section 6.9(b). Except to the extent provided in the preceding sentences, each party shall pay its own legal fees and other expenses associated with any dispute under this Agreement.

(c) Indemnification. During the Term of this Agreement and after Executive's termination, the Company shall indemnify Executive and hold Executive harmless from and against any claim, performance as an officer, director or employee of the Company or any of its subsidiaries or other affiliates or in any other capacity, including any fiduciary capacity, in which Executive serves at the Company's request, in each case to the maximum extent permitted by law and under the Company's Articles of Incorporation and By-Laws (the "Governing Documents"), provided that in no event shall the protection afforded to Executive hereunder be less than that afforded under the Governing Documents as in effect on the date of this Agreement except from changes mandated by law.

IN WITNESS WHEREOF, the parties have executed this amended and restated Agreement as of the day and year first above written.

EXECUTIVE

____

UNITED COMMUNITY BANKS,
INC.

By: __________________________

Attest:

____
Secretary
(CORPORATE SEAL)

EXHIBIT 10.9

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "***Agreement***") is made as of the 5th day of February, 2007 by and among United Community Bank (the "***Bank***"), a state bank organized under the laws of the State of Georgia; United Community Banks, Inc., a bank holding company incorporated under the laws of the State of Georgia (the "***Company***") (collectively, the Bank and the Company are referred to hereinafter as the "***Employer***"), and Glenn S. White, a resident of the State of Georgia (the "***Executive***").

RECITALS:

The Executive is currently employed as Chief Executive Officer of First Bank of the South, a state bank organized under the laws of the State of Georgia ("***FBS***") and the Chief Executive Officer and President of Gwinnett Commercial Group, Inc. a bank holding company incorporated under the laws of the State of Georgia ("***GCG***") pursuant to the terms of that certain Amended and Restated Employment Agreement, dated May 1, 2006, (the "***GCG Employment Agreement***").

GCG and the Company have entered into that certain Agreement and Plan of Reorganization (the "***Acquisition Agreement***"), pursuant to which the Company has agreed to acquire GCG and FBS by the merger of GCG with and into the Company and the merger of FBS with and into the Bank.

Executive possesses significant knowledge and information with respect to the business of FBS and GCG, which knowledge and information will be increased, developed and enhanced through his continued employment by the Employer.

The parties hereto desire to enter into an agreement for the Employer's employment of Executive on the terms and conditions contained herein.

In consideration of the above premises and the mutual agreements hereinafter set forth, the parties hereby agree as follows:

1. **<u>Definitions</u>.** Whenever used in this Agreement, the following terms and their variant forms shall have the meanings set forth below:

1.1 ***"Affiliate"*** shall mean any business entity which controls the Company, is controlled by or is under common control with the Company.

1.2 ***"Agreement"*** shall mean this Agreement and any exhibits incorporated herein together with any amendments hereto made in the manner described in this Agreement.

1.3 ***"Area"*** shall mean the geographic area within a twenty (20) mile radius of the Bank's primary location at 2230 Riverside Parkway, Lawrenceville, Georgia 30043. It is the express intent of the parties that the Area as defined herein is the area where the Executive performs services on behalf of the Employer under this Agreement.

1.4 ***"Business of the Employer"*** shall mean the business conducted by the Employer, which is the business of accepting deposits and making loans.

1.5 ***"Cause"*** shall mean:

1.5.1 With respect to termination by the Employer:

(a) A material breach of the terms of this Agreement by the Executive, including, without limitation, failure by the Executive to perform his duties and responsibilities in the manner and to the extent required under this Agreement, which remains uncured after the expiration of thirty (30) days following the delivery of written notice of such breach to the Executive by the Employer. Such notice shall: (i) specifically identify the duties that the Board of Directors of either the Company or the Bank believes the Executive has failed to perform; and (ii) state the facts upon which such Board of Directors made such determination;

(b) Conduct by the Executive that amounts to fraud, dishonesty or willful misconduct in the performance of his duties and responsibilities hereunder;

(c) Conviction of the Executive during the Term of this Agreement of any felony or a crime involving breach of trust or moral turpitude;

(d) Conduct by the Executive that amounts to gross and willful insubordination or gross negligence in the performance of his duties and responsibilities hereunder; or

(e) Conduct by the Executive that results in a formal action instituted by written order of any regulatory agency with authority or jurisdiction over the Employer to remove the Executive from his position as an officer or executive of the Employer.

1.5.2 With respect to termination by the Executive:

(a) A material diminution in the powers, responsibilities or duties of the Executive hereunder; provided, however, that the Executive's continued employment for thirty (30) days following any act or failure to act constituting Cause under this subsection without delivery of written notice shall constitute consent to, and a waiver of the Executive's rights under this subsection with respect to such act or failure to act;

(b) A material breach of the terms of this Agreement by the Employer, which remains uncured after the expiration of thirty (30) days following the delivery of written notice of such diminution or breach to the Employer by the Executive; or

(c) A requirement by the Employer that the Executive's services be rendered primarily at a location more than twenty (20) miles from the primary business location maintained by the Employer as of the Effective Date.

1.6 ***"Change of Control"*** means any one of the following events:

(a) other than through a merger, share exchange, combination or consolidation, which shall be an event subject to (c) below, the acquisition by any person or persons acting in concert of the then outstanding voting securities of either the Bank or the Company, if, after the transaction, the acquiring person (or persons) owns, controls or holds with power to vote twenty-five percent (25%) or more of any class of voting securities of either the Bank or the Company, as the case may be; provided, however, that the current and future holdings of any person who is a shareholder of the Company or the Bank as of the Effective Date shall be disregarded in determining whether the twenty-five percent (25%) threshold has been attained;

(b) within any twelve-month period (beginning on or after the Effective Date) the persons who were directors of either the Bank or the Company immediately before the beginning of such twelve-month period (the "Incumbent Directors") shall cease to constitute at least a majority of such board of directors; provided that any director who was not a director as of the beginning of such twelve-month period shall be deemed to be an Incumbent Director if that director were elected to such board of directors by, or on the recommendation of or with the approval of, at least two-thirds ($^2/_3$) of the directors who then qualified as Incumbent Directors; and provided further that no director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors shall be deemed to be an Incumbent Director;

(c) a reorganization, merger, share exchange, combination, or consolidation, with respect to which persons who were the stockholders of the Bank or the Company, as the case may be, immediately prior to such reorganization, merger, share exchange combination, or consolidation do not, immediately thereafter, own more than fifty percent (50%) of the combined voting power entitled to vote in the election of directors of the reorganized, merged, combined or consolidated company's then outstanding voting securities; or

(d) the sale, transfer or assignment of all or substantially all of the assets of the Company and its subsidiaries to any third party.

1.7 ***"Code"*** shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

1.8 ***"Competing Business"*** shall mean any FDIC-insured bank or Affiliate thereof engaged in the Business of the Employer.

1.9 ***"Confidential Information"*** means data and information relating to the Business of the Employer (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Executive or of which the Executive became aware as a consequence of or through the Executive's relationship to the Employer and which has value to the Employer and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Employer (except where such public disclosure has been made by the Executive without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

1.10 ***"Disability"*** shall mean the inability of the Executive to perform each of his material duties under this Agreement for the duration of the then applicable elimination period under the Employer's long-term disability policy then in effect as certified by a physician chosen by the Employer and reasonably acceptable to the Executive.

1.11 ***"Effective Date"*** shall mean the Closing Date (as defined in the Acquisition Agreement).

1.12 ***"Employer Information"*** means Confidential Information and Trade Secrets.

1.13 ***"Initial Term"*** shall mean that period of time commencing on the Effective Date and running until the earlier of (a) the close of business on the last business day immediately preceding the third anniversary of the Effective Date or (b) any earlier termination of employment of the Executive under this Agreement as provided for in Section 3.

1.14 ***"Term"*** shall mean the Initial Term and all subsequent renewal periods.

1.15 ***"Trade Secrets"*** means Employer information including, but not limited to, technical or nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which:

(a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and

(b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Duties.

2.1 **Position.** As of the Effective Date, the Executive shall be employed as Chief Executive Officer of the "Gwinnett Community Bank" of the Bank and, subject to the direction of the Board of Directors of the Bank or the Company or its designee(s), shall perform and discharge well and faithfully the duties which may be assigned to him from time to time by the Bank or the Company in connection with the conduct of its business.

2.2 **<u>Full-Time Status</u>.** In addition to the duties and responsibilities specifically assigned to the Executive pursuant to Section 2.1 hereof, the Executive shall:

(a) devote substantially all of his time, energy and skill during regular business hours to the performance of the duties of his employment (reasonable vacations and reasonable absences due to illness excepted) and faithfully and industriously perform such duties;

(b) diligently follow and implement all reasonable and lawful management policies and decisions communicated to him by the Board of Directors of either the Bank or the Company; and

(c) timely prepare and forward to the Board of Directors of either the Bank or the Company all reports and accountings as may be requested of the Executive.

2.3 **<u>Permitted Activities</u>.** The Executive shall not during the Term be engaged (whether or not during normal business hours) in any other business or professional activity, whether or not such activity is pursued for gain, profit or other pecuniary advantage; but this shall not be construed as preventing the Executive:

(a) from investing his personal assets in businesses which will not require any services on the part of the Executive in their operation or affairs, in which his participation is solely that of an investor and which are not Competing Businesses; or

(b) from purchasing securities solely as a passive investor in any corporation, the securities of which are regularly traded provided that such purchase shall not result in his collectively owning beneficially at any time five percent (5%) or more of the equity securities of any Competing Business.

2.4 **<u>Effective Date</u>.** The Agreement shall be effective as of the Effective Date. The Employer and Executive intend that, upon the Effective Date, the GCG Employment Agreement shall be superseded and shall have no further force or effect. If the Closing (as defined in the Acquisition Agreement) fails to occur, for any reason, this Agreement shall be null and void.

3. **<u>Term and Termination</u>.**

3.1 **<u>Term</u>.** This Agreement shall remain in effect for the Term. Commencing with the first day of the Initial Term, the Term shall renew each day such that the Term remains a three-year term from day-to-day thereafter unless any party gives written notice to the others of its or his intent that the automatic renewals shall cease. In the event such notice of non-renewal is properly given, this Agreement and the Term shall expire on the third anniversary of the thirtieth day following the date such written notice is received. In the event such notice of non-renewal is properly given, this Agreement shall terminate at the end of the remaining Term then in effect and the Employer shall have no further obligation to the Executive except for payment of amounts due and owing under Section 4 as of the last day of the Term.

3.2 **<u>Termination</u>.** During the Term, the employment of the Executive under this Agreement may be terminated only as follows:

3.2.1 By the Employer:

(a) For Cause, upon written notice to the Executive pursuant to Section 1.5.1 hereof, in which event the Employer shall have no further obligation to the Executive except for payment of any amounts due and owing under Section 4 on the effective date of termination;

(b) Without Cause at any time, provided that the Employer shall give the Executive thirty (30) days' prior written notice of its intent to terminate, in which event the Employer: (i) shall be required to continue to meet its obligation to the Executive under Section 4.1 for thirty-six (36) months following the effective date of termination; and (ii) shall pay an amount equal to two (2) times the average annual bonus paid to the Executive for the three most recently fiscal years, including the fiscal year in which the Executive's employment is terminated if the bonus for that year has been paid, prior to the Executive's termination of employment, to be paid in equal monthly installments over the thirty-six (36) month period in clause (i); provided that, for purposes of this clause (ii), in determining the annual bonus for any fiscal year during the averaging period, for any fiscal year during the averaging period in which no annual bonus was payable, $0.00 shall be used in the averaging calculation for that fiscal year; and provided further that if the Executive's termination of employment occurs before the annual bonus, if any, for the most recently completed fiscal year is payable, then the averaging will be determined by reference to the three most recently completed fiscal years before that fiscal year; or

(c) Upon the Disability of Executive at any time, provided that the Employer shall give the Executive thirty (30) days' prior written notice of its intent to terminate, in which event, the Employer shall be required to continue to meet its obligation to the Executive under Section 4.1 for three (3) months following the termination or until the Executive begins receiving payments under the Employer's long-term disability policy, whichever occurs first.

3.2.2 By the Executive:

(a) For Cause, upon written notice to the Employer pursuant to Section 1.5.2 hereof in which event the Employer shall be required to continue to meet its obligation to the Executive under Section 4.1 for the lesser of: (i) thirty-six (36) months following the effective date of termination; or (ii) the remaining Term;

(b) Without Cause, provided that the Executive shall give the Employer thirty (30) days' prior written notice of his intent to terminate, in which event the Employer shall have no further obligation to the Executive except for payment of any amounts due and owing under Section 4 on the effective date of termination; or

(c) Upon the Disability of Executive at any time, provided that the Executive shall give the Employer thirty (30) days' prior written notice of its intent to terminate, in which event, the Employer shall be required to continue to meet its obligation to the Executive under Section 4.1 for three (3) months following the termination or until the Executive begins receiving payments under the Employer's long-term disability policy, whichever occurs first.

3.2.3 At any time upon mutual, written agreement of the parties, in which event the Employer shall have no further obligation to the Executive except for payment of any amounts due and owing under Section 4 on the effective date of termination.

3.2.4 Upon expiration of the Term as provided in Section 3.1, in which event the Employer shall have no further obligation to the Executive except for payment of any amounts due and owing under Section 4 on the last day of the Term then in effect.

3.2.5 Notwithstanding anything in this Agreement to the contrary, the Term shall end automatically upon the Executive's death, in which event the Employer shall have no further obligation to the Executive's estate except for payment of any amounts due and owing under Section 4 on the effective date of termination.

3.3 Change of Control. If, within six (6) months following a Change of Control, either the Executive terminates his employment with the Employer under this Agreement for any reason or the Employer involuntarily terminates the Executive's employment under this Agreement other than for Cause, the Executive, or in the event of his subsequent death, his designated beneficiaries, as identified to the Employer in writing in a form substantially similar to Exhibit "A" attached hereto or, in the absence of any such designation, his estate, as the case may be, shall receive, as liquidated damages, in lieu of all other claims, an amount equal to (a) three (3), multiplied by (b) the sum of: (i) his Base Salary then in effect; (ii) an amount equal to the average of the annual bonuses paid to the Executive for the three most recently completed fiscal years prior to termination of employment; and (iii) his monthly automobile allowance referenced in Section 4.3, multiplied by twelve (12).

For purposes of the immediately preceding paragraph, in determining the annual bonus component of the formula, for any fiscal year during the averaging period in which no annual bonus was payable, $0.00 shall be used in the averaging calculation for that fiscal year. In addition, if the Executive's termination of employment occurs before the annual bonus, if any, for the most recently completed fiscal year is payable, then the averaging will be determined by reference to the three most recently completed fiscal years before that fiscal year.

The amount payable pursuant to this Section 3.3 shall be paid in substantially equal monthly installments over a twenty-four (24) month period commencing as of the first day of the calendar month following the effective date of the termination of employment.

In no event shall the payment(s) described in this Section 3.3 exceed the amount permitted by Code Section 280G. Therefore, if the aggregate present value (determined as of the date of the Change of Control in accordance with the provisions of Code Section 280G) of both the severance payment and all other payments to the Executive in the nature of compensation which are contingent on a change in ownership or effective control of the Bank or the Company or in the ownership of a substantial portion of the assets of the Bank or the Company (the "Aggregate Severance") would result in a "parachute payment," as defined under Code Section 280G, then the Aggregate Severance shall not be greater than an amount equal to 2.99 multiplied by Executive's "base amount" for the "base period," as those terms are defined under Code Section 280G. In the event the Aggregate Severance is required to be reduced pursuant to this Section 3.3, the Executive shall be entitled to determine which portions of the Aggregate Severance are to be reduced so that the Aggregate Severance satisfies the limit set forth in the preceding sentence. Notwithstanding any provision in this Agreement, if the Executive may exercise his right to terminate employment under this Section 3.3 or under Section 3.2.2(a), the Executive may choose which provision shall be applicable.

3.4 Effect of Termination.

3.4.1 Upon termination of the Executive's employment hereunder for any reason, the Employer shall have no further obligation to the Executive or the Executive's estate with respect to this Agreement, except for the payment of any amounts due and owing under Section 4 on the effective date of termination and any payments set forth in Sections 3.2.1(b) or (c); Section 3.2.2(a) or (c); Section 3.3; or Section 3.4.2 as applicable.

3.4.2 Upon termination of the Executive's employment hereunder for any reason (other than involuntarily by the Employer for Cause) and continuing until the date the Executive is eligible for Medicare, the Employer shall reimburse the Executive for the cost to the Executive of coverage for himself and eligible dependents under any group retiree medical plan then maintained by the Employer for which the Executive and his dependents are eligible or, if no such coverage is then being maintained by the Employer, for the cost to the Executive of coverage for himself and his eligible dependents under an individual medical insurance policy purchased by the Executive. In the latter instance, any such individual medical insurance policy shall be selected and purchased by the Executive with the Employer's sole obligation being to provide for reimbursements of the amounts incurred by the Executive for the cost of such coverage and the Employer's aggregate monthly obligation with respect to such reimbursements shall not exceed one hundred and twenty percent (120%) of the monthly cost of health care continuation coverage then being charged by the Employer to former employees for family coverage under its primary medical care plan for the "determination period' (as defined in Code Section 4980B(f)(4)(C)) that is then in effect.

3.4.3 If the Executive's employment is involuntarily terminated by the Employer without Cause, whether before or after any Change of Control, or upon the Executive's death or Disability, then immediately prior to the effective date of such termination, subject to the limitations contained in Section 3.3, all option awards for the purchase of Company common stock then issued and outstanding in favor of the Executive shall become fully vested and exercisable to the extent not otherwise vested and exercisable as of such date.

3.4.4 As a condition to the Employer's payment of any amount in connection with a termination of the Executive's employment, the Executive agrees to execute a release in such form as is acceptable to the Employer. The Employer reserves the right to withhold payment of any amounts payable upon termination until the revocation period associated with such release expires (generally, seven (7) days from the date the release is executed).

4. Compensation. The Executive shall receive the following salary and benefits during the Term, except as otherwise provided below:

4.1 Base Salary. The Executive shall be compensated at a base rate of $300,000 per year (the "Base Salary"). The obligation for payment of Base Salary shall be apportioned between the Company and the Bank as they may agree from time to time in their sole discretion. The Executive's Base Salary shall be reviewed by the Board of Directors of the Bank and the Company at least annually, and the Executive shall be entitled to receive annually an increase in such amount, if any, as may be determined by the Board of Directors of the Bank or the Company based on its evaluation of the Executive's performance. Base Salary shall be payable in accordance with the Employer's normal payroll practices.

4.2 Incentive Compensation. The Executive shall be entitled to annual bonus compensation, if any, as determined by the Board of Directors of the Company or the Bank pursuant to any incentive compensation program as may be adopted from time to time by the Company or the Bank. Any such program shall be based upon the performance of the Employer for its fiscal year and any such program shall provide that any annual bonus otherwise earned shall be paid immediately following the last day of that fiscal year.

4.3 Automobile. The Executive shall receive an automobile allowance equal to $500 per month.

4.4 Business Expenses; Memberships. The Employer specifically agrees to reimburse the Executive for:

(a) reasonable and necessary business (including travel) expenses incurred by him in the performance of his duties hereunder, as approved by the Board of Directors of either the Bank or the Company; and

(b) the reasonable dues and business related expenditures, exclusive of any initiation fees, associated with membership in a single country club and a single civic association, both as selected by the Executive and in professional associations which are commensurate with his position; provided, however, that the Executive shall, as a condition of reimbursement, submit verification of the nature and amount of such expenses in accordance with reimbursement policies from time to time adopted by the Employer and in sufficient detail to comply with rules and regulations promulgated by the Internal Revenue Service.

4.5 **Vacation.** The Executive shall be entitled to paid time off in accordance with the terms of the Employer's policy as in effect from time to time.

4.6 **Life Insurance.** The Employer will provide the Executive with term life insurance coverage providing a death benefit of not less than three (3) times the Executive's Base Salary then in effect not to exceed $310,000. Any life insurance benefits provided for under this Section 4.6 shall payable to such beneficiary or beneficiaries as the Executive may designate. If the term life insurance provided for under this Section cannot be obtained with a standard or better risk classification with respect to the Executive, the Employer shall not be obligated to provide such insurance coverage.

4.7 **Benefits.** In addition to the benefits specifically described in this Agreement, the Executive shall be entitled to such benefits as may be available from time to time to executives of the Employer similarly situated to the Executive. All such benefits shall be awarded and administered in accordance with the Employer's standard policies and practices. Such benefits may include, by way of example only, retirement plans, dental, health, life and disability insurance benefits, and such other benefits as the Employer deems appropriate.

4.8 **Withholding.** The Employer may deduct from each payment of compensation hereunder all amounts required to be deducted and withheld in accordance with applicable federal and state income tax, FICA and other withholding requirements.

5. **Employer Information.**

5.1 **Ownership of Employer Information.** All Employer Information received or developed by the Executive while employed by the Employer will remain the sole and exclusive property of the Employer.

5.2 **Obligations of the Executive.** The Executive agrees:

(a) to hold Employer Information in strictest confidence;

(b) not to use, duplicate, reproduce, distribute, disclose or otherwise disseminate Employer Information or any physical embodiments of Employer Information; and

(c) in any event, not to take any action causing or fail to take any action necessary in order to prevent any Employer Information from losing its character or ceasing to qualify as Confidential Information or a Trade Secret.

In the event that the Executive is required by law to disclose any Employer Information, the Executive will not make such disclosure unless (and then only to the extent that) the Executive has been advised by independent legal counsel that such disclosure is required by law and then only after the Executive provides, given the circumstances, timely prior written notice to the Employer when the Executive becomes aware that such disclosure has been requested and is required by law. With respect to Confidential Information, this Section 5 shall survive for a period of thirty-six (36) months following termination of this Agreement for any reason, and shall survive termination of this Agreement for any reason for so long as is permitted by applicable law, with respect to Trade Secrets.

5.3 **Delivery upon Request or Termination.** Upon request by the Employer, and in any event upon termination of his employment with the Employer, the Executive will promptly deliver to the Employer all property belonging to the Employer, including, without limitation, all Employer Information then in his possession or control.

6. **Non-Competition**. The Executive agrees that during his employment by the Employer hereunder and, in the event of his termination:

- by the Employer without Cause pursuant to Section 3.2.1(b);
- by the Executive for Cause pursuant to Section 3.2.2(a);
- by the Executive without Cause pursuant to Section 3.2.2(b); or
- by the Employer or the Executive in connection with a Change of Control pursuant to Section 3.3,

for a period of thirty-six (36) months thereafter, he will not (except on behalf of or with the prior written consent of the Employer), within the Area, either directly or indirectly, on his own behalf or in the service of or on behalf of others, as an executive officer or proposed executive officer of a new financial institution, undertake for any Competing Business duties and responsibilities similar to those undertaken by the Executive for the Employer.

7. **Non-Solicitation of Customers.** The Executive agrees that during his employment by the Employer hereunder and, in the event of his termination:

- by the Employer without Cause pursuant to Section 3.2.1(b);
- by the Executive for Cause pursuant to Section 3.2.2(a);
- by the Executive without Cause pursuant to Section 3.2.2(b); or
- by the Employer or the Executive in connection with a Change of Control pursuant to Section 3.3,

for a period of thirty-six (36) months thereafter, he will not (except on behalf of or with the prior written consent of the Employer) on his own behalf or in the service of or on behalf of others, solicit, divert or appropriate or attempt to solicit, divert or appropriate, for any Competing Business any of the Employer’s customers, including prospective customers actively sought by the Employer, with whom the Executive has or had material contact during the two (2) year period preceding his termination of employment for the purpose of providing products or services that are competitive with those provided by the Employer.

8. **Non-Solicitation of Employees.** The Executive agrees that during his employment by the Employer hereunder and, in the event of his termination:

- by the Employer without Cause pursuant to Section 3.2.1(b);
- by the Executive for Cause pursuant to Section 3.2.2(a);
- by the Executive without Cause pursuant to Section 3.2.2(b); or
- by the Employer or the Executive in connection with a Change of Control pursuant to Section 3.3,

for a period of thirty-six (36) months thereafter, he will not, on his own behalf or in the service of or on behalf of others, solicit, recruit or hire away or attempt to solicit, recruit or hire away, any employee of the Employer or its Affiliates to a Competing Business, whether or not:

- such employee is a full-time employee or a temporary employee of the Employer or its Affiliates;
- such employment is pursuant to written agreement; and
- such employment is for a determined period or is at will.

9. **Remedies.** The Executive agrees that the covenants contained in Sections 5 through 8 of this Agreement are the of essence of this Agreement; that each of the covenants is reasonable and necessary to protect the business, interests and properties of the Employer, and that irreparable loss and damage will be suffered by the Employer should he breach any of the covenants. Therefore, the Executive agrees and consents that, in addition to all the remedies provided by law or in equity, the Employer shall be entitled to a temporary restraining order and temporary and permanent injunctions to prevent a breach or contemplated breach of any of the covenants and shall be relieved of its obligation to make any and all payments to the Executive that otherwise are or may become due and payable to the Executive pursuant to Section 3. The Employer and the Executive agree that all remedies available to the Employer or the Executive, as applicable, shall be cumulative.

10. **Severability.** The parties agree that each of the provisions included in this Agreement is separate, distinct and severable from the other provisions of this Agreement and that the invalidity or unenforceability of any Agreement provision shall not affect the validity or enforceability of any other provision of this Agreement. Further, if any provision of this Agreement is ruled invalid or unenforceable by a court of competent jurisdiction because of a conflict between the provision and any applicable law or public policy, the provision shall be redrawn to make the provision consistent with and valid and enforceable under the law or public policy.

11. **No Set-Off by the Executive.** The existence of any claim, demand, action or cause of action by the Executive against the Employer, or any Affiliate of the Employer, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by the Employer of any of its rights hereunder.

12. **Notice.** All notices, requests, waivers and other communications required or permitted hereunder shall be in writing (including telecopy or similar writing), addressed as follows:

(i) If to the Employer, to it at:

United Community Bank
P.O. Box 398
Blairsville, Georgia 30514
Attn: Jimmy C. Tallent
Telephone: (866) 270-7200
Facsimile: (706) 745-9046

(ii) If to the Executive, to him at:

____
____
____
Telephone: (__) ___ - _____________
Facsimile: (___)___ - ______________

All such notices, requests, waivers and other communications shall be deemed to have been effectively given (a) when personally delivered to the party to be notified; (b) when sent by confirmed facsimile to the party to be notified at the number set forth above; (c) three (3) business days after deposit in the United States Mail postage prepaid by certified or registered mail with return receipt requested and addressed to the party to be notified as set forth above; or (d) one (1) business day after deposit with a national overnight delivery service, postage prepaid, addressed to the party to be notified as set forth above with next-business-day delivery guaranteed. A party may change its or his notice address given above by giving the other party ten (10) days' written notice of the new address in the manner set forth above. Any party hereto may change his or its address by advising the other, in writing, of such change of address.

13. **Assignment.** This Agreement is generally not assignable by the Employer except that the rights and obligations of the Employer under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Employer. The Agreement is a personal contract and the rights, interests and obligations of the Executive may not be assigned by him. This Agreement shall inure to the benefit of and be enforceable by the Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees.

14. **Waiver.** A waiver by one party to this Agreement of any breach of this Agreement by another party to this Agreement shall not be effective unless in writing, and no waiver shall operate or be construed as a waiver of the same or another breach on a subsequent occasion.

15. **Arbitration.** Except for matters contemplated by Section 17 below, any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator may be entered only in a state court of Gwinnett County or the federal court for the Northern District of Georgia. The Employer and the Executive agree to share equally the fees and expenses associated with the arbitration proceedings.

Executive must initial here: _____

16. Attorneys' Fees. In the event that the parties have complied with this Agreement with respect to arbitration of disputes and litigation ensues between the parties concerning the enforcement of an arbitration award, the party prevailing in such litigation shall be entitled to receive from the other party all reasonable costs and expenses, including without limitation attorneys' fees, incurred by the prevailing party in connection with such litigation, and the other party shall pay such costs and expenses to the prevailing party promptly upon demand by the prevailing party.

17. Applicable Law and Choice of Forum. This Agreement shall be construed and enforced under and in accordance with the laws of the State of Georgia. The parties agree that any appropriate state court in Gwinnett County, Georgia, or federal court located in or embracing Gwinnett County, Georgia, shall have exclusive jurisdiction of any case or controversy arising under or in connection with Sections 5 through 9 of this Agreement shall be a proper forum in which to adjudicate such case or controversy. The parties consent and waive any objection to the jurisdiction or venue of such courts.

18. Interpretation. Words importing any gender include all genders. Words importing the singular form shall include the plural and vice versa. The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Agreement. Any captions, titles or headings preceding the text of any article, section or subsection herein are solely for convenience of reference and shall not constitute part of this Agreement or affect its meaning, construction or effect.

19. Entire Agreement. This Agreement embodies the entire and final agreement of the parties on the subject matter stated in this Agreement and supersedes, in its entirety, the GCG Employment Agreement which shall have no further force or effect. No amendment or modification of this Agreement shall be valid or binding upon the Employer or the Executive unless made in writing and signed by both parties. All prior understandings and agreements relating to the subject matter of this Agreement are hereby expressly terminated.

20. Rights of Third Parties. Nothing herein expressed is intended to or shall be construed to confer upon or give to any person, firm or other entity, other than the parties hereto and their permitted assigns, any rights or remedies under or by reason of this Agreement.

21. Survival. The obligations of the Executive pursuant to Sections 5, 6, 7, 8, and 9 shall survive the termination of the employment of the Executive hereunder for the period designated under each of those respective Sections.

22. **Joint and Several.** The obligations of the Bank and the Company to Executive hereunder shall be joint and several.

23. **Representation Regarding Restrictive Covenants**. The Executive represents that he is not and will not become a party to any noncompetition or nonsolicitation agreement or any other agreement which would prohibit him from entering into this Agreement or providing the services for the Employer contemplated by this Agreement on or after the Effective Date. In the event the Executive is subject to any such agreement, this Agreement shall be rendered null and void and the Employer shall have no obligations to the Executive under this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Employer and the Executive have executed and delivered this Agreement as of the date first shown above.

THE BANK:

UNITED COMMUNITY BANK

By: ____________________
Print Name: ____________________
Title: ____________________

THE COMPANY:

UNITED COMMUNITY BANKS, INC.

By ____________________
Print Name: ____________________
Title: ____________________

THE EXECUTIVE:

____
GLENN S. WHITE

EXHIBIT A

DESIGNATION OF BENEFICIARY FORM

Pursuant to Section 3.3 of that certain employment agreement by and among United Community Banks, Inc., United Community Bank, and Glenn S. White dated **[•]**, 2007 (the "Agreement"), I, ____________________, hereby designate the beneficiary(ies) listed below to receive any benefits under the Agreement that may be due following my death. This designation shall replace and revoke any prior designation of beneficiary(ies) made by me under the Agreement.

Full Name(s), Address(es) and Social Security Number(s) of Primary Beneficiary(ies)*:

____

____

____

____

*If more than one beneficiary is named above, the beneficiaries will share equally in any benefits, unless you have otherwise provided above. Further, if you have named more than one beneficiary and one or more of the beneficiaries is deceased at the time of your death, any remaining beneficiary(ies) will share equally, unless you have provided otherwise above. If no primary beneficiary survives you, then the contingent beneficiary designated below will receive any benefits due upon your death. In the event you have no designated beneficiary upon your death, any benefits due will be paid to your estate. In the event that you are naming a beneficiary that is not a person, please provide pertinent information regarding the designation.

Full Name, Address and Social Security Number of Contingent Beneficiary:

____

____

____

____

Date ____________________ ______________________________

Glenn S. White

AMENDMENT
TO
EMPLOYMENT AGREEMENT

THIS AMENDMENT made and entered into as of this 31st day of December 2008, by and between **UNITED COMMUNITY BANK** and **UNITED COMMUNITY BANKS, INC.** (together, the "Employer") and **GLENN S. WHITE** ("Executive").

WHEREAS, the Employer and Executive entered into an Employment Agreement, dated as of February 5, 2007 ("Employment Agreement"), providing for the terms and conditions of Executive's employment by the Employer; and

WHEREAS, the parties now desire to amend the Employment Agreement in the manner hereinafter provided to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and for certain other purposes;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Employment Agreement, the parties hereby agree as follows:

1.

Section 3 is hereby amended by adding a new Section 3.5 reading as follows:

> "3.5 Section 409A Compliance. This Agreement is intended to satisfy the requirements of Code Section 409A, including any transition relief available under applicable guidance related to Code Section 409A. The Agreement may be amended or interpreted by the Employer as it determines necessary or appropriate in accordance with Code Section 409A and to avoid a failure under Code Section 409A(1). The Employer shall have the authority to delay the commencement of all or a part of the payments to Executive under Section 4 if Executive is a "key employee" of the Employer (as determined by the Employer in accordance with procedures established by the Employer that are consistent with Section 409A) to a date which is six months and one day after the date of Executive's termination of employment (and on such date the payments that would otherwise have been made during such six-month period shall be made) to the extent (but only to the extent) such delay is required under the provisions of Section 409A to avoid imposition of additional income and other taxes, provided that the Employer and Executive agree to take into account any transitional rules and exemption rules available under Section 409A.
>
> Notwithstanding any other provision of the applicable plans and programs, all reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (i) the amount of expenses eligible for reimbursement and the provision of benefits in kind during a calendar year shall not affect the expenses eligible for reimbursement or the provision of in-kind benefits in any other calendar year; (ii) the reimbursement for an eligible expense will be made on or before the last day of the calendar year following the calendar year in which the expense is incurred; (iii) the right to reimbursement or right to in-kind benefit is not subject to liquidation or exchange for any other benefit; and (iv) each reimbursement payment or provision of in-kind benefit shall be one of a series of separate payments (and each shall be construed as a separate identified payment) for purposes of Section 409A."

2.

Section 16 is hereby amended by adding the following sentence to the end of the present section:

"Notwithstanding the other provisions of this Section 16, any legal fees and expenses payable to Executive pursuant to this Section 16 shall be paid no later than the end of the calendar year following the calendar year in which the fees and expenses are incurred."

3.

This Amendment shall be effective as of the date hereof. Except as hereby amended, the Employment Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first written above.

UNITED COMMUNITY BANK

By: ______________________________
Name: ______________________________
Title: ______________________________

UNITED COMMUNITY BANKS, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

____
Glenn S. White

EXHIBIT 10.10

UNITED COMMUNITY BANKS
MODIFIED RETIREMENT PLAN
(As Amended And Restated Effective As Of
January 1, 2005, Except Where Otherwise Noted)

Pursuant to the authorization of its Board of Directors, UNITED COMMUNITY BANKS, INC. (“the Company”), a Georgia bank holding company located in Blairsville, Georgia, established the United Community Banks Modified Retirement Plan (the “Plan”), effective as of January 1, 2004. The Company does hereby amend and restate the Plan, effective as of January 1, 2005, except where a different effective date is indicated for a specific provision (each such date is referred to as an “Effective Date”), and subject to the transition rules of Section 409A.

The purpose of this Plan is to provide specified benefits to a select group of management or highly compensated Employees who contribute materially to the continued growth, development and future business success of the Company and its Subsidiaries that participate in this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

ARTICLE 1
DEFINITIONS

The following words and phrases shall have the following meanings, unless the context requires otherwise:

1.1 “Accrued Benefit” means the amount payable at Normal Retirement Age equal to the Participant’s Retirement Benefit described in Section 3.2 multiplied by a fraction, not to exceed one, the numerator of which is the Participant’s actual number of Years of Service and the denominator of which is the Participant’s potential number of Years of Service to Normal Retirement Age (determined beginning on the Participant’s hire date and continuing as if the Participant continued employment with the Employer until his Normal Retirement Age), provided that the Plan Administrator may provide on an Appendix or a Participation Agreement applicable to a Participant for a different method to determine the Accrued Benefit fraction through adjustment of the Participant’s hire date or otherwise. The Participation Agreement may provide for payment of a specified benefit amount at an age earlier than the Participant’s Normal Retirement Age, which amount may exceed the Participant’s Accrued Benefit at such age.

1.2 “Actuarial Equivalent” means an actuarial equivalent value of an amount payable in a different form or at a different date computed on the basis of the following actuarial assumptions:

Mortality:	GAR 94 unisex mortality table set forth in Revenue Ruling 2001-62
Interest Rate:	7.00%

As the Plan Administrator deems necessary, in its sole discretion, the above actuarial assumptions may be adjusted from time to time, and no Participant shall be deemed to have any right, vested or nonvested, regarding the continued use of any previously adopted actuarial assumptions.

1.3 "Beneficiary" means a Participant's designated Eligible Spouse or other person entitled to benefits, if any, upon the death of a Participant determined pursuant to Articles 3 and 4.

1.4 "Beneficiary Designation Form" means the form established from time to time by the Plan Administrator that a Participant completes, signs and returns to the Plan Administrator to designate a Beneficiary.

1.5 "Board" means the Board of Directors of the Company as from time to time constituted.

1.6 "Change in Control" means for purposes of the Plan any of the following:

(A) The acquisition (other than from the Company) by any Person of Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that for purposes of this Section 1.6, Person shall not include any person who on January 1, 2004 owned ten percent (10%) or more of the Company's outstanding securities, and a Change in Control shall not be deemed to occur solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one (1) or more employee benefit plans maintained by the Company or any of its Subsidiaries, or (ii) any corporation, which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

(B) Consummation by the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation, or (2) a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company.

(C) A change in the composition of the Board such that the individuals who, as of January 1, 2004, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 1.6 that any individual who becomes a member of the Board subsequent to January 1, 2004 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

Notwithstanding anything else to the contrary set forth in this Plan, if (i) an agreement is executed by the Company providing for any of the transactions or events constituting a Change in Control as defined herein, and the agreement subsequently expires or is terminated without the transaction or event being consummated, and (ii) Participant's employment did not terminate during the period after the agreement and prior to such expiration or termination, for purposes of this Plan it shall be as though such agreement was never executed and no Change in Control event shall be deemed to have occurred as a result of the execution of such agreement.

1.7 "Change in Control Benefit" means the benefit as set forth in Section 3.7.

1.8 "Code" means the Internal Revenue Code of 1986, as amended.

1.9 "Company" means United Community Banks, Inc., a bank holding company organized under the laws of Georgia.

1.10 "Disability" means the Participant has been determined to be "Disabled" (i) under the Company's long-term disability plan covering the Participant, or (ii) in accordance with standards established by the Plan Administrator consistent with the requirements of Section 409A based on the Participant's inability to perform his duties as a result of an injury or sickness.

1.11 "Disability Retirement Benefit" means the benefit as set forth in Section 3.4.

1.12 "Early Retirement Age" means, if provided for in the Participation Agreement with respect to a Participant, the Participant reaching the designated age and completing the number of Years of Service as set forth in the Participation Agreement applicable to such Participant. If no Early Retirement Age is provided for in the Participation Agreement, then the Participant's Early Retirement Age shall be his Normal Retirement Age.

1.13 "Election Form" means the form established from time to time by the Plan Administrator that a Participant completes, signs and returns to the Plan Administrator to make elections under the Plan.

1.14 "Eligible Spouse" means the individual to whom the Participant is legally married on the earlier of the Participant's date of benefit commencement or date of death.

1.15 "Employee" means a person who is an active employee of an Employer.

1.16 "Employer" means the Company and any of its Subsidiaries (now in existence or hereafter formed or acquired) that have been designated by the Board to participate in the Plan.

1.17 "Normal Retirement Age" means with respect to a Participant (i) the Participant reaching age sixty-five (65) and completing at least five (5) Years of Service, or (ii) the Participant's designated age and Years of Service as set forth in the Participation Agreement applicable to such Participant.

1.18 "Participant" means any Employee (i) who is selected to participate in the Plan by the Plan Administrator (subject, where applicable, to ratification by the Compensation Committee), (ii) who elects to participate in the Plan, (iii) who signs a Participation Agreement and a Beneficiary Designation Form, (iv) whose signed Participation Agreement and Beneficiary Designation Form are accepted by the Plan Administrator, (v) who commences participation in the Plan, and (vi) whose Participation Agreement has not terminated.

1.19 "Participation Agreement" means a written agreement, as may be amended from time to time, which is entered into between a Participant and the Company. Each Participation Agreement executed by a Participant shall provide for the benefit to which such Participant is entitled under the Plan, the terms and conditions applicable to such benefit, and the Participation Agreement bearing the latest date of acceptance by the Plan Administrator shall govern such entitlement.

1.20 "Plan Administrator" means the committee or individual appointed by the Company as described in Article 6. In the absence of such appointment, the Company shall serve as the Plan Administrator.

1.21 "Plan Year" means the twelve (12) month period from January 1 to December 31.

1.22 "Pre-Retirement Death Benefit" means the benefit as set forth in Section 3.8.

1.23 "Prior Plan" means the Executive Revenue Neutral Retirement Agreement or similar agreement covering a Participant which was replaced by and superceded in its entirety by the Plan and the Participation Agreement, effective as of January 1, 2004.

1.24 "Retirement Benefit" means the benefit payable as set forth in Section 3.2.

1.25 Section 409A" means Section 409A of the Code, as it may be amended from time to time, and the regulations and rulings thereunder.

1.26 "Subsidiary" means any corporation, partnership, limited liability company, joint venture or other entity in which the Company has, directly or indirectly, a fifty percent (50%) or greater voting interest.

1.27 "Termination for Cause" means, notwithstanding any provision of this Plan to the contrary, the Company shall not pay any benefit under this Plan, if the Company terminates the Participant's employment for Cause. Termination of the Participant's employment for "Cause" shall mean termination because of (i) willful misconduct on the part of a Participant that is materially detrimental to the Company; or (ii) the conviction of a Participant for the commission of a felony. The existence of "Cause" under either (i) or (ii) shall be determined by the Plan Administrator. Notwithstanding the foregoing, if the Participant has entered into an employment agreement that is binding as of the date of employment termination, and if such employment agreement defines "Cause," and/or provides a means of determining whether "Cause" exists, such definition of "Cause" and means of determining its existence shall supersede this provision. For purposes of this paragraph, no act or failure to act on the Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interest of the Company.

1.28 "Termination of Employment" means the date on which the Participant ceases to perform services for an Employer.

1.29 "Years of Service" means the twelve consecutive month period beginning on a Participant's date of hire with the Employer and any twelve (12) month anniversary thereof, during the entirety of which time the Participant is an Employee of an Employer. Service for partial years shall be calculated pro-rated based on the number of months completed. Service with a Subsidiary or other entity controlled by the Company before the time such entity became a Subsidiary or under such control shall not be considered a "Year of Service" unless the Plan Administrator specifically agrees to credit such service. In addition, the Plan Administrator in its discretion may provide on an Appendix or in a Participation Agreement for the grant of additional Years of Service in such circumstances where it deems such additional service appropriate and in the best interests of the Company.

ARTICLE 2
ELIGIBILITY AND PARTICIPATION

2.1 Selection by Plan Administrator. Participation in the Plan shall be limited to a select group of management and highly compensated employees of an Employer, as determined by the Plan Administrator in its sole discretion. From that group, the Plan Administrator shall select the Employees to participate in the Plan (subject, where applicable, to ratification by the Compensation Committee).

2.2 Enrollment Requirements. As a condition to participation, each selected Employee shall complete, execute and return to the Plan Administrator a Participation Agreement and a Beneficiary Designation Form. In addition, the Plan Administrator shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary or desirable.

2.3 Eligibility; Commencement of Participation. Provided an Employee selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Plan Administrator, that Employee will become a Participant in the Plan and will be eligible to receive benefits at the time and in the manner provided hereunder, subject to the provisions of the Plan.

2.4 Termination of Participation and/or Eligibility. If the Plan Administrator determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated employees, the Plan Administrator shall have the right, in its sole discretion, (i) to provide that the Participant shall cease accruing additional benefits hereunder, and/or (ii) to terminate the Participant's participation in the Plan. A Participant who ceases active participation in the Plan but remains employed shall receive his benefits upon Termination of Employment in accordance with Article 3.

ARTICLE 3
BENEFITS

3.1 Plan Benefits. Each Participant's benefits under the Plan shall be limited to those described in this Article 3 and the Participation Agreement, and shall be subject to any conditions and limitations set forth in Article 5 and contained elsewhere in this Plan and the Participation Agreement.

3.2 Retirement Benefit. If the Participant retires from employment on or after attaining Early Retirement Age, the Company shall pay to the Participant the Annual Target Benefit as set forth in the Participation Agreement reduced, to the extent provided in the Participation Agreement, if the benefit commences prior to the Participant's Normal Retirement Age. Unless a Participant chooses an Alternative Payment Method, the Company shall pay the Retirement Benefit to the Participant in the form of a life annuity, commencing within ninety (90) days following the Participant's Termination of Employment and payable on or about the first day of each successive month thereafter until the Participant's death, provided if the Participant has an Eligible Spouse on the date his benefits commence, the Retirement Benefit shall be payable in the form of a life with 100% survivor annuity as described in Section 3.10(ii) below (unless the Participant elects an Alternative Payment Method). Upon making all of such installments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.3 Disability Retirement Benefit. A Participant shall be eligible for a Disability Retirement Benefit if he retires by reason of Disability and his Disability Retirement Date shall be the day next following the day on which the Participant is deemed to have a Disability as defined in Section 1.10. The amount of the Participant's Disability Retirement Benefit shall be equal to his Accrued Benefit as of his Disability Retirement Date. A Disability Retirement Benefit shall commence as of the first day of the calendar month next following the Participant's Normal Retirement Age and shall be payable in the form of a life annuity, provided that if the Participant has an Eligible Spouse on the date his benefits commence, the Disability Retirement Benefit shall be payable in the form of a life with 100% survivor annuity as described in Section 3.10(ii) below (unless the Participant elects an Alternative Payment Method). The Committee may in its sole discretion provide that a Participant who has a Disability will be credited with additional Years of Service after the Participant's Disability Retirement Date.

3.4 Vested Participant Benefit. A Participant shall become vested in his Accrued Benefit upon attainment of age 55 and completion of five (5) Years of Service. A Vested Participant shall be entitled to his Accrued Benefit determined as of his date of Termination of Employment. Payment of such benefit shall commence on the first day of the calendar month next following the Vested Participant's attainment of his Early Retirement Age. The Participant's Vested Accrued Benefit shall be payable as a life annuity, provided that if the Participant has an Eligible Spouse on the date his benefit commences, the Vested Benefit shall be payable in the form of a life with 100% survivor annuity as described in Section 3.10(ii).

3.5 Termination Prior to Completion of Vesting Requirements. Except in the event of a Participant's death, Disability, or attainment of his Early Retirement Age, a Participant whose termination date occurs prior to meeting the vesting requirements of Section 3.4 shall be entitled to no benefits under this Plan.

3.6 Change in Control Benefit. Upon a Change in Control prior to the commencement of payment of benefits to a Participant under this Article, a Participant shall become immediately vested in the greater of the Participant's Early Retirement Benefit or Accrued Benefit, which benefit shall be payable commencing at the later of the Participant's Termination of Employment or the Participant's attainment of the Early Retirement Age specified in the Participation Agreement. Notwithstanding any other provisions of this Plan, the Change in Control Benefit shall not be reduced for each month that the commencement of the Change in Control Benefit precedes the Participant's Normal Retirement Age. Unless a Participant chooses an Alternative Payment Method, the Company shall pay the Change in Control Benefit to the Participant in the form of a life annuity, commencing on the date set forth in this section and payable on or about the first day of each successive month thereafter until the Participant's death, provided if the Participant has an Eligible Spouse on the date his benefits commence, the Change in Control Benefit shall be payable in the form of life with 100% survivor annuity as described in Section 3.10(ii) below (unless the Participant elects an Alternative Payment Method). Upon making all of such installments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.7 Pre-Retirement Age Death Benefit for Married Participant. If a Participant entitled to a Vested Participant Benefit pursuant to Section 3.4 dies prior to Early Retirement Age, if provided for in the Participant's Participation Agreement and has a surviving Eligible Spouse, the Company shall pay to the Participant's Eligible Spouse commencing at the date that would have been the Participant's Early Retirement Age a survivor benefit amount equal to the benefit due as though

(i) the Participant had terminated from Service just prior to his or her death,

(ii) the Participant had survived to his Early Retirement Age,

(iii) at the Participant's Early Retirement Age, the Participant had elected a life and 100% survivor benefit, and

(iv) the Participant dies immediately after his or her election.

The survivor benefit shall be payable to the Participant's surviving Eligible Spouse commencing on the date indicated above over the Eligible Spouse's lifetime. Upon making all of such payments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.8 Death Benefit for Married Participant After Attaining Early Retirement Age. If a married Participant dies prior to commencing retirement payments but after attaining Early Retirement Age as set forth in the Participation Agreement, and has a surviving Eligible Spouse, the Company shall pay the Participant's Eligible Spouse the 100% survivor benefit under the Participant's life and 100% Survivor benefit, as defined in Article 3.10(ii), as if the Participant had terminated from service and commenced benefits just prior to his death. The benefit shall be payable to the surviving Eligible Spouse over the Eligible Spouse's lifetime. Upon making all of such payments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.9 Death of Unmarried Participant. If a Participant who does not have an Eligible Spouse dies while employed by the Company after completing the requirements for a Vested Participant Benefit, the Participant's Beneficiary shall be paid an amount equal to fifty percent (50%) of the lump sum Actuarial Equivalent of the Participant's Accrued Benefit (subject, if applicable, to reduction for early payment). The pre-retirement death benefit under this Section 3.9 shall be payable in five (5) substantially equal annual installments commencing on the date the Participant would have attained Early Retirement Age or if the Participant had already attained Early Retirement Age at the date of death, the first day of the month following the date of death.

3.10 Alternative Payment Methods. A Participant may choose on the Election Form one of the following alternative forms of benefit payments that will apply when the Participant's benefit commences:

(i) A life annuity payable for the Participant's life only with payments ceasing upon the Participant's death;

(ii) Life with 100% continuation to his surviving Eligible Spouse, where payments continue without reduction until the later of the Participant's death or the death of a designated Eligible Spouse;

(iii) Life with 50% continuation to his surviving Eligible Spouse, where payments continue until the Participant's death then, if the designated Eligible Spouse survives the Participant, fifty percent (50%) of the payment is paid to such designated Eligible Spouse until his or her death;

(iv) 15 year period certain (180 monthly payments) with no further payment after 15 years, provided that if the Participant dies prior to receiving 180 monthly payments, his designated Beneficiary will receive the remainder of such 180 monthly payments.

The amount of any alternative payment shall be based on the Actuarial Equivalent of the benefit that would otherwise be payable.

An eligible Participant may change the election of the form of benefit payment among the annuity options in (i), (ii) and (iii) above by submitting a new Election Form, provided that if a Participant who is entitled to, or has elected, an annuity option under (i), (ii) or (iii) above wants to elect the 15-year period certain option in (iv) above or to change the Participant's election from the 15-year period certain option to an annuity option in (i), (ii) or (iii) above, the following rules shall apply: (i) the request for a change must be made at least one year prior to the date the Participant's distributions would otherwise commence; (ii) the new payment commencement date will be five (5) years after the date of commencement of payment previously elected by the Participant; and (iii) only one such change is permitted.

3.11 Withholding and Payroll Taxes. The Company shall withhold from any and all benefit payments made under this Article 3, all federal, state and local income taxes, employment and other taxes required to be withheld by the Company in connection with the benefits hereunder, in amounts to be determined in the sole discretion of the Company. If employment or other taxes are required to be withheld prior to payment of benefits, the Company may reduce the Participant's other compensation, require that the Participant remit to the Company additional amounts, or make such other arrangements with the Participant as the Company shall determine to be necessary to satisfy such obligation.

3.12 Prior Plan Benefits. An Employee who participated in a Prior Plan shall not be eligible to participate in this Plan and no benefit shall be payable to, or for the benefit of, such Employee under this Plan until the Employee has waived and released all of his rights under the Prior Plan (and to any insurance policies or contracts relating to the Prior Plan) in a manner satisfactory to the Plan Administrator. In the event for any reason an Employee receives any benefit under a Prior Plan, the Employee's benefits under this Plan shall be reduced in an equitable manner (as determined by the Plan Administrator) by the amount of benefits received from the Prior Plan.

3.13 Section 409A Compliance. To the extent applicable, this Plan shall at all times be operated in accordance with the requirements of Section 409A, including any applicable transition rules. The Company shall have authority to take action, or refrain from taking any action, with respect to the payments and benefits under this Plan that is reasonably necessary to comply with Section 409A. Notwithstanding the other provisions of this Article 3, in the event a Participant who is a "key employee" (as determined by the Plan Administrator in accordance with rules established by the Plan Administrator under Section 409A) becomes entitled to payment of his benefits, payment shall not commence until 6 months and a day after his Termination of Employment (unless otherwise permitted by Section 409A) and on such date the payments that would have been made during such six-month period shall be made in a lump sum.

ARTICLE 4
BENEFICIARY

4.1 Beneficiary. A married Participant's Eligible Spouse shall be entitled to receive any benefits payable under the Plan upon the death of a Participant, provided, that, the Participant may designate someone other than his or her Eligible Spouse as a Beneficiary, but that designation shall only be effective if the Participant elects the 15-year period Alternative Payment Method pursuant to Section 3.11(iv), and the Participant dies after commencing to receive benefit payments and prior to the expiration of the 15-year period. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates. An unmarried Participant may designate a Beneficiary for the benefit payable pursuant to Section 3.10.

4.2 Beneficiary Designation; Change. A Participant shall designate a Beneficiary by completing and signing the Beneficiary Designation Form, and delivering it to the Plan Administrator or its designated agent. The Participant's beneficiary designation shall be deemed automatically revoked if the Beneficiary predeceases the Participant or if the Participant designates his Eligible Spouse and the marriage is subsequently dissolved or terminated. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Plan Administrator's rules and procedures, as in effect from time to time. Upon the acceptance by the Plan Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be cancelled. The Plan Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Plan Administrator prior to the Participant's death.

4.3 Acknowledgment. No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Plan Administrator or its designated agent.

4.4 No Beneficiary Designation. If a married Participant who has elected the 15-year period payment option dies after commencing to receive payments without a valid Beneficiary designation, then the Participant's Eligible Spouse shall be the designated Beneficiary. If an unmarried Participant dies without designating a surviving Beneficiary, the benefits (or remaining benefits) shall be paid to the personal representative on behalf of the Participant's estate.

4.5 Facility of Payment. If the Plan Administrator determines in its discretion that a benefit is to be paid to a minor, to a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct payment of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

ARTICLE 5
GENERAL LIMITATIONS ON BENEFITS

5.1 Termination for Cause. If there is a Termination for Cause by an Employer of the Participant's employment, the Participant shall cease participation hereunder as of the date of such Termination for Cause and all benefits payable (or to be payable) to the Participant or the Participant's Beneficiary shall be forfeited, unless the Plan Administrator determines in its sole discretion to pay part or all of the Participant's Accrued Benefit.

5.2 Restrictive Covenant Provisions. (a) If, during his employment with an Employer or at any time during the one (1) year period after his Termination of Employment ("Restriction Period"), the Participant violates any of the Restrictive Covenants set forth in subsections (i) through (v) below, the Participant (and his Beneficiary) shall forfeit all rights to any benefits under the Plan. During the Restriction Period, the Participant shall not:

(i) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;

(ii) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Affiliate or is at will;

(iii) engage in any Restricted Activities within the Territory or from a business location servicing any part of the Territory;

(iv) manage any personnel engaging in any Restricted Activities within the Territory; or

(v) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Affiliate, the Company's Business or the Company's or any Affiliate's suppliers, employees, patrons, customers , and others who may at any time have or have had relations with the Company or any Subsidiary.

The Participant further agrees that he or she will not, except as necessary to carry out his duties as an employee of the Company, disclose or use Confidential Information. The Participant further agrees that, upon termination or expiration of employment with the Company for any reason whatsoever or at any time, the Participant will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Participant's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

(b) For purposes of this Section 5.2, the following terms shall have the meanings specified below:

(i) "Company's Business" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(ii) "Confidential Information" means information, without regard to form, relating to the Company's or any Affiliate's customers, operation, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including, but not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Affiliate by third parties that the Company or any Affiliate is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two (2) year period after the Date of Termination.

(iii) "Customers" means all Persons that (1) the Participant serviced or solicited on behalf of the Company or any Affiliate, (2) whose dealings with the Company or any Affiliate were coordinated or supervised, in whole or in part, by the Participant, or (3) about whom the Participant obtained Confidential Information, in each case during the term of this Agreement or while otherwise employed by the Company.

(iv) "Date of Termination" means the date upon which the Participant's employment with the Company ceases for any reason.

(v) “Person” means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

(vi) “Restricted Activities” means serving as a director, officer, executive, manager, employee or business consultant for a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(vii) “Territory” means the Territory as defined in the Participant’s most recent Award Agreement under the 2000 Key Employee Stock Option Plan.

(c) The Participant expressly acknowledges and agrees that: (i) the restrictions set forth in this Section 5.2 are reasonable, in terms of scope, duration, geographic area, and otherwise, (ii) the protections afforded the Company in Section 5.2 are necessary to protect its legitimate business interest, (iii) the restrictions set forth in Section 5.2 will not be materially adverse to the Participant’s employment with the Company, and (iv) his agreement to observe such restrictions forms a material part of the consideration for this Plan.

(d) It is the intention of the parties that if any restrictive covenant in this Plan is determined by a court of competent jurisdiction to be overly broad, then the court should enforce such restrictive covenant to the maximum extent permitted under the law as to area, breadth and duration.

5.3 Change in Control. The non-compete and non-solicitation provisions set forth in Section 5.2 shall not be enforceable against a Participant following a Change in Control, provided that if the Participant has violated such provisions prior to a Change in Control, his benefits shall not be restored unless the Plan Administrator elects to reinstate the Participant’s benefits.

5.4 Participant’s Suicide or Misstatement. An Employee shall not be considered a Participant and the Company shall not pay any benefit under this Plan if the Participant commits suicide within three years after the date of the Participant’s initial Participation Agreement. In addition, an Employee shall not be considered a Participant and the Company shall not pay any benefit under this Plan if the Participant has made any material misstatement of fact on any application for insurance or any benefits provided by the Company to, or with respect to, the Participant.

ARTICLE 6
ADMINISTRATION OF PLAN

6.1 Plan Administrator Duties. This Plan shall be administered by a Plan Administrator that shall be an individual or committee appointed by the Board. The Plan Administrator shall have the discretionary authority to (i) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan or the benefits payable under the Plan.

6.2 Agents. In the administration of this Plan, the Plan Administrator may employ agents and delegate to them such administrative duties as it sees fit, (including acting through a duly appointed representative), and may from time to time consult with counsel who may be counsel to an Employer.

6.3 Binding Effect of Decisions. The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

6.4 Indemnity of Plan Administrator. The Company shall indemnify and hold harmless the Plan Administrator (and any members of a committee serving as Plan Administrator) against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Plan Administrator or any of its members.

6.5 Employer Information. To enable the Plan Administrator to perform its functions, the Employers shall supply full and timely information to the Plan Administrator on all matters relating to the compensation of their Participants, the date and circumstances of the retirement, Disability, death or Termination of Employment of their Participants, and such other pertinent information as the Plan Administrator may reasonably require.

ARTICLE 7
CLAIMS AND REVIEW PROCEDURE

A Participant who believes that he is entitled to benefits under the Plan which have not been paid must file a written claim for such benefits. All claims for benefits shall be in writing and shall be filed with the Plan Administrator. If the Plan Administrator wholly or partially denies a Participant's claim for benefits, the Plan Administrator shall give the claimant written notice within sixty (60) days after the Plan's receipt of the claim setting forth:

(a) the specific reason(s) for the denial;

(b) specific reference to pertinent Plan provisions on which the denial is based;

(c) a description of any additional material or information which must be submitted to perfect the claim, and an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's claim review procedure.

Each Participant whose claim for benefits has been denied may file a written request for a review of his claim by the Plan Administrator. The request for review must be filed by the Participant within 60 days after he received the written notice denying his claim. The decision of the Plan Administrator will be made within 60 days after receipt of a request for review and shall be communicated in writing to the Participant. Such written notice shall set forth the basis for the Plan Administrator's decision. If there are special circumstances which require an extension of time for completing the review, the Plan Administrator's decision shall be rendered not later than 120 days after receipt of a request for review.

The Plan Administrator shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits and its decision on such matters are final and conclusive

ARTICLE 8
AMENDMENT AND TERMINATION OF THE PLAN

8.1 Termination. The Company reserves the right to terminate the Plan at any time by the actions of the Board. In addition, the Company reserves the right to terminate an Employer's participation (and such Employer's Employees' participation) in the Plan by action of the Board; provided, however, that upon such termination, the Plan Administrator in its discretion may determine that all Participants who cease to be eligible to continue participation in the Plan because of such action will become one hundred percent (100%) vested in the greater of their Accrued Benefit or their Annual Target Benefit. Further, the termination of the Plan shall not adversely affect any Participant or his or her Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination regardless of whether payment of such benefits has commenced and the benefits of such affected Participant or Beneficiary shall be payable at the time and in the manner provided in Article 3.

8.2 Amendment. The Company may, at any time, amend or modify the Plan in whole or in part by the actions of the Board. The amendment or modification of the Plan shall not affect any Participant or his or her Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification.

8.3 Termination of Participation Agreement. Absent the earlier termination, modification or amendment of the Plan, the Participation Agreement of any Participant shall terminate upon the full payment of the applicable benefits as provided under Article 3.

ARTICLE 9
MISCELLANEOUS

9.1 Unsecured General Creditor. Participants and their Beneficiaries shall have no legal or equitable rights, interests or claims in any property or assets of the Company or an Employer. The Company's or Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

9.2 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between an Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, with or without cause, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of an Employer or to interfere with the right of an Employer to discipline or discharge the Participant at any time.

9.3 Participation in Other Plans. Nothing herein contained shall be construed to alter, abridge, or in any manner affect the rights and privileges of the Participant to participate in and be covered by any pension, profit sharing, group insurance, bonus or similar employee plans which an Employer may now or hereafter maintain.

9.4 Alienability. Neither the Participant nor any Beneficiary under this Plan shall have any power or right to transfer, assign, anticipate, hypothecate, mortgage, commute, modify, or otherwise encumber in advance any of the benefits payable hereunder, nor shall any of said benefits be subject to seizure for the payment of any debts, judgments, alimony, or separate maintenance owed by the Participant or the Participant's Beneficiary or any of them, or to be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. In the event the Participant or any Beneficiary attempts assignment, commutation, hypothecation, transfer, or disposal of the benefit hereunder such action shall be of no force or effect and the Company's obligations hereunder to such Participant or Beneficiary shall immediately cease and terminate.

9.5 Successors. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns and the Participant and the Participant's Beneficiary.

9.6 Reorganization. The Company shall require any corporation with which it merges or consolidates or to which it sells substantially all of its assets to assume and discharge the obligations of the Company under this Plan. Upon the occurrence of such event, the term "Company" as used in this Plan shall be deemed to refer to such succeeding or continuing company, firm, or person.

9.7 Interpretation. Wherever the fulfillment of the intent and purpose of this Plan requires, and the context will permit, the use of the masculine gender includes the feminine and use of the singular includes the plural.

9.8 Alternative Action. In the event it shall become impossible for the Company or the Plan Administrator to perform any act required by this Plan, the Company or Plan Administrator may in its discretion perform such alternative act as most nearly carries out the intent and purpose of this Plan.

9.9 Applicable Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted in accordance with the laws of the state of Georgia, without regard to its conflict of law principles.

9.10 Headings. Article and section headings are for convenient reference only and shall not control or affect the meaning or construction of any of its provisions.

9.11 Furnishing Information. A Participant or his or her Beneficiary will cooperate with the Plan Administrator by furnishing any and all information requested by the Plan Administrator and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Plan Administrator may deem necessary.

9.12 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision has never been inserted herein.

9.13 Notice. Any notice or filing required or permitted to be given to the Plan Administrator under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

United Community Banks, Inc.
Attention: Plan Administrator of Modified Retirement Plan
P.O. Box 398
Blairsville, Georgia 30514

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

9.14 Signed Copies. This Plan may be executed in any number of counterparts, each of whom shall be deemed to be an original, and such counterparts taken together shall constitute one (1) and the same instrument.

9.15 Section 409A. This Plan is intended to satisfy the requirements of Code Section 409A and any regulations or guidance that may be adopted thereunder from time to time, including any transition relief available under applicable guidance related to Code Section 409A. The Plan may be amended or interpreted by the Committee as it determines necessary or appropriate in accordance with Code Section 409A and to avoid a plan failure under Code Section 409A(1).

IN WITNESS WHEREOF, the Company on December 31, 2008 has caused this Plan to be duly executed by its authorized officers to be effective as of January 1, 2005, except where otherwise noted and subject to the transition rules of Section 409A.

UNITED COMMUNITY BANKS, INC.

By: Jimmy C. Tallent
President and CEO

ATTEST:

By: Lori McKay
Secretary

PARTICIPATION AGREEMENT
Amended and Restated As Of January 1, 2005

THIS AMENDED AND RESTATED PARTICIPATION AGREEMENT (this "Agreement") is entered into as of December 31, 2008 between UNITED COMMUNITY BANKS, INC. and UNITED COMMUNITY BANK (GEORGIA), (together, the "Company"), and __________________ (the "Participant").

RECITAL

A. The Participant is a member of a select group of management or highly compensated Employees of the Company and the Company desires to provide certain supplemental retirement benefits to Participant, subject to the terms and conditions set forth herein and in the Plan.

B. The Company adopted, effective as of January 1, 2004, the UNITED COMMUNITY BANKS Modified Retirement Plan (the "Plan"), which Plan has been amended and restated to comply with the provisions of Section 409A, effective as of January 1, 2005, except where otherwise noted and subject to the transition rules of Section 409A.

C. The Participant entered into a Participation Agreement dated as of _________________, providing for his participation in the Plan.

D. In connection with the amendment and restatement of the Plan, the Company and the Participant desire to amend and restate the Participation Agreement.

AGREEMENT

NOW THEREFORE, the Participation Agreement is amended and restated, as follows:

1. Definitions. Unless otherwise provided in this Agreement, the capitalized terms in this Agreement shall have the same meaning as set forth in the Plan.

2. Integrated Agreement; Parties Bound. The Plan, a copy of which has been made available to the Participant, is hereby incorporated into and made a part of this Agreement as though set forth in full in this Agreement. The parties to this Agreement agree to and shall be bound by, and have the benefit of, each and every provision of the Plan as set forth in the Plan. This Agreement and the Plan, collectively, shall be considered one complete contract between the parties. Except as otherwise provided in the Plan, this Agreement shall not be amended except by an instrument in writing executed by the parties.

3. Acknowledgment. The Participant hereby acknowledges that he or she has read and understands this Agreement and the Plan.

4. Conditions to Participation. As a condition to participation in the Plan, the Participant must complete, sign, date and return to the Plan Administrator an original copy of this Agreement, a Beneficiary Designation, and any other forms required by the Plan Administrator. In addition, if applicable, as a condition to participation in the Plan, the Participant must waive his rights to any benefits under the Prior Plan and to any insurance policies or contract relating to the Prior Plan.

5. Successors and Assigns. This Agreement shall inure to the benefit of, and be binding upon the Company, its successors and assigns, and the Participant.

6. Governing Law. This Agreement shall be governed by and construed under ERISA and to the extent ERISA does not preempt state law, under the laws of the State of Georgia.

7. Annual Target Benefit. The Annual Target Benefit shall be $______. The Annual Target Benefit may be amended/increased from time to time in accordance with the terms of the Plan.

8. Early Retirement Age Criteria. The Early Retirement Age shall be Age __ and 5 Years of Service.

9. Minimum Early Retirement Benefit. The Minimum Retirement Benefit payable at the Participant's Early Retirement Age shall be $_______.

IN WITNESS WHEREOF, the Participant has signed and the Company has accepted this amended and restated Participation Agreement, as of the date first written above.

AGREED TO AND ACCEPTED BY COMPANY	PARTICIPANT
______________________________	______________________
Signature of Authorized Representative	Signature of Participant

PAYMENT ELECTION FORM

Complete Only If You Are Choosing An Alternative Payment Method

The normal form of payment under the Plan for an unmarried Participant is a life annuity and for a married Participant is a life with 100% survivor annuity to the Eligible Spouse. However, in accordance with such rules as the Plan Administrator may establish under the Plan, you may elect an Alternative Payment Method as provided below.

I hereby elect an Alternative Payment Method in accordance with the United Community Banks Modified Retirement Plan as follows:

Initial Box (only one)	**Payment of Benefit**
	Life annuity payable for the Participant's life only, with no survivor benefits
	Life with 50% survivor annuity, where payments continue until the Participant's death then, if the designated Eligible Spouse survives the Participant, fifty percent (50%) of the payment is paid to such designated Eligible Spouse until death
	15-year period certain (180 monthly payments) with no payments thereafter, provided that if the Participant dies prior to receiving 180 monthly payments, the designated Beneficiary will receive the remainder of such payments

Printed Name: ______________________________

Signature: ______________________________

Date: ______________________________

Received by the Plan Administrator this ____ day of ____________, 200___.

By: ______________________________

Title: ______________________________

BENEFICIARY DESIGNATION FORM

I designate my Eligible Spouse or other individual* as beneficiary of benefits under this Plan payable following my death:

Eligible Spouse: ____

Other Individual*: ____

*The Participant may designate a non-spouse as Beneficiary, but that person will only receive benefits if the Participant is unmarried or if the Participant is married and the Participant elected the 15 year period Alternative Payment Method per Article 3.11(iv), and the Participant died prior to the expiration of the 15 year period.

I understand that I may change this Beneficiary Designation form by filing a new written designation with the Plan Administrator in accordance with such procedures as may be established by the Plan Administrator. I further understand that the designation will be automatically revoked if the Beneficiary predeceases me, or if my marital status changes.

Signature ________________________________
[Name of Participant]

Date ________________________________

Acknowledged by the Plan Administrator this ___ day of ________________, 20__

By ________________________________

Title ________________________________

EXHIBIT 10.11

UNITED COMMUNITY BANKS
DEFERRED COMPENSATION PLAN

(As Amended And Restated Effective As Of January 1, 2005,
Except Where Otherwise Noted)

Pursuant to the authorization of its Board of Directors, UNITED COMMUNITY BANKS, INC. (“the Company”), a Georgia Corporation, does hereby amend and restate the United Community Banks Deferred Compensation Plan (the “Plan”), effective as of January 1, 2005, except where a different effective date(s) is indicated for a provision (each such date is referred to as the “Effective Date”), and subject to the transition rules of Section 409A.

The Plan was initially established effective as of October 21, 2004. Because of changes to the tax laws resulting from the enactment of Section 409A and adoption of related regulations, the Company desires to amend and restate the Plan as of the Effective Date. The purpose of the Plan is to provide specified benefits to a select group of management or highly compensated employees and members of the Board of Directors of the Company or a participating Affiliate who contribute materially to the continued growth, development and future business success of the Company and its Affiliates that participate in this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

ARTICLE I
DEFINITIONS

1.1 “401(k) Restoration Deferral” shall mean a deferral of Base Salary and/or Bonus Payments that cannot be deferred under the United 401(k) Plan and, thus, are ineligible for the matching contribution under the United 401(k) Plan.

1.2 “Account” or “Accounts” means the records maintained by the Committee to determine each Participant’s interest under this Plan. The accounts may be reflected as entries in the Company’s (or Employer’s) records, or as separate accounts under a trust, or as a combination of both. The Committee may establish such sub-accounts as it deems necessary for the proper administration of the Plan.

1.3 “Affiliate” means any person, corporation or other entity that controls or is controlled by, directly or indirectly, the Company, as determined by the Committee in its sole discretion.

1.4 “Base Salary” for any Plan Year means the base salary of an Eligible Employee for such Plan Year, including any amounts of base salary deferred or set aside under Code Sections 401(k) and 125, amounts deferred under this Plan or other authorized deferrals and payroll deductions.

1.5 “Beneficial Ownership” shall mean beneficial ownership as that term is used in Rule 13d-3 promulgated under the Exchange Act.

1.6 "Beneficiary" means any person(s), trusts, partnerships or other legal entity(ies) designated by the Participant or otherwise determined in accordance with Section 10.7.

1.7 "Board of Directors" means the Board of Directors of the Company.

1.8 "Bonus Payment(s)" means any bonus amounts awarded to an Eligible Employee under any incentive plan maintained by the Employer, including annual bonus payments, long-term incentive plan payments and special incentive or bonus payments that may be awarded from time to time.

1.9 "Cause" shall mean (i) willful misconduct on the part of a Participant that is materially detrimental to the Company or any Employer; or (ii) the commission by a Participant of a felony. The existence of "Cause" under either (i) or (ii) shall be determined by the Committee. Notwithstanding the foregoing, if the Participant has entered into an employment agreement that is binding as of the date of employment termination, and if such employment agreement defines "Cause," and/or provides a means of determining whether "Cause" exists, such definition of "Cause" and means of determining its existence shall supersede this provision.

1.10 "Change in Control" means any of the following events:

(a) The acquisition (other than from the Company) by any Person of Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that for purposes of this Section 1.10, Person shall not include any person who as of January 1, 2005 owns ten percent (10%) or more of the Company's outstanding securities, and a Change in Control shall not be deemed to occur solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one (1) or more employee benefit plans maintained by the Company or any of its Subsidiaries, or (ii) any corporation, which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

(b) Consummation by the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation, or (2) a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company.

(c) A change in the composition of the Board such that the individuals who, as of January 1, 2005, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, 2 however, for purposes of this Section 1.10 that any individual who becomes a member of the Board subsequent to January 1, 2005 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

Notwithstanding anything else to the contrary set forth in this Plan, if (i) an agreement is executed by the Company providing for any of the transactions or events constituting a Change in Control as defined herein, and the agreement subsequently expires or is terminated without the transaction or event being consummated, and (ii) Participant's employment did not terminate during the period after the agreement and prior to such expiration or termination, for purposes of this Plan it shall be as though such agreement was never executed and no Change in Control event shall be deemed to have occurred as a result of the execution of such agreement.

1.11 "<u>Code</u>" means the Internal Revenue Code of 1986, as it may be amended from time to time.

1.12 "<u>Committee</u>" means the Administrative Committee that administers the Plan in accordance with Article VIII.

1.13 "<u>Company</u>" means United Community Banks, Inc., a Georgia corporation, or any successor thereto.

1.14 "<u>Company Securities</u>" means the common stock, par value $1.00 per share, of the Company ("Common Stock") any other securities of the Company into which a Participant's Account may be deemed to be invested.

1.15 "<u>Deferral Account</u>" means any account maintained under the Plan for a Participant pursuant to Section 4.2.

1.16 "<u>Director</u>" means a member of the Board of Directors of the Company or the Board of Directors of any Affiliate or an Advisory Director of the Company or any Affiliate, other than any affiliate designated by the Board of Directors of the Company as not eligible to participate in the Plan, provided that Affiliate or Advisory Directors shall be eligible to participate as of May 13, 2005.

1.17 "<u>Director's Fees</u>" means any retainer, advisory (effective May 13, 2005) and meeting fees payable to the Director by the Company for the Plan Year, before reductions for contributions to or deferrals under this or any other deferred compensation or benefit plans sponsored by the Company.

1.18 "Disability" means the Participant has been determined to be "Disabled" as defined under Section 409A (a)(2)(C) of the Code.

1.19 "Effective Date" means January 1, 2005, except where otherwise noted and subject to the transition rules of Section 409A.

1.20 "Eligible Employee" means for each Plan Year an officer or other key management employee of the Employer designated by the Committee as eligible to participate in the Plan for such Plan Year or portion thereof.

1.21 "Employer" means the Company and any Affiliate other than any Affiliate that shall be designated by the Board of Directors or the Committee as not eligible to participate under the Plan.

1.22 "Employer Contribution Account" means any account maintained for a Participant pursuant to Section 4.3.

1.23 "ERISA" means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

1.24 "Exchange Act" shall mean the Securities Exchange Act of 1934, including amendments, or successor statutes of similar intent.

1.25 "Fiscal Year" means each twelve month period beginning January 1 and ending the next following December 31.

1.26 "Investment Option" means a deemed investment fund or asset allocation account that is available in accordance with Section 6.1 as the basis to calculate earnings, gains and losses on the amount credited to a Participant's Account. Effective May 13, 2005, the Committee may establish an Investment Option under which the Participant may direct that amounts credited to the Participant's Account are deemed to be invested in Company Stock, and effective September 1, 2008, the Committee may establish an Investment Option under which the Participant may direct the amounts credited to Participant's Account are deemed to be invested in other Company Securities, provided, that the Committee may limit the group or class of Participants that may elect to have their Accounts deemed to be invested in Company Stock or other Company Securities, and may require that any amounts that are deemed to be invested in Company Stock or other Company Securities must remain invested in Company Stock or other Company Securities.

1.27 "Key Employee" shall mean a key employee as defined in Section 416(i) of the Code (without regard to Section 416(i)(5)).

1.28 "Participant" means an Eligible Employee who participates in the Plan in accordance with Article 2 and a Director who participates in the Plan in accordance with Article 3.

1.29 “Person” shall mean any individual, entity or group within the meaning of Section 13(d)(3) or 14 (d)(2) of the Exchange Act.

1.30 “Plan” means the United Community Banks Deferred Compensation Plan as set forth in this document and as amended from time to time.

1.31 “Plan Year” means the calendar year.

1.32 “Retirement” means a Participant’s voluntary or involuntary Termination of Employment after attaining age 55 and completing five (5) or more Years of Service or a Participant’s Termination of Service.

1.33 “Section 409A” means Section 409A of the Code, as it may be amended from time to time, and the regulations and rulings thereunder.

1.34 “Termination of Employment” means a Participant’s separation from service with the Employer and the Affiliates for any reason. Transfer of employment among the entities constituting the Employer and the Affiliates shall not be deemed to be a Termination of Employment (even if the Affiliate is not a participating Employer in the Plan).

1.35 “Termination of Service” shall mean the date a Director ceases to serve as a member of the Board of Directors of the Company or any Affiliate, or as an Advisory Director, for any reason including resignation, removal, or the failure to be re-elected by the Company’s shareholders.

1.36 “Trust” means any trust established by the Company that includes the Plan as a plan with respect to which assets are to be held by the Trustee, provided that such trust shall not affect the status of the Plan as an unfunded plan for purposes of Title I of ERISA.

1.37 “Trustee” means the trustee or trustees or their successors under the Trust.

1.38 “United 401(k) Plan” means the United Community Banks, Inc. Profit Sharing Plan, or any successor plan maintained by an Employer that is qualified under Section 401(a) of the Code and includes a Code Section 401(k) feature that allows employees the ability to defer a portion of their compensation. Any reference herein to a provision or term of the United 401(k) Plan shall mean such provision or term as it may be amended from time to time.

1.39 “Valuation Date” means the Annual Valuation Date, December 31, and any other dates selected by the Committee as of which the Participant’s Accounts are valued.

1.40 "Years of Service" means a Participant's years of service determined in the same manner as under the United 401(k) Plan.

ARTICLE II
EMPLOYEE PARTICIPATION, DEFERRALS AND EMPLOYER CREDITS

2.1 Eligibility

Participation in the Plan shall be limited to Directors and to a select group of management and highly compensated employees of an Employer, as determined by the Committee, in its sole discretion. From that group of employees, the Committee shall determine the individual Eligible Employees who are eligible to participate in the Plan for any Plan Year. The Committee may make such determination by establishing a minimum compensation level or job title for participation or by the use of such other criteria as the Committee deems appropriate for time to time.

2.2 Election to Participate

Each Eligible Employee may elect to participate for the Plan Year, or part of a Plan Year for which he is eligible, by delivering to the Committee a written or electronic notice, at such time and in such form as approved by the Committee, electing to participate and specifying the dollar amount or percentage of Base Salary he elects to defer for such Plan Year (or part of a Plan Year), as a 401(k) Restoration Deferral or otherwise. An election to defer Base Salary for a Plan Year shall be made prior to the commencement of the Plan Year (or within thirty (30) days after the date the Plan is adopted or the Participant's initial eligibility to participate in the Plan).

Each Eligible Employee may also elect to participate by delivering to the Committee a written or electronic notice, at such time and in such form as approved by the Committee, specifying the dollar amount or percentage of any Bonus Payment he elects to defer for the Plan Year, as a 401(k) Restoration Deferral or otherwise. An election to defer a Bonus Payment for a Plan Year shall be made prior to the commencement of such Plan Year (or within thirty (30) days after the date the Plan is adopted or the Participant's initial eligibility to participate in the Plan) or, with respect to performance-based compensation based on services performed over a period of at least 12 months, no later than 6 months before the end of the period in a manner consistent with the requirements of Section 409A. The Committee may provide for different elections with respect to different types of Bonus Payments.

A Participant shall be required to submit a new election form on a timely basis to change the Participant's election for a subsequent Plan Year. If no new election form is filed during the prescribed enrollment period, the Participant's elections for the prior Plan Year shall continue in force for the next Plan Year.

Effective May 13, 2005, the Committee may provide that an Eligible Employee may elect to defer any special payments ("Special Payments"), such as a sign-on bonus, change in control payment or similar payments, the Eligible Employee may become entitled to receive; provided that such election shall be made prior to the time the Eligible Employee becomes entitled to receive such payment and in a manner consistent with the requirements of Section 409A. In such event, the Committee shall provide a separate deferral election and distribution election with respect to any deferrals of Special Payments. Deferrals of Special Payments shall be credited to a subaccount within the Eligible Employee's Deferral Account. Deferrals of Special Payments shall not be eligible for any 401(k) Matching Contributions.

2.3 Amount of Deferral

(a) 401(k) Restoration Deferral. Each Eligible Employee may make a 401(k) Restoration Deferral by electing to defer from 1 to 5% (or such lesser or greater percentage or amount as would be subject to a matching contribution under the United 401(k) Plan but for certain limitations applicable to the Participant under the United 401(k) Plan and assuming Bonus Payments were eligible for deferral and match under the United 401(k) Plan) of the Eligible Employee's Base Salary and/or Bonus Payments; provided, that any election to defer Base Salary shall only apply to the extent such amount is not and cannot be deferred to the United 401(k) Plan. The Committee may set a minimum amount of deferrals for a Plan Year and/or for any payroll period.

(b) Additional Deferrals. In addition to and/or in lieu of the 401(k) Restoration Deferrals, each Eligible Employee may elect to defer an amount not to exceed: (a) 75% of Base Salary for a Plan Year (or part of a Plan Year), and (b) 100% of Bonus Payments. An Eligible Employee shall not be permitted to reduce his compensation below the amount necessary to make required or elected contributions to employee benefit plans, required federal, state and local tax withholdings, and any other withholdings deemed necessary by the Committee or required by law. The Committee may also set a minimum amount of deferrals for a Plan Year and/or for any payroll period.

2.4 Employer Contribution

(a) 401(k) Matching Contribution. The Employer Contribution Account of each Participant who has elected to make a 401(k) Restoration Deferral of Base Salary and/or Bonus Payments shall, within 10 business days of the date such Base Salary and/or Bonus Payment would otherwise be paid, be credited with an amount determined by subtracting the amount described in (2) below from the amount described in (1) below:

(1) The amount that the Employer would have contributed as a matching contribution for the Participant under the United 401(k) Plan for the pay period pursuant to the provisions of the United 401(k) Plan if the amount of Base Salary and Bonus Payments that the Participant elected to defer under this Plan was instead deferred under the United 401(k) Plan, subject to any limitation in the United 401(k) Plan that matching contributions 7 shall only be made with respect to the first stated percentage of a Participant's compensation, but without regard to the other limitations of the United 401(k) Plan and of the Code or ERISA, and including all Base Salary and Bonus Payments as compensation eligible for a matching contribution.

(2) The amount actually contributed by the Employer as a matching contribution for the Participant under the United 401(k) Plan for such pay period.

(b) Discretionary Contribution. During a Plan Year, the Committee may, in its sole discretion, credit to an Eligible Employee's Employer Contribution Account an amount determined in the discretion of the Committee that may be a percentage of the Eligible Employee's Base Salary, a dollar amount, or some other amount. The Employer Contribution for a Plan Year may differ among Eligible Employees and may be made for some Eligible Employees but not others. The Employer Contribution shall be credited to the Employer Contribution Account for the Eligible Employee.

2.5 Withholding

The amount of Base Salary or Bonus Payments that an Eligible Employee elects to defer under Section 2.2 shall be withheld from his Base Salary or Bonus Payments in accordance with such rules and procedures as the Committee shall establish.

2.6 Deferral of Restricted Stock Units (RSUs)

(a) Eligibility. Effective April 26, 2006, the Committee may determine which Eligible Employees are eligible to elect to defer receipt of Company Stock resulting from awards of RSUs under the Stock Option Plan. The Committee may make such determination by establishing a minimum compensation level or job title for participation or by the use of such other criteria as the Committee deems appropriate from time to time.

(b) Deferral Election. An Eligible Employee may make an election to defer the receipt of Company Stock resulting from awards of RSUs by completing an election form at such time or times as may be established by the Committee; provided that, unless otherwise permitted by applicable law, the election shall be made (i) within thirty (30) days of the date of grant of such RSUs (provided that any RSUs do not vest within 12 months of the date of such election), or (ii) at least 12 months prior to the Vesting Date for the RSUs being deferred. On the Vesting Date for the RSUs, the Participant's RSU Account will be credited with a number of share units equal to the number of shares subject to the RSUs with respect to which the deferral election was made. The deferral election under this Section 2.6(b) shall be made on such form and in such manner as may be provided by the Committee. The deferrals credited to the Participant's RSU Account pursuant to this Section 2.6(b) shall also be credited with any dividend equivalents on the shares of Company Stock credited to the RSU Account, provided that such dividend equivalents shall not be deemed to be invested in shares of Company Stock unless otherwise determined by the Committee.

(c) Payment of RSU Account. At the time the Eligible Employee elects to make the deferrals under Section 2.6(b), the Eligible Employee shall also elect, on such form as approved by the Committee, the time and manner of payment of such RSU Account upon his Retirement or Disability, any scheduled payments during employment, payments upon death and such other matters as determined by the Committee. The payment elections under this Section 2.6(c) shall be made in accordance with the provisions of Article VII. The Eligible Employee's rights to change his payment election shall be determined in accordance with Article VII. The form of payment of the RSU Account pursuant to Section 2.6(c) shall be shares of Company Stock (except, as determined by the Committee, with respect to any dividend equivalents credited to the account).

(d) Definitions. The following definitions shall apply for purposes of this Section 2.6 and the Plan:

(1) "Restricted Stock Units Or RSUs" means an award under the Stock Option Plan of the right to receive shares of Company Stock on a Vesting Date.

(2) "RSU Account" means the account to which the Eligible Employee's deferrals of shares of Company Stock subject to RSUs are credited pursuant to Section 2.6(b).

(3) "Stock Option Plan" means the United Community Banks, Inc. 2000 Key Employee Stock Option Plan, as it may be amended from time to time.

(4) "Vesting Date" means the date or dates on which the RSUs vest and on which the Eligible Employee will have the right to receive shares of Company Stock.

ARTICLE III
DIRECTOR PARTICIPATION AND DEFERRALS

3.1 Director's Election to Participate

Each Director may elect to participate for the Plan Year, or part of a Plan Year for which he is eligible, by delivering to the Committee a written notice, at such time and in such form as approved by the Committee, electing to participate and specifying the dollar amount or percentage of his Director's Fees he elects to defer for such Plan Year (or part of a Plan Year), which may include separate elections with respect to meeting fees, advisory fees, and retainer fees. An election to defer Director's Fees for a Plan Year shall be made prior to the commencement of the Plan Year (or within thirty (30) days after the date the Plan is adopted or the Participant's initial eligibility to participate in the Plan), unless the Committee in its discretion permits an extension of the election period. Increases or decreases in the amount of Director's Fees a Director elects to defer shall not 9 be permitted during the Plan Year. The Director shall be required to submit a new election form to change the Director's election for a subsequent Plan Year. If no new election form is filed during the prescribed enrollment period, the Director's election for the prior Plan Year shall continue in force for the next Plan Year.

3.2 Amount of Deferral

Each Director may elect to defer an amount up to 100% of his Director's Fees for a Plan Year; provided, a Director shall not be permitted to reduce his Director's Fees below the amount necessary to make required or elected contributions to employee benefit plans, required federal, state and local tax withholdings, and any other withholdings deemed necessary by the Committee or required by law.

ARTICLE IV
DEFERRED COMPENSATION ACCOUNTS

4.1 Accounts

The Committee shall establish a Deferral Account and, if applicable, an Employer Contribution Account for each Eligible Employee for all periods during which such Eligible Employee is a Participant in the Plan. The Committees shall also establish a Deferral Account for each Director for all periods during which such Director is a Participant in the Plan.

4.2 Deferral Account

Each Participant's Deferral Account shall be credited with an amount equal to all of the Participant's Base Salary, Bonus Payments or Director's Fees elected by the Participant to be deferred on or about the dates such amounts would, but for the election to defer, have been payable to the Participant (or as otherwise determined by the Committee), and shall be credited with earnings, gains or losses in accordance with Section 6.1.

4.3 Employer Contribution Account

Each Participant's Employer Contribution Account shall be credited each Plan Year with an amount equal to the Employer Contribution for the Plan Year (including make-up 401(k) matching contributions and/or any discretionary contributions) and shall be credited with earnings, gains or losses in accordance with Section 6.1.

ARTICLE V
VESTING OF DEFERRAL ACCOUNT

A Participant shall be immediately 100% vested in all amounts credited to his Deferral Account.

5.1 Employer Contribution Account.

A Participant shall become vested in his Employer Contribution Account in accordance with the following vesting schedule or such other vesting schedule as may be determined by the Committee to apply to an Employer Contribution at the time such Employer Contribution is made to the Plan.

Years of Service	% of Account Vested
Less Than 1	0%
1 but less than 2	33%
2 but less than 3	66%
3 or more	100%

If the Participant terminates employment prior to becoming fully vested in his Employer Contribution Account, any unvested amount shall be immediately forfeited.

ARTICLE VI
EARNINGS; TRUST ARRANGEMENTS

6.1 Crediting of Earnings, Gains and Losses.

The Investment Options shall consist of such investment options as the Committee may, in its discretion, designate from time to time. Each Participant may select from time to time, in accordance with such rules as the Committee may establish, the Investment Options in which his Accounts will be deemed to be invested; provided, that the Committee may in its discretion make certain Investment Options available to only a limited group of Participants. Based on such selection, the Committee will credit an amount to Participants' Accounts to reflect the amounts by which the Participants' Accounts would have increased or decreased if they had been invested in the Investment Options selected by the Participant. The selection of Investment Options is to be used only for the purpose of valuing each Participant's Accounts. The Company and the Committee are under no obligation to acquire or provide any of the Investment Options designated by a Participant, and any investments actually made by the Committee will be made solely in the name of the Company and will remain the property of the Company, subject to the terms of any Trust. If a Participant fails to direct the deemed investment of 100% of his Accounts, any undirected amount shall be deemed to be invested in such fixed income Investment Option as shall be designated by the Committee.

The Employer shall pay all taxes required to be paid in connection with the deemed investment experience of Participants' Accounts prior to the distribution of a Participant's Account. The Committee shall periodically provide the Participant with a statement of his Accounts, in such reasonable detail as the Committee shall deem appropriate, showing the income, gains and losses (realized and unrealized), amounts of deferrals, and distributions from his Accounts since the prior statement.

The Investment Options are used solely for the purpose of determining the deemed earnings, gains and losses to be credited to a Participant's Accounts and no actual investment in the Investment Options shall be required. The Participant has no rights to any particular asset of the Employer or the Employer.

6.2 Trust

The Company may establish a trust fund with regard to the Accounts hereunder, which is designed to be a grantor trust under Code Section 671. It is the intention of the Company that any trust established for this purpose shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of highly compensated management employees for purposes of Title I of ERISA. The Employer may make payment of benefits directly to Participants or their Beneficiaries as they become due under the terms of the Plan. In addition, if the principal of any trust established for this purpose, and any earnings thereon, is not sufficient to make payments of benefits in accordance with the terms of the Plan, the Employer shall make the balance of each such payment as it falls due.

With respect to any benefits payable under the Plan, the Participants (and their Beneficiaries) shall have the same status as general unsecured creditors of the Company, and the Plan shall constitute a mere unsecured promise by the Company to make benefit payments in the future.

ARTICLE VII
PAYMENT OF ACCOUNTS

7.1 Time and Method of Payment

(a) Retirement or Disability. At the time an Eligible Employee or Director elects to participate in the Plan and to defer Base Salary, Bonus Payments or Director's Fees, he shall also elect, in such form as approved by the Committee, the method for the payment of such deferrals (and any related matching or employer contributions) upon his Retirement or Disability. The Participant may make a separate payment election each Plan Year with respect to deferrals (and any related matching or employer contributions) made for such Plan Year and the Committee may provide for separate payment elections for Base Salary, Bonus Payments and/or Director fees' deferrals. If the Participant does not make an election for any Plan Year, the most recent previous election of the Participant shall apply, and if no valid election has been made by the Participant, he shall be deemed to have elected a lump sum. Upon Retirement or Disability, a Participant's vested Account balance (or applicable portions of the Account) may be payable in one or more of the following methods, as elected with respect to the deferrals (and any related matching or employer contributions) for each Plan Year:

(i) A lump sum payment; or

(ii) Annual installment payments over a period of 5, 10, or 15 years, with each installment equal to the unpaid balance of the Account (or the portion of the Account to which the election applies) as of the preceding December 31st divided by the number of remaining payments.

Except with respect to Key Employees as provided in Section 7.1(g), lump sum payments and the first annual installment payment shall be made on or before the January 31st of the calendar year following the calendar year in which the Participant's Retirement or Disability occurs. Second and subsequent installment payments shall be payable each year on or before January 31st of such year.

The Committee (or its designee) may establish from time to time, consistent with the requirements of Section 409A, limitations on the Participant's ability to select the time and method of payment of his Account based upon the amount in the Participant's Account. For example, unless and until changed by the Committee (or its designee), if the Participant's aggregate Account has a total vested balance of less than $50,000 at the time of Retirement or Disability, the Account shall be paid in a lump sum regardless of an election by the Participant to be paid in installments. For purposes of this Article VII, the Committee may, if required by liquidity limitations resulting from a financial investment used to support an Investment Option (but only to such extent), establish limits on the timing and manner of payouts otherwise provided for under this Article VII for amounts attributable to such Investment Option.

(b) Scheduled Withdrawals During Employment. In addition to the election with respect to the time and method of payment upon Retirement as specified in Section 7.1(a), a Participant may elect, at the time he makes his deferral election each year, in such manner as approved by the Committee, to receive payment of such deferrals in, or commencing in, January of a specified year(which year must be at least 2 years after the end of the Plan Year during which the deferral is made) during his term of employment or during his service as a Director, pursuant to one of the following payment methods:

(1) A lump sum payment; or

(2) Annual installment payments over a period of 2, 3, 4 or 5 years with each installment equal to the unpaid balance (or designated portion) of such vested Account as of the preceding December 31st divided by the number of remaining payments.

If a Participant incurs a Disability or terminates employment under subsection (d) below or due to Retirement prior to the payment date in (b)(1), or the completion of the installment payments in (b)(2), the provisions of subsection (a) above (and if applicable, subsection (g) below) relating to payments after Disability or Retirement or subsection (d) below shall control with respect to the payment of (or payment of all remaining amounts of) the vested portion of the Participant's Account.

(c) Termination for Cause or Violation of Restrictive Covenants. Upon a Participant's Termination of Employment by the Employer for Cause or if the Participant violates the Restrictive Covenants set forth in Subsection (i) below, the Participant's Employer Contribution Account (whether or not otherwise vested), or any remaining payments due from such Employer Contribution Account, shall be immediately forfeited. Except as provided in Section 7.1(g), any vested amount in the Participant's Deferral Account shall be distributed to the Participant in a single, lump sum as soon as administratively feasible following the Participant's Termination of Employment for Cause or violation of the Restrictive Covenants (regardless of whether the Participant is eligible for Retirement).

(d) Other Termination of Employment. Except as provided in Section 7.1(g) below, upon a Participant's Termination of Employment or Termination of Service other than due to death, Disability, Retirement or for Cause or violation of a Restrictive Covenant, the Participant's entire vested Account balance shall be distributed to the Participant in a single, lump sum as soon as administratively feasible following the Participant's Termination of Employment or Termination of Service.

(e) Death. Upon the death of the Participant while actively employed, the Participant's Account shall become 100% vested and shall be payable to the Participant's Beneficiary in a lump sum in January of the year following the year in which the Participant died; provided, however, the Participant may elect in advance, at such time and in such manner as determined by the Committee, that the Participant's Account will be paid to his Beneficiary (i) in annual installments over a period of 5, 10, or 15 years, with the first installment paid in January of the calendar year following the calendar year in which the Participant died, or (ii) if the Participant has terminated employment eligible for Retirement and is receiving payments, in the same manner as it was being paid to the Participant at his date of death.

(f) Unforeseeable Emergency. Upon the occurrence of an "unforeseeable emergency", as defined in Code Section 409A and the regulations thereunder, the Participant may receive a lump sum distribution of such amounts as are necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution. The Committee or its designee shall determine the existence of an unforeseeable emergency and the maximum amount of any distribution in accordance with the requirements of Code Section 409A and the regulations and other guidance thereunder. Any distribution on account of an unforeseeable emergency shall be payable in a lump sum as soon as administratively practical following approval by the Committee or its designee and shall be payable only from the vested portion of the Participant's Account. The Committee or its designee may prescribe that a Participant who receives a distribution on account of an unforeseeable emergency may not make additional deferrals of Base Salary or Director's Fees for the remainder of the Plan Year or some other time period.

(g) Special Rule for Key Employees. Notwithstanding any other provision of this Plan, if the Participant is or could likely be considered a Key Employee (as determined by the Committee or its designee in accordance with procedures established by the Committee that are consistent with Section 409A and the regulations and rulings thereunder), distributions to such Participant shall not be made before the date which is 6 months after the date of the Participant's Termination of Employment (or, if earlier, the date of death of the Participant), and any distribution that would otherwise be payable before the 6-month anniversary shall be delayed and shall be paid within 30 days following such 6-month anniversary.

(h) Form of Payment. All payments from the Plan shall be made in cash, provided that the Committee may require that amounts deemed to be invested in Company Stock or other Company Securities shall be paid in shares of Company Stock or other Company Securities.

(i) Restrictive Covenants.

(1) If, during his employment with the Company or at any time during the one (1) year period after the Date of Termination, the Participant violates the restrictive covenants ("Restrictive Covenants") set forth in subsection (2) below, then the forfeiture provisions of subsection (c) above shall apply.

(2) The Participant shall not directly or indirectly, individually, or on behalf of any Person other than the Company or an Affiliate:

(i) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;

(ii) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Affiliate or is at will;

(iii) engage in any Restricted Activities within the Territory or from a business location servicing any part of the Territory;

(iv) manage any personnel engaging in any Restricted Activities within the Territory; or

(v) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Affiliate, the Company's Business or the Company's or any Affiliate's suppliers, employees, patrons, customers , and others who may at any time have or have had relations with the Company or any Subsidiary.

The Participant further agrees that he or she will not, except as necessary to carry out his duties as an employee of the Company, disclose or use Confidential Information. The Participant further agrees that, upon termination or expiration of employment with the Company for any reason whatsoever or at any time, the Participant will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Participant's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

(3) For purposes of this subsection (i), the following terms shall have the meanings specified below:

(i) "Company's Business" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(ii) "Confidential Information" means information, without regard to form, relating to the Company's or any Affiliate's customers, operation, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including, but not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Affiliate by third parties that the Company or any Affiliate is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two (2) year period after the Date of Termination.

(iii) "Customers" means all Persons that (1) the Participant serviced or solicited on behalf of the Company or any Affiliate, (2) whose dealings with the Company or any Affiliate were coordinated or supervised, in whole or in part, by the Participant, or (3) about whom the Participant obtained Confidential Information, in each case during the term of this Agreement or while otherwise employed by the Company.

(iv) "Date of Termination" means the date upon which the Participant's employment with the Company ceases for any reason.

(v) "Person" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

(vi) "Restricted Activities" means serving as a director, officer, executive, manager, employee or business consultant for a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(vii) "Territory" means the Territory as defined in the Participant's most recent Award Agreement under the Company's 2000 Key Employee Stock Option Plan.

7.2 Changes in Election.

A Participant may request a change in his election as to the method of payment under Section 7.1(a) or as to the date or method of payment under Section 7.1(b) on such form as may be established by the Committee. A Participant may only change his election two times; provided, however, a Participant who has changed his election two times and who experiences a change in family circumstance (divorce, marriage, death of a spouse, or the birth or adoption of a child), may make a third change to his election as long as such change is otherwise consistent with the requirements of this provision and is made within 60 days of the date of the change in family circumstance; provided, further, that effective December 14, 2006, a Participant may change his election under Section 7.1(b) more than two times. To be effective, a request for a change must be made at least one year prior to the date the Participant's distributions would otherwise commence. A Participant who requests a change as to the method of payment for Disability or Retirement or as to the date or method of payment with respect to payments during employment or service as a Director must request a new payment commencement date that is at least five (5) years after the date of commencement of payment previously elected by the Participant.

The Committee may, in its discretion offer Participants the opportunity to make new payment elections under Sections 7.1(a) and 7.1(b) in accordance with the transition rules under Section 409A and the regulations and rulings thereunder. Any such elections shall be made at such time and on such forms as may be provided by the Committee.

7.3 Direction of Payments.

Payment under this Article VII of amounts credited to a Participant's Account shall be made to the Participant, provided that the Committee may, in its discretion and in accordance with such procedures as may be established by the Committee, allow the Participant to direct (which direction may be required to be irrevocable) that the Plan make such payments directly to a trust, partnership or other legal entity established by, or for the benefit of, the Participant. Regardless of the entity to which a Participant's Accounts are paid, the Participant shall remain liable for all income and other taxes with respect to such payments as provided in Section 10.4.

7.4 Consequences of a Change of Control.

Notwithstanding anything to the contrary contained in this Plan, upon the occurrence of a Change of Control, each Participant's Account shall become fully vested but shall remain subject to the Plan's payment provisions and the Participant's elections as to time and method of payment.

ARTICLE VIII
ADMINISTRATION

8.1 Committee

The general administration of the Plan and the responsibility for carrying out its provisions shall be placed in the Compensation Committee of the Company's Board of Directors or such other committee as may be appointed from time to time by the Board of Directors to serve at the pleasure thereof (the "Committee").

8.2 Duties and Binding Effect of Decisions

The Committee shall have the discretion and authority to (i) make, amend, interpret and enforce all appropriate rules and procedures for the administration of this Plan, (ii) select the Investment Options, (iii) decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with the Plan or the benefits payable under the Plan, and (iv) maintain all records that may be necessary for the administration of the Plan. The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules, regulations and procedures promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

8.3 Committee Action

Any act which the Plan authorizes or requires the Committee to do may be done by a majority of its members. The action of such majority, expressed from time to time by a vote at a meeting (a) in person, (b) by telephone or other means by which all members may hear one another or (c) in writing without a meeting, shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all members of the Committee at the time in office.

8.4 Delegation

The members of the Committee may authorize one or more of its members or any other person or persons to execute and deliver any instrument, make any payment or perform any other act which the Plan authorizes or requires the Committee to do. Without limiting the generality of the foregoing, until the Committee determines otherwise, the Chief Executive Officer of the Company (or his designee) shall be responsible for the execution of the routine administration of the Plan.

8.5 Services

The Committee may employ or retain agents to perform such clerical, accounting, legal, consulting, trust, trustee and other services as may be necessary or desirable to carry out the provisions of the Plan.

8.6 Indemnification

The Company shall indemnify and save harmless each member of the Committee against all expenses and liabilities, including reasonable legal fees and expenses, arising out of membership on the Committee or any actions taken as a member of the Committee, excepting only expenses and liabilities arising from his own gross negligence or willful misconduct, as determined by the Board of Directors.

8.7 Claims Procedure

(a) A Participant or his duly authorized representative (the “claimant”) may make a claim for benefits under the Plan by filing a written claim with the Committee. Determinations of each such claim shall be made as described below; provided, however, that the claimant and the Committee may agree to extended periods of time for making determinations beyond those periods described below.

(b) The Committee will notify a claimant of its decision regarding his claim within a reasonable period of time, but not later than 90 days following the date on which the claim is filed, unless special circumstances require a longer period for adjudication and the claimant is notified in writing of the reasons for an extension of time prior to the end of the initial 90-day period and the date by which the Committee expects to make the final decision. In no event will the Committee be given an extension for processing the claim beyond 180 days after the date on which the claim is first filed with the Committee unless otherwise agreed in writing by the claimant and the Committee.

(c) If a claim is denied, the Committee will notify the claimant of its decision in writing. Such notification will be written in a manner calculated to be understood by the claimant and will contain the following information:

(1) the specific reason(s) for the denial;

(2) a specific reference to the Plan provision(s) on which the denial is based;

(3) a description of additional information necessary for the claimant to perfect his claim, if any, and an explanation of why such material is necessary; and

(4) an explanation of the Plan's claim review procedure and the applicable time limits under such procedure and a statement as to the claimant's right to bring a civil action under ERISA after all of the Plan's review procedures have been satisfied.

(d) The claimant shall have 60 days following receipt of the notice of denial to file a written request with the Committee for a review of the denied claim. The decision by the Committee with respect to the review must be given within 60 days after receipt of the request, unless special circumstances require an extension and the claimant is notified in writing of the reasons for an extension of time prior to the end of the initial 60-day period and the date by which the Committee expects to make the final decision. In no event will the decision be delayed beyond 120 days after receipt of the request for review unless otherwise agreed in writing by the claimant and the Committee.

(e) Every claimant will be provided a reasonable opportunity for a full and fair review of an adverse determination. A full and fair review means the following:

(1) the claimant will be given the opportunity to submit written comments, documents, records, etc. with regard to the claim for benefits, and the review will actually take into account all information submitted by the claimant, regardless of whether it was reviewed as part of the initial determination; and

(2) the claimant will be provided, upon request and free of charge, with copies of all documents and information relevant to the claim for benefits.

(f) The Committee will notify the claimant of its decision regarding an appeal of a denied claim in writing. The decision will be written in a manner calculated to be understood by the claimant, and will include:

(1) the specific reason(s) for the denial and adverse determination;

(2) a reference to the specific Plan provisions on which the denial is based;

(3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all information relevant to the claimant's claim for benefits; and

(4) a statement regarding the claimant's right to bring a civil action under ERISA.

(g) If the Committee fails to follow these procedures consistent with the requirements of ERISA with respect to any claim, the claimant will be deemed to have exhausted all administrative remedies under the Plan and will have the right to bring a civil action under section 502(a) of ERISA.

(h) The Committee shall interpret this Section 8.7 such that the claims procedures applicable under the Plan conform to the claims review requirements of Part 5, Title I, of ERISA.

ARTICLE IX
AMENDMENT AND TERMINATION

9.1 Amendment. The Company, by action of the Board of Directors or the Compensation Committee of the Board of Directors, may at any time or from time to time modify or amend any or all of the provisions of the Plan, or stop future deferrals to the Plan, provided that no such amendment shall reduce a Participant's Account balance or change existing elections with respect to the time and method of payment of a Participant's Account.

9.2 Termination of Plan. The Company expects to continue this Plan, but does not obligate itself to do so. The Company reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State). Termination of the Plan shall be binding on all Participants and Employers, but in no event may such termination reduce the amounts credited at that time to any Participant's Account. If this Plan is terminated, the Participants' Accounts shall become fully vested, and subject to Section 7.1(g), amounts credited to Participants' Accounts shall be paid in a lump sum, provided that (A) the Company terminates at the same time any other arrangement that is subject to Section 409A and that would be aggregated with the Plan under Section 409A; (B) the Company does not adopt any other arrangement that would be aggregated with the Plan under Section 409A for three years; (C) the payments upon such termination shall not commence until 12 months after the date of termination and all such payments must be completed within 24 months after the date of termination; and (D) such other requirements as may be imposed by Section 409A are satisfied.

ARTICLE X
GENERAL PROVISIONS

10.1 Limitation on Participant's Rights.

Participation in this Plan shall not give any Participant the right to be retained in the Employer's employ, or any right or interest in this Plan or any assets of the Employer other than as herein provided. The Employer reserve the right to terminate the employment of any Participant at any time without any liability for any claim against the Employer under this Plan, except to the extent expressly provided herein.

10.2 Unsecured General Creditor.

Participants and their beneficiaries shall have no legal or equitable rights, interests or claims in any property or assets of the Company or an Employer. The Company's or Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

10.3 Participation in Other Plans.

Nothing in this Plan shall be construed to alter, abridge, or in any manner affect the rights and privileges of the Participant to participate in and be covered by any pension, profit sharing, group insurance, bonus or similar employee plans which an Employer may now or hereafter maintain.

10.4 Taxes.

If the whole or any part of any Participant's Account shall become liable for the payment of any estate, inheritance, income, or other tax which the Employer shall be required to pay or withhold, the Employer shall have the full power and authority to withhold and pay such tax out of any moneys or other property in its hand for the account of the Participant whose interests hereunder are so liable. The Employer shall provide notice to the Participant of any such withholding. Prior to making any payment, the Employer may require such releases or other documents from any lawful taxing authority as it shall deem necessary.

10.5 Assignment, Pledge or Encumbrance.

Except as expressly provided in Section 7.3, the amounts credited to the Accounts of a Participant shall not be subject to assignment, alienation, pledge, transfer or other encumbrance of any kind, whether voluntary or involuntary, and any such purported assignment, alienation, pledge, transfer or other encumbrance shall be void and unenforceable against the Plan, the Trust, the Company or any Affiliate; further, the amounts credited to the Accounts shall not be liable for, or subject to, legal process, claims of creditors, tort claims, or attachment for the payment of any claim against any Participant or other person entitled to receive such amount; provided, that nothing herein shall prevent an assignment or other encumbrance in favor of the Employer to secure any indebtedness of any kind of the Participant to the Employer.

10.6 Minor or Incompetent.

If the Committee determines that any person to whom a payment is due hereunder is a minor or is incompetent by reason of a physical or mental disability, the Committee shall have the power to cause the payments becoming due to such person to be made to another 22 for the benefit of such minor or incompetent without responsibility of the Company or the Committee to see to the application of such payment. Payments made pursuant to such power shall operate as a complete discharge of the Company and the Committee.

10.7 Beneficiary.

Each Participant may designate, on such form as may be provided by the Committee, any person(s), trusts, partnerships, foundations, or other legal entity(ies), including his estate, as his Beneficiary under the Plan. A Participant may revoke his designation of a Beneficiary or change his Beneficiary at any time prior to his death by executing a change of beneficiary form and delivering such form to the Committee. If no person or legal entity shall be properly designated by a Participant as his Beneficiary or if no designated Beneficiary survives him, his Beneficiary shall be his estate.

10.8 Binding Provisions

The provisions of this Plan shall be binding upon each Participant as a consequence of his election to participate in the Plan, and his heirs, executors, administrators, and assigns. This Plan shall be binding upon, and enforceable against, the Company and any successor(s) (whether direct or indirect, by purchase, merger, consolidation, sale of assets or otherwise) to substantially all of the business or assets of the Company.

10.9 Notices.

Any election made or notice given by a Participant pursuant to the Plan shall be in writing to the Committee or to such representative as may be designated by the Committee for such purpose, shall be on such form as may be specified by the Committee, and shall not be deemed to have been made or given until the date it is received by the Committee or its designated representative.

10.10 Alternative Action.

In the event it shall become impossible for the Company or the Committee to perform any act required by this Plan, the Company or Committee may in its discretion perform such alternative act as most nearly carries out the intent and purpose of this Plan.

10.11 Compliance with Code Section 409A.

The Plan is intended to satisfy the requirements of Code Section 409A and any regulations or guidance that may be adopted thereunder from time to time, including any transition relief available under applicable guidance related to Code Section 409A. The Plan may be amended or interpreted by the Committee as it determines necessary or appropriate in accordance with Code Section 409A and to avoid a plan failure under Code Section 409A(1).

10.12 Governing Law.

The Plan shall be governed by and construed in accordance with ERISA and the Code, and to the extent not preempted by such laws, in accordance with the laws of the State of Georgia, but not including the choice of law provisions thereof.

10.13 Headings.

Article and section headings are for convenient reference only and shall not control or affect the meaning or construction of any of its provisions.

10.14 Pronouns.

The masculine pronoun shall be deemed to include the feminine wherever it appears in the Plan unless a different meaning is required by the context.

IN WITNESS WHEREOF, the Company on December 31, 2008 has adopted the amended and restated Plan to be effective as of January 1, 2005, except where otherwise noted, and subject to the transition rules of Section 409A.

UNITED COMMUNITY BANKS, INC.

By: Jimmy C. Tallent
President and CEO

ATTEST:

By: Lori McKay
Secretary

EXHIBIT 10.23

WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.

____
Signature

____
Print Name

____
Title

EXHIBIT 21

Subsidiaries of United Community Banks, Inc.

Subsidiary	State of Organization
United Community Bank	Georgia
United Community Insurance Services, Inc.	Georgia
Brintech, Inc.	Texas
Union Holdings, Inc.	Nevada
Union Investments, Inc.	Nevada
United Community Mortgage Services, Inc.	Georgia
United Community Development Corporation	Georgia
UCB North Georgia Properties, Inc.	Georgia
UCB Metro Properties, Inc.	Georgia
UCB Coastal Properties, Inc.	Georgia
UCB Tennessee Properties, Inc.	Tennessee
UCB North Carolina Properties, Inc.	North Carolina
United Community Capital Trust	Delaware
United Community Capital Trust II	Delaware
United Community Statutory Trust I	Connecticut
United Community Statutory Trust II	Delaware
United Community Statutory Trust III	Delaware
Southern Bancorp Capital Trust I	Delaware
United Community Risk Management Services, Inc.	Nevada
United Community Real Estate, Inc.	Georgia
United Community Metro Real Estate, Inc.	Georgia

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated February 24, 2009, accompanying the consolidated financial statements incorporated by reference in the Annual Report of United Community Banks, Inc. on Form 10-K for the year ended December 31, 2008. We hereby consent to the incorporation by reference of said report in the Registration Statement of United Community Banks, Inc. on Forms S-8 (File No. 33-80885, effective December 27, 1995; File No. 333-70471, effective January 12, 1999; File No. 333-86876, effective April 24, 2002; File No. 333-99849, effective September 19, 2002; File No. 333-120623, effective November 19, 2004; File No. 333-125017, effective May 17, 2005; File No. 333-130489, effective December 20, 2005; File No. 333-145027, effective August 1, 2007; File No. 333-145029, effective August 1, 2007; and File No. 333-146820, effective October 19, 2007), and on Forms S-3 (File No. 333-116623, effective July 9, 2004, File No. 333-127477, effective August 12, 2005 and File No. 333-155377, effective November 14, 2008).

/s/ Porter Keadle Moore, LLP

Atlanta, Georgia
February 24, 2009

EXHIBIT 31.1

I, Jimmy C. Tallent, President and Chief Executive Officer of United Community Banks, Inc. (the “registrant”), certify that:

1. I have reviewed this annual report on Form 10-K of the registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: ***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
President and Chief Executive Officer

Date: February 26, 2009

EXHIBIT 31.2

I, Rex S. Schuette, Executive Vice President and Chief Financial Officer of United Community Banks, Inc. (the "registrant"), certify that:

1. I have reviewed this annual report on Form 10-K of the registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: ***/s/ Rex S. Schuette***

Rex S. Schuette
Executive Vice President and
Chief Financial Officer

Date: February 26, 2009

EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of United Community Banks, Inc. (“United”) on Form 10-K for the period ending December 31, 2008 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jimmy C. Tallent, President and Chief Executive Officer of United, and I, Rex S. Schuette, Executive Vice President and Chief Financial Officer of United, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of United.

By: ***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
President and Chief Executive Officer

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

Date: February 26, 2009