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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2010

OR

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

For the Transition Period from ___________ to ___________

Commission file number 0-21656

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

Georgia	**58-1807304**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
125 Highway 515 East Blairsville, Georgia	**30512**
Address of Principal Executive Offices	**(Zip Code)**

(706) 781-2265
(Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☑ NO o

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

YES o NO o

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

Large accelerated filer o	**Accelerated filer** ☑	**Non-accelerated filer** o **(Do not check if a smaller reporting company)**	**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 ☑

Common stock, par value $1 per share 94,495,730 shares outstanding as of October 31, 2010

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Part I — Financial Information

Item 1 — Financial Statements

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

(in thousands, except per share data)	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Interest revenue:				
Loans, including fees	$ 68,419	$ 80,874	$ 211,245	$ 244,445
Investment securities, including tax exempt of $279, $328, $886 and $956	14,711	18,820	46,743	60,057
Federal funds sold, commercial paper and deposits in banks	719	907	2,416	1,447
Total interest revenue	83,849	100,601	260,404	305,949
Interest expense:				
Deposits:				
NOW	1,705	2,528	5,304	8,708
Money market	1,930	2,711	5,516	7,217
Savings	83	130	250	378
Time	16,099	28,183	54,015	96,300
Total deposit interest expense	19,817	33,552	65,085	112,603
Federal funds purchased, repurchase agreements and other short-term borrowings	1,068	613	3,162	1,761
Federal Home Loan Bank advances	796	1,300	2,747	3,577
Long-term debt	2,665	2,712	7,994	8,241
Total interest expense	24,346	38,177	78,988	126,182
Net interest revenue	59,503	62,424	181,416	179,767
Provision for loan losses	50,500	95,000	187,000	220,000
Net interest revenue after provision for loan losses	9,003	(32,576)	(5,584)	(40,233)
Fee revenue:				
Service charges and fees	7,648	8,138	23,088	22,729
Mortgage loan and other related fees	2,071	1,832	5,151	7,308
Brokerage fees	731	456	1,884	1,642
Securities gains, net	2,491	1,149	2,552	741
Gain from acquisition	—	—	—	11,390
Losses from prepayment of borrowings	(2,233)	—	(2,233)	—
Other	2,153	1,814	5,664	4,097
Total fee revenue	12,861	13,389	36,106	47,907
Total revenue	21,864	(19,187)	30,522	7,674
Operating expenses:				
Salaries and employee benefits	24,891	23,889	72,841	77,507
Communications and equipment	3,620	3,640	10,404	10,857
Occupancy	3,720	4,063	11,370	11,650
Advertising and public relations	1,128	823	3,523	2,992
Postage, printing and supplies	1,019	1,270	3,009	3,733
Professional fees	2,117	2,358	6,238	8,834
Foreclosed property	19,752	7,918	45,105	17,974
FDIC assessments and other regulatory charges	3,256	2,801	10,448	12,293
Amortization of intangibles	793	813	2,389	2,291
Other	4,610	3,851	12,707	8,793
Loss on sale of nonperforming assets	—	—	45,349	—
Goodwill impairment	210,590	25,000	210,590	95,000
Severance costs	—	—	—	2,898
Total operating expenses	275,496	76,426	433,973	254,822
Loss from continuing operations before income taxes	(253,632)	(95,613)	(403,451)	(247,148)
Income tax benefit	(17,217)	(26,832)	(73,046)	(58,371)
Net loss from continuing operations	(236,415)	(68,781)	(330,405)	(188,777)
(Loss) income from discontinued operations, net of income taxes	—	63	(101)	285
Gain from sale of subsidiary, net of income taxes and selling costs	—	—	1,266	—
Net loss	(236,415)	(68,718)	(329,240)	(188,492)
Preferred stock dividends and discount accretion	2,581	2,562	7,730	7,675
Net loss available to common shareholders	$ (238,996)	$ (71,280)	$ (336,970)	$ (196,167)
Loss from continuing operations per common share — Basic / Diluted	$ (2.52)	$ (1.43)	$ (3.58)	$ (4.01)
Loss per common share — Basic / Diluted	(2.52)	(1.43)	(3.56)	(4.01)
Weighted average common shares outstanding — Basic /	94,679	49,771	94,527	48,968

Diluted

See accompanying notes to consolidated financial statements

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UNITED COMMUNITY BANKS, INC.
Consolidated Balance Sheet

(in thousands, except share and per share data)	September 30, 2010	December 31, 2009	September 30, 2009
	(unaudited)	*(audited)*	*(unaudited)*
ASSETS			
Cash and due from banks	$ 104,033	$ 126,265	$ 195,559
Interest-bearing deposits in banks	64,408	120,382	78,589
Federal funds sold, commercial paper and short-term investments	108,579	129,720	397,361
Cash and cash equivalents	277,020	376,367	671,509
Securities available for sale	1,053,518	1,530,047	1,532,514
Securities held to maturity (fair value $263,012)	256,694	—	—
Mortgage loans held for sale	20,630	30,226	20,460
Loans, net of unearned income	4,759,504	5,151,476	5,362,689
Less allowance for loan losses	174,613	155,602	150,187
Loans, net	4,584,891	4,995,874	5,212,502
Assets covered by loss sharing agreements with the FDIC	144,581	185,938	197,914
Premises and equipment, net	178,842	182,038	179,467
Accrued interest receivable	24,672	33,867	35,679
Goodwill and other intangible assets	12,217	225,196	226,008
Foreclosed property	129,964	120,770	110,610
Other assets	330,020	319,591	256,954
Total assets	$ 7,013,049	$ 7,999,914	$ 8,443,617
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits:			
Demand	$ 783,251	$ 707,826	$ 703,054
NOW	1,338,371	1,335,790	1,318,264
Money market	804,644	713,901	687,780
Savings	186,617	177,427	180,738
Time:			
Less than $100,000	1,498,379	1,746,511	1,854,726
Greater than $100,000	1,033,132	1,187,499	1,237,172
Brokered	354,243	758,880	839,572
Total deposits	5,998,637	6,627,834	6,821,306
Federal funds purchased, repurchase agreements, and other short-term borrowings	103,780	101,389	101,951
Federal Home Loan Bank advances	55,125	114,501	314,704
Long-term debt	150,126	150,066	150,046
Accrued expenses and other liabilities	42,906	43,803	48,972
Total liabilities	6,350,574	7,037,593	7,436,979
Shareholders' equity:			
Preferred stock, $1 par value; 10,000,000 shares authorized;			
Series A; $10 stated value; 21,700 shares issued and outstanding	217	217	217
Series B; $1,000 stated value; 180,000 shares issued and outstanding	175,378	174,408	174,095
Common stock, $1 par value; 200,000,000 shares authorized; 94,433,300, 94,045,603 and 93,901,492 shares issued and outstanding	94,433	94,046	93,901
Common stock issuable; 305,594, 221,906 and 196,818 shares	3,961	3,597	3,471
Capital surplus	664,605	622,034	620,494
(Accumulated deficit) retained earnings	(316,587)	20,384	62,786
Accumulated other comprehensive income	40,468	47,635	51,674
Total shareholders' equity	662,475	962,321	1,006,638
Total liabilities and shareholders' equity	$ 7,013,049	$ 7,999,914	$ 8,443,617

See accompanying notes to consolidated financial statements

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
For the Nine Months Ended September 30,

(in thousands, except share and per share data)	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Common Stock Issuable	Capital Surplus	(Accumulated Deficit) Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2008	$ 258	$ 173,180	$ 48,809	$ 2,908	$ 460,708	$ 265,405	$ (16,465)	$ 54,579	$ 989,382
Comprehensive income:									
Net loss						(188,492)			(188,492)
Other comprehensive loss:									
Unrealized holding gains on available for sale securities, net of deferred tax expense and reclassification adjustment								14,223	14,223
Unrealized losses on derivative financial instruments qualifying as cash flow hedges, net of deferred tax benefit								(17,128)	(17,128)
Comprehensive loss						(188,492)		(2,905)	(191,397)
Retirement of preferred stock (4,100 shares)	(41)								(41)
Stock dividends declared on common stock (1,111,522 shares)			482		(6,731)	(6,451)	12,649		(51)
Exercise of stock options (437 shares)					(6)		8		2
Common stock issued to dividend reinvestment plan and employee benefit plans (256,990 shares)			103		(1,978)		3,434		1,559
Common stock issued (44,505,000 shares)			44,505		166,394				210,899
Amortization of stock option and restricted stock					2,774				2,774
Vesting of restricted stock (12,447 shares issued, 16,162 shares deferred)			2	416	(658)		240		—
Deferred compensation plan, net, including dividend equivalents				302					302
Shares issued from deferred compensation plan (5,687 shares)				(155)	21		134		—
Tax on option exercise and restricted stock vesting					(30)				(30)
Dividends on Series A preferred stock ($.45 per share)						(11)			(11)
Dividends on Series B preferred stock (5%)		915				(7,665)			(6,750)
Balance, September 30, 2009	$ 217	$ 174,095	$ 93,901	$ 3,471	$ 620,494	$ 62,786	$ —	$ 51,674	$ 1,006,638
Balance, December 31, 2009	$ 217	$ 174,408	$ 94,046	$ 3,597	$ 622,034	$ 20,384	$ —	$ 47,635	$ 962,321
Comprehensive loss:									
Net loss						(329,240)			(329,240)
Other comprehensive loss:									
Unrealized holding gains on available for sale securities, net of deferred tax benefit and reclassification adjustment								739	739
Unrealized losses on derivative financial instruments qualifying as cash flow hedges, net of deferred tax benefit								(7,906)	(7,906)
Comprehensive loss						(329,240)		(7,167)	(336,407)
Issuance of equity instruments in private equity transaction					39,813				39,813
Common stock issued to dividend reinvestment plan and employee benefit plans (361,405 shares)			361		1,038				1,399
Amortization of stock options and restricted stock					1,887				1,887
Vesting of restricted stock (10,565 shares issued, 41,522 shares deferred)			10	607	(617)				—
Deferred compensation plan, net, including dividend equivalents				227					227
Shares issued from deferred compensation plan (15,727 shares)			16	(470)	450				(4)
Dividends on Series A preferred stock ($.45 per share)						(11)			(11)
Dividends on Series B preferred stock (5%)		970				(7,720)			(6,750)
Balance, September 30, 2010	$ 217	$ 175,378	$ 94,433	$ 3,961	$ 664,605	$ (316,587)	$ —	$ 40,468	$ 662,475

Comprehensive loss for the third quarter of 2010 and 2009 was $240,672,000 and $58,860,000, respectively.

See accompanying notes to consolidated financial statements

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

(in thousands)	Nine Months Ended September 30, 2010	2009
Operating activities:		
Net loss	$ (329,240)	$ (188,492)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and accretion	11,961	10,868
Provision for loan losses	187,000	220,000
Goodwill impairment charge	210,590	95,000
Stock based compensation	1,887	2,774
Securities gains, net	(2,552)	(741)
Losses on sale of other assets	44	96
Losses and write downs on sales other real estate owned	33,477	8,305
Gain from sale of subsidiary	(2,110)	—
Gain from acquisition	—	(11,390)
Loss on sale of nonperforming assets	45,349	—
Loss on prepayment of borrowings	2,233	—
Changes in assets and liabilities:		
Other assets and accrued interest receivable	(17,572)	(1,225)
Accrued expenses and other liabilities	(1,949)	21,588
Mortgage loans held for sale	9,596	(126)
Net cash provided by operating activities	148,714	156,657
Investing activities:		
Investment securities held to maturity:		
Proceeds from maturities and calls of securities held to maturity	81,384	—
Purchases of securities held to maturity	(24,128)	—
Investment securities available for sale:		
Proceeds from sales of securities available for sale	75,528	281,970
Proceeds from maturities and calls of securities available for sale	634,305	523,180
Purchases of securities available for sale	(544,793)	(672,927)
Net decrease (increase) in loans	90,293	(3,331)
Proceeds from sales of premises and equipment	81	574
Purchases of premises and equipment	(5,057)	(9,475)
Net cash received from sale of subsidiary	2,842	—
Net cash received from acquisition	—	63,617
Net cash received from sale of nonperforming assets	20,618	—
Proceeds from sale of other real estate	110,459	103,991
Net cash provided by investing activities	441,532	287,599
Financing activities:		
Net change in deposits	(625,437)	(489,874)
Net change in federal funds purchased, repurchase agreements, and other short-term borrowings	2,391	(9,130)
Proceeds from FHLB advances	—	330,000
Repayments of FHLB advances	(61,181)	(303,322)
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	1,395	1,561
Proceeds from issuance of common stock	—	210,899
Redemption of preferred stock	—	(41)
Cash dividends on preferred stock	(6,761)	(6,261)
Net cash used in financing activities	(689,593)	(266,168)
Net change in cash and cash equivalents	(99,347)	178,088
Cash and cash equivalents at beginning of period	376,367	493,421
Cash and cash equivalents at end of period	$ 277,020	$ 671,509
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 89,359	$ 139,268
Income taxes	(37,194)	(24,555)

See accompanying notes to consolidated financial statements

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

Note 1 — Accounting Policies

The accounting and financial reporting policies of United Community Banks, Inc. ("United") and its subsidiaries conform to accounting principles generally accepted in the United States of America ("GAAP") and general banking industry practices. The accompanying interim consolidated financial statements have not been audited. All material intercompany balances and transactions have been eliminated. A more detailed description of United's accounting policies is included in the 2009 annual report filed on Form 10-K.

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

United records all derivative financial instruments on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether United has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. United may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or United elects not to apply hedge accounting.

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

Note 2 — Accounting Standards Updates

In August 2010, the FASB issued Accounting Standards Update No. 2010-21, *Accounting for Technical Amendments to Various SEC Rules and Schedules* ("ASU No. 2010-21"). ASU No. 2010-21 codifies amendments to SEC paragraphs pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. This guidance was effective upon issuance and is not expected to have a material impact on United's results of operations, financial position or disclosures.

In August 2010, the FASB issued Accounting Standards Update No. 2010-22, *Accounting for Various Topics — Technical Corrections to SEC Paragraphs* ("ASU No. 2010-22"). ASU No. 2010-22 codifies amendments to various SEC paragraphs based on external comments received and the issuance of Staff Accounting Bulletin ("SAB") No. 112, which primarily related to Business Combinations and Noncontrolling Interests in Consolidated Financial Statements. This guidance was effective upon issuance and is not expected to have a material impact on United's results of operations, financial position or disclosures.

In August 2010, the FASB issued Accounting Standards Update No. 2010-23, *Health Care Entities — Measuring Charity Care for Disclosure* ("ASU No. 2010-23"). ASU No. 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. This guidance is effective for fiscal years beginning after December 15, 2010. ASU No. 2010-23 is not applicable to United.

In August 2010, the FASB issued Accounting Standards Update No. 2010-24, *Health Care Entities — Presentation of Insurance Claims and Related Insurance Recoveries* ("ASU No. 2010-24"). ASU No. 2010-24 clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2010. ASU No. 2010-24 is not applicable to United.

In September 2010, the FASB issued Accounting Standards Update No. 2010-25, *Reporting Loans to Participants By Defined Contribution Pension Plans* ("ASU No. 2010-25"). ASU No. 2010-25 requires that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. This guidance is effective for fiscal years ending after December 31, 2010 and should be applied retrospectively to all prior periods presented. ASU No. 2010-25 is not applicable to United.

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

In October 2010, the FASB issued Accounting Standards Update No. 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* ("ASU No. 2010-26"). ASU No. 2010-26 clarifies which costs relating to the acquisition of new or renewal insurance qualify for deferral (deferred acquisition costs), and which should be expensed as incurred. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. ASU No. 2010-26 is not applicable to United.

Note 3 — Mergers and Acquisitions

On June 19, 2009, United Community Bank ("UCB" or the "Bank") purchased substantially all the assets and assumed substantially all the liabilities of Southern Community Bank ("SCB") from the Federal Deposit Insurance Corporation ("FDIC"), as Receiver of SCB. SCB operated five commercial banking branches on the south side of Atlanta in Fayetteville, Peachtree City, Locust Grove and Newnan, Georgia. The FDIC took SCB under receivership upon SCB's closure by the Georgia Department of Banking and Finance at the close of business June 19, 2009. UCB submitted a bid for the acquisition of SCB with the FDIC and the FDIC accepted the bid on June 16, 2009. The transaction resulted in a cash payment of $31 million from the FDIC to UCB. Further, UCB and the FDIC entered loss sharing agreements regarding future losses incurred on loans and foreclosed loan collateral existing at June 19, 2009. Under the terms of the loss sharing agreements, the FDIC will absorb 80 percent of losses and share 80 percent of loss recoveries on the first $109 million of losses and, absorb 95 percent of losses and share in 95 percent of loss recoveries on losses exceeding $109 million. The term for loss sharing on 1-4 Family loans is ten years, while the term for loss sharing on all other loans is five years.

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

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

The table below shows the components of covered assets at September 30, 2010 *(in thousands)*.

(in thousands)	Purchased Impaired Loans	Other Purchased Loans	Other	Total
Commercial (secured by real estate)	$ —	$ 38,971	$ —	$ 38,971
Commercial (commercial and industrial)	—	5,693	—	5,693
Construction and land development	5,856	14,275	—	20,131
Residential mortgage	183	9,758	—	9,941
Installment	12	420	—	432
Total covered loans	6,051	69,117	—	75,168
Covered forclosed property	—	—	29,580	29,580
Estimated loss reimbursement from the FDIC	—	—	39,833	39,833
Total covered assets	$ 6,051	$ 69,117	$ 69,413	$ 144,581

Covered loans are initially recorded at fair value at the acquisition date. Subsequent decreases in the amount expected to be collected results in a provision for loan losses charged to earnings and an increase in the estimated FDIC reimbursement. Covered foreclosed property is initially recorded at its estimated fair value.

On the acquisition date, the preliminary estimate of the contractually required payments receivable for all ASC 310-30 *Loans and Debt Securities Acquired with Deteriorated Credit Quality* loans acquired was $70.8 million, the cash flows expected to be collected were $24.5 million including interest, and the estimated fair value of the loans was $23.6 million. These amounts were determined based upon the estimated remaining life of the underlying loans, which include the effects of estimated prepayments. A majority of these loans were valued based on the liquidation value of the underlying collateral, because the expected cash flows are primarily based on the liquidation of the underlying collateral and the timing and amount of the cash flows could not be reasonably estimated.

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

Note 4 — Securities

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

The amortized cost, gross unrealized gains and losses and fair value of securities held to maturity at September 30, 2010, are as follows *(in thousands)*:

As of September 30, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agencies	$ 6,961	$ 124	$ —	$ 7,085
State and political subdivisions	30,752	1,271	—	32,023
Mortgage-backed securities (1)	218,981	4,929	6	223,904
Total	$ 256,694	$ 6,324	$ 6	$ 263,012

(1) All are residential type mortgage-backed securities

There were no securities classified as held to maturity at December 31, 2009 or September 30, 2009.

The cost basis, unrealized gains and losses, and fair value of securities available for sale at September 30, 2010, December 31, 2009 and September 30, 2009 are presented below *(in thousands)*:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of September 30, 2010				
U.S. Government agencies	$ 127,989	$ 714	$ —	$ 128,703
State and political subdivisions	29,209	1,434	6	30,637
Mortgage-backed securities (1)	762,322	35,060	61	797,321
Other	97,932	61	1,136	96,857
Total	$ 1,017,452	$ 37,269	$ 1,203	$ 1,053,518
As of December 31, 2009				
U.S. Government agencies	$ 248,425	$ 214	$ 2,173	$ 246,466
State and political subdivisions	62,046	1,371	124	63,293
Mortgage-backed securities (1)	1,156,035	43,007	1,820	1,197,222
Other	22,701	382	17	23,066
Total	$ 1,489,207	$ 44,974	$ 4,134	$ 1,530,047
As of September 30, 2009				
U.S. Government agencies	$ 207,956	$ 409	$ 1,518	$ 206,847
State and political subdivisions	52,732	1,247	127	53,852
Mortgage-backed securities (1)	1,208,223	41,185	1,760	1,247,648
Other	23,299	900	32	24,167
Total	$ 1,492,210	$ 43,741	$ 3,437	$ 1,532,514

(1) All are residential type mortgage-backed securities

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The following table summarizes held to maturity securities in an unrealized loss position as of September 30, 2010 *(in thousands)*:

	Less than 12 Months		12 Months or More		Total	
As of September 30, 2010	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mortgage-backed securities	$ 1,964	$ 6	$ —	$ —	$ 1,964	$ 6
Total unrealized loss position	$ 1,964	$ 6	$ —	$ —	$ 1,964	$ 6

The following table summarizes available for sale securities in an unrealized loss position as of September 30, 2010, December 31, 2009 and September 30, 2009 *(in thousands)*:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of September 30, 2010						
State and political subdivisions	$ —	$ —	$ 12	$ 6	$ 12	$ 6
Mortgage-backed securities	5,055	1	10,730	60	15,785	61
Other	59,864	1,136	—	—	59,864	1,136
Total unrealized loss position	$ 64,919	$ 1,137	$ 10,742	$ 66	$ 75,661	$ 1,203
As of December 31, 2009						
U.S. Government agencies	$ 151,838	$ 2,173	$ —	$ —	$ 151,838	$ 2,173
State and political subdivisions	2,348	47	2,792	77	5,140	124
Mortgage-backed securities	84,024	838	22,358	982	106,382	1,820
Other	—	—	493	17	493	17
Total unrealized loss position	$ 238,210	$ 3,058	$ 25,643	$ 1,076	$ 263,853	$ 4,134
As of September 30, 2009						
U.S. Government agencies	$ 129,108	$ 1,518	$ —	$ —	$ 129,108	$ 1,518
State and political subdivisions	989	13	3,606	114	4,595	127
Mortgage-backed securities	26,267	500	73,034	1,260	99,301	1,760
Other	—	—	480	32	480	32
Total unrealized loss position	$ 156,364	$ 2,031	$ 77,120	$ 1,406	$ 233,484	$ 3,437

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analyst's reports. During the nine months ended September 30, 2010, United recorded impairment losses of $950,000, on investments in financial institutions that showed evidence of other-than-temporary impairment. There were no impairment losses recognized in the three-month period ended September 30, 2010. During the third quarter and nine months ended September 30, 2009, United recognized an impairment loss of $475,000 and $1.2 million on equity investments in financial institutions that failed or otherwise showed evidence of other-than-temporary-impairment.

At September 30, 2010, there were 15 available for sale securities totaling $75.7 million in that were in an unrealized loss position. There was one held to maturity security totaling $2.0 million in that was in an unrealized loss position at September 30, 2010. United does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of their amortized cost basis. Unrealized losses at September 30, 2010 and 2009 were primarily attributable to changes in interest rates.

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Realized gains and losses are derived using the specific identification method for determining the cost of securities sold. The following table summarizes securities sales activity for the three-month and nine-month periods ended September 30, 2010 and 2009 *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Proceeds from sales	$ 34,711	$ 266,953	$ 75,528	$ 281,970
Gross gains on sales	$ 2,491	$ 2,704	$ 3,751	$ 3,040
Gross losses on sales	—	1,080	249	1,080
Impairment losses	—	475	950	1,219
Net gains on sales of securities	$ 2,491	$ 1,149	$ 2,552	$ 741
Income tax expense attributable to sales	$ 969	$ 447	$ 993	$ 288

Securities with a carrying value of $1.3 billion, $1.5 billion, and $1.5 billion were pledged to secure public deposits, FHLB advances and other secured borrowings at September 30, 2010, December 31, 2009 and September 30, 2009.

The amortized cost and fair value of held to maturity and available for sale securities at September 30, 2010, by contractual maturity, are presented in the following table *(in thousands)*.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Government agencies:				
1 to 5 years	$ 10,000	$ 10,103	$ —	$ —
5 to 10 years	104,412	104,974	—	—
More than 10 years	13,577	13,626		
	127,989	128,703	—	—
State and political subdivisions:				
Within 1 year	4,077	4,105	—	—
1 to 5 years	14,956	15,687	—	—
5 to 10 years	8,828	9,427	6,961	7,085
More than 10 years	1,348	1,418	—	—
	29,209	30,637	6,961	7,085
Other:				
Within 1 year	4,430	4,491	—	—
1 to 5 years	—	—	1,002	1,017
5 to 10 years	90,050	89,614	19,230	20,109
More than 10 years	3,452	2,752	10,520	10,897
	97,932	96,857	30,752	32,023
Total securities other than mortgage-backed securities:				
Within 1 year	8,507	8,596	—	—
1 to 5 years	24,956	25,790	1,002	1,017
5 to 10 years	203,290	204,015	26,191	27,194
More than 10 years	18,377	17,796	10,520	10,897
Mortgage-backed securities	762,322	797,321	218,981	223,904
	$ 1,017,452	$ 1,053,518	$ 256,694	$ 263,012

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

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Note 5 — Loans and Allowance for Loan Losses

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

Major classifications of loans as of September 30, 2010, December 31, 2009 and September 30, 2009, are summarized as follows *(in thousands)*:

	September 30, 2010	December 31, 2009	September 30, 2009
Commercial (secured by real estate)	$ 1,781,271	$ 1,779,398	$ 1,787,444
Commercial construction	309,519	362,566	379,782
Commercial (commercial and industrial)	456,368	390,520	402,609
Total commercial	2,547,158	2,532,484	2,569,835
Residential construction	763,424	1,050,065	1,184,916
Residential mortgage	1,315,994	1,427,198	1,460,917
Installment	132,928	141,729	147,021
Total loans	4,759,504	5,151,476	5,362,689
Less allowance for loan losses	174,613	155,602	150,187
Loans, net	$ 4,584,891	$ 4,995,874	$ 5,212,502

At September 30, 2010, United had $157 million of loans classified as impaired. Of that amount, $7.1 million had specific reserves of $1.3 million allocated and the remaining $149.9 million did not have specific reserves allocated because they had either been written down to net realizable value ($85.6 million in charge-offs) or had sufficient collateral so that no allowance was required. At December 31, 2009, United had $198 million of loans classified as impaired. Of that amount, $16.1 million had specific reserves of $3 million allocated and the remaining $182 million did not have specific reserves allocated because they had either been written down to net realizable value ($115 million in charge-offs) or had sufficient collateral so that no allowance was required. At September 30, 2009, United had $238.2 million of loans classified as impaired. Of that amount, $34.4 million had specific reserves allocated of $8.2 million and $203.8 million did not have specific reserves allocated. The average recorded investment in impaired loans for the quarters ended September 30, 2010 and 2009 was $159.3 million and $244.1 million, respectively. There was no interest revenue recognized on loans while they were impaired for the three or nine months ended September 30, 2010 or 2009.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Balance beginning of period	$ 174,111	$ 145,678	$ 155,602	$ 122,271
Provision for loan losses	50,500	95,000	187,000	220,000
Charge-offs:				
Commercial (secured by real estate)	14,343	10,584	27,070	17,438
Commercial construction	1,989	4,380	5,660	5,191
Commercial (commercial and industrial)	1,458	3,094	7,776	9,279
Residential construction	25,661	67,916	111,632	150,528
Residential mortgage	8,043	5,132	19,435	11,832
Installment	1,162	1,466	3,708	3,373
Total loans charged-off	52,656	92,572	175,281	197,641
Recoveries:				
Commercial (secured by real estate)	131	16	1,137	58
Commercial construction	17	11	22	12
Commercial (commercial and industrial)	251	1,302	1,592	3,507
Residential construction	1,727	396	3,083	1,006
Residential mortgage	348	81	672	272
Installment	184	275	786	702
Total recoveries	2,658	2,081	7,292	5,557
Net charge-offs	49,998	90,491	167,989	192,084
Balance end of period	$ 174,613	$ 150,187	$ 174,613	$ 150,187

At September 30, 2010, December 31, 2009 and September 30, 2009, loans with a carrying value of $1.1 billion, $1.5 billion and $1.8 billion were pledged as collateral to secure FHLB advances and other contingent funding sources.

Note 6 — Goodwill

A summary of the changes in goodwill for the three and nine months ended September 30, 2010 and 2009 is presented below, *(in thousands).*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Beginning balance	$ 210,590	$ 235,590	$ 210,590	$ 305,590
Impairment	(210,590)	(25,000)	(210,590)	(95,000)
Ending balance	$ —	$ 210,590	$ —	$ 210,590

United performs its annual goodwill impairment assessment during the fourth quarter of each year, or more often if events warrant an interim assessment. During the third quarter of 2010, United performed an interim goodwill impairment test, due to declines in the Company’s stock price. As a result of the updated assessment, goodwill was found to be impaired and was written down to its estimated fair value. An impairment charge of $210.6 million was recognized as an expense during the third quarter of 2010, reducing the total goodwill balance to zero.

United has only one operating segment and all of the goodwill is included in that segment; therefore goodwill was tested for impairment for United as a whole. The first step (Step 1) of the goodwill impairment assessment was to determine the fair value of United as a whole and compare the result to the book value of equity. If the fair value resulting from Step 1 exceeds the book value of equity, goodwill is deemed not to be impaired. If the fair value is less than book value, Step 2 of the goodwill impairment assessment must be completed. United’s continued decline in stock price and the fact that the Company’s stock has been trading below tangible book value for a prolonged period of time, became more influential factors in Step 1 of the goodwill impairment test during the third quarter of 2010 as the decline in United’s value as implied by its stock price could no longer be viewed as temporary.

Step 2 consists of valuing all the assets and liabilities, including separately identifiable intangible assets, in order to determine the fair value of goodwill. The fair value of goodwill is the difference between the value of United determined in Step 1 and the value of the net assets and liabilities determined in Step 2. If the fair value of goodwill exceeds the book value, goodwill is not impaired. If the fair value of goodwill is less than book value, goodwill is impaired by the amount by which book value exceeds fair value.

The techniques used to determine the fair value of United in Step 1 included a discounted cash flow analysis based on United’s long-term earnings forecast, a guideline public companies method that considered the implied value of United by comparing United to a select peer group of public companies and their current market capitalizations, adjusted for differences between the companies, and a merger and acquisition method that considered the amount an acquiring company might be willing to pay to gain control of United based on multiples of tangible book value paid by acquirers in recent merger and acquisition transactions.

The interim assessments performed during the third quarter of 2010 and 2009 both indicated that the fair value of United was less than book value, so United proceeded to Step 2. United’s Step 2 analysis indicated that goodwill was impaired by $211 million for the three months ended September 30, 2010 and $25 million for the same period of 2009. In arriving at these impairment charges, management made a number of valuation assumptions.

The most significant assumption in determining the estimated fair value of United as a whole and the amount of any resulting impairment was the discount rate used in the discounted cash flows valuation method. The discount rates selected for the third quarter of 2010 and 2009 were 15% and 14%, respectively, which considered a risk-free rate of return that was adjusted for the industry median beta, equity risk and size premiums, and a company-specific risk premium.

Other significant valuation assumptions were related to valuing the loan portfolio. The key assumptions involved in valuing the non-performing portion of the loan portfolio included estimating future cash flows. The key assumptions involved in valuing the performing portion of the loan portfolio included determining a default rate and a rate of loss upon default. Changing these assumptions, or any other key assumptions, could have a material impact on the amount of goodwill impairment.

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Note 7 — Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2010 and 2009 *(in thousands, except per share data):*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net loss available to common shareholders	$ (238,996)	$ (71,280)	$ (336,970)	$ (196,167)
Weighted average shares outstanding:				
Basic	94,679	49,771	94,527	48,968
Effect of dilutive securities				
Stock options	—	—	—	—
Warrants	—	—	—	—
Diluted	94,679	49,771	94,527	48,968
Loss per common share:				
Basic	$ (2.52)	$ (1.43)	$ (3.56)	$ (4.01)
Diluted	$ (2.52)	$ (1.43)	$ (3.56)	$ (4.01)

There is no dilution from dilutive securities for the three and nine months ended September 30, 2010 and 2009, due to the anti-dilutive effect of the net loss for those periods.

Note 8 — Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

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

The table below presents the fair value of United's derivative financial instruments as well as their classification on the balance sheet as of September 30, 2010, December 31, 2009 and September 30, 2009.

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

		Fair Value		
Interest Rate Products	**Balance Sheet Location**	**September 30, 2010**	**December 31, 2009**	**September 30, 2009**
Asset derivatives	Other assets	$ —	$ 10,692	$ 14,430

As of September 30, 2010, December 31, 2009 and September 30, 2009, United did not have any derivatives in a net liability position.

Cash Flow Hedges of Interest Rate Risk

United's objectives in using interest rate derivatives are to add stability to net interest revenue and to manage its exposure to interest rate movements. To accomplish this objective, United primarily uses interest rate swaps as part of its interest rate risk management strategy. For United's variable-rate loans, interest rate swaps designated as cash flow hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate floors designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates fall below the strike rate on the contract in exchange for an up front premium. As of September 30, 2010, United had no active derivatives designated as cash flow hedges of interest rate risk.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2010 and 2009, such derivatives were used to hedge the variable cash flows associated with existing prime-based, variable-rate loans. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and nine months ended September 30, 2010 $327,000 and $970,000, respectively, in hedge ineffectiveness was recognized in other fee revenue, respectively, and during the three and nine months ended September 30, 2009, $3,000 in hedge ineffectiveness was recognized in other operating expense on derivative financial instruments designated as cash flow hedges.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest revenue as interest payments are received on United's prime-based, variable-rate loans. During the next twelve months, United estimates that an additional $12.0 million will be reclassified as an increase to interest revenue.

Fair Value Hedges of Interest Rate Risk

United is exposed to changes in the fair value of certain of its fixed rate obligations due to changes in LIBOR, a benchmark interest rate. United uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the benchmark interest rate. Interest rate swaps designated as fair value hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreements without the exchange of the underlying notional amount. As of September 30, 2010, United had no active derivatives designated as fair value hedges of interest rate risk.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. United includes the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the related derivatives. During the three and nine months ended September 30, 2010, United recognized net gains of $9,000 and $215,000, respectively, related to ineffectiveness of the fair value hedging relationships. During the three and nine months ended September 30, 2009, United recognized net losses of $145,000 and $427,000, respectively, related to ineffectiveness of the fair value hedging relationships. United also recognized a net reduction of interest expense of $1.2 million and $1.4 million for the three months ended September 30, 2010 and 2009, respectively, related to United's fair value hedges, which includes net settlements on the derivatives. For the nine months ended September 30, 2010 and 2009, United recognized a net reduction of interest expense of $4.0 million and $4.8 million, related to United's fair value hedges.

Tabular Disclosure of the Effect of Derivative Instruments on the Income Statement

The tables below present the effect of United's derivative financial instruments on the Consolidated Statement of Income for the three and nine months ended September 30, 2010 and 2009.

Derivatives in Fair Value Hedging Relationships *(in thousands).*

Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative		Amount of Gain (Loss) Recognized in Income on Hedged Item	
	2010	2009	2010	2009
Three Months Ended September 30,				
Other fee revenue	$ (1,167)	$ —	$ 1,176	$ —
Other expense	—	(501)	—	355
Nine Months Ended September 30,				
Other fee revenue	$ (3,760)	$ (259)	$ 3,975	$ 431
Other expense	—	(2,066)	—	1,467

Derivatives in Cash Flow Hedging Relationships *(in thousands).*

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)		Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)		
	2010	2009	Location	2010	2009
Three Months Ended September 30,					
Interest rate products	$ —	$ 3,701	Interest revenue	$ 3,676	$ 8,255
Nine Months Ended September 30,					
Interest rate products	$ 2,314	$ (1,515)	Interest revenue	$ 15,253	$ 29,511

Credit-risk-related Contingent Features

United manages its credit exposure on derivatives transactions by entering into a bi-lateral credit support agreement with each counterparty. The credit support agreements require collateralization of exposures beyond specified minimum threshold amounts. The details of these agreements, including the minimum thresholds, vary by counterparty. At September 30, 2010, United had no active derivative positions and therefore no credit support agreements remained in effect.

Note 9 — Stock-Based Compensation

United has an equity compensation plan that allows for grants of incentive stock options, nonqualified stock options, restricted stock awards (also referred to as "nonvested stock" awards), stock awards, performance share awards or stock appreciation rights. Options granted under the plan can have an exercise price no less than the fair market value of the underlying stock at the date of grant. The general terms of the plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain option and restricted stock awards provide for accelerated vesting if there is a change in control (as defined in the plan). As of September 30, 2010, approximately 1,196,000 additional awards could be granted under the plan. Through September 30, 2010, only incentive stock options, nonqualified stock options and restricted stock awards and units had been granted under the plan.

The following table shows stock option activity for the first nine months of 2010.

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinisic Value ($000)
Outstanding at December 31, 2009	3,663,453	$ 18.30		
Granted	12,500	4.91		
Exercised	—	—		
Forfeited	(54,963)	13.54		
Expired	(199,019)	13.67		
Outstanding at September 30, 2010	3,421,971	18.59	4.9	$ —
Exercisable at September 30, 2010	2,762,393	19.65	4.1	—

The weighted average fair value of stock options granted in the third quarter of 2010 and 2009 was $1.27 and $2.85, respectively. The fair value of each option granted was estimated on the date of grant using the Black-Scholes model. Because United's option plan has not been in place long enough to gather sufficient information about exercise patterns to establish an expected life, United uses the formula provided by the SEC in SAB No. 107 to determine the expected life of options.

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

	Nine Months Ended September 30,	
	2010	**2009**
Expected volatility	52.36%	40.68%
Expected dividend yield	0.00%	0.00%
Expected life (in years)	6.15	6.25
Risk-free rate	3.10%	3.35%

For 2010 and 2009 expected volatility was determined using United's historical monthly volatility for the seventy-five months ended December 31, 2009 and 2008, respectively. Seventy-five months was chosen to correspond to the expected life of 6.25 years. Compensation expense for stock options was $1.6 million and $2.1 million for the nine months ended September 30, 2010 and 2009, respectively. Deferred tax benefits of $603,000 and $769,000, respectively, were included in the determination of income tax benefit for the nine-month periods ended September 30, 2010 and 2009. The amount of compensation expense for both periods was determined based on the fair value of the options at the time of grant, multiplied by the number of options granted that 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 the nine months ended September 30, 2009 was $1,000. No options were exercised during the first nine months of 2010.

The table below presents the activity in restricted stock awards for the first nine months of 2010.

Restricted Stock	**Shares**	**Weighted-Average Grant-Date Fair Value**
Outstanding at December 31, 2009	167,559	$ 12.86
Granted	430	5.02
Vested	(51,907)	14.85
Cancelled	—	—
Outstanding at September 30, 2010	116,082	11.94

Compensation expense for restricted stock is based on the fair value of restricted stock awards at the time of grant, which is equal to the value of United's common stock on the date of grant. The value of restricted stock grants that are expected to vest is amortized into expense over the vesting period. For the nine months ended September 30, 2010 and 2009, compensation expense of $360,000 and $659,000, respectively, was recognized related to restricted stock awards. The total intrinsic value of the restricted stock was $260,000 at September 30, 2010.

As of September 30, 2010, there was $2.9 million of unrecognized compensation cost related to non-vested stock options and restricted stock awards granted under the plan. That cost is expected to be recognized over a weighted-average period of 1.74 years. The aggregate grant date fair value of options and restricted stock awards that vested during the nine months ended September 30, 2010, was $3.5 million.

Note 10 — Common Stock Issued / Common Stock Issuable

United sponsors a Dividend Reinvestment and Share Purchase Plan ("DRIP") that allows participants who already own United's common stock to purchase additional shares directly from the company. The DRIP also allows participants to automatically reinvest their quarterly dividends in additional shares of common stock without a commission. United's 401(k) retirement plan regularly purchases shares of United's common stock directly from United. In addition, United has an Employee Stock Purchase Program ("ESPP") that allows eligible employees to purchase shares of common stock at a 5% discount, with no commission charges. For the nine months ended September 30, 2010 and 2009, United issued 361,405 and 256,990 shares, respectively, and increased capital by $1.4 and $1.6 million, respectively, through these programs.

United offers its common stock as an investment option in its deferred compensation plan. The common stock component of the deferred compensation plan is accounted for as an equity instrument and is reflected in the consolidated financial statements as common stock issuable. At September 30, 2010 and 2009, 305,594 and 196,818 shares, respectively, were issuable under the deferred compensation plan.

Late in the third quarter of 2009, United completed a sale of 44,505,000 shares of its common stock at a price of $5.00 per share. The net proceeds of $211 million, after deducting the underwriters' fees and expenses are being used for general corporate purposes. As a result of the stock sale, and pursuant to the terms of the warrant issued to the U.S. Treasury in connection with United's participation in the U.S. Treasury's Capital Purchase Program ("CPP"), the number of shares issuable upon exercise of the warrant issued to the U.S. Treasury in connection with the CPP was reduced by 50%, or 1,099,542 shares. The warrant has an exercise price of $12.28 and expires on the tenth anniversary of the date of issuance.

Note 11 — Stock Dividend

During the first, second and third quarters of 2009, United declared quarterly stock dividends at a rate of 1 new share for every 130 shares owned. The stock dividends have been reflected in the financial statements as an issuance of stock with no proceeds rather than a stock split and therefore prior period numbers of shares outstanding have not been adjusted. For the nine months ended September 30, 2009, the amount of $51,000 shown in the equity statement as a reduction of capital related to the stock dividend is the amount of cash paid to shareholders for fractional shares. No stock dividends were declared or paid during the first nine months of 2010.

Note 12 — Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

Note 13 — Discontinued Operations

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

Note 14 — Transaction with Fletcher International

On April 1, 2010, United entered into a securities purchase agreement with Fletcher International, Ltd. and the Bank entered into an asset purchase and sale agreement with Fletcher International, Inc. and certain affiliates thereof. Under the terms of the agreements, the Bank sold $103 million in non-performing commercial and residential mortgage loans and foreclosed properties to Fletcher's affiliates with a nominal aggregate sales price equal to the Bank's recorded book value. The non-performing assets sale transaction closed on April 30, 2010. The consideration for the sale consisted of $20.6 million in cash and a loan for $82.4 million. As part of the agreement, Fletcher received a warrant to acquire 7,058,824 shares of United's common stock at a price of $4.25 per share. In accordance with the terms of the securities purchase agreement, Fletcher has the right during the next two years to purchase up to $65 million in United's Series C Convertible Preferred Stock. The Series C Convertible Preferred Stock pays a dividend equal to the lesser of 8% or LIBOR plus 4%. The Series C Convertible Preferred Stock is convertible by Fletcher into common stock at $5.25 per share (12,380,952 shares). If Fletcher has not purchased all of the Series C Convertible Preferred Stock by May 26, 2011, it must pay United 5% of the commitment amount not purchased by such date, and it must pay United an additional 5% of the commitment amount not purchased by May 26, 2012. In addition, Fletcher will receive an additional warrant to purchase $35 million in common stock at $6.02 per share (5,813,953 shares) when it purchases the last $35 million of Series C Convertible Preferred Stock. All of the warrants settle on a cashless exercise basis and the net shares to be delivered upon cashless exercise will be less than what would have been issuable if the warrant had been exercised for cash.

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

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

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

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

The $22.2 million value of the option to purchase convertible preferred stock and warrant was determined by an independent valuation firm using a Monte Carlo Simulation method appropriate for valuing complex securities with derivatives. The model uses 50,000 simulations of daily stock price paths using geometric Brownian motion and incorporates in a unified way all conversion, exercise and contingency conditions. Because of the significant assumptions involved in the valuation process, not all of which were based on observable data, the valuation is considered to be Level 3.

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

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

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
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Note 15 — Assets and Liabilities Measured at Fair Value

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents United's assets and liabilities measured at fair value on a recurring basis as of September 30, 2010, December 31, 2009 and September 30, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands)*.

September 30, 2010	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale:				
U.S. Government agencies	$ —	$ 98,708	$ 29,995	$ 128,703
State and political subdivisions	—	30,637	—	30,637
Mortgage-backed securities	—	791,946	5,375	797,321
Other	—	66,507	30,350	96,857
Deferred compensation plan assets	2,973	—	—	2,973
Total	$ 2,973	$ 987,798	$ 65,720	$ 1,056,491
Liabilities				
Deferred compensation plan liability	$ 2,973	$ —	$ —	$ 2,973
Total liabilities	$ 2,973	$ —	$ —	$ 2,973

December 31, 2009	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale:				
U.S. Government agencies	$ —	$ 226,466	$ 20,000	$ 246,466
State and political subdivisions	—	63,293	—	63,293
Mortgage-backed securities	—	1,180,330	16,892	1,197,222
Other	—	21,066	2,000	23,066
Deferred compensation plan assets	4,818	—	—	4,818
Derivative financial instruments	—	10,692	—	10,692
Total	$ 4,818	$ 1,501,847	$ 38,892	$ 1,545,557
Liabilities				
Deferred compensation plan liability	$ 4,818	$ —	$ —	$ 4,818
Total liabilities	$ 4,818	$ —	$ —	$ 4,818

September 30, 2009	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale:				
U.S. Government agencies	$ —	$ 206,847	$ —	$ 206,847
State and political subdivisions	—	53,852	—	53,852
Mortgage-backed securities	—	1,240,396	7,252	1,247,648
Other	—	19,474	4,693	24,167
Deferred compensation plan assets	4,534	—	—	4,534
Derivative financial instruments	—	14,430	—	14,430
Total	$ 4,534	$ 1,534,999	$ 11,945	$ 1,551,478
Liabilities				
Deferred compensation plan liability	$ 4,534	$ —	$ —	$ 4,534
Total liabilities	$ 4,534	$ —	$ —	$ 4,534

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

	Securities Available for Sale
Balance at December 31, 2009	$ 38,892
Amounts included in earnings	(70)
Other comprehensive income	(700)
Impairment charges	(950)
Purchases, sales, issuances, settlements, maturities, paydowns, net	79,359
Transfers between valuation levels, net	(50,811)
Balance at September 30, 2010	$ 65,720

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 September 30, 2010, December 31, 2009 and September 30, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands)*:

	Level 1	Level 2	Level 3	Total
September 30, 2010				
Assets				
Loans	$ —	$ —	$ 121,257	$ 121,257
Foreclosed properties	—	—	81,436	81,436
Total	$ —	$ —	$ 202,693	$ 202,693
December 31, 2009				
Assets				
Loans	$ —	$ —	$ 153,038	$ 153,038
Foreclosed properties	—	—	81,213	81,213
Total	$ —	$ —	$ 234,251	$ 234,251
September 30, 2009				
Assets				
Loans	$ —	$ —	$ 181,015	$ 181,015
Foreclosed properties	—	—	86,543	86,543
Goodwill	—	—	210,590	210,590
Total	$ —	$ —	$ 478,148	$ 478,148

Assets and Liabilities Not Measured at Fair Value

For financial instruments that have quoted market prices, those quotes are used to determine fair value. Financial instruments that have no defined maturity, have a remaining maturity of 180 days or less, or reprice frequently to a market rate, are assumed to have a fair value that approximates reported book value, after taking into consideration any applicable credit risk. If no market quotes are available, financial instruments are valued by discounting the expected cash flows using an estimated current market interest rate for the financial instrument. For off-balance sheet derivative instruments, fair value is estimated as the amount that United would receive or pay to terminate the contracts at the reporting date, taking into account the current unrealized gains or losses on open contracts.

The short maturity of United's assets and liabilities results in having a significant number of financial instruments whose fair value equals or closely approximates carrying value. Such financial instruments are reported in the following balance sheet captions: cash and cash equivalents, mortgage loans held for sale, federal funds purchased, repurchase agreements and other short-term borrowings. The fair value of securities available for sale equals the balance sheet value. As of December 31, 2009 and September 30, 2009 the fair value of interest rate contracts used for balance sheet management was an asset of approximately $10.7 million and $14.4 million, respectively. There were no active derivative contracts held by United at September 30, 2010.

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

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

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

The carrying amount and fair values for other financial instruments that are not measured at fair value in United's balance sheet at September 30, 2010, December 31, 2009 September 30, 2009 are as follows *(in thousands)*:

	September 30, 2010		December 31, 2009		September 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:						
Loans, net	$4,584,891	$4,272,201	$4,995,874	$4,529,755	$5,212,502	$4,833,533
Securities held to maturity	256,694	263,012	—	—	—	—
Liabilities:						
Deposits	5,998,637	6,003,543	6,627,834	6,660,196	6,821,306	6,865,338
Federal Home Loan Bank advances	55,125	60,215	114,501	119,945	314,704	320,991
Long-term debt	150,126	124,964	150,066	111,561	150,046	105,025

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

Forward-Looking Statements

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

Our businesses and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experience may materially differ from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2009, our Form 10-Q for the quarter ended June 30, 2010 and this Form 10-Q, as well as the following:

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

All written or oral forward-looking statements attributable to us or any person acting on our behalf made after the date of this prospectus supplement are expressly qualified in their entirety by the risk factors and cautionary statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2009, our Form 10-Q for the quarter ended June 30, 2010 and this Form 10-Q.

Overview

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

United is a bank holding company registered with the Federal Reserve under the Bank Holding Company Act of 1956 that was incorporated under the laws of the state of Georgia in 1987 and commenced operations in 1988. At September 30, 2010, United had total consolidated assets of $7.0 billion, total loans of $4.8 billion, excluding the loans acquired from Southern Community Bank ("SCB") that are covered by loss sharing agreements and therefore have a different risk profile, total deposits of $6.0 billion and stockholders' equity of $662 million.

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

Operating loss from continuing operations and operating loss from continuing operations per diluted share are non-GAAP performance measures. United's management believes that operating performance is useful in analyzing United's financial performance trends since it excludes items that are non-recurring in nature and therefore most of the discussion in this section will refer to operating performance measures. A reconciliation of these operating performance measures to GAAP performance measures is included in the table on page 30.

United reported a net operating loss from continuing operations of $25.8 million for the third quarter of 2010. This compared to a net operating loss from continuing operations of $43.8 million for the third quarter of 2009. The net operating loss from continuing operations in the third quarter of 2010 and 2009 excluded goodwill impairment charges of $211 million and $25 million, respectively. Diluted operating loss from continuing operations per common share was $.30 for the third quarter of 2010, compared to a diluted operating loss from continuing operations per common share of $.93 for the third quarter of 2009. The third quarter of 2010 operating loss reflects the challenging economic environment and elevated credit and foreclosed property losses primarily resulting from the weak residential construction and housing market. The goodwill impairment charges, which have been excluded from operating losses, represented $2.22 and $.50 of loss per share for the third quarters of 2010 and 2009, respectively, reducing the diluted loss from continuing operations of $2.52 per share to $.30 for 2010, and $1.43 per share to $.93 for 2009.

For the nine months ended September 30, 2010, United reported a net operating loss from continuing operations of $120 million, which included the $30.0 million after-tax loss from the Fletcher transaction which is described on page 25. This compared to a net operating loss from continuing operations of $99.0 million for the nine months ended September 30, 2009. Net loss for the nine months ended September 30, 2010, which included discontinued operations and goodwill impairment, totaled $329 million. For the same period of 2009, the net loss of $188 million included the $7.1 million gain on acquisition, net of tax; $95 million in charges for goodwill impairment and a $1.8 million charge for a reduction in workforce, net of tax. Diluted operating loss from continuing operations per common share was $1.35 for the nine months ended September 30, 2010, compared with diluted operating loss from continuing operations per common share of $2.18 for the same period in 2009. The loss on sale of nonperforming assets in 2010 represented $.32 of loss per share. The diluted loss per share was $3.56 for the first nine months of 2010, which includes discontinued operations and the goodwill impairment charge of $2.23 of loss per share. The gain on acquisition, goodwill impairment charges and severance costs represented $.14 of earnings per share, $1.93 of loss per share and $.04 of loss per share, respectively, for the nine months ended September 30, 2009, bringing the diluted loss per share to $4.01.

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 $50.5 million for the three months ended September 30, 2010, compared to $95.0 million for the same period in 2009. Net charge-offs for the third quarter of 2010 were $50.0 million, compared to $90.5 million for the third quarter of 2009. For the nine months ended September 30, 2010, United's provision for loan losses was $187 million, compared to $220 million for the same period in 2009. Net charge-offs for the first nine months of 2010 were $168 million, compared to $192 million for the first nine months of 2009. As of September 30, 2010, United's allowance for loan losses of $175 million was 3.67% of loans, compared to $150 million, or 2.80% of total loans at September 30, 2009. Nonperforming assets of $348 million, which excludes assets of SCB that are covered by loss sharing agreements with the FDIC, increased to 4.96% of total assets at September 30, 2010, compared to 4.81% as of December 31, 2009, and 4.91% as of September 30, 2009. The increase in the ratio was the result of a decrease in total assets, as nonperforming assets were flat with the second quarter of 2010.

Taxable equivalent net interest revenue was $60.0 million for the third quarter of 2010, compared to $63.0 million for the same period of 2009. The decrease in net interest revenue was the result of lower levels of interest earning assets. Average loans and securities for the quarter declined $669 and $204 million, respectively, from the third quarter of 2009. For the nine months ended September 30, 2010, taxable equivalent net interest revenue was $183 million, compared to $181 million for the same period of 2009. Net interest margin increased from 3.25% for the nine months ended September 30, 2009 to 3.56% for the same period in 2010. The margin improvement resulted from management's ongoing efforts to manage loan pricing, while lowering the cost of deposits, in spite of continuing attrition in the loan portfolio.

Operating fee revenue decreased $528,000, or 4%, and $411,000, or 1%, from the third quarter and first nine months of 2009, respectively. The decrease was primarily attributable to balance sheet management activities that resulted in gains from the sale of securities offset by losses on the prepayment of Federal Home Loan Bank advances. Included in the net securities gains for 2010, was a $950,000 impairment loss on a bank trust preferred securities investment, recognized in the first quarter that was more than offset by securities gains. Included in the net securities gains for 2009, was a $1.2 million impairment loss on equity investments in failed or troubled financial institutions. Also contributing to the decrease for the first nine months were lower mortgage fees.

For the third quarter of 2010, operating expenses of $64.9 million were up $13.5 million from the third quarter of 2009. Although United's expense savings initiatives have been successful in lowering controllable expenses, foreclosed property costs were up $11.8 million from the third quarter of 2009. For the first nine months of 2010, operating expenses of $178 million, excluding the $45.3 million loss from the sale of nonperforming assets and $211 million goodwill impairment charge, were up $21.1 million from the same period of 2009. Foreclosed property costs, which were up $27.1 million, was primarily responsible for the increase from 2009. The increase in foreclosed property costs was partially offset by a $4.7 million decrease in salaries and benefits expense reflecting the 10% staff reduction that began at the end of the first quarter of 2009. Operating expenses for 2009 excluded $95 million in goodwill impairment charges and $2.9 million in severance costs.

Critical Accounting Policies

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

Mergers and Acquisitions

On June 19, 2009, the Bank acquired the banking operations of SCB from the FDIC. The Bank acquired $378 million of assets and assumed $367 million of liabilities. The Bank and the FDIC entered into loss sharing agreements regarding future losses incurred on loans and foreclosed loan collateral existing at June 19, 2009. Under the terms of the loss sharing agreements, the FDIC will absorb 80% of losses and share in 80% of loss recoveries on the first $109 million of losses, and absorb 95% of losses and share in 95% of loss recoveries on losses exceeding $109 million. The term for loss sharing on 1 to 4 family loans is ten years, while the term for loss sharing on all other loans is five years. The SCB acquisition was accounted for under the purchase method of accounting in accordance with the Financial Accounting Standards Board's Accounting Standards Codification, Topic 805, *Business Combinations* ("ASC 805"). United recorded a gain totaling $11.4 million in the second quarter of 2009 resulting from the acquisition, which is a component of fee revenue in the consolidated statement of income. The amount of the gain is equal to the amount by which the fair value of assets purchased exceeded the fair value of liabilities assumed. See Note 3 of the Notes to the unaudited consolidated financial statements for additional information regarding the acquisition.

The results of operations of SCB are included in the consolidated statement of income from the acquisition date of June 19, 2009.

GAAP Reconciliation and Explanation

This Form 10-Q contains non-GAAP financial measures determined by methods other than in accordance with GAAP. Such non-GAAP financial measures include, among others the following: operating revenue, operating expense, operating (loss) income from continuing operations, operating (loss) income, operating earnings (loss) from continuing operations per share, operating earnings (loss) per share, operating earnings (loss) from continuing operations per diluted share and operating earnings (loss) per diluted share. Management uses these non-GAAP financial measures because it believes they are useful for evaluating our operations and performance over periods of time, as well as in managing and evaluating our business and in discussions about our operations and performance. Management believes these non-GAAP financial measures provide users of our financial information with a meaningful measure for assessing our financial results and credit trends, as well as comparison to financial results for prior periods. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled financial measures used by other companies. A reconciliation of these operating performance measures to GAAP performance measures is included in on the table on page 30.

Discontinued Operations

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

Transaction with Fletcher International

The current banking environment, particularly within the Southeast and United’s footprint, has left many financial institutions with a surplus of foreclosed real estate and nonperforming loans, particularly residential construction. Disposing of these nonperforming assets has become increasingly challenging in this environment as those involved in the business of buying, developing and selling real estate — the typical purchasers of foreclosed properties — have themselves been negatively impacted by the housing market and therefore lack the ability to purchase surplus real estate. The build-up of residential construction inventory and lack of buyers, especially in the non-Atlanta markets, has created an imbalance between supply and demand that has sent prices spiraling downward. As a result, most dispositions of problem assets have occurred only by pricing properties at substantial discounts and incurring significant losses which results in a reduction of capital.

The challenge in this environment is to find ways to sell a large quantity of non-performing assets without significantly reducing capital. The transaction with Fletcher International Inc. (“Fletcher Inc.”) and Fletcher International Ltd (“Fletcher Ltd”, together with Fletcher Inc. and their affiliates, “Fletcher”) accomplished that objective by combining the sale of nonperforming assets with the issuance of equity instruments. Although the transaction with Fletcher is described in more detail below, in essence, Fletcher agreed to acquire certain of United’s more illiquid nonperforming assets and received equity instruments that include a warrant to purchase common stock and the right to purchase convertible preferred stock with an additional warrant to purchase common stock. All of the assets and equity instruments transferred in the transaction were transferred at fair value, which resulted in the recognition of a loss in the consolidated financial statements. The transaction had a slight positive impact on total capital, since the equity instruments exchanged in the transaction increased shareholders’ equity which more than offset the after-tax loss on the transaction.

Description of Transaction

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

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

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

The Securities Purchase Agreement provides that United shall not effect any conversion or redemption of the Convertible Preferred Stock, and Fletcher Ltd. shall not have the right to convert or redeem any portion of the Convertible Preferred Stock, into common stock to the extent such conversion or redemption would result in aggregate issuances to Fletcher Ltd. in excess of 9.75% of the number of shares of common stock that would be outstanding after giving effect to such conversion or redemption. In the event that United cannot effect a conversion or redemption of the Convertible Preferred Stock into common stock due to this limit, the conversion or redemption shall be effected into an equal number of shares of Junior Preferred Stock.

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

Also, as part of the transaction, United and Fletcher entered into a servicing agreement whereby United will act as servicer of the nonperforming assets for Fletcher in exchange for a servicing fee of 20 basis points. The LLCs will pay all direct costs associated with the nonperforming loans and foreclosed properties. Because the servicing arrangement is considered a normal servicing arrangement and the fee is appropriate for the services provided, United did not recognize a servicing asset or liability related to the servicing agreement. Also as part of the servicing agreement, Fletcher maintains decision making authority with regard to the nonperforming loans and foreclosed properties except for minor, routine matters.

Accounting Treatment

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

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

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

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

	Valuation Approach	Fair Value Heirarchy	Fair Value
Warrants Issued / Assets Transferred to Fletcher at Fair Value:			
Warrant to purchase $30 million in common stock at $4.25 per share	Black-Scholes	Level 3	$ 17,577(1)
Option to purchase convertible preferred stock and warrant	Monte-Carlo Simulation	Level 3	22,236(2)
Fair value of equity instruments recognized in capital surplus			39,813
Foreclosed properties transferred under Asset Purchase Agreement	Appraised Value	Level 2	33,434(3)
Nonperforming loans transferred under Asset Purchase Agreement	Collateral Appraised Value	Level 2	69,655(3)
Total nonperforming assets transferred			103,089
Total value of assets and equity instruments transferred			142,902
Cash and Notes Receivable Received in Exchange at Fair Value:			
Cash down payment received from asset sale	NA	NA	20,618
Notes receivable (par value $82,471, net of $4,531 discount)	Discounted Cash Flows	Level 3	77,940(4)
Total value of cash and notes receivable received			98,558
Fair value of assets and equity instruments transferred in excess of cash and notes received			44,344
Transaction fees			1,005
Loss recognized on Fletcher transaction			45,349
Tax benefit			(15,367)
After tax loss			$ 29,982

Notes

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

(2) The $22.2 million value of the option to purchase convertible preferred stock and warrant was determined by an independent valuation firm using a Monte Carlo Simulation method appropriate for valuing complex securities with derivatives. The model uses 50,000 simulations of daily stock price paths using geometric Brownian motion and incorporates in a unified way all conversion, exercise and contingency conditions. Because of the significant assumptions involved in the valuation process, not all of which were based on observable data, the valuation is considered to be Level 3.

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

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

Results of Operations

United reported a net operating loss from continuing operations of $25.8 million for the third quarter of 2010. This compared to a net operating loss from continuing operations of $43.8 million for the same period in 2009. The 2010 and 2009 net operating loss from continuing operations excluded goodwill impairment charges of $211 million and $25.0 million, respectively. Including the goodwill impairment charges, the net loss for the third quarter of 2010 and 2009 was $236 million and $68.7 million, respectively. For the third quarter of 2010, diluted operating loss from continuing operations per share was $.30. This compared to diluted operating loss from continuing operations per share of $.93 for the third quarter of 2009. The diluted operating loss from continuing operations per share for the third quarter of 2010 and 2009 excluded $2.22 and $.50, respectively, in loss per share related to goodwill impairment charges.

For the first nine months of 2010, United reported a net operating loss from continuing operations of $120 million, which included the $30.0 million after-tax loss related to the Fletcher transaction and excluded the $211 million goodwill impairment charge. This compared to a net operating loss from continuing operations of $99.0 million for the first nine months of 2009, which excluded the $7.1 million gain on acquisition, net of tax; non-cash goodwill impairment charges of $95 million; and non-recurring severance costs of $1.8 million. The net loss for the nine months ended September 30, 2010, which includes discontinued operations and goodwill impairment, was $329 million. Including discontinued operations, the gain on acquisition, goodwill impairment charges and severance costs, net loss was $188 million for the nine months ended September 30, 2009. Diluted operating loss from continuing operations per share for the nine months ended September 30, 2010 was $1.35, of which the loss on the sale of nonperforming assets to Fletcher represented $.32. This compared to diluted operating loss per share from continuing operations of $2.18 for the same period in 2009. The diluted operating loss per share from continuing operations for the first nine months of 2010 excluded $2.22 in loss related to the third quarter goodwill impairment charge. The diluted operating loss per share for the first nine months of 2009 excluded $.14 in earnings per share related to the gain on acquisition and $1.93 and $.04 in loss per share related to the goodwill impairment charges and severance costs, respectively. The net operating losses from continuing operations in the third quarter and first nine months of 2010 reflect elevated foreclosed property costs related to the continuing effect of the challenging economic environment and the weak residential construction and housing markets.

Table 1 — Financial Highlights
Selected Financial Information

(in thousands, except per share data; taxable equivalent)	2010 Third Quarter	2010 Second Quarter	2010 First Quarter	2009 Fourth Quarter	2009 Third Quarter	Third Quarter 2010-2009 Change	For the Nine Months Ended 2010	For the Nine Months Ended 2009	YTD 2010-2009 Change
INCOME SUMMARY									
Interest revenue	$ 84,360	$ 87,699	$ 89,849	$ 97,481	$ 101,181		$ 261,908	$ 307,480	
Interest expense	24,346	26,072	28,570	33,552	38,177		78,988	126,182	
Net interest revenue	60,014	61,627	61,279	63,929	63,004	(5)%	182,920	181,298	1%
Provision for loan losses	50,500	61,500	75,000	90,000	95,000		187,000	220,000	
Operating fee revenue (1)	12,861	11,579	11,666	14,447	13,389	(4)	36,106	36,517	(1)
Total operating revenue (1)	22,375	11,706	(2,055)	(11,624)	(18,607)		32,026	(2,185)	
Operating expenses (2)	64,906	58,308	54,820	60,126	51,426	26	178,034	156,924	13
Loss on sale of nonperforming assets	—	45,349	—	—	—		45,349	—	
Operating loss from continuing operations before taxes	(42,531)	(91,951)	(56,875)	(71,750)	(70,033)	39	(191,357)	(159,109)	(20)
Operating income tax benefit	(16,706)	(32,419)	(22,417)	(31,687)	(26,252)		(71,542)	(60,067)	
Net operating loss from continuing operations (1) (2)	(25,825)	(59,532)	(34,458)	(40,063)	(43,781)	41	(119,815)	(99,042)	(21)
Gain from acquisition, net of tax expense	—	—	—	—	—		—	7,062	
Noncash goodwill impairment charges	(210,590)	—	—	—	(25,000)		(210,590)	(95,000)	
Severance costs, net of tax benefit	—	—	—	—	—		—	(1,797)	
(Loss) income from discontinued operations	—	—	(101)	228	63		(101)	285	
Gain from sale of subsidiary, net of income taxes and selling costs	—	—	1,266	—	—		1,266	—	
Net loss	(236,415)	(59,532)	(33,293)	(39,835)	(68,718)	(244)	(329,240)	(188,492)	(75)
Preferred dividends and discount accretion	2,581	2,577	2,572	2,567	2,562		7,730	7,675	
Net loss available to common shareholders	$ (238,996)	$ (62,109)	$ (35,865)	$ (42,402)	$ (71,280)		$ (336,970)	$ (196,167)	
PERFORMANCE MEASURES									
Per common share:									
Diluted operating loss from continuing operations (1)(2)	$ (.30)	$ (.66)	$ (.39)	$ (.45)	$ (.93)	68	$ (1.35)	$ (2.18)	38
Diluted loss from continuing operations	(2.52)	(.66)	(.39)	(.45)	(1.43)	(76)	(3.58)	(4.01)	11
Diluted loss	(2.52)	(.66)	(.38)	(.45)	(1.43)	(76)	(3.56)	(4.01)	11
Stock dividends declared (6)	—	—	—	—	1 for 130		—	3 for 130	
Book value	5.14	7.71	7.95	8.36	8.85	(42)	5.14	8.85	(42)
Tangible book value (4)	5.05	5.39	5.62	6.02	6.50	(22)	5.05	6.50	(22)
Key performance ratios:									
Return on equity (3)(5)	(148.04)%	(35.89)%	(20.10)%	(22.08)%	(45.52)%		(65.69)%	(39.11)%	
Return on assets (5)	(12.47)	(3.10)	(1.70)	(1.91)	(3.32)		(5.70)	(3.05)	
Net interest margin (5)	3.57	3.60	3.49	3.40	3.39		3.56	3.25	
Operating efficiency ratio from continuing operations (1)(2)	89.38	141.60	75.22	78.74	68.35		102.14	72.29	
Equity to assets	11.37	11.84	11.90	11.94	10.27		11.70	10.84	
Tangible equity to assets (4)	9.19	9.26	9.39	9.53	7.55		9.28	7.92	
Tangible common equity to assets (4)	6.78	6.91	7.13	7.37	5.36		6.94	5.74	
Tangible common equity to risk-weighted assets (4)	9.60	9.97	10.03	10.39	10.67		9.60	10.67	
ASSET QUALITY *									
Non-performing loans	$ 217,766	$ 224,335	$ 280,802	$ 264,092	$ 304,381		$ 217,766	$ 304,381	
Foreclosed properties	129,964	123,910	136,275	120,770	110,610		129,964	110,610	
Total non-performing assets (NPAs)	347,730	348,245	417,077	384,862	414,991		347,730	414,991	
Allowance for loan losses	174,613	174,111	173,934	155,602	150,187		174,613	150,187	
Net charge-offs	49,998	61,323	56,668	84,585	90,491		167,989	192,084	
Allowance for loan losses to loans	3.67%	3.57%	3.48%	3.02%	2.80%		3.67%	2.80%	
Net charge-offs to average loans (5)	4.12	4.98	4.51	6.37	6.57		4.54	4.60	
NPAs to loans and foreclosed properties	7.11	6.97	8.13	7.30	7.58		7.11	7.58	
NPAs to total assets	4.96	4.55	5.32	4.81	4.91		4.96	4.91	
AVERAGE BALANCES *($ in millions)*									
Loans	$ 4,896	$ 5,011	$ 5,173	$ 5,357	$ 5,565	(12)	$ 5,026	$ 5,612	(10)
Investment securities	1,411	1,532	1,518	1,529	1,615	(13)	1,487	1,700	(13)
Earning assets	6,676	6,854	7,085	7,487	7,401	(10)	6,870	7,457	(8)
Total assets	7,522	7,704	7,946	8,287	8,208	(8)	7,723	8,264	(7)
Deposits	6,257	6,375	6,570	6,835	6,690	(6)	6,399	6,671	(4)
Shareholders' equity	855	912	945	989	843	1	904	896	1
Common shares — basic *(thousands)*	94,679	94,524	94,390	94,219	49,771		94,527	48,968	
Common shares — diluted *(thousands)*	94,679	94,524	94,390	94,219	49,771		94,527	48,968	
AT PERIOD END *($ in millions)*									
Loans *	$ 4,760	$ 4,873	$ 4,992	$ 5,151	$ 5,363	(11)	$ 4,760	$ 5,363	(11)
Investment securities	1,310	1,488	1,527	1,530	1,533	(15)	1,310	1,533	(15)
Total assets	7,013	7,652	7,837	8,000	8,444	(17)	7,013	8,444	(17)
Deposits	5,999	6,330	6,488	6,628	6,821	(12)	5,999	6,821	(12)
Shareholders' equity	662	904	926	962	1,007	(34)	662	1,007	(34)
Common shares outstanding *(thousands)*	94,433	94,281	94,176	94,046	93,901		94,433	93,901	

(1) Excludes the gain from acquisition of $11.4 million, (income tax expense of $4.3 million) in the second quarter of 2009 and revenue generated by discontinued operations in all periods presented.

(2) Excludes goodwill impairment charges of $211 million in the third quarter of 2010 and $25 million and $70 million in the third and first quarters of 2009, respectively, severance costs of $2.9 million, (income tax benefit of $1.1 million) in the first quarter of 2009 and expenses relating to discontinued operations for all periods presented.

(3) Net loss available to common shareholders, which is net of preferred stock dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss).

(4) Excludes effect of acquisition related intangibles and associated amortization.

(5) Annualized.

(6) Number of new shares issued for shares currently held.

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

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

(in thousands, except per share data; taxable equivalent)	2010 Third Quarter	2010 Second Quarter	2010 First Quarter	2009 Fourth Quarter	2009 Third Quarter	For the Nine Months Ended 2010	For the Nine Months Ended 2009
Interest revenue reconciliation							
Interest revenue — taxable equivalent	$ 84,360	$ 87,699	$ 89,849	$ 97,481	$101,181	$ 261,908	$ 307,480
Taxable equivalent adjustment	(511)	(500)	(493)	(601)	(580)	(1,504)	(1,531)
Interest revenue (GAAP)	$ 83,849	$ 87,199	$ 89,356	$ 96,880	$100,601	$ 260,404	$ 305,949
Net interest revenue reconciliation							
Net interest revenue — taxable equivalent	$ 60,014	$ 61,627	$ 61,279	$ 63,929	$ 63,004	$ 182,920	$ 181,298
Taxable equivalent adjustment	(511)	(500)	(493)	(601)	(580)	(1,504)	(1,531)
Net interest revenue (GAAP)	$ 59,503	$ 61,127	$ 60,786	$ 63,328	$ 62,424	$ 181,416	$ 179,767
Fee revenue reconciliation							
Operating fee revenue	$ 12,861	$ 11,579	$ 11,666	$ 14,447	$ 13,389	$ 36,106	$ 36,517
Gain from acquisition	—	—	—	—	—	—	11,390
Fee revenue (GAAP)	$ 12,861	$ 11,579	$ 11,666	$ 14,447	$ 13,389	$ 36,106	$ 47,907
Total revenue reconciliation							
Total operating revenue	$ 22,375	$ 11,706	$ (2,055)	$ (11,624)	$ (18,607)	$ 32,026	$ (2,185)
Taxable equivalent adjustment	(511)	(500)	(493)	(601)	(580)	(1,504)	(1,531)
Gain from acquisition	—	—	—	—	—	—	11,390
Total revenue (GAAP)	$ 21,864	$ 11,206	$ (2,548)	$ (12,225)	$ (19,187)	$ 30,522	$ 7,674
Expense reconciliation							
Operating expense	$ 64,906	$103,657	$ 54,820	$ 60,126	$ 51,426	$ 223,383	$ 156,924
Noncash goodwill impairment charge	210,590	—	—	—	25,000	210,590	95,000
Severance costs	—	—	—	—	—	—	2,898
Operating expense (GAAP)	$ 275,496	$103,657	$ 54,820	$ 60,126	$ 76,426	$ 433,973	$ 254,822
Loss from continuing operations before taxes reconciliation							
Operating loss from continuing operations before taxes	$ (42,531)	$ (91,951)	$ (56,875)	$ (71,750)	$ (70,033)	$(191,357)	$(159,109)
Taxable equivalent adjustment	(511)	(500)	(493)	(601)	(580)	(1,504)	(1,531)
Gain from acquisition	—	—	—	—	—	—	11,390
Noncash goodwill impairment charge	(210,590)	—	—	—	(25,000)	(210,590)	(95,000)
Severance costs	—	—	—	—	—	—	(2,898)
Loss from continuing operations before taxes (GAAP)	$(253,632)	$ (92,451)	$ (57,368)	$ (72,351)	$ (95,613)	$(403,451)	$(247,148)
Income tax benefit reconciliation							
Operating income tax benefit	$ (16,706)	$ (32,419)	$ (22,417)	$ (31,687)	$ (26,252)	$ (71,542)	$ (60,067)
Taxable equivalent adjustment	(511)	(500)	(493)	(601)	(580)	(1,504)	(1,531)
Gain from acquisition, tax expense	—	—	—	—	—	—	4,328
Severance costs, tax benefit	—	—	—	—	—	—	(1,101)
Income tax benefit (GAAP)	$ (17,217)	$ (32,919)	$ (22,910)	$ (32,288)	$ (26,832)	$ (73,046)	$ (58,371)
Diluted loss from continuing operations per common share reconciliation							
Diluted operating loss from continuing operations per common share	$ (.30)	$ (.66)	$ (.39)	$ (.45)	$ (.93)	$ (1.35)	$ (2.18)
Gain from acquisition	—	—	—	—	—	—	.14

Noncash goodwill impairment charge	(2.22)	—	—	—	(.50)	(2.23)	(1.93)
Severance costs	—	—	—	—	—	—	(.04)
Diluted loss from continuing operations per common share (GAAP)	$ (2.52)	$ (.66)	$ (.39)	$ (.45)	$ (1.43)	$ (3.58)	$ (4.01)
Book value per common share reconciliation							
Tangible book value per common share	$ 5.05	$ 5.39	$ 5.62	$ 6.02	$ 6.50	$ 5.05	$ 6.50
Effect of goodwill and other intangibles	0.09	2.32	2.33	2.34	2.35	0.09	2.35
Book value per common share (GAAP)	$ 5.14	$ 7.71	$ 7.95	$ 8.36	$ 8.85	$ 5.14	$ 8.85
Efficiency ratio from continuing operations reconciliation							
Operating efficiency ratio from continuing operations	89.38%	141.60%	75.22%	78.74%	68.35%	102.14%	72.29%
Gain from acquisition	—	—	—	—	—	—	(3.60)
Noncash goodwill impairment charge	290.00	—	—	—	33.22	96.29	41.58
Severance costs	—	—	—	—	—	—	1.27
Efficiency ratio from continuing operations (GAAP)	379.38%	141.60%	75.22%	78.74%	101.57%	198.43%	111.54%
Average equity to assets reconciliation							
Tangible common equity to assets	6.78%	6.91%	7.13%	7.37%	5.36%	6.94%	5.74%
Effect of preferred equity	2.41	2.35	2.26	2.16	2.19	2.34	2.18
Tangible equity to assets	9.19	9.26	9.39	9.53	7.55	9.28	7.92
Effect of goodwill and other intangibles	2.18	2.58	2.51	2.41	2.72	2.42	2.92
Equity to assets (GAAP)	11.37%	11.84%	11.90%	11.94%	10.27%	11.70%	10.84%
Actual tangible common equity to risk-weighted assets reconciliation							
Tangible common equity to risk-weighted assets	9.60%	9.97%	10.03%	10.39%	10.67%	9.60%	10.67%
Effect of other comprehensive income	(.81)	(.87)	(.85)	(.87)	(.90)	(.81)	(.90)
Effect of deferred tax limitation	(2.94)	(2.47)	(1.75)	(1.27)	(.58)	(2.94)	(.58)
Effect of trust preferred	1.06	1.03	1.00	.97	.92	1.06	.92
Effect of preferred equity	3.51	3.41	3.29	3.19	3.04	3.51	3.04
Tier I capital ratio (Regulatory)	10.42%	11.07%	11.72%	12.41%	13.15%	10.42%	13.15%

Net Interest Revenue (Taxable Equivalent)

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and borrowed funds) is the single largest component of total revenue. United actively manages this revenue source to provide optimal levels of revenue while balancing interest rate, credit and liquidity risks. Taxable equivalent net interest revenue for the three months ended September 30, 2010 was $60.0 million, down $3.0 million, or 5%, from the third quarter of 2009. The decrease in net interest revenue for the third quarter of 2010 compared to the third quarter of 2009 was due to lower levels of interest earning assets. United continues its intense focus on loan and deposit pricing, in an effort to maintain a steady level of net interest revenue, despite continuing attrition in the loan portfolio.

Average loans decreased $669 million, or 12%, from the third quarter of last year. The decrease in the loan portfolio was a result of the slowdown in the housing market, particularly in the Atlanta MSA, north Georgia, coastal Georgia and the Gainesville MSA where period-end loans decreased $161 million, $187 million, $95.7 million and $85.1 million, respectively, from September 30, 2009. Weak lending conditions have also affected United’s other markets. Loan charge-offs, foreclosure activity and management’s efforts to rebalance the loan portfolio by reducing the concentration of residential construction loans have all contributed to declining loan balances. While loan balances have declined, United continues to make new loans. During the third quarter of 2010, United made $84.7 million in new loans, primarily commercial and small business loans in the Atlanta MSA and north Georgia.

Average interest-earning assets for the third quarter of 2010 decreased $725 million, or 10%, from the same period in 2009. Decreases of $669 million in average loans and $204 million in the investment securities portfolio were partially offset by a $149 million increase in other interest-earning assets. Loan demand has been weak due to the poor economy and management’s efforts to reduce United’s exposure to residential construction loans. The increase in other interest-earning assets was due to purchases of short-term commercial paper and bank certificates of deposit in an effort to temporarily invest excess liquidity. Average interest-bearing liabilities decreased $759 million, or 12%, from the third quarter of 2009 due to the rolling off of higher-cost certificates of deposit as funding needs decreased. The average yield on interest earning assets for the three months ended September 30, 2010, was 5.02%, down 41 basis points from 5.43% for the same period of 2009, reflecting the effect of lower short-term interest rates on United’s prime-based loans as well as increased levels of non-performing loans.

The average cost of interest-bearing liabilities for the third quarter of 2010 was 1.66% compared to 2.31% for the same period of 2009, reflecting the effect of falling rates on United’s floating rate liabilities and United’s ability to reduce deposit pricing. Also contributing to the overall lower rate on interest-bearing liabilities was a shift in the mix of deposits away from more expensive time deposits toward lower-rate transaction deposits. United’s shrinking balance sheet also permitted the reduction of more expensive wholesale borrowings.

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

For the three months ended September 30, 2010 and 2009, the net interest spread was 3.36% and 3.12%, respectively, while the net interest margin was 3.57% and 3.39%, respectively. The improved net interest margin for the quarter reflects management’s focus on improving earnings performance. United intensified its focus on loan pricing to ensure that it was being adequately compensated for the credit risk it was taking. The combined effect of the easing of deposit pricing competition and widening credit spreads in United’s loan portfolio led to the 18 basis point increase in the net interest margin from the third quarter of 2009 to the third quarter of 2010.

For the first nine months of 2010, net interest revenue was $183 million, an increase of $1.6 million, or 1%, from the first nine months of 2009. Average earning assets decreased $587 million, or 8%, during the first nine months of 2010 compared the same period a year earlier. The yield on earning assets decreased 42 basis points from 5.51% for the nine months ended September 30, 2009, to 5.09% for the nine months ended September 30, 2010, primarily as the result of lower interest rates on loans and investments, as well as the continued effects of interest reversals on nonperforming loans. The cost of interest-bearing liabilities over the same period decreased 80 basis points. This resulted in the net interest margin increasing 31 basis points from the nine months ended September 30, 2009 to the nine months ended September 30, 2010. In addition, the transaction with Fletcher International in the second quarter of 2010, removed approximately $70 million of nonperforming loans from United’s portfolio. Factors in the year over year increase were otherwise the same as those for the increase from the third quarter of 2009 to the third quarter of 2010.

The following table shows the relationship between interest revenue and expense, and the average amounts of interest-earning assets and interest-bearing liabilities for the three months ended September 30, 2010 and 2009.

Table 2 — Average Consolidated Balance Sheets and Net Interest Analysis
For the Three Months Ended September 30,

	2010			2009		
(dollars in thousands, taxable equivalent)	**Average Balance**	**Interest**	**Avg. Rate**	**Average Balance**	**Interest**	**Avg. Rate**
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)(2)	$4,896,471	$ 68,540	5.55%	$5,565,498	$ 80,880	5.77%
Taxable securities (3)	1,384,682	14,431	4.17	1,585,154	18,492	4.67
Tax-exempt securities (1)(3)	26,481	459	6.93	30,345	537	7.08
Federal funds sold and other interest-earning assets	368,108	930	1.01	219,542	1,272	2.32
Total interest-earning assets	6,675,742	84,360	5.02	7,400,539	101,181	5.43
Non-interest-earning assets:						
Allowance for loan losses	(194,300)			(147,074)		
Cash and due from banks	107,825			107,062		
Premises and equipment	179,839			179,764		
Other assets (3)	752,780			667,908		
Total assets	$7,521,886			$8,208,199		
Liabilities and Shareholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW	$1,318,779	$ 1,705	.51	$1,238,596	$ 2,528	.81
Money market	781,903	1,930	.98	628,392	2,711	1.71
Savings	186,123	83	.18	180,216	130	.29
Time less than $100,000	1,541,772	7,190	1.85	1,918,439	13,300	2.75
Time greater than $100,000	1,065,789	5,506	2.05	1,292,786	10,106	3.10
Brokered	573,606	3,403	2.35	707,678	4,777	2.68
Total interest-bearing deposits	5,467,972	19,817	1.44	5,966,107	33,552	2.23
Federal funds purchased and other borrowings	104,370	1,068	4.06	234,211	613	1.04
Federal Home Loan Bank advances	80,220	796	3.94	210,625	1,300	2.45
Long-term debt	150,119	2,665	7.04	150,353	2,712	7.16
Total borrowed funds	334,709	4,529	5.37	595,189	4,625	3.08
Total interest-bearing liabilities	5,802,681	24,346	1.66	6,561,296	38,177	2.31
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	789,231			723,841		
Other liabilities	74,482			79,932		
Total liabilities	6,666,394			7,365,069		
Shareholders' equity	855,492			843,130		
Total liabilities and shareholders' equity	$7,521,886			$8,208,199		
Net interest revenue		$ 60,014			$ 63,004	
Net interest-rate spread			3.36%			3.12%
Net interest margin (4)			3.57%			3.39%

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

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

(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of $45.4 million in 2010 and $13.8 million in 2009 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.

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The following table shows the relationship between interest revenue and expense, and the average amounts of interest-earning assets and interest-bearing liabilities for the nine months ended September 30, 2010 and 2009.

Table 3 — Average Consolidated Balance Sheets and Net Interest Analysis
For the Nine Months Ended September 30,

	2010			2009		
(dollars in thousands, taxable equivalent)	**Average Balance**	**Interest**	**Avg. Rate**	**Average Balance**	**Interest**	**Avg. Rate**
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)(2)	$5,025,739	$ 211,399	5.62%	$5,612,202	$ 244,196	5.82%
Taxable securities (3)	1,458,120	45,857	4.19	1,669,768	59,101	4.72
Tax-exempt securities (1)(3)	28,470	1,450	6.79	29,754	1,565	7.01
Federal funds sold and other interest-earning assets	357,881	3,202	1.19	145,449	2,618	2.40
Total interest-earning assets	6,870,210	261,908	5.09	7,457,173	307,480	5.51
Non-interest-earning assets:						
Allowance for loan losses	(191,888)			(141,255)		
Cash and due from banks	104,446			104,444		
Premises and equipment	180,936			179,569		
Other assets (3)	758,903			663,674		
Total assets	$7,722,607			$8,263,605		
Liabilities and Shareholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW	$1,335,034	$ 5,304	.53	$1,284,522	$ 8,708	.91
Money market	750,685	5,516	.98	543,122	7,217	1.78
Savings	184,420	250	.18	177,147	378	.29
Time less than $100,000	1,612,691	23,968	1.99	1,918,379	45,859	3.20
Time greater than $100,000	1,110,195	18,378	2.21	1,336,876	34,444	3.44
Brokered	650,588	11,669	2.40	726,352	15,997	2.94
Total interest-bearing deposits	5,643,613	65,085	1.54	5,986,398	112,603	2.51
Federal funds purchased and other borrowings	103,697	3,162	4.08	202,008	1,761	1.17
Federal Home Loan Bank advances	100,727	2,747	3.65	241,863	3,577	1.98
Long-term debt	150,098	7,994	7.12	150,788	8,241	7.31
Total borrowed funds	354,522	13,903	5.24	594,659	13,579	3.05
Total interest-bearing liabilities	5,998,135	78,988	1.76	6,581,057	126,182	2.56
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	755,845			684,942		
Other liabilities	64,622			101,447		
Total liabilities	6,818,602			7,367,446		
Shareholders' equity	904,005			896,159		
Total liabilities and shareholders' equity	$7,722,607			$8,263,605		
Net interest revenue		$ 182,920			$ 181,298	
Net interest-rate spread			3.33%			2.95%
Net interest margin (4)			3.56%			3.25%

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

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

(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of $44.1 million in 2010 and $13.0 million in 2009 are included in other assets for purposes of this presentation.

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

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

Table 4 — Change in Interest Revenue and Expense on a Taxable Equivalent Basis
(in thousands)

	Three Months Ended September 30, 2010 Compared to 2009 Increase (decrease) Due to Changes in			Nine Months Ended September 30, 2010 Compared to 2009 Increase (decrease) Due to Changes in		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest-earning assets:						
Loans	$ (9,449)	$ (2,891)	$ (12,340)	$ (24,874)	$ (7,923)	$ (32,797)
Taxable securities	(2,203)	(1,858)	(4,061)	(7,047)	(6,197)	(13,244)
Tax-exempt securities	(67)	(11)	(78)	(66)	(49)	(115)
Federal funds sold and other interest-earning assets	596	(938)	(342)	3,046	(2,462)	584
Total interest-earning assets	(11,123)	(5,698)	(16,821)	(28,941)	(16,631)	(45,572)
Interest-bearing liabilities:						
NOW accounts	155	(978)	(823)	330	(3,734)	(3,404)
Money market accounts	559	(1,340)	(781)	2,190	(3,891)	(1,701)
Savings deposits	4	(51)	(47)	15	(143)	(128)
Time deposits less than $100,000	(2,291)	(3,819)	(6,110)	(6,488)	(15,403)	(21,891)
Time deposits greater than $100,000	(1,569)	(3,031)	(4,600)	(5,169)	(10,897)	(16,066)
Brokered deposits	(838)	(536)	(1,374)	(1,557)	(2,771)	(4,328)
Total interest-bearing deposits	(3,980)	(9,755)	(13,735)	(10,679)	(36,839)	(47,518)
Federal funds purchased & other borrowings	(498)	953	455	(1,206)	2,607	1,401
Federal Home Loan Bank advances	(1,052)	548	(504)	(2,807)	1,977	(830)
Long-term debt	(4)	(43)	(47)	(38)	(209)	(247)
Total borrowed funds	(1,554)	1,458	(96)	(4,051)	4,375	324
Total interest-bearing liabilities	(5,534)	(8,297)	(13,831)	(14,730)	(32,464)	(47,194)
Increase in net interest revenue	$ (5,589)	$ 2,599	$ (2,990)	$ (14,211)	$ 15,833	$ 1,622

Provision for Loan Losses

The provision for loan losses is based on management's evaluation of losses inherent in the loan portfolio and corresponding analysis of the allowance for loan losses at quarter-end. The provision for loan losses was $50.5 million and $187 million for the third quarter and the first nine months of 2010, respectively, compared with $95.0 million and $220 million, respectively, for the same periods in 2009. The amount of provision recorded in the third quarter was the amount required such that the total allowance for loan losses reflects, in the estimation of management, the amount of inherent losses in the loan portfolio. The decrease in the provision for loan losses compared to a year ago was due to declining levels of nonperforming loans and charge-offs. For the three and nine months ended September 30, 2010, net loan charge-offs as an annualized percentage of average outstanding loans were 4.12% and 4.54%, respectively, compared to 6.57% and 4.60%, respectively, for the same periods in 2009.

As the residential construction and housing markets have struggled, it has been difficult for many builders and developers to obtain cash flow from selling lots and houses needed to service debt. This deterioration of the residential construction and housing market was the primary factor that resulted in higher credit losses and increases in non-performing assets over the last two years. Although a majority of the losses have been within the residential construction and development portion of the portfolio, credit quality deterioration has migrated to other loan categories as unemployment levels have remained high throughout United's markets. Additional discussion on credit quality and the allowance for loan losses is included in the Asset Quality and Risk Elements section of this report on page 39.

Fee Revenue

Fee revenue for the three and nine months ended September 30, 2010 was $12.9 million and $36.1 million, respectively. Fee revenue for the three and nine months ended September 30, 2009 was $13.4 million and $47.9 million, respectively. In 2009, fee revenue included an $11.4 million gain on the acquisition of SCB in the second quarter. Excluding the gain on acquisition in 2009, operating fee revenue decreased $528,000, or 4%, and $411,000, or 1%, respectively, from the third quarter and first nine months of 2009.

The following table presents the components of fee revenue for the third quarters and first nine months of 2010 and 2009.

Table 5 — Fee Revenue
(dollars in thousands)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
Service charges and fees	$ 7,648	$ 8,138	(6)%	$ 23,088	$ 22,729	2%
Mortgage loan and related fees	2,071	1,832	13	5,151	7,308	(30)
Brokerage fees	731	456	60	1,884	1,642	15
Securities gains, net	2,491	1,149		2,552	741	
Losses from prepayment of borrowings	(2,233)	—		(2,233)	—	
Other	2,153	1,814	19	5,664	4,097	38
Operating fee revenue	12,861	13,389	(4)	36,106	36,517	(1)
Gain from acquisition	—	—		—	11,390	
Total fee revenue	$ 12,861	$ 13,389	(4)	$ 36,106	$ 47,907	(25)

Service charges and fees of $7.6 million were down $490,000, or 6%, from the third quarter of 2009. The decrease was primarily due to lower overdraft fees resulting from decreased utilization of our courtesy overdraft services with the recent changes to Regulation E requiring customers to opt in to such service. For the first nine months of 2010, service charges and fees of $23.1 million were up $359,000, or 2%, from the same period in 2009.

Mortgage loans and related fees for the third quarter of 2010, were up $239,000, or 13%, from the same period in 2009. Refinancing activity picked up in the third quarter of 2010 due to lower long-term interest rates. For the nine months ended September 30, 2010, mortgage loan and related fees were down $2.2 million, or 30% from the same period in 2009. In 2009, refinancing activity reached record levels due to historically low mortgage interest rates. In the third quarter of 2010, United closed 582 loans totaling $99.7 million compared with 610 loans totaling $96.6 million in the third quarter of 2009. Year-to-date mortgage production in 2010 amounted to 1,469 loans totaling $235 million, compared to 2,614 loans totaling $438.6 million for the same period in 2009.

United incurred net securities gains of $2.5 million and $2.6 million for the three and nine months ended September 30, 2010, which included $950,000 in impairment charges in the first quarter on trust preferred securities of a bank whose financial condition had deteriorated. The impairment charge was more than offset by gains from securities sales. The net securities gains of $1.1 million and $741,000, respectively, for the third quarter and first nine months of 2009 include charges of $475,000 and $1.2 million, respectively, for the impairment of equity investments in troubled/failed financial institutions. The net securities gains in the third quarter were mostly offset by losses resulting from the prepayment of FHLB advances that was part of the same balance sheet management activities.

The gain from acquisition recorded in the second quarter of 2009 resulted from the SCB acquisition which was accounted for as a bargain purchase. In this bargain purchase, the fair values of the net assets and liabilities received from the acquisition exceeded the purchase price of those assets and liabilities. With the SCB acquisition, United received assets, including a cash payment from the FDIC, with an estimated fair value of $378 million and liabilities with an estimated fair value of $367 million. The difference between the assets received and liabilities assumed of $11.4 million resulted in a gain from the acquisition.

For the three and nine months ended September 30, 2010, other fee revenue increased $339,000, or 19%, and $1.6 million, or 38%, respectively, from the same periods in 2009. This increase is partially due to the ineffectiveness of United’s cash flow and fair value hedges. In the third quarter of 2010, United recognized $336,000 in income from hedge ineffectiveness compared with $146,000 in losses in the third quarter of 2009. For the first nine months of 2010, United recognized $1.2 million in income from hedge ineffectiveness compared with $393,000 in losses for the same period of 2009.

Operating Expenses

The following table presents the components of operating expenses for the three and nine months ended September 30, 2010 and 2009. The table is presented to reflect Brintech as a discontinued operation, and accordingly, operating expenses associated with Brintech have been excluded from the table for all periods presented.

Table 6 — Operating Expenses
(dollars in thousands)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
Salaries and employee benefits	$ 24,891	$ 23,889	4%	$ 72,841	$ 77,507	(6)%
Communications and equipment	3,620	3,640	(1)	10,404	10,857	(4)
Occupancy	3,720	4,063	(8)	11,370	11,650	(2)
Advertising and public relations	1,128	823	37	3,523	2,992	18
Postage, printing and supplies	1,019	1,270	(20)	3,009	3,733	(19)
Professional fees	2,117	2,358	(10)	6,238	8,834	(29)
Foreclosed property	19,752	7,918	149	45,105	17,974	151
FDIC assessments and other regulatory charges	3,256	2,801	16	10,448	12,293	(15)
Amortization of intangibles	793	813	(2)	2,389	2,291	4
Other	4,610	3,851	20	12,707	8,793	45
	64,906	51,426	26	178,034	156,924	13
Loss on sale of nonperforming assets	—	—		45,349	—	
Operating expenses, excluding non-recurring items	64,906	51,426	26	223,383	156,924	42
Goodwill impairment	210,590	25,000		210,590	95,000	
Severance costs	—	—		—	2,898	
Total operating expenses	$ 275,496	$ 76,426	260	$ 433,973	$ 254,822	70

Operating expenses before the loss on sale of nonperforming assets and non-recurring items for the third quarter of 2010 totaled $64.9 million, up $13.5 million, or 26%, from the third quarter of 2009. For the nine months ended September 30, 2010, total operating expenses before the loss on sale of nonperforming assets and non-recurring items were $178 million, which excluded a $211 million charge for goodwill impairment. This compared to $157 million for the same period in 2009, which excluded a $95 million charge for goodwill impairment and $2.9 million in severance costs relating to a reduction in force. The $45.3 million loss on the sale of nonperforming assets to Fletcher was incurred during the second quarter of 2010. Although the loss from the bulk sale of nonperforming assets resulted from an isolated event, because disposition of nonperforming assets is considered an operating activity, it is not excluded from operating expenses as a non-recurring item but has been separated to make trend comparisons more meaningful. Including the loss on sale of nonperforming assets and those non-recurring charges, operating expenses for the third quarter of 2010 and 2009 were $275 million and $76.4 million, respectively, and for the first nine months of 2010 and 2009 were $434 million and $255 million, respectively.

Salaries and employee benefits for the third quarter 2010 totaled $24.9 million, up $1.0 million, or 4%, from the same period of 2009. The increase was primarily due to decreased capitalization of direct loan origination costs and higher group medical insurance costs. For the first nine months of 2010, salaries and employee benefits of $72.8 million were down $4.7 million, or 6%, from the first nine months of 2009. The decrease is related to the reduction in force at the end of the first quarter of 2009. Headcount totaled 1,812 at September 30, 2010, down from 1,956 at December 31, 2008, reflecting the reduction in force initiated at the end of the first quarter of 2009. This reduction in workforce was partially offset by the addition of 39 employees resulting from the acquisition of SCB in the second quarter of 2009.

Advertising and public relations expense of $1.1 million and $3.5 million, respectively, for the three and nine months ended September 30, 2010, was up $305,000, or 37%, and $531,000, or 18%, respectively, compared to the same periods in 2009. The increase was primarily related to advertising campaigns and promotions aimed at increasing core transaction deposits through United's "Strong Bank, Strong Service" marketing initiative, which has been very successful in adding $219 million in core transaction deposits in the past twelve months.

Postage, printing and supplies expense for the third quarter of 2010 totaled $1.0 million, down $251,000, or 20%, from the same period of 2009. For the first nine months of 2010, postage, printing and supplies expense of $3.0 million was down $724,000, or 19%, from the first nine months of 2009. United continued its efforts to encourage customers to accept electronic statements and controlled courier expense through the use of remote capture technology.

Professional fees for the third quarter of 2010 of $2.1 million were down $241,000, or 10%, from the same period in 2009. Year-to-date professional fees of $6.2 million were down $2.6 million, or 29%, from the same period in 2009. During the first quarter of 2009, United was engaged in a project to improve operational efficiency and to reduce operating expenses. Consulting services related to that project were performed by Brintech, a wholly-owned subsidiary at the time. Since the table above is presented with Brintech as a discontinued operation, the fees charged by Brintech for those services are no longer eliminated in this table and our consolidated statement of income, and are therefore reflected in professional fees for the third quarter and first nine months of 2009. Lower legal fees in 2010 for credit-related work also contributed to the decrease in professional fees.

Foreclosed property expense of $19.8 million for the third quarter of 2010 was up $11.8 million from the third quarter of 2009. For the nine months ended September 30, 2010, foreclosed property expense totaled $45.1 million, compared to $18.0 million for the same period in 2009. Foreclosed property expenses have remained elevated throughout the weak economic cycle. 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. Realized losses and write downs totaled $14.2 million and $33.5 million for the three and nine months ended September 30, 2010, respectively, compared to $4.1 million and $8.3 million for the same periods of 2009.

FDIC assessments and other regulatory charges of $3.3 million, and $10.4 million, respectively, for the third quarter and first nine months of 2010, increased $455,000 from the third quarter of 2009 and decreased $1.8 million, from the first nine months of 2009. The year-to-date decrease was attributable to the one-time $3.8 million special assessment from the FDIC charged to all depository institutions in 2009. The increase, absent the one-time special assessment, is due to an increase in United’s assessment rate in 2010.

Other expense of $4.6 million for the third quarter of 2010 increased $759,000 from the third quarter of 2009. The increase was primarily due to an increase in appraisals and collection costs. Year-to-date, other expenses of $12.7 million increased $3.9 million from the first nine months of 2009. The increase was partially the result of an accrual reversal in the second quarter of 2009 for $2.4 million related to a disputed charge from the transfer of BOLI investments. The disputed charge was settled in United’s favor during the second quarter of 2009, and reduced other expenses for the period.

Income Taxes

Income tax benefit for the third quarter 2010 was $17.2 million as compared with income tax benefit of $26.8 million for the third quarter of 2009, representing an effective tax rate of 6.8% and 28.1%, respectively. Excluding the goodwill impairment charges in both periods, which had a very limited tax impact, the effective tax rate for the third quarter of 2010 and 2009 was 40.0% and 38%, respectively. For the first nine months of 2010, income tax benefit was $73.0 million as compared with income tax benefit of $58.4 million for the same period in 2009, representing an effective tax rate of 18.1% and 23.6%, respectively. The effective tax rates were different from the statutory tax rates primarily due to interest revenue on certain investment securities and loans that are exempt from income taxes, tax exempt fee revenue, tax credits received on affordable housing investments, goodwill impairment charges and the change in valuation allowance on deferred tax assets as discussed below.

The effective tax rate for the first nine months of 2010 reflects the tax treatment of the loss on the sale of nonperforming assets to Fletcher and an increase in the valuation allowance on deferred tax assets related to state tax credits with short carryforward periods that are expected to expire unused. An effective tax rate of 40% is expected for the remainder of the year.

The year-to-date effective tax rate for 2009 also reflects a decision by management to reinstate certain BOLI policies which United had surrendered in the third quarter of 2008. United notified the carrier of its intent to surrender the policies in the fourth quarter of 2008 due to a dispute with the carrier. The policies required a six month waiting period before the surrender became effective. Prior to the expiration of the six month waiting period, United and the carrier were able to reach an acceptable settlement of the dispute and the surrender transaction was terminated. The tax charge recorded in 2008 was reversed during the second quarter of 2009.

The effective tax rates for the third quarter and first nine months of 2010 and 2009 also reflect the tax treatment of the goodwill impairment charges totaling $211 million for the three and nine months ended September 30, 2010 and $25 million and $95 million for the same periods in 2009, respectively. Since the majority of United’s goodwill originated from acquisitions that were treated as tax-free exchanges, a very small amount of goodwill was recognized for tax reporting purposes and therefore the resulting tax benefit for the impairment charge was minimal. Likewise, no tax benefit is recognized in the financial statements relating to the goodwill impairment charges. The year-to-date 2010 and 2009 effective tax rate also reflects a valuation allowance established for deferred tax assets.

Management determined that it is more likely than not that approximately $5.2 million at September 30, 2010 and $3.9 million at September 30, 2009, net of Federal benefit, in state low income housing tax credits will expire unused due to their very short three to five year carry forward period.

At September 30, 2010, United had net deferred tax assets of $147 million, including a valuation allowance of $5.2 million related to state tax credits that are expected to expire unused. Accounting Standards Codification Topic 740, *Income Taxes*, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. United's management considers both positive and negative evidence and analyzes changes in near-term market conditions as well as other factors which may impact future operating results. In making such judgments, significant weight is given to evidence that can be objectively verified. At September 30, 2010, United's management believes that it is more likely than not that, with the exception of those state tax credits that are expected to expire unused due to a relatively short carryforward period of only three to five years, it will be able to realize its deferred tax benefits through its ability to carry losses forward to future profitable years. Despite recent losses and the challenging economic environment, United has a history of strong earnings, is well-capitalized, continues to grow its core customer deposit base while maintaining very high customer satisfaction scores, and has cautiously optimistic expectations regarding future taxable income. The deferred tax assets are analyzed quarterly for changes affecting realizability. United's most recent analysis, which management believes is based on very conservative assumptions, indicated that the deferred tax assets will be fully utilized well in advance of the twenty-year carryforward period allowed for net operating losses; however, there can be no guarantee that a valuation allowance will not be necessary in future periods.

Additional information regarding income taxes can be found in Note 14 to the consolidated financial statements filed with United's 2009 Form 10-K.

Balance Sheet Review

Total assets at September 30, 2010 and 2009 were $7.0 billion and $8.4 billion, respectively. Average total assets for the third quarter of 2010 were $7.5 billion, down from $8.2 billion in the third quarter of 2009.

Loans

The following table presents a summary of the loan portfolio.

Table 7 — Loans Outstanding (excludes loans covered by loss share agreement)
(dollars in thousands)

	September 30, 2010	December 31, 2009	September 30, 2009
By Loan Type			
Commercial (secured by real estate)	$ 1,781,271	$ 1,779,398	$ 1,787,444
Commercial construction	309,519	362,566	379,782
Commercial (commercial and industrial)	456,368	390,520	402,609
Total commercial	2,547,158	2,532,484	2,569,835
Residential construction	763,424	1,050,065	1,184,916
Residential mortgage	1,315,994	1,427,198	1,460,917
Installment	132,928	141,729	147,021
Total loans	$ 4,759,504	$ 5,151,476	$ 5,362,689
As a percentage of total loans:			
Commercial (secured by real estate)	37%	34%	33%
Commercial construction	6	7	7
Commercial (commercial and industrial)	10	8	8
Total commercial	53	49	48
Residential construction	16	20	22
Residential mortgage	28	28	27
Installment	3	3	3
Total	100%	100%	100%
By Geographic Location			
Atlanta MSA	$ 1,364,823	$ 1,435,223	$ 1,525,680
Gainesville MSA	316,499	389,766	401,642
North Georgia	1,754,541	1,883,880	1,941,643
Western North Carolina	718,948	771,709	785,874
Coastal Georgia	344,901	405,689	440,586
East Tennessee	259,792	265,209	267,264
Total loans	$ 4,759,504	$ 5,151,476	$ 5,362,689

Substantially all of United's loans are to customers located in the immediate market areas of its community banks in Georgia, North Carolina, and Tennessee. At September 30, 2010, total loans, excluding loans acquired from SCB that are covered by loss sharing agreements with the FDIC, were $4.8 billion, a decrease of $603 million, or 11%, from September 30, 2009. The rate of loan growth began to decline in the first quarter of 2007 and the balances have continued to decline through 2008, 2009 and into 2010. The decrease in the loan portfolio began with deterioration in the residential construction and housing markets. This deterioration resulted in part in an oversupply of lot inventory, houses and land within United's markets, which further slowed construction activities and acquisition and development projects. To date, the decline in the housing market has been most severe in the Atlanta, Georgia MSA although there has been migration of deterioration into United's other markets, particularly north Georgia. The resulting recession that began in the housing market led to high rates of unemployment that resulted in stress in the other segments of United's loan portfolio.

Asset Quality and Risk Elements

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

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

Table 8 — Performing Substandard Loans
(dollars in thousands)

	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Commercial (sec. by RE)	$ 157,245	$ 140,805	$ 151,573	$ 123,738	$ 93,454
Commercial construction	102,592	78,436	75,304	51,696	50,888
Commercial & industrial	22,251	22,052	35,474	33,976	34,491
Total commercial	282,088	241,293	262,351	209,410	178,833
Residential construction	177,381	149,305	153,799	196,909	207,711
Residential mortgage	86,239	79,484	80,812	79,579	83,504
Installment	4,218	4,364	3,922	3,554	3,199
Total	$ 549,926	$ 474,446	$ 500,884	$ 489,452	$ 473,247

At September 30, 2010, performing substandard loans totaled $550 million and increased $75.5 million from the prior quarter-end, and increased $76.7 million from a year ago. Most of the increase occurred in United's north Georgia market due to continuing credit weakness in that market. Residential construction loans have represented the largest proportion of both performing substandard and nonperforming loans. The year-over-year increase in substandard residential mortgages is primarily related to rising unemployment rates. The year-over-year increase in substandard commercial loans reflects the recessionary economic environment.

United classifies loans as non-accrual substandard loans (or "non-performing loans") when the principal and interest on a loan is not likely to be repaid in accordance with the loan terms or when the loan becomes 90 days past due and is not well secured and in the process of collection. When a loan is classified on non-accrual status, interest previously accrued but not collected is reversed against current interest revenue. Payments received on a non-accrual loan are applied to reduce outstanding principal.

Reviews of substandard performing and non-performing loans, past due loans and larger credits, are conducted on a regular basis with management during the quarter and are designed to identify risk migration and potential charges to the allowance for loan losses. These reviews are performed by the responsible lending officers and the loan review department and also consider such factors as the financial strength of borrowers, the value of the applicable collateral, past loan loss experience, anticipated loan losses, changes in risk profile, prevailing economic conditions and other factors. United also uses external loan review in addition to United's internal loan review and to ensure the independence of the loan review process.

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The following table presents a summary of the changes in the allowance for loan losses for the three and nine months ended September 30, 2010 and 2009.

Table 9 — Allowance for Loan Losses
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Balance beginning of period	$ 174,111	$ 145,678	$ 155,602	$ 122,271
Provision for loan losses	50,500	95,000	187,000	220,000
Charge-offs:				
Commercial (secured by real estate)	14,343	10,584	27,070	17,438
Commercial construction	1,989	4,380	5,660	5,191
Commercial (commercial and industrial)	1,458	3,094	7,776	9,279
Residential construction	25,661	67,916	111,632	150,528
Residential mortgage	8,043	5,132	19,435	11,832
Installment	1,162	1,466	3,708	3,373
Total loans charged-off	52,656	92,572	175,281	197,641
Recoveries:				
Commercial (secured by real estate)	131	16	1,137	58
Commercial construction	17	11	22	12
Commercial (commercial and industrial)	251	1,302	1,592	3,507
Residential construction	1,727	396	3,083	1,006
Residential mortgage	348	81	672	272
Installment	184	275	786	702
Total recoveries	2,658	2,081	7,292	5,557
Net charge-offs	49,998	90,491	167,989	192,084
Balance end of period	$ 174,613	$ 150,187	$ 174,613	$ 150,187
Total loans: *				
At period-end	$ 4,759,504	$ 5,362,689	$ 4,759,504	$ 5,362,689
Average	4,818,924	5,467,625	4,947,209	5,574,787
Allowance as a percentage of period-end loans	3.67%	2.80%	3.67%	2.80%
As a percentage of average loans:				
Net charge-offs	4.12	6.57	4.54	4.60
Provision for loan losses	4.16	6.89	5.05	5.28
Allowance as a percentage of non-performing loans				
As reported	80	49	80	49
Excluding impaired loans with no allocated reserve	257	149	257	149

* Excludes loans covered by loss sharing agreements with the FDIC

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

Management believes that the allowance for loan losses at September 30, 2010 reflects the losses inherent in the loan portfolio. This assessment involves uncertainty and judgment; therefore, the adequacy of the allowance for loan losses cannot be determined with precision and may be subject to change in future periods. In addition, bank regulatory authorities, as part of their periodic examination of the Bank, may require adjustments to the provision for loan losses in future periods if, in their opinion, the results of their review warrant such additions. See the "Critical Accounting Policies" section in United's Annual Report on Form 10-K for additional information on the allowance for loan losses.

Non-performing Assets

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

Table 10 — Non-Performing Assets
(dollars in thousands)

	September 30, 2010	December 31, 2009	September 30, 2009
Non-performing loans*	$ 217,766	$ 264,092	$ 304,381
Foreclosed properties (OREO)	129,964	120,770	110,610
Total non-performing assets	$ 347,730	$ 384,862	$ 414,991
Non-performing loans as a percentage of total loans	4.58%	5.13%	5.68%
Non-performing assets as a percentage of total loans and OREO	7.11	7.30	7.58
Non-performing assets as a percentage of total assets	4.96	4.81	4.91

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

At September 30, 2010, non-performing loans were $218 million, compared to $264 million at December 31, 2009 and $304 million at September 30, 2009. The ratio of non-performing loans to total loans decreased from December 31, 2009 and September 30, 2009 due the sale of approximately $70 million nonperforming loans to Fletcher in the second quarter of 2010. Non-performing assets, which include non-performing loans and foreclosed real estate, totaled $348 million at September 30, 2010, compared with $385 million at December 31, 2009 and $415 million at September 30, 2009. The sale of approximately $40.2 million of foreclosed properties in the third quarter of 2010, as well as $33 million to Fletcher in the second quarter of 2010, was offset by the addition of approximately $59.8 million of new foreclosed properties. United's position throughout the current economic environment has been to actively and aggressively work to dispose of problem assets quickly.

The following table summarizes non-performing assets by category and market. As with Tables 7, 8 and 10, assets covered by the loss-sharing agreement with the FDIC, related to the acquisition of SCB, are excluded from this table.

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

	September 30, 2010			December 31, 2009			September 30, 2009		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
BY CATEGORY									
Commercial (sec. by RE)	$ 53,646	$ 14,838	$ 68,484	$ 37,040	$ 15,842	$ 52,882	$ 38,379	$ 12,566	$ 50,945
Commercial construction	17,279	15,125	32,404	19,976	9,761	29,737	38,505	5,543	44,048
Commercial & industrial	7,670	—	7,670	3,946	—	3,946	3,794	—	3,794
Total commercial	78,595	29,963	108,558	60,962	25,603	86,565	80,678	18,109	98,787
Residential construction	79,321	73,206	152,527	142,332	76,519	218,851	171,027	79,045	250,072
Residential mortgage	58,107	26,795	84,902	58,767	18,648	77,415	50,626	13,456	64,082
Consumer / installment	1,743	—	1,743	2,031	—	2,031	2,050	—	2,050
Total NPAs	$ 217,766	$ 129,964	$ 347,730	$ 264,092	$ 120,770	$ 384,862	$ 304,381	$ 110,610	$ 414,991
Balance as a % of Unpaid Principal	70.0%	65.9%	68.4%	70.4%	66.6%	69.2%	73.8%	64.4%	71.0%
BY MARKET									
Atlanta MSA	$ 65,304	$ 32,785	$ 98,089	$ 106,536	$ 41,125	$ 147,661	$ 120,599	$ 54,670	$ 175,269
Gainesville MSA	11,905	5,685	17,590	5,074	2,614	7,688	12,916	8,429	21,345
North Georgia	92,295	67,439	159,734	87,598	53,072	140,670	96,373	36,718	133,091
Western North Carolina	31,545	11,559	43,104	29,610	5,096	34,706	25,775	5,918	31,693
Coastal Georgia	10,611	10,951	21,562	26,871	17,150	44,021	38,414	3,045	41,459
East Tennessee	6,106	1,545	7,651	8,403	1,713	10,116	10,304	1,830	12,134
Total NPAs	$ 217,766	$ 129,964	$ 347,730	$ 264,092	$ 120,770	$ 384,862	$ 304,381	$ 110,610	$ 414,991

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

Non-performing assets in the residential construction category were $153 million at September 30, 2010, compared with $250 million at September 30, 2009, a decrease of $97.5 million, or 39%. While residential construction non-performing assets have begun to decrease, other categories of non-performing assets have experienced significant increases. Commercial non-performing assets of $109 million at September 30, 2010 increased $9.8 million over the prior year and residential mortgage non-performing assets of $84.9 million increased $20.8 million from September 30, 2009. As described previously, the majority of non-performing assets had been concentrated in the Atlanta MSA, however Atlanta non-performing assets have been declining, down $77.2 million from September 30, 2009. At the same time, credit weakness has migrated beyond Atlanta and is having a greater impact in United's other markets. Both north Georgia and western North Carolina markets have seen increases. Non-performing assets in the north Georgia market at September 30, 2010 were $160 million, compared to $133 million at the end of the third quarter of 2009. United's western North Carolina market's non-performing assets increased $11.4 million from September 30, 2009.

At September 30, 2010 and December 31, 2009, United had $66.3 million and $60.4 million, respectively, in loans with terms that have been modified in a troubled debt restructuring ("TDR"). Included therein were $16.7million and $7.0 million of TDRs that were not performing in accordance with their modified terms and were included in non-performing loans. The remaining TDRs with an aggregate balance of $49.6 million and $53.4 million, respectively, were performing according to their modified terms and are therefore not considered to be non-performing assets. There were no TDRs reported as of September 30, 2009.

At September 30, 2010, December 31, 2009, and September 30, 2009, there were $157 million, $198 million and $238.2 million, respectively, of loans classified as impaired. Included in impaired loans at September 30, 2010, December 31, 2009 and September 30, 2009, was $150 million, $182 million and $204 million, respectively, that did not require specific reserves or had previously been charged down to net realizable value. The remaining balance of impaired loans at September 30, 2010, December 31, 2009 and September 30, 2009, of $7.1 million, $16.1 million and $34.4 million, respectively had specific reserves that totaled $1.3 million, $3.0 million and $8.2 million. The average recorded investment in impaired loans for the quarters ended September 30, 2010 and 2009 was $159 million and $244 million, respectively. There was no interest revenue recognized on loans while they were impaired for the first nine months of 2010 or 2009.

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

Table 12 — Activity in Nonperforming Assets by Quarter
(in thousands)

	Third Quarter 2010 (1)			Second Quarter 2010 (1)			Third Quarter 2009 (1)		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
Beginning Balance	$ 224,335	$ 123,910	$ 348,245	$ 280,802	$ 136,275	$ 417,077	$ 287,848	$ 104,754	$ 392,602
Loans placed on non-accrual	119,783	—	119,783	155,007	—	155,007	190,164	—	190,164
Payments received	(11,469)	—	(11,469)	(12,189)	—	(12,189)	(16,597)	—	(16,597)
Loan charge-offs	(52,647)	—	(52,647)	(62,693)	—	(62,693)	(92,359)	—	(92,359)
Foreclosures	(59,844)	59,844	—	(66,994)	66,994	—	(56,624)	56,624	—
Capitalized costs	—	601	601	—	305	305	—	579	579
Note / property sales	(2,392)	(40,203)	(42,595)	(69,598)	(68,472)	(138,070)	(8,051)	(47,240)	(55,291)
Write downs	—	(7,051)	(7,051)	—	(6,094)	(6,094)	—	(1,906)	(1,906)
Net gains (losses) on sales	—	(7,137)	(7,137)	—	(5,098)	(5,098)	—	(2,201)	(2,201)
Ending Balance	$ 217,766	$ 129,964	$ 347,730	$ 224,335	$ 123,910	$ 348,245	$ 304,381	$ 110,610	$ 414,991

	First Nine Months 2010 (1)			First Nine Months 2009 (1)		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
Beginning Balance	$ 264,092	$ 120,770	$ 384,862	$ 190,723	$ 59,768	$ 250,491
Loans placed on non-accrual	413,820	—	413,820	535,274	—	535,274
Payments received	(29,391)	—	(29,391)	(56,972)	—	(56,972)
Loan charge-offs	(174,237)	—	(174,237)	(196,810)	—	(196,810)
Foreclosures	(176,071)	176,071	—	(159,783)	159,783	—
Capitalized costs	—	1,226	1,226	—	3,355	3,355
Note / property sales	(80,447)	(134,626)	(215,073)	(8,051)	(103,991)	(112,042)
Write downs	—	(17,724)	(17,724)	—	(6,795)	(6,795)
Net gains (losses) on sales	—	(15,753)	(15,753)	—	(1,510)	(1,510)
Ending Balance	$ 217,766	$ 129,964	$ 347,730	$ 304,381	$ 110,610	$ 414,991

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

Foreclosed property is initially recorded at fair value, less cost to sell. If the fair value, less costs to sell at the time of foreclosure, is less than the loan balance, the deficiency is charged against the allowance for loan losses. If the fair value, less estimated costs to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to foreclosed property costs. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property. Financed sales of OREO are accounted for in accordance with ASC 360-20, *Real Estate Sales*. For the third quarter and first nine months of 2010, United transferred foreclosures into OREO of $59.8 and $176 million, respectively. During the same periods, proceeds from sales of OREO were $40.2 million and $135 million, respectively. During the second quarter of 2010, United sold approximately $33 million in foreclosed properties to Fletcher.

Investment Securities

The composition of the investment securities portfolio reflects United's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of revenue. The investment securities portfolio also provides a balance to interest rate risk and credit risk in other categories of the balance sheet while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits. Total investment securities at September 30, 2010 decreased $222 million from a year ago. During the second quarter of 2010, United transferred securities available for sale with a fair value of $315 million to held to maturity. At September 30, 2010, United had securities held to maturity with a carrying value of $257 million and securities available for sale totaling $1.1 billion. At September 30, 2010, December 31, 2009, and September 30, 2009, the securities portfolio represented approximately 19%, 19%, and 18% of total assets, respectively.

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

Goodwill and Other Intangible Assets

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 goodwill impairment assessment as of December 31, 2009. United engaged the services of a national third party valuation expert who employed commonly used valuation techniques including an earnings approach that considered discounted future expected cash earnings and three market approaches. The annual goodwill impairment test performed as of December 31, 2009, did not result in the recognition of any goodwill impairment.

During the third quarter of 2010, United's stock price fell from $3.95 at June 30, 2010 to a low of $2.04 in the third quarter and ended at $2.24 at September 30, 2010. The recent economic recession resulted in lower earnings with higher credit costs and those costs have been reflected in our consolidated statement of income as well as valuation adjustments to the loan balances through increases to the level of the allowance for loan losses. With the stock price continuing to trade at a significant discount to book value and tangible book value, in addition to these other factors, management believed that goodwill should be re-assessed for impairment in the third quarter of 2010.

As a result of this assessment, United recognized a goodwill impairment charge to earnings in the amount of $211 million during the third quarter of 2010. For the three and nine months ended September 30, 2009, impairment charges of $25 million and $95 million were recognized, respectively.

In performing the third quarter of 2010 assessment, United engaged the same third party valuation firm used to assist with the annual goodwill impairment assessment, as well as the previous year's interim impairment assessments. The interim assessment in 2010 was performed using a consistent approach with the annual assessment in the fourth quarter of 2009. The first step (Step 1) of the goodwill impairment analysis was to determine if the fair value of United exceeded the book value of equity, which would imply that goodwill is not impaired. The Step 1 analysis included four commonly used valuation techniques including an earnings approach that considered discounted future expected cash earnings and three 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. 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. The third market approach, which considered United's current stock price as well as a control premium that would be expected in the event of a change in control, had not been considered in prior tests as the decline in United's stock price had been previously considered temporary. However, due to the extended period of time over which United's stock price has traded below tangible book value, the assumption that the stock price decline was temporary was no longer valid.

The Step 1 analysis performed during the third quarter of 2010 indicated that the fair value of United was below its book value. The prolonged trading of United's stock below tangible book value was more of an influencing factor in the third quarter 2010 interim assessment than it had been in previous goodwill tests. United proceeded to Step 2 of the impairment analysis, which required United to determine the fair value of all assets and liabilities, including separately identifiable intangible assets, and determine the implied value of goodwill as the difference between the value of United determined in Step 1 and the value of the underlying assets and liabilities determined in Step 2. In the third quarter of 2010, the implied value of goodwill resulting from the Step 2 analysis was zero, which led to the $211 million charge to earnings for the remaining amount of United's goodwill.

There are a number of valuation assumptions required to determine the value of United in Step 1 and the value of the assets and liabilities in Step 2. The most significant assumption in determining the estimated fair value of United as a whole and the amount of any resulting impairment was the discount rate used in the discounted cash flows valuation method. The discount rate selected for the third quarter of 2010 was 15%, which considered a risk-free rate of return that was adjusted for the industry median beta, equity risk and size premiums, and a company-specific risk premium.

Other significant assumptions relate to the value of the loan portfolio. Those assumptions included estimates of cash flows on non-performing loans and the probability of default rates and loss on default rates for performing loans. Changes in those assumptions, or any other significant assumptions, could have a significant impact on the results of the goodwill impairment assessment and result in future impairment charges.

Because goodwill is an intangible asset that cannot be sold separately or otherwise disposed of, it is not recognized in determining capital adequacy for regulatory purposes. Therefore the goodwill impairment charges during 2010 and 2009 had no effect on United's regulatory capital ratios.

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

Deposits

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

Total deposits as of September 30, 2010 were $6.0 billion, a decrease of $822 million, or 12%, from September 30, 2009. Total non-interest-bearing demand deposit accounts of $783 million increased $80.2 million, or 11%, due to the success of core deposit programs. Also impacted by the programs were NOW, money market and savings accounts of $2.3 billion which increased $143 million, or 7%.

Total time deposits, excluding brokered deposits, as of September 30, 2010 were $2.5 billion, down $560 million from September 30, 2009. Time deposits less than $100,000 totaled $1.5 billion, a decrease of $356 million, or 19%, from a year ago. Time deposits of $100,000 and greater totaled $1.0 billion as of September 30, 2010, a decrease of $204 million, or 16%, from September 30, 2009. United lowered its rates on certificates of deposit during 2009 and into 2010, allowing balances to decline as United's funding needs declined due to weak loan demand. Excess liquidity also allowed United to reduce brokered deposits which totaled $354 million as of September 30, 2010 were $354 million, compared to $840 million at September 30, 2009.

Wholesale Funding

The Bank is a shareholder in the Federal Home Loan Bank ("FHLB") of Atlanta. Through this affiliation, FHLB secured advances totaled $55.1 million and $315 million as of September 30, 2010 and 2009, respectively. United anticipates continued use of this short- and long-term source of funds. FHLB advances outstanding at September 30, 2010 had fixed interest rates from 2.85% to 4.49%. During the third quarter of 2010, United repaid approximately $51 million of FHLB advances and incurred a prepayment penalty of $2.2 million. Additional information regarding FHLB advances is provided in Note 10 to the consolidated financial statements included in United's 2009 Form 10-K.

At September 30, 2010, United had $104 million in repurchase agreements and other short-term borrowings outstanding, compared to $102 million at September 30, 2009. United takes advantage of these additional sources of liquidity when rates are favorable compared to other forms of short-term borrowings, such as FHLB advances and brokered deposits.

Interest Rate Sensitivity Management

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

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

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

United's policy is based on the 12-month impact on net interest revenue of interest rate ramps that increase 200 basis points and decrease 200 basis points from the base scenario. In the ramp scenarios, rates change 25 basis points per month over the initial eight months. The policy limits the change in net interest revenue over the next 12 months to a 10% decrease in either scenario. The policy ramp and base scenarios assume a static balance sheet. Historically low rates on September 30, 2010 made use of the down 200 basis points scenario problematic. At September 30, 2010 United's simulation model indicated that a 200 basis point increase in rates would cause an approximate .48% decrease in net interest revenue over the next twelve months, and a 25 basis point decrease would cause an approximate .33% increase in net interest revenue over the next twelve months. At September 30, 2009, United's simulation model indicated that a 200 basis point increase in rates would cause an approximate 1.61% increase in net interest revenue over the next twelve months and a 25 basis point decrease in rates would cause an approximate .74% decrease in net interest revenue over the next twelve months.

In order to manage its interest rate sensitivity, United uses 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.

United's derivative financial instruments are classified as either cash flow or fair value hedges. The change in fair value of cash flow hedges is recognized in other comprehensive income. Fair value hedges recognize currently in earnings both the effect of the change in the fair value of the derivative financial instrument and the offsetting effect of the change in fair value of the hedged asset or liability associated with the particular risk of that asset or liability being hedged. At September 30, 2010, United had no active derivative contracts outstanding.

From time to time, United will terminate swap or floor positions when conditions change and the position is no longer necessary to manage United's overall sensitivity to changes in interest rates. In those situations where the terminated swap or floor was in an effective hedging relationship at the time of termination and the hedging relationship is expected to remain effective throughout the original term of the swap or floor, the resulting gain or loss at the time of termination is amortized over the remaining life of the original contract. For swap contracts, the gain or loss is amortized over the remaining original contract term using the straight line method of amortization. For floor contracts, the gain or loss is amortized over the remaining original contract term based on the original floorlet schedule. At September 30, 2010, United had $23.2 million in gains from terminated derivative positions included in Other Comprehensive Income that will be amortized into earnings over their remaining original contract terms. United estimates that approximately $12.0 million of this amount will be reclassified into interest revenue over the next twelve months.

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

Liquidity Management

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

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

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments and the maturities and sales of securities, as well as the ability to use these as collateral for borrowings on a secured basis. We also maintain excess funds in short-term interest-bearing assets that provide additional liquidity. Mortgage loans held for sale totaled $20.6 million at September 30, 2010, and typically turn over every 45 days as the closed loans are sold to investors in the secondary market. In addition, United held $109 million in short-term commercial paper, $29.8 million in balances in excess of reserve requirements at the Federal Reserve Bank and $16.8 million in certificates of deposit with other banks that have very short maturities and can quickly be converted to cash.

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

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

At September 30, 2010, United had sufficient qualifying collateral to increase FHLB advances by $631 million and Federal Reserve discount window capacity of $180 million. United's internal policy limits brokered deposits to 25% of total assets. At September 30, 2010, United had the capacity to increase brokered deposits by $1.4 billion and still remain within this limit. In addition to these wholesale sources, United has the ability to attract retail deposits at any time by competing more aggressively on pricing.

As disclosed in United's consolidated statement of cash flows, net cash provided by operating activities was $149 million for the nine months ended September 30, 2010. The net loss of $329 million for the nine-month period included non-cash expenses for provision for loan losses of $187 million, a goodwill impairment charge of $211 million, and the loss on sale of nonperforming assets of $45.3 million. Net cash provided by investing activities of $442 million consisted primarily of purchases of securities of $569 million and purchases of premises and equipment of $5.1 million, that were offset by proceeds from sales of securities of $75.5 million, maturities and calls of investment securities of $716 million, proceeds from sales of other real estate of $110 million, a net decrease in loans of $90.3 million and cash received from Fletcher of $20.6 million. Net cash used in financing activities of $690 million consisted primarily of a net decrease of $625 million in deposits and a $61.2 million repayment of FHLB advances. In the opinion of management, United's liquidity position at September 30, 2010, was sufficient to meet its expected cash flow requirements.

Capital Resources and Dividends

Shareholders' equity at September 30, 2010 was $662 million, a decrease of $300 million from December 31, 2009 of which $211 million was due to the third quarter goodwill impairment charge which had no impact on tangible equity. Accumulated other comprehensive income, which includes unrealized gains and losses on securities available for sale and the unrealized gains and losses on derivatives qualifying as cash flow hedges, is excluded in the calculation of regulatory capital adequacy ratios. Excluding the change in the accumulated other comprehensive income, shareholders' equity decreased $293 million from December 31, 2009. During the second quarter of 2010, United recorded a $39.8 million increase to capital surplus as the result of the issuance of equity instruments to Fletcher International in conjunction with the sale of nonperforming assets. United paid $2.3 million in dividends on Series A and Series B preferred stock in the third quarter of 2010 and paid $6.8 million year-to-date. United recognizes that cash dividends are an important component of shareholder value, and therefore, intends to provide for cash dividends when earnings, capital levels and other factors permit.

United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI". Below is a quarterly schedule of high, low and closing stock prices and average daily volume for 2010 and 2009.

Table 13 — Stock Price Information

	2010				2009			
	High	Low	Close	Avg Daily Volume	High	Low	Close	Avg Daily Volume
First quarter	$ 5.00	$ 3.21	$ 4.41	882,923	$ 13.87	$ 2.28	$ 4.16	524,492
Second quarter	6.20	3.86	3.95	849,987	9.30	4.01	5.99	244,037
Third quarter	4.10	2.04	2.24	810,161	8.00	4.80	5.00	525,369
Fourth quarter					5.33	3.07	3.39	1,041,113

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

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

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

The Bank is currently subject to an informal memorandum of understanding with the FDIC and Georgia Department of Banking and Finance. The memorandum requires, among other things, that the Bank maintain its Tier 1 leverage ratio at not less than 8% and its total risk-based capital ratio at not less than 10% during the life of the memorandum. As of September 30, 2010, the Bank's Tier I leverage ratio was slightly below the target level of 8% and management has agreed with the regulators to submit a capital plan to take corrective action in the near future. Additionally, the memorandum requires that, prior to declaring or paying any cash dividends to United, the Bank must obtain the written consent of its regulators.

The following table shows United's capital ratios, as calculated under regulatory guidelines, at September 30, 2010 and 2009.

Table 14 — Capital Ratios
(dollars in thousands)

	Regulatory Guidelines		United Community Banks, Inc. (Consolidated) As of September 30,		United Community Bank As of September 30,	
	Minimum	Well Capitalized	2010	2009	2010	2009
Risk-based ratios:						
Tier I capital	4.0%	6.0%	10.42%	13.15%	11.40%	13.33%
Total capital	8.0	10.0	12.99	15.76	13.16	15.10
Leverage ratio	3.0	5.0	7.32	9.48	7.94	9.84
Tier I capital			$ 520,367	$ 754,068	$ 567,428	$ 783,591
Total capital			648,363	903,939	655,047	888,036

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

Effect of Inflation and Changing Prices

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

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes in United's quantitative and qualitative disclosures about market risk as of September 30, 2010 from that presented in the Annual Report on Form 10-K for the year ended December 31, 2009. The interest rate sensitivity position at September 30, 2010 is included in management's discussion and analysis on page 45 of this report.

Item 4. Controls and Procedures

United's management, including the Chief Executive Officer and Chief Financial Officer, supervised and participated in an evaluation of the company's disclosure controls and procedures as of September 30, 2010. Based on, and as of the date of that evaluation, United's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective in accumulating and communicating information to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures of that information under the Securities and Exchange Commission's rules and forms and that the disclosure controls and procedures are designed to ensure that the information required to be disclosed in reports that are filed or submitted by United under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

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

Part II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Our ability to fully utilize deferred tax assets could be impaired under certain provisions of the Internal Revenue Code.

As of September 30, 2010, our net deferred tax asset was approximately $147 million, which includes approximately $110 million of deferred tax benefits related to federal and state operating loss carryforwards. The carrying value of our net deferred tax assets and our ability to use such assets to offset future tax liabilities could be impaired if cumulative common stock transactions over a rolling three-year period resulted in an ownership change under Section 382 of the Internal Revenue Code.

Other than the additional risk factor mentioned above and included in United's Form 10-Q as of June 30, 2010, there have been no material changes from the risk factors previously disclosed in United's Form 10-K for the year ended December 31, 2009.

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

Item 3. Defaults upon Senior Securities — None

Item 4. (Removed and Reserved)

Item 5. Other Information — None

Item 6. Exhibits

3.1	Restated Articles of Incorporation of United Community Banks, Inc., (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	Certificate of Designation of the Common Stock Equivalent Junior Preferred Stock, dated March 31, 2010 (incorporated by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on April 1, 2010.)
3.4	Certificate of Rights and Preferences of the Series C Convertible Preferred Stock, dated April 1, 2010 (incorporated herein by reference to Exhibit 3.4 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, File No. 0-21656 filed with the Commission on August 4, 2010).
3.5	Amendment to the Restated Articles of Incorporation, dated May 27, 2010 (incorporated herein by reference to Exhibit 3.5 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, File No. 0-21656 filed with the Commission on August 4, 2010).
3.6	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).
3.7	Amendment to Amended and Restated Bylaws of United Community Banks, Inc., dated August 11, 2010 (incorporated herein by reference to Exhibit 3.2 to United Community Banks, Inc.'s current report on Form 8-K, filed with the Commission on August 12, 2010).
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.
31.1	Certification by Jimmy C. Tallent, President and Chief Executive Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Rex S. Schuette, Executive Vice President and Chief Financial Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Signatures

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

UNITED COMMUNITY BANKS, INC.

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

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

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

Date: November 4, 2010

Exhibit 31.1

I, Jimmy C. Tallent, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (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
of the Registrant

Date: November 4, 2010

Exhibit 31.2

I, Rex S. Schuette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (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
of the Registrant

Date: November 4, 2010

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 Quarterly Report of United Community Banks, Inc. (“United”) on Form 10-Q for the period ending September 30, 2010 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: November 4, 2010