

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

FORM 8-K

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

Date of Report (Date of earliest event reported):  
February 22, 2013

United Community Banks, Inc.  
(Exact name of registrant as specified in its charter)

Georgia  
(State or other jurisdiction of  
incorporation)

No. 001-35095  
(Commission File Number)

No. 58-180-7304  
(IRS Employer  
Identification No.)

125 Highway 515 East  
Blairsville, Georgia 30512  
(Address of principal executive offices)

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

Not applicable  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240-13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On January 24, 2013, United Community Banks, Inc. (“United”) announced its financial results for the fourth quarter and year ended December 31, 2012 (the “News Release”). As described in Item 8.01, subsequent to the announcement, United and FILB Co-Investments LLC (“FILB-Co”) agreed to settle all outstanding claims and counterclaims in connection with the previously disclosed lawsuit between United and FILB-Co. In addition, in connection with such settlement, United established litigation reserves for estimated costs and expenses associated with claims that may be made against United by Fletcher International Ltd. or its affiliates (collectively, “Fletcher”).

In accordance with U.S. generally accepted accounting principles, the charges were recorded in the fourth quarter of 2012 and will be reflected in the December 31, 2012 year-end financial statements because they related to probable contingencies at year-end that were subsequently resolved or can now be reasonably estimated prior to such financial statements being available for issuance. On February 22, 2013, United updated its financial results for the fourth quarter and year ended December 31, 2012 to reflect the settlement and litigation reserves and issued a press release announcing such updated results (the “Updated News Release”). The Updated News Release is included as Exhibit 99.1 to this report and incorporated herein by reference.

The information in this Item 2.02, including the exhibit attached hereto, is furnished pursuant to Item 2.02 and shall not be deemed “filed” for any other purpose, including for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. The information in this Item 2.02 of this Current Report on Form 8-K shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act regardless of any general incorporation language in such filing.

**Item 7.01 Regulation FD Disclosure**

On January 24, 2013, United held a quarterly conference call to review its financial results for the fourth quarter and year ended December 31, 2012 and furnished a slide presentation to accompany the call (the “Investor Presentation”). Subsequent to the furnishing of the Investor Presentation, as described under Item 2.01, United updated its results for the fourth quarter and year ended December 31, 2012. As a result, United has updated certain slides in the Investor Presentation, which are furnished as Exhibit 99.2 to this Current Report on Form 8-K and incorporated by reference herein.

The information in this Item 7.01, including the exhibit attached hereto, is furnished pursuant to Item 7.01 and shall not be deemed “filed” for any other purpose, including for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that Section. The information in this Item 7.01 of this Current Report on Form 8-K shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act regardless of any general incorporation language in such filing.

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**Item 8.01****Other Events**

On April 1, 2010, United and Fletcher entered into a securities purchase agreement (the “Securities Purchase Agreement”) pursuant to which Fletcher agreed to purchase from United \$65 million of United’s Series C convertible preferred stock, par value \$1.00 per share (the “Convertible Preferred Stock”), subject to certain conditions precedent. As previously disclosed on July 6, 2012, FILB-Co filed a lawsuit against United with respect to purported contractual rights under the Securities Purchase Agreement that FILB-Co claimed were assigned to it by Fletcher. Fletcher made the purported assignment to FILB-Co in response to redemption requests to Fletcher by several investors in one of Fletcher’s funds (“Leveraged”). Fletcher then transferred its interests in FILB-Co to those investors, who challenged Fletcher’s attempted redemption as commercially worthless in liquidation proceedings commenced in the Grand Court of the Cayman Islands. As the result of those proceedings, the Cayman court ordered the liquidation of Leveraged, and a court-appointed liquidator was appointed to manage FILB-Co. Subsequently, Fletcher filed for bankruptcy protection in the U.S. Bankruptcy Court for the Southern District of New York.

In April 2010, United also granted a \$30 million warrant to Fletcher (the “Warrant”) to purchase non-voting Common Stock Equivalent Junior Preferred Stock (“Junior Preferred Stock”). The Warrant may only be exercised by net share settlement (cashless exercise) and is exercisable for nine years from May 26, 2010, subject to limited extensions upon certain events and certain conditions precedent. The Junior Preferred Stock could be convertible into 1,411,765 common shares exercisable at a price equivalent to \$21.25 per share.

Fletcher has stated that it did not assign the Warrant or its right to an alleged “registration failure” penalty under the Securities Purchase Agreement (apart from a claim for a portion thereof) to FILB-Co, and United has received purported partial warrant exercise notices from Fletcher that include incorrect calculations of the number of settlement shares Fletcher would receive upon exercise and demands for the payment of such a penalty. United believes that any current exercise of the Warrant would not result in the issuance of any settlement shares because, among other things, the Warrant may only be exercised for net shares via a cashless exercise formula, and, following United’s 2011 reclassification of its common stock in the form of 1-for-5 reverse stock split, or recombination, the reverse stock split-adjusted market price component of that formula does not exceed the exercise price to yield any net shares. United also believes that no registration failure penalty is due. As a result, United has responded to Fletcher with United’s calculations related to the Warrant and denied any liability for any such penalty.

As reported by United on February 22, 2013, United and the parties to the lawsuit filed against United by FILB-Co agreed to a settlement resolving all claims and counterclaims asserted in the lawsuit. In connection with this settlement, United recorded \$4 million in litigation charges which includes the establishment of litigation reserves associated with claims that may be made against United by Fletcher.

The settlement with FILB-Co is expected to be completed promptly following completion of a definitive agreement and the receipt of necessary court approvals.

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**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

**Exhibit  
No. Description**

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99.1 Updated News Release, dated February 22, 2013

99.2 Updated Investor Presentation, Fourth Quarter 2012

This Current Report on Form 8-K contains forward-looking statements, as defined by federal securities laws, including statements about United's potential settlement of pending and potential litigation, financial outlook and business environment. These statements are based on current expectations and are provided to assist in the understanding of future financial performance. Such performance involves risks and uncertainties that may cause actual results to differ materially from those expressed or implied in any such statements. For a discussion of some of the risks and other factors that may cause such forward-looking statements to differ materially from actual results, please refer to United's filings with the Securities and Exchange Commission including its 2011 Annual Report on Form 10-K and first, second and third quarter 2012 Quarterly Reports on Form 10-Q under the sections entitled "Forward-Looking Statements" and "Risk Factors." Forward-looking statements speak only as of the date they are made, and United undertakes no obligation to update or revise forward-looking statements.

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**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 hereunto duly authorized.

**UNITED COMMUNITY BANKS, INC.**

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

Date: February 22, 2013



***For Immediate Release***

***For more information:***

Rex S. Schuette  
Chief Financial Officer  
(706) 781-2266  
[Rex\\_Schuette@ucbi.com](mailto:Rex_Schuette@ucbi.com)

**UNITED COMMUNITY BANKS, INC. SETTLES LITIGATION AND UPDATES  
RESULTS FOR FOURTH QUARTER 2012**

**Updates Previously Reported 2012 Fourth Quarter and Full Year Results to Reflect  
Settlement and Litigation Reserve**

BLAIRSVILLE, GA – February 22, 2013 – United Community Banks, Inc. (“United”) (NASDAQ: UCBI) today reported that, subject to the completion of final documentation and any necessary court approvals, it has settled previously disclosed litigation with FILB Co-Investments LLC (“FILB-Co”).

“As required under GAAP with the resolution of litigation after year-end but before financial statements are available for issuance, our previously reported 2012 fourth quarter and full year financial results have been updated to reflect a settlement of our litigation with FILB-Co,” said Jimmy Tallent, president and chief executive officer. “While we strongly viewed the litigation as being without merit, the settlement will allow us to avoid a long and costly legal process.”

United has updated its previously reported 2012 fourth quarter and full year financial results to establish litigation reserves for both the settlement and with respect to claims that may be made against United by Fletcher International Ltd. or one or more of its affiliates. The settlement with FILB-Co and the related reserves increased fourth quarter 2012 operating expenses by \$4 million. Therefore, updated 2012 fourth quarter and full year earnings were reduced to \$5.26 million and \$33.9 million, respectively, or \$.04 per share and \$.38 per share. Previously reported 2012 fourth quarter and full-year earnings were \$9.26 million and \$37.9 million, respectively, or \$.11 per share and \$.44 per share, respectively.

“We are pleased that the FILB-Co litigation has been resolved and believe that we have established reserves to address the settlement and any other claims that may be asserted against United in the future by Fletcher,” said Tallent.

The updated financial results will be reflected in United’s Annual Report on Form 10-K, and are included in the financial highlights below.

**Financial Highlights**  
**Selected Financial Information**

<i>(in thousands, except per share data; taxable equivalent)</i>	<b>Three Months Ended December 31, 2012</b>		<b>Twelve Months Ended December 31, 2012</b>	
	<b>As Reported</b>	<b>As Updated</b>	<b>As Reported</b>	<b>As Updated</b>
<b>INCOME SUMMARY</b>				
Operating expenses	\$ 46,726	\$ 50,726	\$ 182,774	\$ 186,774
Income before income taxes	10,063	6,063	40,596	36,596
Net income	9,261	5,261	37,856	33,856
Net income available to common shareholders	6,216	2,216	25,708	21,708
<b>PERFORMANCE MEASURES</b>				
Per common share:				
Diluted income	\$ .11	\$ .04	\$ .44	\$ .38
Book value	6.74	6.67	6.74	6.67
Tangible book value (2)	6.64	6.57	6.64	6.57
Key performance ratios:				
Return on equity (1)(3)	6.03%	2.15%	6.43%	5.43%
Return on assets (3)	.54	.31	.55	.49
Efficiency ratio	66.04	71.69	64.02	65.43
Tangible common equity to risk-weighted assets (2)	8.33	8.26	8.33	8.26
<b>AT PERIOD END (\$ in millions)</b>				
Shareholders’ equity	\$ 585	\$ 581	\$ 585	\$ 581

(1) Net income available to common shareholders, which is net of preferred stock dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss). (2) Excludes effect of acquisition related intangibles

**Consolidated Statement of Operations (Unaudited)**

<i>(in thousands, except per share data)</i>	<b>Three Months Ended December 31, 2012</b>		<b>Twelve Months Ended December 31, 2012</b>	
	<b>As Reported</b>	<b>As Updated</b>	<b>As Reported</b>	<b>As Updated</b>
Other expenses	\$ 3,800	\$ 7,800	\$ 15,951	\$ 19,951
Total operating expenses	46,726	50,726	182,774	186,774
Net income before income taxes	9,682	5,682	38,906	34,906
Net income	9,261	5,261	37,856	33,856
Net income available to common shareholders	6,216	2,216	25,708	21,708
Earnings per common share - Basic	\$ .11	\$ .04	\$ .44	\$ .38
Earnings per common share - Diluted	.11	.04	.44	.38

**Consolidated Balance Sheet**

	<b>As Reported December 31, 2012</b>	<b>As Updated December 31, 2011</b>
<i>(in thousands, except share and per share data)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Accrued expenses and other liabilities	\$ 51,210	\$ 55,210
Total liabilities	6,216,854	6,220,854
Accumulated deficit	(705,153)	(709,153)
Total shareholders' equity	585,405	581,405

United's regulatory capital ratios were slightly lower as a result of the change in shareholders' equity. As of December 31, 2012, the revised capital ratios were as follows: Tier 1 Risk-Based of 14.2 percent; Tier 1 Leverage of 9.6 percent; Total Risk-Based of 15.7 percent; Tier 1 Common Risk-Based of 8.8 percent; and, Tangible Equity-to-Assets of 8.6 percent.

**About United Community Banks, Inc.**

Headquartered in Blairsville, United Community Banks, Inc. is the third-largest bank holding company in Georgia. United has assets of \$6.8 billion and operates 103 banking offices throughout north Georgia, the Atlanta region, coastal Georgia, western North Carolina, east Tennessee and northwest South Carolina. United specializes in providing personalized community banking services to individuals and small to mid-size businesses and also offers the convenience of 24-hour access through a network of ATMs, telephone and on-line banking. United's common stock is listed on the Nasdaq Global Select Market under the symbol UCBI. Additional information may be found at United's website at [www.ucbi.com](http://www.ucbi.com).



Safe Harbor

This news release contains forward-looking statements, as defined by federal securities laws, including statements about United's potential settlement of pending and potential litigation, financial outlook and business environment. These statements are based on current expectations and are provided to assist in the understanding of future financial performance. Such performance involves risks and uncertainties that may cause actual results to differ materially from those expressed or implied in any such statements. For a discussion of some of the risks and other factors that may cause such forward-looking statements to differ materially from actual results, please refer to United's filings with the Securities and Exchange Commission including its 2011 Annual Report on Form 10-K under the sections entitled "Forward-Looking Statements" and "Risk Factors." Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements.

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**Jimmy C. Tallent**  
President & CEO

**H. Lynn Harton**  
Chief Operating Officer

**Rex S. Schuette**  
EVP & Chief Financial Officer  
rex\_schuette@ucbi.com  
(706) 781-2266

**David P. Shearrow**  
EVP & Chief Risk Officer



**United Community Banks, Inc.**  
Fourth Quarter 2012 Investor Presentation



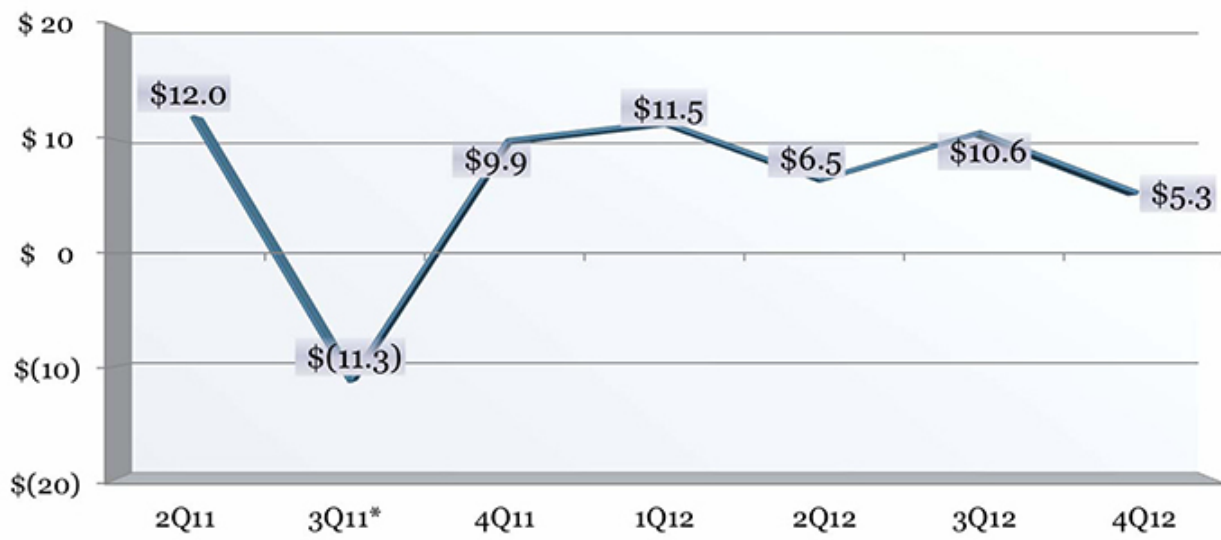
*Updated as of February 22, 2013*

## Highlights Fourth Quarter

- **Improving Quarterly Results**
    - Net income of \$5.26 million, or 4 cents per share
    - Sixth quarterly profit in past seven quarters
    - Core earnings (pre-tax, pre-credit) of \$29.1 million
  
  - **Modest Loan Growth, Both Linked Quarter and Year Ago**
    - Increased commercial and retail lending opportunities
  
  - **Solid Improvement in All Credit Quality Metrics**
    - Metrics improving across all areas
  
  - **Strong Core Transaction Deposit Growth**
    - Year-to-date up 11%
    - Building customer deposit base
    - Represents 56% of total customer deposits compared to 34% at the end of 2008
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## Net Income (Loss)

\$ in millions



\*Includes \$25 million provision for large customer relationship

## Operating Expenses - Core

(in thousands)

	4Q12	Variance - Increase / (Decrease)	
		3Q12	4Q11
Salaries & Employee Benefits	\$ 22,960	\$ 596	\$ (2,578)
Communications & Equipment	3,320	66	191
Occupancy	3,455	(84)	(517)
FDIC Assessment	2,505	(32)	(94)
Advertising & Public Relations	987	53	43
Postage, Printing & Supplies	1,050	96	33
Professional Fees	2,685	505	689
Other Expense	4,527	(234)	(121)
<b>Core Operating Expenses</b>	<b>41,489</b>	<b>966</b>	<b>(2,354)</b>
Non-Core <sup>(1)</sup>	9,237	4,977	2,000
<b>Reported GAAP</b>	<b>\$ 50,726</b>	<b>\$ 5,943</b>	<b>\$ (354)</b>

(1) Includes foreclosed property costs, adjustment to reclassify pension plan actuarial gains and losses and unamortized prior service costs to other comprehensive income, severance costs, mark to market adjustments on United's deferred compensation plan liability, and provision for litigation settlement.

## Net Operating Income

(in thousands)

	4Q12	Variance - Increase / (Decrease)	
		3Q12	4Q11
Core Earnings (Pre-Tax, Pre-Credit)	\$ 29,090	\$ (761)	\$ 2,441
Provision for Loan Loss	(14,000)	(1,500)	-
<b>NON-CORE FEE REVENUE:</b>			
Hedge Ineffectiveness Gains (Losses)	116	(492)	(197)
Securities Gains (Losses)	31	31	27
Gains from Sale of Low Income Housing Tax Credits	-	-	(728)
Gains (Losses) on Deferred Compensation Plan Assets	63	(90)	(117)
<b>Total Non-Core Fee Revenue</b>	<b>210</b>	<b>(551)</b>	<b>(1,015)</b>
<b>NON-CORE OPERATING EXPENSES:</b>			
Foreclosed Property Write Downs	1,438	(956)	(2,454)
Foreclosed Property (Gains) Losses on Sales	1,750	1,400	(1,291)
Foreclosed Property Maintenance Expenses	1,423	461	(946)
Severance Costs	563	162	563
Reclassification of Pension Actuarial Gains to AOCI	-	-	2,245
Provision for Litigation Settlement	4,000	4,000	4,000
Gains (Losses) on Deferred Comp Plan Liability	63	(90)	(117)
<b>Total Non-Core Operating Expenses</b>	<b>9,237</b>	<b>4,977</b>	<b>2,000</b>
Income Tax (Expense) Benefit	(802)	518	(4,066)
<b>Net Income</b>	<b>\$ 5,261</b>	<b>\$ (5,307)</b>	<b>\$ (4,640)</b>

## Net Income

(in thousands)

	4Q12	<u>Variance - Increase / (Decrease)</u>	
		3Q12	4Q11
Net Income	\$ 5,261	\$ (5,307)	\$ (4,640)
Preferred Stock Dividends	(3,045)	(4)	(20)
Net Income Avail to Common Shareholders	<u>\$ 2,216</u>	<u>\$ (5,311)</u>	<u>\$ (4,660)</u>

Net Income Per Share	\$ .04	\$ (.09)	\$ (.08)
Tangible Book Value (DTA Allowance \$272 Million - \$4.70 / Share)	\$ 6.57	\$ (.07)	\$ .10

Shares Outstanding (millions)	58.0	.1	.3
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# Core Earnings Summary

## 2012 Full Year

(in millions)

	Full Year 2012	Over/(Under) 2011
Net Interest Revenue	\$ 229.1	\$ (6.6)
Fee Revenue	53.5	9.3
Operating Expense (Excl OREO)	<u>(166.1)</u>	<u>(14.2)</u>
<b>Core Earnings (Pre-Credit)</b>	<b>116.5</b>	<b>16.9</b>
<b>Provision for Loan Losses</b>	<b>(62.5)</b>	<b>16.5</b>
-Fletcher	-	(25.0)
-Asset Disposition Plan	-	(180.0)
Asset Disposition Plan - OREO / Charges	-	(66.2)
<b>NON-CORE FEE REVENUE:</b>		
Sec Gains (Losses), Net of Prepmnt Losses	.4	.3
Tax Credit Sale/IRS Refund	1.8	1.1
Hedge Ineffectiveness	.7	(4.3)
Gains (Losses) on Deferred Compensation Plan	<u>.5</u>	<u>.5</u>
<b>Total Non-Core Fee Revenue</b>	<b>3.4</b>	<b>(2.4)</b>
<b>NON-CORE OPERATING EXPENSE:</b>		
Foreclosed Property Costs (OREO)	14.0	(4.3)
Severance, Modified Retirement	2.3	3.4
Provision for Litigation Settlement	4.0	4.0
Gains (Losses) on Deferred Compensation Plan	<u>.5</u>	<u>.5</u>
<b>Total Non-Core Operating Expense</b>	<b>20.8</b>	<b>3.6</b>
Income Taxes	2.7	5.0
<b>Net Income</b>	<u><u>\$ 33.9</u></u>	<u><u>\$ 260.6</u></u>



**Key Ratios**

2012 Full Year

	<b>Full Year 2012</b>
<b>Earnings per Share</b>	\$ .38
<b>Margin</b>	3.50 %
<b>Return on Equity</b>	5.43 %
<b>Return on Tangible Equity</b>	6.27
<b>Return on Assets</b>	.49
<b>Operating Efficiency</b>	65.4 %
<b>-Core (Excl. OREO)</b>	58.8
<b>Tangible Book Value</b>	\$ 6.57
-Book Value DTA Recovery \$271Million or \$4.69 /Share	

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## Operating Expenses – Core

## 2012 Full Year

(in millions)

	<u>2012</u>	<u>2011</u>	<u>Over / (Under)</u>
Salaries & Employee Benefits	\$ 93.2	\$ 101.3	\$ (8.1)
Communications & Equipment	12.9	13.1	(.2)
Occupancy	14.3	15.6	(1.3)
FDIC Assessment	10.1	14.3	(4.2)
Advertising & Public Relations	3.9	4.3	(.4)
Postage, Printing & Supplies	3.9	4.3	(.4)
Professional Fees	8.8	8.7	.1
Other Expense	19.0	18.7	.3
<b>Core</b>	<b>166.1</b>	<b>180.3</b>	<b>(14.2)</b>
Non-Core <sup>(1)</sup>	20.7	81.3	(60.6)
<b>Reported-GAAP</b>	<b><u>\$ 186.8</u></b>	<b><u>\$ 261.6</u></b>	<b><u>\$ (74.8)</u></b>

(1) Includes foreclosed property costs, adjustment to reclassify pension plan actuarial gains and losses and unamortized prior service costs to other comprehensive income, severance costs, mark to market adjustments on United's deferred compensation plan liability, and provision for litigation settlement.

## Capital Ratios

	Well- Capitalized	<u>DEC '12</u>	<u>SEP '12</u>	<u>JUN '12</u>
<b>Bank</b>				
Tier 1 RBC	6 %	14.5 %	14.5 %	14.4 %
Total RBC	10	15.7	15.7	15.7
Leverage	5	9.9	9.9	9.2
<b>Holding Company</b>				
Tier 1 RBC	6	14.2	14.3	14.3
Total RBC	10	15.7	15.8	16.0
Leverage	5	9.6	9.8	9.2
Tier I Common RBC		8.8	8.8	8.8
Tangible Equity to Assets		8.6	8.7	8.2
Tangible Common to Assets		5.7	5.7 *	5.5

\*DTA Allowance of \$271 million; when reversed adds 3.6%

## Lending – Credit Summary

*(in millions)*

■ Legal lending limit	\$162
■ House lending limit	20
Project lending limit	12
■ Top 25 relationships	371

Regional credit review – Standard underwriting

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## Non GAAP Reconciliation Tables

(in thousands except EPS)

	Operating Earnings to GAAP Earnings Reconciliation			
	4Q12	3Q12	2Q12	1Q12
<b>Core net interest revenue reconciliation</b>				
Core net interest revenue	\$ 56,028	\$ 57,371	\$ 56,836	\$ 58,864
Interest reversed on performing loans included in bulk sale	-	-	-	-
Taxable equivalent adjustment	(381)	(419)	(444)	(446)
<b>Net interest revenue (GAAP)</b>	<b>\$ 55,647</b>	<b>\$ 56,952</b>	<b>\$ 56,392</b>	<b>\$ 58,418</b>
<b>Core fee revenue reconciliation</b>				
Core fee revenue	\$ 14,551	\$ 13,003	\$ 12,764	\$ 13,091
Securities gains, net	31	-	6,490	557
Loss on prepayment of borrowings	-	-	(6,199)	(482)
Gains from sales of low income housing tax credits	-	-	-	728
Hedge ineffectiveness gains (losses)	116	608	(180)	115
Interest on Federal tax refund	-	-	-	1,100
Mark to market on deferred compensation plan assets	63	153	(8)	270
<b>Fee revenue (GAAP)</b>	<b>\$ 14,761</b>	<b>\$ 13,764</b>	<b>\$ 12,867</b>	<b>\$ 15,379</b>
<b>Core operating expense reconciliation</b>				
Core operating expense	\$ 41,489	\$ 40,523	\$ 41,312	\$ 42,670
Foreclosed property expense	4,611	3,706	1,851	3,825
Severance	563	401	1,155	190
Reclassification of pension actuarial gains and losses and prior service costs to OCI	-	-	-	-
Professional fees incurred in connection with Bulk Loan Sale	-	-	-	-
Property taxes paid on collateral for loans in Bulk Loan Sale	-	-	-	-
Provision for litigation settlement	4,000	-	-	-
Mark to market on deferred compensation plan liability	63	153	(8)	270
<b>Operating expense (GAAP)</b>	<b>\$ 50,726</b>	<b>\$ 44,783</b>	<b>\$ 44,310</b>	<b>\$ 46,955</b>

## Non GAAP Reconciliation Tables

(in thousands except EPS)

	Operating Earnings to GAAP Earnings Reconciliation			
	4Q11	3Q11	2Q11	1Q11
<b>Core net interest revenue reconciliation</b>				
Core net interest revenue	\$ 59,050	\$ 59,281	\$ 58,946	\$ 58,406
Interest reversed on performing loans included in bulk sale	-	-	-	(2,014)
Taxable equivalent adjustment	(423)	(420)	(429)	(435)
<b>Net interest revenue (GAAP)</b>	<b>\$ 58,627</b>	<b>\$ 58,861</b>	<b>\$ 58,517</b>	<b>\$ 55,957</b>
<b>Core fee revenue reconciliation</b>				
Core fee revenue	\$ 11,442	\$ 11,309	\$ 11,096	\$ 10,352
Securities gains, net	4	-	783	55
Loss on prepayment of borrowings	-	-	(791)	-
Gains from sales of low income housing tax credits	728	-	-	-
Hedge ineffectiveness gains (losses)	313	575	2,810	1,303
Interest on Federal tax refund	-	-	-	-
Mark to market on deferred compensation plan assets	180	(386)	7	128
<b>Fee revenue (GAAP)</b>	<b>\$ 12,667</b>	<b>\$ 11,498</b>	<b>\$ 13,905</b>	<b>\$ 11,838</b>
<b>Core operating expense reconciliation</b>				
Core operating expense	\$ 43,843	\$ 44,093	\$ 45,680	\$ 46,644
Foreclosed property expense	9,302	2,813	1,891	64,899
Severance	-	-	1,150	-
Reclassification of pension actuarial gains and losses and prior service costs to OCI	(2,245)	-	-	-
Professional fees incurred in connection with Bulk Loan Sale	-	-	-	1,000
Property taxes paid on collateral for loans in Bulk Loan Sale	-	-	-	2,600
Provision for litigation settlement	-	-	-	-
Mark to market on deferred compensation plan liability	180	(386)	7	128
<b>Operating expense (GAAP)</b>	<b>\$ 51,080</b>	<b>\$ 46,520</b>	<b>\$ 48,728</b>	<b>\$ 115,271</b>

## Non GAAP Reconciliation Tables

### Operating Earnings to GAAP Earnings Reconciliation

	4Q12	3Q12	2Q12	1Q12
<b>Net interest margin - pre credit reconciliation</b>				
Net interest margin - pre credit	3.61 %	3.79 %	3.62 %	3.76 %
Effect of interest reversals, lost interest, and carry costs of NPAs	(.17)	(.19)	(.19)	(.23)
<b>Net interest margin</b>	<b>3.44 %</b>	<b>3.60 %</b>	<b>3.43 %</b>	<b>3.53 %</b>
<b>Tangible common equity and tangible equity to tangible assets reconciliation</b>				
Tangible common equity to tangible assets	5.67 %	5.73 %	5.45 %	5.33 %
Effect of preferred equity	2.88	2.93	2.79	2.75
<b>Tangible equity to tangible assets</b>	<b>8.55</b>	<b>8.66</b>	<b>8.24</b>	<b>8.08</b>
Effect of goodwill and other intangibles	.08	.09	.09	.11
<b>Equity to assets (GAAP)</b>	<b>8.63 %</b>	<b>8.75 %</b>	<b>8.33 %</b>	<b>8.19 %</b>
<b>Tangible common equity to risk-weighted assets reconciliation</b>				
Tangible common equity to risk-weighted assets	8.26 %	8.44 %	8.37 %	8.21 %
Effect of preferred equity	4.24	4.29	4.35	4.23
<b>Tangible equity to risk weighted assets</b>	<b>12.50</b>	<b>12.73</b>	<b>12.72</b>	<b>12.44</b>
Effect of other comprehensive income	.51	.36	.28	.10
Effect of trust preferred	1.15	1.17	1.19	1.15
<b>Tier I capital ratio (Regulatory)</b>	<b>14.16 %</b>	<b>14.26 %</b>	<b>14.19 %</b>	<b>13.69 %</b>