2011 ANNUAL REPORT

United Community Banks, Inc.

Financial Highlights

(in millions, except per share data)	2011	2010
Core Earnings Summary		
Net interest revenue	$ 235.7	$ 243.1
Core fee revenue	44.2	45.6
Core operating expenses	180.3	176.9
Core earnings (pre-tax, pre-credit)	99.6	111.8
Provision for loan losses	(251.0)	(234.8)
Foreclosed property costs	(78.9)	(65.7)
Loss on sale of non-performing assets	-	(45.4)
Bulk Loan Sale costs	(5.6)	-
Reclassification of pension costs	2.3	-
Severance	(1.1)	-
Hedge ineffectiveness	5.0	1.6
Securities gains, net	.8	2.5
Loss on prepayment of borrowings	(.8)	(2.2)
Gain on sale of low income housing tax credits	.7	.7
Income tax benefit (expense)	2.3	(73.2)
Net operating loss	(226.7)	(304.7)
Noncash goodwill impairment charges	-	(210.6)
Partial recovery of 2007 fraud loss	-	11.7
Loss from discontinued operations	-	(.1)
Gain from sale of subsidiary	-	1.3
Net loss	(226.7)	(502.4)
Preferred dividends and discount accretion	(11.9)	(10.3)
Net loss available to common shareholders	$ (238.6)	$ (512.7)
Per Common Share		
Diluted operating loss from continuing operations	$ (5.97)	$ (16.64)
Diluted loss	(5.97)	(27.09)
Book value	6.62	15.40
Tangible book value	6.47	14.80
Performance Measures		
Net interest margin	3.44 %	3.56 %
Allowance for loan losses to loans	2.79	3.79
Non-performing assets to total assets	2.30	4.42
Tangible equity to assets (year-end)	8.13	6.29
Tier I risk-based capital ratio (year-end)	13.69	9.81
As of Year-End		
Loans	$ 4,110	$ 4,604
Investment securities	2,120	1,490
Total assets	6,983	7,276
Deposits	6,098	6,469
Shareholders' equity	575	469
Common shares outstanding (thousands)	57,561	18,937
Shareholders	16,900	18,000
Employees	1,754	1,817
Banking offices	106	106

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

In my letter to you last year, I shared a bold plan to accelerate our return to profitability by raising a significant amount of capital and disposing of our most troubled assets. Reflecting back a year later, those two key events remain etched in my mind as the turning point that placed United Community Banks squarely on the path to recovery.

While 2011 brought with it a new set of challenges, I am happy to report our capital transaction and problem asset disposition plan were successful in accomplishing their intended objectives.

- We restored compliance with the memorandum of understanding with regulators;
- we resumed dividend and interest payments on our preferred stock and trust preferred securities;
- we significantly reduced our balance sheet risk profile by disposing of our most challenging assets; and
- we returned to profitability with two profitable quarters in 2011 and the expectation this trend will continue throughout 2012 and beyond.

It's a different world today than it was just a year ago. This company is much stronger because of the actions we took early in 2011. Our complete focus today is on creating sustainable profitability thereby increasing the value of your investment.

Of course, we are not getting much help from the economy. Real estate values have yet to stabilize and unemployment remains high. Many expect a long and slow recovery, and the past few years certainly support that belief.

As I said, we have made progress but we're still not where we need to be. At some point a company must draw a line in the sand and declare that it is time to make a paradigm shift. A company must pronounce that it is time to do some serious soul searching and to do the things that will make the company strong and profitable. For United Community Banks, that time is now.

To this end, we have established measurable, specific goals for 2012 and 2013. While the actions of 2011 were a positive turning point on the path to recovery, the actions of 2012 are designed to move us forward down that path toward superior financial performance.

Core Deposit Growth

Core transaction deposits are the lifeblood of our company and an important component of our overall franchise value. The past three years have been very favorable in this regard, and 2011 was no exception: We attracted $266 million in net new core transaction deposits, added more than 15,600 net new core deposit accounts and welcomed thousands of new customers. Nearly 70 percent of the new deposits were in non-interest-bearing accounts, providing a low-cost funding source which is key to maximizing our net interest margin. For 2012, our goal is to grow core transaction deposits eight percent. Keep in mind, these accounts also provide a great opportunity to cross-sell other products and services.

Loan Growth

Developing quality loan growth is a significant challenge in a struggling economy, with intense competition for a smaller pool of attractive lending opportunities. Much of our future growth will come from customers moving their business – both loans and deposits – to United Community Bank. We believe they have good reasons to do that: our competitive personal products, business solutions, experienced people and, most of all, our legendary service.

Over the past year United has successfully recruited experienced commercial relationship managers who can add significant loan and deposit relationships in markets with the best opportunities. In addition, we have strengthened our competitive position by bringing expertise with loan products that are typically available only at much larger financial institutions.

As a result of these and other efforts, in 2011 we added $542 million in new loan commitments, of which we funded $392 million. Momentum increased as the year progressed and despite the weak economy, the fourth quarter of 2011 was our first linked quarter of loan growth since the first quarter of 2008. Our goal for 2012 is to show positive loan growth for the year for the first time since 2007.

Loan Diversification

Diversification of our loan portfolio is critical to improving our risk profile. Since 2007, we have focused on reducing residential construction loans while increasing loans to small and medium sized businesses in a wide range of industries. Residential construction loans accounted for just under 11 percent of our portfolio at the end of 2011, compared to almost 34 percent in 2007. While we always seek to serve the full range of our communities' credit needs, our focus is on a balanced portfolio of banking relationships with consumers and small to medium sized businesses.

Credit

We have committed ourselves throughout the economic downturn to aggressively manage our credit challenges. This was demonstrated in part by the large classified asset sale in April, 2011, which significantly improved our credit metrics. Non-performing assets have been reduced by half, classified loans are down 34 percent, and our provisioning for loan losses was down 61 percent in the fourth quarter of 2011 compared to 2010. Make no mistake, we still have much work to do in this area. Credit metrics are still well short of our long-term goals, yet we believe we can address these remaining challenges while maintaining profitability.

Margin

Following the liquidity crisis that plagued the financial services industry in 2008, we began rebuilding our net interest margin by focusing intently both on loan and deposit pricing and on growing core transaction deposits. Consequently we increased the net interest margin from a low of 2.70 percent in the fourth quarter of 2008 to 3.51 percent in the fourth quarter 2011.

Maintaining and improving upon our margin will be challenging, with interest rates expected to remain at historic lows for an extended time period. Competition for limited lending opportunities will keep pressure on loan rates – not just for new business but also for preserving existing business. With deposit rates nearly as low as they can go, opportunities will be limited for substantial margin improvement from lower funding costs. However, with each basis point on our margin representing nearly $700,000 in annual pre-tax earnings, even incremental improvements can have a meaningful impact. Our goal for 2012 is to maintain the margin above 3.50 percent and make incremental increases by continuing to improve the deposit mix while capitalizing on opportunities that become available with wholesale borrowings and short-term investments.

Fee Revenue

Over the past few years we have seen numerous challenges to our main sources of fee revenue. Among them are the "opt-in" requirements for courtesy overdraft services in 2010, and the more recent limitation on interchange fees in October, 2011. Today the interchange fee limits apply only to banks with more than $10 billion in assets, so they do not directly affect United. We believe, however, that ongoing competition and further regulation may eventually drive these limits to include all banks. Protecting and growing fee revenue will, therefore, remain challenging for all banks going forward.

To restore the revenue lost to these regulatory changes, in the fourth quarter of 2011 we implemented service fees on demand deposit accounts when balances fall below a given amount at any time during the month. The decision to charge a service fee after years of free checking was difficult and followed lengthy review and consideration. The good news is that although we have seen some account consolidation, we continue to see growth in balances, putting us on track to realize an increase in service fee revenue for 2012.

Restoring the Deferred Tax Asset

In January 2012, we announced that we would restate our previously reported financial results for year-end 2010 and the first three quarters of 2011 to establish a full valuation allowance against our net deferred tax asset, effective as of December 31, 2010. Accounting for deferred income taxes is highly subjective and judgmental, and therefore differences of opinion can occur. Our expectation was, and still remains, that we will have continued future earnings. However, when we compared our earnings outlook to our significant loss carryforward position at the end of 2010, we determined that the negative evidence of the recent losses outweighed the positive outlook for future earnings. That being the case, we recorded a full valuation allowance for our net deferred tax asset.

For the most part, our net deferred tax asset represents the tax benefits from prior years' net operating losses that will be used to offset the tax liabilities resulting from future earnings. Simply put, when we make a profit, we pay taxes. When we have a loss, we carry the tax benefit forward to offset taxes on future profits. In most cases, we can carry those tax benefits forward 20 years and report them as an asset in our financial statements.

While we no longer show a deferred tax asset balance in our financial statements as a result of our full valuation allowance, those underlying tax benefits are just as valuable to us today as they were before. Once we establish a pattern of several quarters of profitability and show meaningful improvement in our credit measures, we believe the weight of evidence will shift and we can reverse the valuation allowance. We already have two quarters of profitability behind us and we expect to remain profitable throughout 2012.

Customer Service

United Community Bank's customer satisfaction rating continued to rise in 2011, reaching an all-time high of 95 percent for the year: *the best in the nation*. Exceptional customer service is our point of differentiation, the core of our strategy, our foundation for growth, and the right way to do business. We go to great lengths to maintain and improve this superior level of customer service.

Keeping our current customers is less costly than finding new ones, and a satisfied customer is the best form of advertising. United bankers throughout this organization work hard to achieve our extraordinary level of customer satisfaction, and deserve tremendous credit. Maintaining superior customer satisfaction scores and remaining the bank of choice in our markets will continue to be a top priority in the years to come.

Expense Reduction

To achieve superior financial performance, we must be lean and efficient. This will be a key focus in 2012 and beyond. Our costs have been roughly unchanged over the past three years, yet revenues have decreased with the shrinking loan portfolio. Since we can't count on revenue growth alone to achieve our performance goals, we must closely examine all of our internal processes and expenses to reduce costs.

Earlier this year I convened a team of 75 United leaders and charged them with this evaluation. I wanted to ensure that we had full representation from every functional area and process within this company – from bank presidents to department managers – and we do. We will use consultants on a limited basis to help us "think outside the box," but the evaluation will be done mostly by our own people. They are well underway identifying processes that can be streamlined and made more efficient. Effectively leveraging technology will be one key to savings initiatives.

Profitability

All of the goals I have laid out so far have one common thread, and that is improving profitability and the value of your investment in United Community Banks. Long-term growth in shareholder value requires that we increase profitability quarter after quarter – and you should expect nothing less.

To this end, we have made a commitment to you and our board to improve our annualized pre-tax, pre-credit earnings by $10 million through expense reductions, increasing revenue or both. Achieving this annualized $10 million run-rate goal by the fourth quarter of 2012 is not optional; how we achieve it is.

Let me stress, however, as I have with our directors, leaders and employees: these changes will not be made at the expense of our culture or customer service. Family spirit, personal care of customers and pride in United Community Banks have served us well over the years, and I will not allow them to be sacrificed.

Our people are aware of the harsh reality that there will be fewer employees when this process is completed. It is our hope, however, that attrition and redistribution of our resources will account for much of this reduction in employment.

Before I close, I want to recognize three people who have made a lasting mark on United Community Banks, and who have chosen to retire.

First is Guy Freeman, a man who truly has been a pillar in the success of this company. Guy retired at the end of 2011 after 45 years in banking and 17 years of service to United Community Banks. He served as executive vice president and chief operating officer, but no title can describe the depth of his impact, influence or legacy. We all owe Guy a huge debt of gratitude, and I personally will miss his counsel and insight.

I also want to recognize and thank Director Hoyt Holloway and Director Emeritus Zell Miller for their many years of dedicated service. Both will be retiring from our board at the end of their terms this year. In addition, we greatly appreciate the guidance of Director Peter Raskind, who leaves our board to join the Capital One Financial Corporation Board. I'd like to thank all of them for their exceptional contribution and leadership. Also, I'm pleased to announce the addition of our three newest directors: Cliff Brokaw, Steven Goldstein and Thomas Richlovsky.

Cliff Brokaw has extensive experience in the financial services industry, serving as managing director of Corsair Capital, LLC, since 2007. Mr. Brokaw also serves as a member of the Investment Committee and leads the quarterly valuation process. He was managing director in the Financial Institutions group at Goldman Sachs & Co. from 1999 to 2007, worked in the Mergers and Acquisition group of J.P. Morgan from 1996 to 1999, and currently serves as a director of Torus Insurance Holdings. He has a great deal of experience with banks and insurance companies involving demutualization, initial public offerings, mergers, acquisitions, and capital offerings. Cliff brings tremendous strategic insight to our board of directors.

Steven Goldstein has wide experience in the financial services industry having served in senior executive positions in finance and risk management at major banking and regulatory organizations. He most recently was executive vice president and chief financial officer of The Federal Home Bank of Atlanta from 2007 to 2011. His responsibilities included financial and regulatory reporting, Sarbanes-Oxley compliance, accounting operations, oversight of financial modeling, and enterprise risk management. Mr. Goldstein was senior vice president and chief financial officer of Royal Bank of Canada's U.S. and International division from 2001 to 2006 following its acquisition of Centura Banks, Inc. where he had been chief financial officer from 1997 to 2001. He previously held senior management roles with financial services consulting firms and was deputy director of the Office of Public and Economic Research at the Federal Home Loan Bank Board in Washington, D.C.

Thomas Richlovsky also has extensive experience in the financial services industry, having served in senior executive positions in finance, accounting and treasury at major banking organizations. He most recently was executive vice president at PNC Financial Services Group Inc. from 2009 to 2011 and was chief financial officer, treasurer and principal accounting officer of National City Corporation at the time of its acquisition by PNC. During his 30-year tenure with National City, he assumed progressively greater responsibilities and gained extensive financial, accounting, and treasury expertise.

I welcome Cliff, Steve and Tom to our board, and I look forward to their contribution as we undertake this exciting period in our company's history. Their experience and expertise will provide valuable perspectives for our board.

In closing, I want to recognize another group of people who have been integral to our progress and will propel us to meet the targets I've laid out in this letter. These are the 1,700 people who proudly call themselves United Community Banks employees.

I opened by describing our achievements in 2011, but the work to get us to this point started five years ago at the beginning of the economic downturn. It was critical that our employees recognized and fully understood the issues and strengthened their backs for the long haul. They did that, and then some. They have not shied away from a single challenge.

At the outset they took the immediate action required to address our most urgent needs, and they also applied the skill, care and drive needed for our long-term recovery. From growing core deposits at a record pace to performing more work with fewer people, our United family – both in the banks and behind the scenes – stepped up because of their passion for this company. Most importantly they worked their way through these difficult years and *still* managed to increase customer satisfaction to record levels. This is unheard of.

I do not want to sell short the wisdom, foresight and strategic thinking of our management team but, in many cases, the burden of execution was laid at the feet of our people. Our company's stabilization and return to profitability are a testament to the passion and commitment of this amazing team.

For this reason, as a fellow employee and friend, I simply say thank you to the United team. Together we will meet the goals set out in this letter, and we will build on the foundation of 2011 to grow long-term, sustainable profitability and value.

And to you, our shareholders, I want to express my sincere gratitude for your continued patience and support. Last year was a turning point. By continuing to navigate our way through this economy and staying focused on our goals, we will continue the trend to sustained profitability and increased shareholder value.

Jimmy Tallent
President and Chief Executive Officer

Consolidated Statement of Operations

(in thousands, except per share data)	2011	2010	2009
INTEREST REVENUE:			
Loans, including fees	$ 239,056	$ 277,904	$ 322,509
Investment securities:			
Taxable	55,251	58,821	76,048
Tax exempt	1,009	1,137	1,322
Federal funds sold, commercial paper, reverse repurchase agreements and deposits in banks	2,321	3,260	2,950
Total interest revenue	297,637	341,122	402,829
INTEREST EXPENSE:			
Deposits:			
NOW	3,998	6,966	11,023
Money market	5,456	7,552	9,545
Savings	234	331	483
Time	39,151	66,883	120,326
Total deposit interest expense	48,839	81,732	141,377
Federal funds purchased, repurchase agreements and other short-term borrowings	4,250	4,235	2,842
Federal Home Loan Bank advances	2,042	3,355	4,622
Long-term debt	10,544	10,749	10,893
Total interest expense	65,675	100,071	159,734
Net interest revenue	231,962	241,051	243,095
Provision for loan losses	251,000	223,000	310,000
Net interest revenue after provision for loan losses	(19,038)	18,051	(66,905)
FEE REVENUE:			
Service charges and fees	29,110	30,127	30,986
Mortgage loan and other related fees	5,419	7,019	8,959
Brokerage fees	2,986	2,662	2,085
Securities gains, net	842	2,552	2,756
Losses on prepayment of borrowings	(791)	(2,233)	-
Gain from acquisition	-	-	11,390
Other	12,342	8,421	6,178
Total fee revenue	49,908	48,548	62,354
Total revenue	30,870	66,599	(4,551)
OPERATING EXPENSES:			
Salaries and employee benefits	100,095	96,618	101,568
Communications and equipment	13,135	13,781	14,676
Occupancy	15,645	15,394	15,653
Advertising and public relations	4,291	4,625	3,950
Postage, printing and supplies	4,256	4,072	5,040
Professional fees	9,727	9,254	11,480
Foreclosed property	78,905	65,707	32,365
FDIC assessments and other regulatory charges	14,259	13,747	16,004
Amortization of intangibles	3,016	3,160	3,104
Goodwill impairment	-	210,590	95,000
Loss on sale of non-performing assets	-	45,349	-
Severance costs	-	-	2,898
Other	18,270	16,594	13,210
Total operating expenses	261,599	498,891	314,948
Loss from continuing operations before income taxes	(230,729)	(432,292)	(319,499)
Income tax (benefit) expense	(3,983)	71,217	(90,659)
Net loss from continuing operations	(226,746)	(503,509)	(228,840)
(Loss) income from discontinued operations, net of income taxes	-	(101)	513
Gain from sale of subsidiary, net of income taxes and selling costs	-	1,266	-
Net loss	(226,746)	(502,344)	(228,327)
Preferred stock dividends	11,838	10,316	10,242
Net loss available to common shareholders	$ (238,584)	$ (512,660)	$ (238,569)
Loss from continuing operations per common share - basic / diluted	$ (5.97)	$ (27.15)	$ (19.80)
Loss per common share - basic / diluted	(5.97)	(27.09)	(19.76)
Weighted average common shares outstanding - basic / diluted	39,943	18,925	12,075

Consolidated Balance Sheet

(in thousands, except per share data)	2011	2010
ASSETS		
Cash and due from banks	$ 53,807	$ 95,994
Interest-bearing deposits in banks	139,609	111,901
Federal funds sold, commercial paper, reverse repurchase agreements and short-term investments	185,000	441,562
Cash and cash equivalents	378,416	649,457
Securities available for sale	1,790,047	1,224,417
Securities held to maturity (fair value $343,531 and $267,988)	330,203	265,807
Mortgage loans held for sale	23,881	35,908
Loans, net of unearned income	4,109,614	4,604,126
Less allowance for loan losses	114,468	174,695
Loans, net	3,995,146	4,429,431
Assets covered by loss sharing agreements with the FDIC	78,145	131,887
Premises and equipment, net	175,088	178,239
Accrued interest receivable	20,693	24,299
Goodwill and other intangible assets	8,428	11,446
Foreclosed property	32,859	142,208
Other assets	150,514	183,160
Total assets	$ 6,983,420	$ 7,276,259
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand	$ 992,109	$ 793,414
NOW	1,509,896	1,424,781
Money market	1,038,778	891,252
Savings	199,007	183,894
Time:		
Less than $100,000	1,332,394	1,496,700
Greater than $100,000	847,152	1,002,359
Brokered	178,647	676,772
Total deposits	6,097,983	6,469,172
Federal funds purchased, repurchase agreements and other short-term borrowings	102,577	101,067
Federal Home Loan Bank advances	40,625	55,125
Long-term debt	120,225	150,146
Unsettled securities purchases	10,325	-
Accrued expenses and other liabilities	36,199	32,171
Total liabilities	6,407,934	6,807,681
Commitments and contingencies		
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
Series B, $1,000 stated value; 180,000 shares issued and outstanding	177,092	175,711
Series D, $1,000 stated value; 16,613 shares issued and outstanding	16,613	-
Common stock, $1 par value; 100,000,000 shares authorized; 41,647,100 and 18,937,001 shares issued and outstanding	41,647	18,937
Common stock, non-voting $1 par value; 30,000,000 shares authorized; 15,914,209 shares issued and outstanding	15,914	-
Common stock issuable; 93,681 and 67,287 shares	3,233	3,894
Capital surplus	1,054,940	741,244
Accumulated deficit	(730,861)	(492,276)
Accumulated other comprehensive (loss) income	(3,309)	20,851
Total shareholders' equity	575,486	468,578
Total liabilities and shareholders' equity	$ 6,983,420	$ 7,276,259

Selected Financial Data - Quarterly Core Summary

(in millions, except per share data; taxable equivalent)

	2011				2010
	4th Q	3rd Q	2nd Q	1st Q	4th Q
CORE EARNINGS SUMMARY					
Net interest revenue (1)	$ 59.1	$ 59.3	$ 58.9	$ 58.4	$ 60.1
Core fee revenue (2)	11.4	11.3	11.1	10.4	11.2
Core revenue (1)(2)	70.5	70.6	70.0	68.8	71.3
Core operating expenses (3)	43.9	44.1	45.6	46.7	44.1
Core earnings (pre-tax, pre-credit) (1)(2)(3)	26.6	26.5	24.4	22.1	27.2
Operating provision for loan losses (4)	(14.0)	(36.0)	(11.0)	(190.0)	(47.8)
Foreclosed property costs:					
Write downs and losses from sales	(6.9)	(1.0)	.1	(60.6)	(15.8)
Other expenses	(2.4)	(1.8)	(2.0)	(4.3)	(4.8)
Bulk Loan Sale costs	-	-	-	(5.6)	-
Reclassification of pension prior service cost and actuarial losses	2.3	-	-	-	-
Severance cost	-	-	(1.1)	-	-
Hedge ineffectiveness	.3	.6	2.7	1.4	.4
Securities gains, net	-	-	.8	-	-
Loss on prepayment of borrowings	-	-	(.8)	-	-
Gain on sale of low income housing tax credits	.7	-	-	-	.7
Income tax benefit (expense)	3.3	.4	(1.1)	(.3)	(144.8)
Net operating income (loss) (5)	9.9	(11.3)	12.0	(237.3)	(184.9)
Partial reversal of fraud loss provision, net of tax expense	-	-	-	-	11.8
Net income (loss)	9.9	(11.3)	12.0	(237.3)	(173.1)
Preferred dividends and discount accretion	3.0	3.0	3.0	2.9	2.6
Net income (loss) available to common shareholders	$ 6.9	$ (14.3)	$ 9.0	$ (240.2)	$ (175.7)
PERFORMANCE MEASURES					
Per common share:					
Diluted operating earnings (loss) (5)	$ .12	$ (.25)	$ .16	$ (13.00)	$ (9.87)
Diluted earnings (loss)	.12	(.25)	.16	(13.00)	(9.25)
Book value	6.62	6.77	7.11	2.20	15.40
Tangible book value (6)	6.47	6.61	6.94	1.69	14.80
Key performance ratios:					
Net interest margin (7)	3.51 %	3.55 %	3.41 %	3.30 %	3.58 %
Tangible equity to assets (period-end) (6)	8.13	8.34	8.30	7.47	6.29
Tangible common equity to assets (period-end) (6)	5.35	5.53	5.59	.46	3.87
ASSET QUALITY *					
Non-performing loans	$ 127.5	$ 144.5	$ 71.0	$ 83.7	$ 179.1
Foreclosed properties	32.8	44.2	47.6	54.4	142.2
Total non-performing assets (NPAs)	160.3	188.7	118.6	138.1	321.3
Allowance for loan losses	114.5	146.1	127.6	133.1	174.7
Operating net charge-offs (4)	45.6	17.5	16.5	231.6	47.7
Allowance for loan losses to loans	2.79 %	3.55 %	3.07 %	3.17 %	3.79 %
Operating net charge-offs to average loans (4)(7)	4.39	1.68	1.58	20.71	4.03
NPAs to loans and foreclosed properties	3.87	4.54	2.82	3.25	6.77
NPAs to total assets	2.30	2.74	1.66	1.79	4.42
AT PERIOD END					
Loans *	$ 4,110	$ 4,110	$ 4,163	$ 4,194	$ 4,604
Investment securities	2,120	2,123	2,188	1,884	1,490
Total assets	6,983	6,894	7,152	7,709	7,276
Deposits	6,098	6,005	6,183	6,598	6,469
Shareholders' equity	575	583	603	586	469
Common shares outstanding	57.6	57.5	57.5	20.9	18.9

(1) Includes the add back of $2.0 million in reversed interest on performing loans included in the Bulk Loan Sale in 2011. (2) Excludes net securities gains and losses, losses from the prepayment of borrowings, gains from the sale of low income housing tax credits and hedge ineffectiveness gains. (3) Excludes foreclosed property costs, Bulk Loan Sale costs, reclassification of prior service cost and actuarial losses on Modified Retirement Plan to other comprehensive income and severance cost. (4) Excludes an $11.75 million partial recovery of a 2007 fraud-related loan loss and the reversal of the related provision for loan losses. (5) Excludes the partial recovery of a 2007 fraud-related loan loss, which was considered to be a non-operating item and was therefore excluded from operating earnings.
(6) Excluded the effect of acquisition-related intangible assets. (7) Annualized. * Excludes loans and foreclosed properties covered by loss sharing agreements with the FDIC.

Selected Financial Data - Annual Core Summary

(in millions, except per share data; taxable equivalent)	2011	2010	2009	2008	2007
CORE EARNINGS SUMMARY					
Net interest revenue (1)	$ 235.7	$ 243.1	$ 245.2	$ 238.7	$ 274.5
Core fee revenue (2)	44.2	45.6	47.4	47.9	52.7
Core revenue (1)(2)	279.9	288.7	292.6	286.6	327.2
Core operating expenses (3)	180.3	176.9	182.4	179.8	177.3
Core earnings (pre-tax, pre-credit) (1)(2)(3)	99.6	111.8	110.2	106.8	149.9
Operating provision for loan losses (4)	(251.0)	(234.8)	(310.0)	(184.0)	(37.6)
Foreclosed property costs:					
Write downs and losses from sales	(68.4)	(49.3)	(18.1)	(12.4)	(1.5)
Other expenses	(10.5)	(16.4)	(14.2)	(6.7)	(2.9)
Bulk Loan Sale costs	(5.6)	-	-	-	-
Reclassification of pension prior service cost and actuarial losses	2.3	-	-	-	-
Severance cost	(1.1)	-	-	-	-
Loss on sale of non-performing assets	-	(45.4)	-	-	-
FDIC special assessment	-	-	(3.8)	-	-
Bank-owned life insurance adjustments	-	-	2.0	(2.0)	-
Hedge ineffectiveness	5.0	1.6	(.4)	.1	-
Securities gains, net	.8	2.5	2.8	1.3	3.2
Loss on prepayment of borrowings	(.8)	(2.2)	-	(2.7)	(2.2)
Gain on sale of low income housing tax credits	.7	.7	.7	-	-
Income tax benefit (expense)	2.3	(73.2)	91.7	35.7	(40.3)
Net operating (loss) income from continuing operations (5)	(226.7)	(304.7)	(139.1)	(63.9)	68.6
Gain from acquisition, net of tax	-	-	7.1	-	-
Noncash goodwill impairment charges	-	(210.6)	(95.0)	-	-
Severance cost, net of tax benefit	-	-	(1.8)	-	-
Fraud loss provision and subsequent recovery, net of tax benefit	-	11.7	-	-	(11.0)
Net (loss) income from discontinued operations	-	(.1)	.5	.4	.4
Gain from sale of subsidiary, net of income taxes and selling costs	-	1.3	-	-	-
Net (loss) income	(226.7)	(502.4)	(228.3)	(63.5)	58.0
Preferred dividends and discount accretion	11.9	10.3	10.2	.7	-
Net (loss) income available to common shareholders	$ (238.6)	$ (512.7)	$ (238.5)	$ (64.2)	$ 58.0
PERFORMANCE MEASURES					
Per common share:					
Diluted operating (loss) earnings from continuing operations (5)	$ (5.97)	$ (16.64)	$ (12.37)	$ (6.82)	$ 7.36
Diluted (loss) earnings from continuing operations	(5.97)	(27.15)	(19.80)	(6.82)	6.18
Diluted (loss) earnings	(5.97)	(27.09)	(19.76)	(6.77)	6.22
Cash dividends declared (rounded)	-	-	-	.87	1.73
Stock dividends declared (7)	-	-	3 for 130	2 for 130	-
Book value	6.62	15.40	41.78	84.75	88.52
Tangible book value (6)	6.47	14.80	30.09	51.93	54.62
Key performance ratios:					
Net interest margin	3.44 %	3.56 %	3.29 %	3.18 %	3.88 %
Tangible equity to assets (6)	7.62	8.88	8.33	6.67	6.63
Tangible common equity to assets (6)	3.74	6.52	6.15	6.57	6.63
ASSET QUALITY *					
Non-performing loans	$ 127.5	$ 179.1	$ 264.1	$ 190.7	$ 28.2
Foreclosed properties	32.8	142.2	120.8	59.8	18.1
Total non-performing assets (NPAs)	160.3	321.3	384.9	250.5	46.3
Allowance for loan losses	114.5	174.7	155.6	122.3	89.4
Operating net charge-offs (4)	311.2	215.7	276.7	151.2	21.8
Allowance for loan losses to loans	2.79 %	3.79 %	3.02 %	2.14 %	1.51 %
Operating net charge-offs to average loans (4)	7.33	4.42	5.03	2.57	.38
NPAs to loans and foreclosed properties	3.87	6.77	7.30	4.35	.78
NPAs to total assets	2.30	4.42	4.81	2.92	.56
AT YEAR-END					
Loans *	$ 4,110	$ 4,604	$ 5,151	$ 5,705	$ 5,929
Investment securities	2,120	1,490	1,530	1,617	1,357
Total assets	6,983	7,276	8,000	8,592	8,207
Deposits	6,098	6,469	6,628	7,004	6,076
Shareholders' equity	575	469	962	989	832
Common shares outstanding	57.6	18.9	18.8	9.6	9.4

(1) Includes the add back of $2.0 million in reversed interest on performing loans included in the Bulk Loan Sale in 2011. (2) Excludes net securites gains and losses, losses from the prepayment of borrowings, hedge ineffectiveness gains and losses, gain from the acquisition of Southern Community Bank and gains from the sale of low income housing tax credits. (3) Excludes foreclosed property costs, goodwill impairment charges, severance costs, the special FDIC assessment in 2009, the loss from the sale of nonperforming assets to Fletcher International in 2010, the reclassification of unamortized prior service cost and actuarial losses related to United's Modified Retirement Plan to Other Comprehensive Income, certain expenses related to the 2011 Bulk Loan Sale and a bank-owned life insurance expense item and subsequent recovery. (4) Excludes fraud-related provision for loan losses and related charge-offs of $18 million in 2007 and the subsequent partial recovery and provision reversal of $11.75 million in 2010.
(5) Excludes after-tax effect of goodwill impairment charges, 2009 severance costs, gain from the acquisition of Southern Community Bank and fraud-related loan losses and subsequent partial recovery, all of which are considered to be non-operating items and are therefore excluded from operating earnings. Also excludes earnings (loss) from discontinued operations and the gain from the sale of Brintech.
(6) Excludes the effect of acquisition-related intangible assets. (7) Number of new shares issued for shares currently held. * Excludes loans and foreclosed properties covered by loss sharing agreements with the FDIC.

Corporate Information

Financial Information

Analysts and investors seeking financial information should contact:
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Executive Vice President and
Chief Financial Officer
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This Annual Report contains forward-looking statements that involve risk and uncertainty and actual results could differ materially from the anticipated results or other expectations expressed in the forward-looking statements. A discussion of factors that could cause actual results to differ materially from those expressed in the forward-looking statements is included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission.

This Annual Report also contains financial measures that were prepared on a basis different from accounting principles generally accepted in the United States ("GAAP"). References to operating earnings, pre-tax, pre-credit earnings and core earnings are non-GAAP financial measures. Management has included such non-GAAP financial measures because such non-GAAP measures exclude certain non-recurring revenue and expense items and therefore provide a meaningful basis for analyzing financial trends. A reconciliation of these measures to financial measures determined using GAAP is included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Stock Price

	2011				2010			
Quarter	High	Low	Close	Average Daily Volume	High	Low	Close	Average Daily Volume
1st	$ 11.85	$ 5.95	$ 11.65	227,321	$ 25.00	$ 16.05	$ 22.05	176,585
2nd	14.65	9.80	10.56	139,741	31.00	19.30	19.75	169,997
3rd	11.33	7.67	8.49	214,303	20.50	10.20	11.20	162,032
4th	8.90	6.22	6.99	202,024	13.00	5.50	9.75	216,916

The stock price information shown above has been adjusted to reflect United's 1 for 5 reverse stock split as though it had occured at the beginning of the earliest reported period.

Account Consolidation

If you receive duplicate statements from United and wish to discontinue such mailings, or would like to consolidate your accounts, contact Shareholder Relations at (866) 270-5900 or investor_relations@ucbi.com. This will enable United to avoid unnecessary cost for duplication and mailing.

Shareholders seeking information on stock-transfer requirements, lost certificates, dividends and other shareholder matters, should contact Shareholder Relations.

Transfer Agent and Registrant

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209 West Jackson Blvd., Suite 903
Chicago, Illinois 60606
(312) 427-2953

Independent Registered Public Accountants

Porter Keadle Moore, LLC
Atlanta, Georgia

Legal Counsel

Kilpatrick Townsend & Stockton LLP
Atlanta, Georgia

Equal Opportunity Employer

United Community Banks is an equal opportunity employer. All matters regarding recruiting, hiring, training, compensation, benefits, promotions, transfers and other personnel policies will remain free from discriminatory practices.

Board of Directors

Robert L. Head, Jr.
Chairman
Owner, *Head Westgate*

W.C. Nelson, Jr.
Owner, *Nelson Tractor Company*

Jimmy C. Tallent
President and
Chief Executive Officer

Robert H. Blalock
Owner, *Blalock Insurance Agency, Inc.*

Clifford V. Brokaw
Managing Director
Corsair Capital

L. Cathy Cox
President, *Young Harris College*

Steven J. Goldstein
Retired Chief Financial Officer, *Federal Home Loan Bank of Atlanta*

Hoyt O. Holloway
Owner, *H and H Farms*

Thomas A. Richlovsky
Retired Chief Financial Officer and Treasurer
National City Corporation

John D. Stephens
Partner, *Stephens MDS, LP*

Tim R. Wallis
President and
Chief Executive Officer
Wallis Printing Company

Zell B. Miller
Director Emeritus
Retired U.S. Senator

Executive Officers

Jimmy C. Tallent
President and
Chief Executive Officer

Rex S. Schuette
Executive Vice President
Chief Financial Officer

David P. Shearrow
Executive Vice President
Chief Risk Officer

Craig Metz
Executive Vice President
Retail Banking and
Corporate Marketing

Bill M. Gilbert
Regional President
North Georgia and
Coastal Georgia

Tim Schools
Regional President
North Carolina and
Tennessee

Glenn S. White
Regional President
Atlanta

United Community Banks.

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