

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

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

Yes No

State the aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$354,624,336 (based on shares held by non-affiliates at \$3.95 per share, the closing stock price on the Nasdaq stock market on June 30, 2010).

As of February 28, 2011, 87,081,150 shares of common stock were issued and outstanding. Also outstanding were presently exercisable options to acquire 2,715,738 shares, presently exercisable warrants to acquire 8,806,716 shares and 390,077 shares issuable under United Community Banks, Inc.'s deferred compensation plan.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2011 Annual Meeting of Shareholders are incorporated herein into Part III by reference.

footprint in Georgia, North Carolina and Tennessee for the purchase of homes and to refinance existing mortgage debt. Substantially all of these mortgages were sold into the secondary market without recourse to the Bank other than for breach of warranties.

Acquired in 2000, Brintech, Inc. ("Brintech"), a former subsidiary of the Bank, was a consulting firm for the financial services industry. Brintech provides consulting, advisory, and implementation services in the areas of strategic planning, profitability improvement, technology, efficiency, security, risk management, network, Internet banking, marketing, core processing, and telecommunications and regulatory compliance assistance. United sold Brintech effective March 31, 2010 and has excluded its results of operations from earnings from continuing operations in the consolidated statement of operations.

The Bank owns an insurance agency, United Community Insurance Services, Inc. ("UCIS"), known as United Community Advisory Services, which is a subsidiary of the Bank. United also owns a captive insurance subsidiary, United Community Risk Management Services, Inc. ("UCRMSI") that provides risk management services for United and its subsidiaries.

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

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 FDIC on all FDIC-insured institutions in the future, similar to the assessment in 2009 that decreased our earnings;
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; and
the impact of the Private Placement generally and specifically on the market price of our common stock, our earnings per share, and the ownership interests of our shareholders.

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

Monetary Policy and Economic Conditions

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

Competition

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

The table on the following page displays the respective percentage of total bank and thrift deposits for the last two years in each county where the Bank has operations. The table also indicates the Bank's ranking by deposit size in each county. All information in the table was obtained from the Federal Deposit Insurance Corporation Summary of Deposits as of June 30, 2010 and 2009. The following information only shows market share in deposit gathering, which may not be indicative of market presence in other areas.

Commercial (secured by real estate)	Loan portfolio concentrations; declines in general economic conditions and occupancy rates; business failure and lack of a suitable alternative use for property; environmental contamination.
Commercial construction	Loan portfolio concentrations; inadequate long-term financing arrangements; cost overruns, changes in market demand for property.
Residential construction	Loan portfolio concentrations; inadequate long-term financing arrangements; cost overruns, changes in market demand for property.
Residential mortgage	Loan portfolio concentrations; changes in general economic conditions or in the local economy; loss of borrower's employment; insufficient collateral value due to decline in property value.
Consumer installment	Loss of borrower's employment; changes in local economy; the inability to monitor collateral.

Lending Policy

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

In addition, Credit Administration, with supervision and input from Accounting, prepares a quarterly analysis to determine the adequacy of the Allowance for Loan Losses (“ALL”). The ALL analysis starts with total loans and subtracts loans fully secured by deposit accounts at the Bank, which effectively have no risk of loss. Next, all loans that are considered impaired are individually reviewed and assigned a specific reserve if one is warranted. Effective with the third quarter of 2009, as mandated by the FDIC, all impaired loans with specific reserves were required to be charged down by the amount of the specific reserve (loan charge-off) to net realizable value. The remaining loan balance for each major loan category is then multiplied by its respective loss factor that is derived from the average historical loss rate for the preceding two year period, weighted toward the most recent quarters, and adjusted to reflect current economic conditions. Loss factors for these loans are determined based on historical loss experience by type of loan. The unallocated portion of the allowance is maintained due to imprecision in estimating loss factors and economic and other conditions that cannot be entirely quantified in the analysis.

engaged in non-banking activities. This prohibition does not apply to activities listed in the BHC Act or found by the Federal Reserve, by order or regulation, to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve has determined by regulation or order to be closely related to banking are:

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

securities, qualifying subordinated debt and allowances for possible loan and lease losses, subject to limitations. The Federal Reserve and the FDIC use the leverage ratio in tandem with the risk-based ratio to assess the capital adequacy of banks and bank holding companies. The Federal Reserve will require a bank holding company to maintain a leverage ratio greater than 4% if it is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve. The FDIC, the Office of the Comptroller of the Currency (the "OCC") and the Federal Reserve consider interest rate risk in the overall determination of a bank's capital ratio, requiring banks with greater risk to maintain adequate capital for the risk. For example, regulators frequently require financial institutions with high levels of classified assets to maintain a leverage ratio of at least 8%.

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

Source of Strength Doctrine. Federal Reserve regulations and policy requires bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Under this policy, United is expected to commit resources to support the Bank.

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

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Rex S. Schuette (61)	Executive Vice President and Chief Financial Officer	2001
David Shearrow (51)	Executive Vice President and Chief Risk Officer since April 2007; prior to joining United, he served as Executive Vice President and Senior Credit Officer of SunTrust Banks	2007
Craig Metz (55)	Executive Vice President of Marketing	2002
Bill M. Gilbert (58)	Senior Vice President of Retail Banking	2003
Glenn S. White (59)	President of the Atlanta Region since 2008; previously, he was the President of United Community Bank - Gwinnett since 2007; prior to joining United, he served as Chief Executive Officer of Gwinnett Commercial Group, Inc.	2008

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

ITEM 1A. RISK FACTORS.

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

Completion of the Private Placement is subject to various closing conditions which may not be satisfied.

Completion of the Private Placement is subject to various conditions to closing, many of which are outside of our control, and may not be satisfied. We cannot assure you that all conditions will be satisfied timely or at all. A failure to consummate the Private Placement could have a material adverse effect on our financial condition, our ability to avoid additional, heightened enforcement actions and our ability to raise capital in the future.

If the Private Placement is completed, our existing shareholders' interests will be substantially diluted and the market price of our common stock may fall.

As described above, we expect to complete the Private Placement, assuming the satisfaction of the remaining conditions. Because a large number of common shares is contemplated to be issued in the Private Placement at a price that is significantly less than our tangible book value, the ownership interest of existing shareholders and our earnings per share will be substantially diluted and the market price of our common stock may fall.

We may suffer substantial additional dilution due to our agreements to indemnify investors in the Private Placement if we experienced an ownership change at or prior to closing.

In our agreements with the investors in the Private Placement, we agreed to indemnify the investors if we experienced an ownership change under Section 382 at or prior to closing. In such case, we will be required to issue 48 million additional shares of non-voting common stock at no additional cost. As a result, if such indemnity is triggered, the ownership interest of existing shareholders and our earnings per share will be further diluted and the market price of our common stock may decline.

Assuming the completion of the Private Placement, subsequent resales of our common shares in the public market may cause the market price of our common shares to fall.

We plan to issue a large number of common shares to the investors in the Private Placement. The investors in the Private Placement will have certain registration rights with respect to the common shares held by them. The market value of our common shares could decline as a result of sales by the investors from time to time of a substantial amount of the common shares held by them.

Assuming the completion of the Private Placement, the lead investor will become a substantial holder of our common shares.

Assuming the completion of the Private Placement and the conversion of the preferred stock issued in connection with the Private Placement, the lead investor will become holder of approximately 9.9% of our outstanding voting common shares and 22.5% of total common stock and non-voting common stock and will have a representative on our Board of Directors. Although it has entered into certain passivity agreements with the Federal Reserve in connection with their proposed investments in us, the lead investor may have an influence over our corporate policy and business strategy. In addition, it will have pre-emptive rights to maintain its percentage ownership of our common shares in the event of certain issuances of securities by us.

Enforcement actions could have a material negative effect on our business, operations, financial condition, results of operations or the value of our common stock.

Pursuant to the Board Resolution, United has agreed to not incur additional indebtedness, pay cash dividends, make payments on our trust preferred securities or repurchase outstanding stock without prior regulatory approval. The MOU requires, among other things, that the Bank maintain its Tier 1 leverage ratio at not less than 8% and its total risk-based capital ratio at not less than 10% during the life of the MOU and that, prior to declaring or paying any cash dividends to United, the Bank must obtain the written consent of its regulators. As of December 31, 2010, the Bank's Tier 1 leverage ratio was below the target level of 8%.

If we are unable reduce our classified assets, complete the Private Placement or raise additional capital, comply with the Board Resolution or regain compliance under the MOU, then we could become subject to additional, heightened enforcement actions and orders, possibly including cease and desist or consent orders, written agreements and/or other regulatory enforcement actions. If our regulators were to take such additional enforcement actions, then we could, among other things, become subject to significant restrictions on our ability to develop any new business, as well as restrictions on our existing business, and we could be required to raise additional capital, dispose of certain assets and liabilities within a prescribed period of time, or both. The terms of any such enforcement action could have a material negative effect on our business, operations, financial condition, results of operations or the value of our common stock.

As a financial services company, adverse conditions in the general business or economic environment could have a material adverse effect on our financial condition and results of operations.

Continued weakness or adverse changes in business and economic conditions generally or specifically in the markets in which we operate could adversely impact our business, including causing one or more of the following negative developments:

- a decrease in the demand for loans and other products and services offered by us;
- a decrease in the value of our loans secured by consumer or commercial real estate;
- an impairment of our assets, such as our deferred tax assets; or

an increase in the number of customers or other counterparties who default on their loans or other obligations to us, which could result in a higher level of nonperforming assets, net charge-offs and provision for loan losses.

For example, if we are unable to continue to generate, or demonstrate that we can continue to generate, sufficient taxable income in the near future, then we may not be able to fully realize the benefits of our deferred tax assets and may be required to recognize a valuation allowance, similar to an impairment of those assets, if it is more-likely-than-not that some portion of our deferred tax assets will not be realized. Such a development or one or more other negative developments resulting from adverse conditions in the general business or economic environment, some of which are described above, could have a material adverse effect on our financial condition and results of operations.

We have incurred significant operating losses and the timing of profitability is uncertain.

We incurred a net operating loss from continuing operations of \$143 million, or \$1.62 per share, for the year ended December 31, 2010; \$139 million, or \$2.47 per share, for the year ended December 31, 2009; and \$63.9 million, or \$1.36 per share, for the year ended December 31, 2008, in each case due primarily to credit losses and associated costs, including significant provisions for loan losses. Although we have taken a significant number of steps to reduce our credit exposure, we will likely continue to have a higher than normal level of nonperforming assets and substantial charge-offs in 2011, which would continue to adversely impact our overall financial condition and results of operations.

The results of our most recent internal credit stress test may not accurately predict the impact on our financial condition if the economy were to continue to deteriorate.

We regularly perform an internal analysis of our capital position. Our analysis is based on the tests that were administered to the nation's nineteen largest banks by Treasury in connection with its Supervisory Capital Assessment Program ("SCAP"). Under the stress test, we apply many of the same methodologies but less severe loss assumptions than Treasury applies in its program to estimate our loan losses (loan charge-offs), resources available to absorb those losses and any necessary additions to capital that would be required under the "more adverse" stress test scenario. As a result, our estimates for loan losses are lower than those suggested by the SCAP assumptions.

We have also calculated our loss estimates based on the SCAP test, and while we believe we have appropriately applied Treasury's assumptions in performing this internal stress test, results of this test may not be comparable to the results of stress tests performed and publicly released by Treasury, and the results of this test may not be the same as if the test had been performed by Treasury.

The results of these stress tests involve many assumptions about the economy and future loan losses and default rates, and may not accurately reflect the impact on our financial condition if the economy does not improve or continues to deteriorate. Any continued deterioration of the economy could result in credit losses significantly higher, with a

The FDIC has imposed a special assessment on all FDIC-insured institutions, which decreased our earnings in 2009, and future special assessments could adversely affect our earnings in future periods.

In May 2009, the FDIC announced that it had voted to levy a special assessment on insured institutions in order to facilitate the rebuilding of the Deposit Insurance Fund. The assessment was equal to five basis points of our subsidiary bank's total assets minus Tier 1 capital as of June 30, 2009. This additional charge of \$3.8 million increased operating expenses during the second quarter of 2009. The FDIC has indicated that future special assessments are possible, although it has not determined the magnitude or timing of any future assessments. Any such future assessments will decrease our earnings.

The Dodd-Frank Act and related regulations may adversely affect our business, financial condition, liquidity or results of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was enacted on July 21, 2010. The Dodd-Frank Act creates a new Consumer Financial Protection Bureau with the power to promulgate and enforce consumer protection laws. Smaller depository institutions, those with \$10 billion or less in assets, will be subject to the Consumer Financial Protection Bureau's rule-writing authority, and existing depository institution regulatory agencies will retain examination and enforcement authority for such institutions. The Dodd-Frank Act also establishes a Financial Stability Oversight Council chaired by the Secretary of the Treasury with authority to identify institutions and practices that might pose a systemic risk, makes permanent the \$250,000 limit for federal deposit insurance, provides unlimited federal deposit insurance until December 31, 2012 for non-interest bearing transaction accounts at all insured depository institutions and repeals the federal prohibitions on the payment of interest on demand deposits. Among other things, the Dodd-Frank Act includes provisions affecting (1) corporate governance and executive compensation of all companies whose securities are registered with the SEC, (2) FDIC insurance assessments, (3) interchange fees for debit cards, which would be set by the Federal Reserve under a restrictive "reasonable and proportional cost" per transaction standard, (4) minimum capital levels for bank holding companies, subject to a grandfather clause for financial institutions with less than \$15 billion in assets, (5) derivative and proprietary trading by financial institutions, and (6) the resolution of large financial institutions.

At this time, it is difficult to predict the extent to which the Dodd-Frank Act or the resulting regulations may adversely impact us. However, compliance with these new laws and regulations may increase our costs, limit our ability to pursue attractive business opportunities, cause us to modify our strategies and business operations and increase our capital requirements and constraints, any of which may have a material adverse impact on our business, financial condition, liquidity or results of operations.

Our ability to fully utilize deferred tax assets could be impaired under Section 382 of the Internal Revenue Code.

As of December 31, 2010, our net deferred tax asset was approximately \$167 million, which includes approximately \$124 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.

There is no guarantee that the Tax Benefits Preservation Plan will prevent United from experiencing an ownership change under Section 382. Our inability to utilize these tax benefits would have a material adverse effect on our financial condition and results of operations.

securities for 2010 declined \$587 million and \$203 million, respectively, from the year ended December 31, 2009. Net interest margin improved 27 basis points from 3.29% in 2009 to 3.56% in 2010. The margin improvement resulted from management's ongoing efforts to manage loan pricing, while lowering the cost of deposits.

Operating fee revenue of \$48.5 million was down \$2.4 million or 5% from 2009. The decrease was primarily attributable to balance sheet management activities that resulted in gains from the sale of securities of \$2.55 million in 2010 and \$2.76 million in 2009 offset by losses of \$2.23 million in 2010 on the prepayment of Federal Home Loan Bank advances. Mortgage loan and related fees decreased \$1.94 million compared to the prior year, due to the significant refinancing activity that took place in 2009, as mortgage rates fell to historical lows. In 2009, United also recognized a gain of \$11.4 million related to the FDIC assisted acquisition of SCB which is not included in operating fee revenue. The gain resulted from the bargain purchase since the purchase price was less than the value of the net assets and liabilities received.

For the year ended December 31, 2010, operating expenses of \$243 million, excluding the loss from the sale of nonperforming assets to Fletcher, were up \$25.9 million, or 12% from the same period in the prior year. Also excluded from operating expenses for 2010 was the \$211 million goodwill impairment charge. Operating expenses for 2009 excluded \$95 million in goodwill impairment charges and \$2.90 million in severance costs. Although United's expense saving initiatives were successful in lowering controllable expenses, foreclosed property costs were up \$33.3 million from 2009. Higher foreclosed property expenses were partially offset by a \$4.95 million decrease in salaries and benefits expense, reflecting the 10% staff reduction that began at the end of the first quarter of 2009.

the consolidated balance sheet. Loan losses are charged against the allowance, while recoveries of amounts previously charged off are credited to the allowance. A provision for loan losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

The allowance for loan losses consists of an allocated component and an unallocated component. The components of the allowance for loan losses represent an estimate. The allocated component of the allowance for loan losses reflects expected losses resulting from analyses developed through specific credit allocations for individual loans and historical loss experience for each loan category. The specific credit allocations are based on regular analyses of all non-accrual loans over \$500,000, which are considered impaired loans. These analyses involve judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The historical loss element is determined using the weighted average of actual losses incurred over the prior eight quarters for each type of loan, updated quarterly. The weighted average is weighted toward the most recent quarters' loss experience. The historical loss experience is adjusted for known changes in economic conditions and credit quality trends such as changes in the amount of past due and nonperforming loans. The resulting loss allocation factors are applied to the balance of each type of loan after removing the balance of impaired loans and other specifically allocated loans from each category. The loss allocation factors are updated annually. The allocated component of the allowance for loan losses also includes consideration of concentrations of credit and changes in portfolio mix.

Intangible Assets

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

During the third quarter of 2010, United conducted an interim goodwill impairment assessment as a result of a significant decline in its stock price. The impairment assessment results indicated that United's goodwill was completely impaired and the remaining balance of \$211 million was charged to earnings during the third quarter. The third quarter impairment charge followed two other impairment charges in the first and third quarters of 2009 of \$70 million and \$25 million, respectively.

Mergers and Acquisitions

United selectively engages in the evaluation of strategic partnerships. Mergers and acquisitions present opportunities to enter new markets with an established presence and a capable management team already in place. United employs certain criteria to ensure that any merger or acquisition candidate meets strategic growth and earnings objectives that will build future franchise value for shareholders. Additionally, the criteria include ensuring that management of a potential partner shares United's community banking philosophy of premium service quality and operates in attractive markets with excellent opportunities for further organic growth. As part of this strategy, United completed one federally assisted acquisition in 2009. United will continue to evaluate potential transactions as they are presented, including acquisitions of failed banks to the extent we are permitted to bid on them.

On June 19, 2009, UCB purchased substantially all the assets and assumed substantially all the liabilities of Southern Community Bank ("SCB") from the Federal Deposit Insurance Corporation 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 on June 19, 2009. The transaction resulted in a cash payment of \$31 million from the FDIC to UCB. Further, UCB 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 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 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. As a result of the acquisition, United recorded a gain totaling \$11.4 million as a component of fee revenue in the consolidated statement of operations. The amount of gain is equal to the amount by which the fair value of the assets purchased exceeded the fair value of liabilities assumed. The results of operations of SCB are included in the consolidated statement of operations from the acquisition date of June 19, 2009.

GAAP Reconciliation and Explanation

This Form 10-K 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, operating earnings (loss) per share and operating earnings (loss) per diluted share. Management uses these non-GAAP financial measures because it believes it is 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 on the tables on pages 32 and 33.

In 2010, United recorded a non-cash goodwill impairment charge of \$211 million in the third quarter. Also in 2010, United received a partial recovery of \$11.8 million, net of recovery costs, in the fourth quarter resulting from fraud losses incurred in 2007 relating to two failed real estate developments near Spruce Pine, North Carolina. In 2009, United recorded non-cash goodwill impairment charges of \$25 million and \$70 million during the third and first quarters, respectively. In addition, United recorded severance costs of \$2.9 million during the first quarter of 2009 and a gain on the acquisition of SCB in the amount of \$11.4 million during the second quarter of 2009.

Net operating income (loss) excludes the effect of the goodwill impairment charge of \$211 million and the \$11.8 million fraud loss partial recovery in 2010 and the goodwill impairment charges of \$95 million, the \$11.4 million gain on acquisition, and the \$2.9 million in severance costs in 2009, because management believes that the circumstances leading to those items were isolated, non-recurring events and do not reflect overall trends in United's earnings and financial performance. Management believes this non-GAAP net operating income (loss) provides users of United's financial information with a meaningful measure for assessing United's financial results and credit trends, as well as comparison to financial results for prior periods.

The following pages contain a reconciliation of net operating income to GAAP net income.

Net charge-offs to average loans reconciliation										
Operating net charge-offs to average loans	4.42	%	5.03	%	2.57	%	.38	%	.12	%
Effect of fraud related charge offs and subsequent partial recovery	(.25)	-		-		.31		-	
Net charge-offs to average loans (GAAP)	4.17	%	5.03	%	2.57	%	.69	%	.12	%

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provision for loan losses								
Provision for loan losses (GAAP)	\$36,000	\$50,500	\$61,500	\$75,000	\$90,000	\$95,000	\$60,000	\$65,000
Fee revenue reconciliation								
Operating fee revenue	\$12,442	\$12,861	\$11,579	\$11,666	\$14,447	\$13,389	\$11,305	\$11,823
Gain from acquisition	-	-	-	-	-	-	11,390	-
Fee revenue (GAAP)	\$12,442	\$12,861	\$11,579	\$11,666	\$14,447	\$13,389	\$22,695	\$11,823
Total revenue reconciliation								
Total operating revenue	\$24,824	\$22,375	\$11,706	\$(2,055)	\$(11,624)	\$(18,607)	\$12,187	\$4,235
Taxable equivalent adjustment	(497)	(511)	(500)	(493)	(601)	(580)	(463)	(488)
Gain from acquisition	-	-	-	-	-	-	11,390	-
Partial reversal of special fraud-related provision for loan losses	11,750	-	-	-	-	-	-	-
Total revenue (GAAP)	\$36,077	\$21,864	\$11,206	\$(2,548)	\$(12,225)	\$(19,187)	\$23,114	\$3,747
Expense reconciliation								
Operating expense	\$64,918	\$64,906	\$103,657	\$54,820	\$60,126	\$51,426	\$53,710	\$51,788
Noncash goodwill impairment charge	-	210,590	-	-	-	25,000	-	70,000
Severance costs	-	-	-	-	-	-	-	2,898
Operating expense (GAAP)	\$64,918	\$275,496	\$103,657	\$54,820	\$60,126	\$76,426	\$53,710	\$124,686
Loss from continuing operations before taxes reconciliation								
	\$(40,094)	\$(42,531)	\$(91,951)	\$(56,875)	\$(71,750)	\$(70,033)	\$(41,523)	\$(47,553)

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 following table presents operating expenses from continuing operations for the fourth quarters of 2010 and 2009.

Table 7 - Quarterly Operating Expenses From Continuing Operations (in thousands)

	Three Months Ended		
	December 31,		
	2010	2009	Change
Salaries and employee benefits	\$ 23,777	\$ 24,061	(1)%
Communications and equipment	3,377	3,819	(12)
Occupancy	4,024	4,003	1
Advertising and public relations	1,102	958	15
Postage, printing and supplies	1,063	1,307	(19)
Professional fees	3,016	2,646	14
Foreclosed property - foreclosure and carrying costs	4,753	4,815	(1)
Foreclosed property - writedowns and losses from sales	15,849	9,576	66
FDIC assessments and other regulatory charges	3,299	3,711	(11)
Amortization of intangibles	771	813	(5)
Other	3,887	4,417	(12)
Total operating expenses	\$ 64,918	\$ 60,126	8

Operating expenses increased \$4.79 million to \$64.9 million, an 8% increase from the fourth quarter of 2009. Salaries and employee benefit costs of \$23.8 million decreased \$284,000, or 1%, from the fourth quarter of 2009 mostly due to lower stock-based compensation expense as United did not have an annual grant of equity compensation awards in 2010. Communications and equipment expenses were down 442,000, or 12%, to \$3.38 million for the three months ended December 31, 2010 compared to the same period in 2009 due to lower depreciation and maintenance charges. Occupancy expense was relatively flat at \$4.0 million for the fourth quarters of 2010 and 2009. Professional fees increased \$370,000 to \$3.02 million reflecting higher loan review charges. Postage, printing and supplies expense decreased \$244,000 to \$1.06 million due to increased use of electronic statements and branch capture devices that reduced the need for couriers. For the fourth quarter of 2010, advertising and public relations expense increased \$144,000, or 15%, mostly reflecting the rollout of United's "Number One in Customer Satisfaction" campaign. Total foreclosed property expense of \$20.6 million increased \$6.21 million from \$14.4 million for the fourth quarter of 2009, due to additional losses on sales and write-downs taken to accelerate the disposition of properties. FDIC assessments and other regulatory charges decreased from \$3.71 million during the fourth quarter of 2009 to \$3.30 million for the same period in 2010 due to a lower level of average insured deposits upon which the assessment was based. Other operating expense decreased \$530,000 to \$3.89 million primarily due to lower ATM network costs.

Balance Sheet Review

Total assets at December 31, 2010 were \$7.44 billion, a decrease of \$557 million, or 7%, from December 31, 2009. On an average basis, total assets decreased \$644 million, or 8%, from 2009 to 2010. Average interest earning assets for 2010 and 2009 were \$6.82 billion and \$7.46 billion, respectively.

Loans

Substantially all loans are to customers (including customers who have a seasonal residence in United's market areas) located in the immediate market areas of its community banks in Georgia, North Carolina, and Tennessee, and more

than 85% of the loans are secured by real estate. Total loans averaged \$4.96 billion in 2010, compared with \$5.55 billion in 2009, a decrease of 11%. The decrease results from weak loan demand within United's market and management's efforts to reduce United's residential construction concentration. At December 31, 2010, total loans were \$4.60 billion, a decrease of \$547 million, or 11%, from December 31, 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 2010. The decrease in the loan portfolio began with deterioration in the residential construction and housing markets. This deterioration resulted in part from an oversupply of lot inventory, houses and land within United's markets, which further slowed construction activities and acquisition and development projects. The resulting recession that began in the housing market led to high rates of unemployment that resulted in stress in the other segments of United's loan portfolio. Despite the weak economy and lack of loan demand, United continued to pursue lending opportunities which resulted in \$320 million in new loans during 2010.

Total	\$715,880	\$ 500,690	\$216,695	\$1,433,265	\$493,463	\$223,922
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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 at among all of the community banks. Additional information on United's loan administration function is included in Item 1 under the heading "Loan Review and Nonperforming Assets."

United classifies 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.

Excludes loans acquired through the FDIC assisted acquisition of Southern Community Bank that are covered by loss sharing agreements.

NM - Not meaningful.

The provision for loan losses charged to earnings was based upon management's judgment of the amount necessary to maintain the allowance for loan losses at a level appropriate to absorb losses inherent in the loan portfolio at the balance sheet date. The amount each year 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 a year ago reflect stabilizing trends in substandard loans, leading to an expectation that charge-off levels will continue to decline. In addition, the \$11.8 million partial recovery in the fourth quarter of 2010 of a previously charged off loan increased the total allowance for loan losses by that amount, thereby reducing the level of loan loss provision needed in 2010.

Management believes that the allowance for loan losses at December 31, 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 for additional information on the allowance for loan losses.

Nonperforming Assets

Nonperforming loans, which include non-accrual loans and accruing loans past due over 90 days, totaled \$179 million at December 31, 2010, compared with \$264 million at December 31, 2009. At December 31, 2010 and 2009, the ratio of nonperforming loans to total loans was 3.89% and 5.13%, respectively. The sale of approximately \$70 million nonperforming loans to Fletcher in the second quarter of 2010 contributed to the decrease. Nonperforming assets, which include nonperforming loans and foreclosed real estate, totaled \$321 million at December 31, 2010, compared with \$385 million at December 31, 2009. The sale of approximately \$168 million of foreclosed properties during 2010, including the sale of \$33 million to Fletcher in the second quarter of 2010, was offset by the addition of approximately \$238 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.

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

There were no commitments to lend additional funds to customers whose loans were on non-accrual status at December 31, 2010, although in certain isolated cases, United executed forbearance agreements whereby United will continue to fund construction loans to completion as long as the borrower meets the conditions of the forbearance agreement. The table below summarizes nonperforming assets at year-end for the last five years. It excludes assets acquired through the acquisition of SCB in 2009 that are covered by the loss-sharing agreement with the FDIC. These assets have been excluded from the review of nonperforming 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 13 - Nonperforming Assets
As of December 31,
(in thousands)

	2010	2009	2008	2007	2006
Nonaccrual loans (NPLs)	\$ 179,094	\$ 264,092	\$ 190,723	\$ 28,219	\$ 12,458
Loans past due 90 days or more and still accruing	-	-	-	-	-
Total nonperforming loans	179,094	264,092	190,723	28,219	12,458
Foreclosed properties	142,208	120,770	59,768	18,039	1,196
Total nonperforming assets (NPAs)	\$ 321,302	\$ 384,862	\$ 250,491	\$ 46,258	\$ 13,654
NPLs as a percentage of total loans	3.89	% 5.13	% 3.34	% .48	% .23
NPAs as a percentage of loans and foreclosed properties	6.77	7.30	4.35	.78	.25
NPAs as a percentage of total assets	4.32	4.81	2.92	.56	.19

At December 31, 2010 and 2009 United had \$101 million and \$60.4 million, respectively, in loans with terms that have been modified in a troubled debt restructuring ("TDR"). Included therein were \$17.3 million and \$7.0 million, respectively, of TDRs that were not performing in accordance with their modified terms and were included in nonperforming loans. The remaining TDRs with an aggregate balance of \$84.1 million and \$53.4 million, respectively, were performing according to their modified terms and are therefore not considered to be nonperforming assets. There were no TDRs reported for any of the prior reporting periods presented above.

At December 31, 2010 and 2009, there were \$123 million and \$198 million, respectively, of loans classified as impaired under the definition outlined in the Accounting Standards Codification. Included in impaired loans at December 31, 2010 and 2009 were \$115 million and \$182 million, respectively, that did not require specific reserves or had previously been charged down to net realizable value. The balance of impaired loans at December 31, 2010 of \$7.64 million had specific reserves that totaled \$1.05 million and the balance of impaired loans at December 31, 2009 of \$16.1 million had specific reserves that totaled \$2.98 million. The average recorded investment in impaired loans for the years ended December 31, 2010, 2009 and 2008 was \$170 million, \$229 million and \$97.1 million, respectively. During 2010, 2009 and 2008, there was no interest revenue recognized on loans while they were impaired. United's policy is to discontinue the recognition of interest revenue for loans classified as impaired under the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 310-10-35, Receivables, when the loan meets the criteria for nonaccrual status.

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The following table summarizes nonperforming assets by category and market 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 14 - Nonperforming Assets by Quarter
(in thousands)

	December 31, 2010 (1)			September 30, 2010 (1)			June 30, 2010 (1)			Mar
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	
BY CATEGORY										
Commercial (sec. by RE)	\$44,927	\$23,659	\$68,586	\$53,646	\$14,838	\$68,484	\$56,013	\$13,297	\$69,310	\$45,000
Commercial construction	21,374	17,808	39,182	17,279	15,125	32,404	17,872	11,339	29,211	23,000
Commercial & industrial	5,611	-	5,611	7,670	-	7,670	7,245	-	7,245	3,600
Total commercial	71,912	41,467	113,379	78,595	29,963	108,558	81,130	24,636	105,766	73,600
Residential construction	54,505	78,231	132,736	79,321	73,206	152,527	88,375	74,444	162,819	140,000
Residential mortgage	51,083	22,510	73,593	58,107	26,795	84,902	53,175	24,830	78,005	57,000
Consumer / installment	1,594	-	1,594	1,743	-	1,743	1,655	-	1,655	2,400
Total NPAs	\$179,094	\$142,208	\$321,302	\$217,766	\$129,964	\$347,730	\$224,335	\$123,910	\$348,245	\$280,000
BY MARKET										
Atlanta MSA	\$48,289	\$41,154	\$89,443	\$65,304	\$32,785	\$98,089	\$74,031	\$30,605	\$104,636	\$81,000
Gainesville MSA	5,171	9,273	14,444	11,905	5,685	17,590	10,730	2,750	13,480	17,000
North Georgia	83,551	66,211	149,762	92,295	67,439	159,734	102,198	60,597	162,795	100,000
Western North Carolina	25,832	11,553	37,385	31,545	11,559	43,104	22,776	11,473	34,249	31,000
Coastal Georgia	11,145	11,901	23,046	10,611	10,951	21,562	8,341	16,548	24,889	33,000
East Tennessee	5,106	2,116	7,222	6,106	1,545	7,651	6,259	1,937	8,196	7,700
Total NPAs	\$179,094	\$142,208	\$321,302	\$217,766	\$129,964	\$347,730	\$224,335	\$123,910	\$348,245	\$280,000
	December 31, 2009 (1)			September 30, 2009 (1)			June 30, 2009 (1)			Mar
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	
BY CATEGORY										
Commercial (sec. by RE)	\$37,040	\$15,842	\$52,882	\$38,379	\$12,566	\$50,945	\$37,755	\$5,395	\$43,150	\$18,000
Commercial construction	19,976	9,761	29,737	38,505	5,543	44,048	15,717	5,847	21,564	6,400
Commercial & industrial	3,946	-	3,946	3,794	-	3,794	11,378	-	11,378	12,000
Total commercial	60,962	25,603	86,565	80,678	18,109	98,787	64,850	11,242	76,092	36,400
Residential construction	142,332	76,519	218,851	171,027	79,045	250,072	176,400	81,648	258,048	180,000
Residential mortgage	58,767	18,648	77,415	50,626	13,456	64,082	44,256	11,864	56,120	33,000

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Consumer / installment	2,031	-	2,031	2,050	-	2,050	2,342	-	2,342	1,6
Total NPAs	\$264,092	\$120,770	\$384,862	\$304,381	\$110,610	\$414,991	\$287,848	\$104,754	\$392,602	\$25

BY MARKET

Atlanta MSA	\$106,536	\$41,125	\$147,661	\$120,599	\$54,670	\$175,269	\$148,155	\$50,450	\$198,605	\$13
Gainesville MSA	5,074	2,614	7,688	12,916	8,429	21,345	9,745	3,511	13,256	17
North Georgia	87,598	53,072	140,670	96,373	36,718	133,091	72,174	37,454	109,628	66
Western North Carolina	29,610	5,096	34,706	25,775	5,918	31,693	21,814	7,245	29,059	21
Coastal Georgia	26,871	17,150	44,021	38,414	3,045	41,459	30,311	3,904	34,215	15
East Tennessee	8,403	1,713	10,116	10,304	1,830	12,134	5,649	2,190	7,839	6,8
Total NPAs	\$264,092	\$120,770	\$384,862	\$304,381	\$110,610	\$414,991	\$287,848	\$104,754	\$392,602	\$25

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

Nonperforming assets in the residential construction category were \$133 million at December 31, 2010, compared to \$219 million at December 31, 2009, a decrease of \$86.1 million, or 39%. While residential construction nonperforming assets have begun to decrease, commercial nonperforming assets of \$113 million, at December 31, 2010, were up \$26.8 million from the prior year. Residential mortgage nonperforming assets of \$73.6 million, decreased \$3.82 million from December 31, 2009. In 2009, nonperforming assets had been concentrated in the Atlanta MSA, however Atlanta nonperforming assets have been steadily declining throughout 2010 after peaking in the third quarter of 2009. At December 31, 2010, Atlanta nonperforming assets were down \$58.2 million from December 31, 2009. United's north Georgia market has seen an increase in nonperforming assets with the balance increasing from \$141 million at December 31, 2009 to \$150 million at December 31, 2010.

The following table summarizes activity in nonperforming 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 15 - Activity in Nonperforming Assets by Quarter

(in thousands)

	Fourth Quarter 2010 (1)			Third Quarter 2010 (1)			Second Quarter 2010 (1)			First Quarter 2010 (1)
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	
Beginning Balance	\$217,766	\$129,964	\$347,730	\$224,335	\$123,910	\$348,245	\$280,802	\$136,275	\$417,077	\$264,000
Loans placed on non-accrual	81,023	-	81,023	119,783	-	119,783	155,007	-	155,007	139,000
Payments received	(7,250)	-	(7,250)	(11,469)	-	(11,469)	(12,189)	-	(12,189)	(5,730)
Loan charge-offs	(47,913)	-	(47,913)	(52,647)	-	(52,647)	(62,693)	-	(62,693)	(58,800)
Foreclosures	(61,432)	61,432	-	(59,844)	59,844	-	(66,994)	66,994	-	(49,200)
Capitalized costs	-	170	170	-	601	601	-	305	305	-
Note / property sales	(3,100)	(33,509)	(36,609)	(2,392)	(40,203)	(42,595)	(69,598)	(68,472)	(138,070)	(8,450)
Write downs	-	(8,031)	(8,031)	-	(7,051)	(7,051)	-	(6,094)	(6,094)	-
Net gains (losses) on sales	-	(7,818)	(7,818)	-	(7,137)	(7,137)	-	(5,098)	(5,098)	-
Ending Balance	\$179,094	\$142,208	\$321,302	\$217,766	\$129,964	\$347,730	\$224,335	\$123,910	\$348,245	\$280,800
	Fourth Quarter 2009 (1)			Third Quarter 2009 (1)			Second Quarter 2009 (1)			First Quarter 2009 (1)
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	
Beginning Balance	\$304,381	\$110,610	\$414,991	\$287,848	\$104,754	\$392,602	\$259,155	\$75,383	\$334,538	\$190,700
Loans placed on non-accrual	174,898	-	174,898	190,164	-	190,164	169,351	-	169,351	175,700
Payments received	(26,935)	-	(26,935)	(16,597)	-	(16,597)	(15,597)	-	(15,597)	(24,700)
Loan charge-offs	(88,427)	-	(88,427)	(92,359)	-	(92,359)	(60,644)	-	(60,644)	(43,800)
Foreclosures	(79,983)	79,983	-	(56,624)	56,624	-	(64,417)	64,417	-	(38,700)
Capitalized costs	-	981	981	-	579	579	-	1,324	1,324	-

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Note / property sales	(19,842)	(61,228)	(81,070)	(8,051)	(47,240)	(55,291)	-	(33,752)	(33,752)	-
Write downs	-	(2,209)	(2,209)	-	(1,906)	(1,906)	-	(2,738)	(2,738)	-
Net gains (losses) on sales	-	(7,367)	(7,367)	-	(2,201)	(2,201)	-	120	120	-
Ending Balance	\$264,092	\$120,770	\$384,862	\$304,381	\$110,610	\$414,991	\$287,848	\$104,754	\$392,602	\$259,1

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

Foreclosed property is initially recorded at fair value, less estimated costs to sell. If the fair value, less estimated costs to sell at the time of foreclosure, is less than the loan balance, the deficiency is charged against the allowance for loan losses. If the fair value, less estimated costs to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to foreclosed property costs. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property. Financed sales of foreclosed property are accounted for in accordance with ASC 360-20, Real Estate Sales. For the twelve months ended December 31, 2010, 2009 and 2008, United transferred \$238 million, \$240 million and \$132 million, respectively, of loans into foreclosed property. During 2010 and 2009, proceeds from sales of foreclosed properties were \$168 million and \$165 million, respectively, which includes \$56.9 million and \$10.8 million, respectively, of sales that were financed by United. During the second quarter of 2010, United sold approximately \$33 million in foreclosed properties to Fletcher of which United financed 80% of the sales price.

Investment Securities

The composition of the investment securities portfolio reflects United's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of revenue. The securities portfolio also provides a balance to interest rate risk 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 December 31, 2010 decreased \$39.8 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. The transferred securities are those that United has the ability and positive intent to hold until maturity. Generally, the transferred securities had longer durations and were more susceptible to market price volatility due to changes in interest rates. At December 31, 2010, United had securities held to maturity with a carrying value of \$266 million and securities available for sale totaling \$1.22 billion. At December 31, 2010 and 2009, the securities portfolio represented approximately 20% and 19% of total assets, respectively. At December 31, 2010, the effective duration of the investment portfolio based on expected maturities was 3.02 years compared with 2.67 years at December 31, 2009.

The following table shows the carrying value of United's securities.

Table 16 - Carrying Value of Investment Securities
As of December 31,
(in thousands)

	December 31, 2010		
	Available for Sale	Held to Maturity	Total Securities
U.S. Government agencies	\$ 98,480	\$ 11,939	\$ 110,419
State and political subdivisions	28,442	47,007	75,449
Mortgage-backed securities	991,008	206,861	1,197,869
Other	106,487	-	106,487
Total securities available for sale	\$ 1,224,417	\$ 265,807	\$ 1,490,224

	December 31, 2009		
	Available for Sale	Held to Maturity	Total Securities
U.S. Government agencies	\$ 246,466	\$ -	\$ 246,466
State and political subdivisions	63,293	-	63,293
Mortgage-backed securities	1,197,222	-	1,197,222
Other	23,066	-	23,066
Total securities available for sale	\$ 1,530,047	\$ -	\$ 1,530,047

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 the contractual maturities because the loans underlying the security 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.

At December 31, 2010, United had 80% of its total investment securities portfolio in mortgage backed securities, compared with 78% at December 31, 2009. Due to a lack of loan demand, United continued to purchase additional mortgage-backed securities in order to obtain a favorable yield with low risk. In late 2009, United began to shift away from mortgage-backed securities to avoid extension risk in the event that rates begin to rise. In 2010, United reinvested the proceeds of maturing fixed-rate mortgage-backed securities in floating-rate collateralized mortgage obligations in order to reinvest additional liquidity without exposure to significant extension risk. United did not have securities of any issuer in excess of 10% of equity at year-end 2010 or 2009, excluding U.S. Government issues. Less than 1% of the securities portfolio is rated below "A" or unrated and 86% is rated "Aaa". See Note 5 to the consolidated financial statements for further discussion of investment portfolio and related fair value and maturity information.

Goodwill and Other Intangible Assets

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. As a result of the significant drop in United's stock price during the third quarter of 2010, United conducted an interim goodwill impairment test to determine if the stock price decline might indicate goodwill was impaired. United's third quarter interim impairment test indicated that goodwill was in fact impaired and United recorded a charge to earnings for the entire remaining balance of \$211 million. In performing the interim impairment test, United engaged the services of a national third party valuation expert who employed commonly used valuation techniques including an earnings approach that considered discounted future expected cash earnings and three market approaches. The third quarter 2010 impairment charge followed two earlier impairment charges in the first and third quarters of 2009.

United performed its annual goodwill impairment test as of December 31, 2009 with no impairment indicated. Conditions through the first two quarters of 2010 did not lead management to believe that further impairment was present and interim tests were therefore not performed. In the third quarter of 2010, United's stock price dropped significantly from \$3.95 at the end of the second quarter to a low of \$2.04 during the third quarter. This led management to conclude that impairment might be present and an interim impairment test was conducted.

In performing the annual and interim impairment assessments, United engaged the same third party valuation firm who employed a consistent approach to each impairment test. The first step (Step 1) of the goodwill impairment analysis was to determine whether the fair value of United exceeded the book value of equity, which would imply that goodwill was not impaired. The Step 1 analysis included three commonly used valuation techniques, including an earnings approach that considered discounted expected future cash earnings and two market approaches. The first market approach was the guideline public companies 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. In the third quarter 2010 assessment, the third party valuation firm included a third market approach valuation technique that considered the value of United's stock referred to as the public market price method. This valuation technique had not been considered in earlier impairment tests as the stock price decline was considered temporary and therefore not considered in the Step 1 valuation process. Due to the extended period over which United's stock price had traded at a significant discount to tangible book value, the assertion that the stock price decline was temporary was no longer valid and United's stock price was included in the third quarter 2010 impairment test. Inclusion of this valuation technique had a significant impact on the Step 1 valuation process and the overall conclusion that goodwill was fully impaired.

In each of the impairment assessments performed in 2009 and 2010, the Step 1 analysis indicated that the estimated fair value of United had fallen below its book value. The declining valuation determined in Step 1 led to Step 2 of the goodwill impairment assessment, which required United to determine the fair value of all its assets and liabilities, including separately identifiable intangible assets, and to 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.

There are a number of valuation assumptions required to determine the value of United's assets and liabilities. 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. Other significant assumptions relate to the value of the loan portfolio. Those assumptions included estimates of cash flows on nonperforming loans, 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.

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 taken 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 lead 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 to increase net interest revenue. The programs were 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 average deposits for 2010 were \$6.37 billion, a decrease of \$340 million, or 5%, from 2009. Average non-interest bearing demand deposit accounts increased \$74.9 million, or 11%, due to the success of core deposit programs. Also impacted by the programs were NOW, money market and savings accounts of \$2.33 billion on average for 2010, which increased \$262 million, or 13%, from 2009.

Average time deposits for 2010 were \$3.28 billion, down from \$3.95 billion in 2009. At December 31, 2010, total deposits were \$6.47 billion compared with \$6.63 billion at the end of 2009, a decrease of \$159 million, or 2%. United lowered its rates on certificates of deposit during 2010 and 2009, allowing the balances to decline due to weak loan demand. Additional liquidity also allowed United to reduce brokered deposits, which totaled \$677 million at December 31, 2010, compared with \$759 million at December 31, 2009.

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

Table 17 - Maturities of Time Deposits of \$100,000 and Greater and Brokered Deposits
As of December 31, 2010
(in thousands)

\$100,000 and greater:	
Three months or less	\$ 227,358
Three to six months	175,870
Six to twelve months	361,580
Over one year	237,551
Total	\$ 1,002,359
Brokered deposits:	
Three months or less	\$ 17,314
Three to six months	154,367
Six to twelve months	137,348
Over one year	367,743
Total	\$ 676,772

Wholesale Funding

The Bank is a shareholder in the Federal Home Loan Bank (“FHLB”) of Atlanta. Through this affiliation, secured advances totaling \$55.1 million remained outstanding at December 31, 2010. United anticipates continued use of this short and long-term source of funds. The FHLB advances outstanding at December 31, 2010 had fixed interest rates ranging up to 4.49%. During the third quarter of 2010, United prepaid \$50 million in fixed-rate advances and incurred prepayment charges of \$2.23 million. United will prepay advances from time to time as funding needs change. Additional information regarding FHLB advances, including scheduled maturities, is provided in Note 11 to the consolidated financial statements.

At December 31, 2010, United had \$101 million in repurchase agreements reported as Federal funds purchased, repurchase agreements, and other short-term borrowings in the consolidated balance sheet, compared to \$101 million outstanding at December 31, 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.

Liquidity Management

Liquidity is defined as the ability of a bank to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining United’s ability to meet the daily cash flow requirements of the Bank’s customers, both depositors and borrowers. The primary objective of liquidity management is to ensure that sufficient funding is available, at reasonable cost, to meet ongoing operational cash needs and to take advantage of revenue producing opportunities as they arise. While the desired level of liquidity will vary depending on a number of factors, it is the primary goal of United to maintain a sufficient level of liquidity in all expected economic environments.

United is a separate entity apart from the Bank and 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. Because substantially all of United's liquidity is obtained from subsidiary service fees and dividends from the Bank, which are limited by applicable law and the MOU, United currently has limited capital resources to meet these obligations. United has not received a dividend from the Bank since 2008 and does not anticipate receiving dividends from the Bank until 2012, at the earliest. United deferred the payment of interest on our trust preferred securities and dividends on our preferred stock during the first quarter of 2011. As a result of such deferrals, United may not pay dividends on any of common or preferred stock or trust preferred securities until all accrued and unpaid amounts under the deferred securities have been paid. However, assuming the Private Placement is completed, United will retain a portion of the proceeds to fund its ongoing obligations. While we expect these transactions to close in March 2011, there is no assurance that we will be able to satisfy all of the remaining closing requirements on a timely basis.

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

The asset portion of the balance sheet provides liquidity primarily through loan sales and repayments and the maturities and sales of securities, as well as the ability to use these as collateral for borrowings on a secured basis. We also maintain excess funds in short-term, interest-bearing assets that provide additional liquidity. Mortgage loans held for sale totaled \$35.9 million at December 31, 2010, and typically turn over every 45 days as closed loans are sold to investors in the secondary market. Construction and commercial loans that mature in one year or less amounted to \$716 million, or 16%, of the loan portfolio at December 31, 2010. In addition, at December 31, 2010, United had \$442 million in commercial paper investments that mature within 30 days.

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

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

Table 18 - Short-Term Borrowings
As of December
31,
(in thousands)

	Period-end balance	Period end weighted- average interest rate	Maximum outstanding at any month- end	Average amounts outstanding during the year	Weighted-average rate for the year
December 31, 2010					
Federal funds purchased	\$ -	-	% \$ -	\$ 489	.36 %
Repurchase agreements	101,067	4.12	104,127	102,990	4.11
	\$ 101,067			\$ 103,479	
December 31, 2009					
Federal funds purchased	\$ -	-	% \$ 58,000	\$ 33,439	.29 %
Repurchase agreements	101,389	4.12	102,665	101,725	2.59
Other	-	-	175,000	42,425	.25
	\$ 101,389			\$ 177,589	
December 31, 2008					
Federal funds purchased	8,197	.27	294,205	147,459	2.78
Line of credit	-	-	-	3,350	5.75
Repurchase agreements	100,214	2.00	150,960	114,516	1.43
Other	-	-	215,000	59,309	2.98
	\$ 108,411			\$ 324,634	

At December 31, 2010, United had sufficient qualifying collateral to increase FHLB advances by \$804 million and Federal Reserve discount window capacity of \$233 million. United's internal policy limits brokered deposits to 25% of total assets. At December 31, 2010, United had the capacity to increase brokered deposits by \$1.18 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. The following table shows United's contractual obligations and other

commitments.

Table 19 - Contractual Obligations and Other Commitments
As of December 31, 2010
(in thousands)

	Total	Maturity By Years			
		1 or Less	1 to 3	3 to 5	Over 5
Contractual Cash Obligations					
FHLB advances	\$ 55,125	\$ -	\$ 25,000	\$ 30,000	\$ 125
Long-term debt	150,146	-	30,500	65,000	54,646
Operating leases	11,048	2,847	4,890	1,127	2,184
Total contractual cash obligations	\$ 216,319	\$ 2,847	\$ 60,390	\$ 96,127	\$ 56,955
Other Commitments					
Lines of credit	\$ 482,860	\$ 242,795	\$ 63,301	\$ 14,234	\$ 162,530
Commercial letters of credit	18,813	14,656	4,157	-	-
Uncertain tax positions	12,710	3,997	4,732	1,707	2,274
Total other commitments	\$ 514,383	\$ 261,448	\$ 72,190	\$ 15,941	\$ 164,804

As disclosed in United's consolidated statement of cash flows, net cash provided by operating activities was \$151 million for the year ended December 31, 2010. The net loss of \$346 million for the year included non-cash expenses for provision for loan losses of \$223 million, and a goodwill impairment charge of \$211 million. Net cash provided by operating activities also included the loss on sale of nonperforming assets totaling \$45.3 million and losses and write downs on foreclosed properties totaling \$49.3 million. Net cash provided by investing activities of \$346 million consisted primarily of proceeds from sales of securities of \$75.5 million, maturities and calls of investment securities of \$883 million, proceeds from sales of other real estate of \$111 million, a net decrease in loans of \$188 million and cash received from Fletcher of \$20.6 million offset by purchases of securities of \$928 million and purchases of premises and equipment of \$7.13 million. The \$224 million of net cash used in financing activities consisted primarily of a net decrease in deposits of \$155 million and a \$61.2 million repayment of FHLB advances. In the opinion of management, United's liquidity position at December 31, 2010 was sufficient to meet its expected cash flow requirements.

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

Table 20 - Expected Maturity of Available for Sale and Held to Maturity Investment Securities
As of December 31,
2010
(in thousands)

	Maturity By Years									
	1 or Less		1 to 5		5 to 10		Over 10		Total	
Available for Sale										
U.S. Government agencies	\$ -		\$ 10,044		\$ 75,673		\$ 12,763		\$ 98,480	
State and political subdivisions	2,658		15,279		9,175		1,330		28,442	
Other securities (1)	24,092		786,475		280,301		6,627		1,097,495	
Total securities available for sale	\$ 26,750		\$ 811,798		\$ 365,149		\$ 20,720		\$ 1,224,417	
Weighted average yield (2)	5.33	%	3.84	%	3.63	%	3.44	%	3.82	%
Held to Maturity										
U.S. Government agencies	\$ -		\$ -		\$ 11,939		\$ -		\$ 11,939	
State and political subdivisions	-		1,002		21,500		24,505		47,007	
Other securities (1)	-		164,400		36,222		6,239		206,861	
Total securities available for sale	\$ -		\$ 165,402		\$ 69,661		\$ 30,744		\$ 265,807	
Weighted average yield (2)	0.00	%	3.54	%	4.07	%	4.99	%	3.85	%
Combined Portfolio										

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U.S. Government agencies	\$ -	\$ 10,044	\$ 87,612	\$ 12,763	\$ 110,419
State and political subdivisions	2,658	16,281	30,675	25,835	75,449
Other securities (1)	24,092	950,875	316,523	12,866	1,304,356
Total securities available for sale	\$ 26,750	\$ 977,200	\$ 434,810	\$ 51,464	\$ 1,490,224
Weighted average yield (2)	5.33 %	3.80 %	3.71 %	4.39 %	3.82 %

(1) Includes mortgage-backed securities

(2) Based on amortized cost, taxable equivalent basis

Off-Balance Sheet Arrangements

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

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

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

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

United is not involved in off-balance sheet contractual relationships, other than those disclosed in this report, that could result in liquidity needs or other commitments, or that could significantly affect earnings. See Note 19 to the consolidated financial statements for additional information on off-balance sheet arrangements.

Capital Resources and Dividends

Shareholders' equity at December 31, 2010 was \$636 million, a decrease of \$327 million from December 31, 2009, of which \$211 million was due to the third quarter 2010 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 ratios. Excluding the change in the accumulated other comprehensive income, shareholders' equity decreased \$310 million, or 34%, 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. In order to preserve capital, United suspended its cash dividend in the third quarter of 2008 and declared a stock dividend of 1 new share for every 130 shares held in the third and fourth quarters of 2008 and each of the first three quarters of 2009. United accrued \$10.3 million in dividends, including discount accretion, on Series A and Series B preferred stock, for the year ended December 31, 2010 compared to \$10.2 million for 2009. United recognizes that cash dividends are an important component of shareholder value, and therefore, we intend to provide for cash dividends on common stock when earnings, capital levels and other factors permit.

The Board of Governors of the Federal Reserve has issued guidelines for the implementation of risk-based capital requirements by U.S. banks and bank holding companies. These risk-based capital guidelines take into consideration risk factors, as defined by regulators, associated with various categories of assets, both on and off balance sheet. Under the guidelines, capital strength is measured in two tiers which are used in conjunction with risk-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 1 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 1 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.

Tier 1 Capital consists of shareholders' equity, excluding accumulated other comprehensive income, intangible assets (goodwill and deposit-based intangibles), and disallowed deferred tax assets, plus qualifying capital securities. United's Tier 1 capital totaled \$483 million at December 31, 2010. Tier 2 capital components include supplemental capital such as the qualifying portion of the allowance for loan losses and qualifying subordinated debt. Tier 1 capital plus Tier 2 capital is referred to as Total risk-based capital and was \$605 million at December 31, 2010. The ratios, as calculated under the guidelines, were 9.67% and 12.11% for Tier 1 and Total risk-based capital, respectively, at December 31, 2010.

A minimum leverage ratio is required in addition to the risk-based capital standards and is defined as Tier 1 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 of greater than 4% 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 Board Resolution provides that United may not incur additional indebtedness, pay cash dividends, make payments on our trust preferred securities or repurchase outstanding stock without prior approval of the Federal Reserve. We were not given permission to pay interest on our trust preferred securities and dividends on our preferred stock during the first quarter of 2011. As a result of such deferrals, United may not pay dividends on any of common or preferred stock or trust preferred securities until all accrued and unpaid amounts under the deferred securities have been paid. In addition, the Bank is currently subject to the MOU which requires, among other things, that the Bank maintain its Tier 1 leverage ratio at not less than 8% and its total risk-based capital ratio at not less than 10% during the life of the MOU. As of December 31, 2010, the Bank's Tier 1 leverage ratio was 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 MOU requires that, prior to declaring or paying any cash dividends to United, the Bank must obtain the written consent of its regulators.

On December 5, 2008, United participated in Treasury's CPP by selling 180,000 shares of Series B Preferred Stock and a Warrant to purchase 2,132,701 shares (1,099,542 shares, as adjusted for subsequent stock dividends and a 50% reduction following United's 2009 stock offering) of United's common stock to Treasury. The proceeds of \$180 million were allocated between the Series B Preferred Stock and the Warrant based on their relative fair values at the time of the sale. Of the \$180 million in proceeds, \$173.1 million was allocated to the Series B Preferred Stock and \$6.9 million was allocated to the Warrant. The discount recorded on the Series B Preferred Stock that resulted from allocating a portion of the proceeds to the Warrant is being accreted directly to into retained earnings over a five-year period applying a level yield. The exercise price of the Warrant is \$12.66 per share (\$12.28 per share, as adjusted for subsequent stock dividends) and is exercisable at any time on or before December 5, 2018.

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

United has outstanding junior subordinated debentures related to trust preferred securities totaling \$54.6 million at December 31, 2010. The related trust preferred securities of \$53.2 million (excluding common securities) qualify as Tier 1 capital under risk-based capital guidelines provided that total trust preferred securities do not exceed certain quantitative limits. At December 31, 2010, all of United's trust preferred securities qualified as Tier 1 capital. Further information on United's trust preferred securities is provided in Note 13 to the consolidated financial statements.

United has subordinated debentures outstanding that qualify as Tier 2 capital under the risk based capital guidelines. The securities begin to lose their Tier 2 capital treatment as they approach maturity, losing 20% per year in each of the five years prior to maturity. Of the \$95.5 million in subordinated debt that United had outstanding at December 31, 2010, \$58.1 million qualified as Tier 2 capital under risk based capital guidelines.

Late in the third quarter of 2009, United issued 44,505,000 shares of common stock at a price of \$5.00 per share. This increased shareholders' equity by \$211 million, after payment of issuance costs. The proceeds from the stock issuance were immediately invested in the Bank.

The following table shows United's capital ratios, as calculated under regulatory guidelines, at December 31, 2010 and 2009:

Table 21 - Capital Ratios
(dollars in thousands)

	Regulatory Guidelines		United Community Banks, Inc. (Consolidated)				United Community Bank					
	Minimum	Well Capitalized	As of December 31, 2010		2009		As of December 31, 2010		2009			
Risk-based ratios:												
Tier 1 capital	4.0	%	6.0	%	9.67	%	12.41	%	10.72	%	13.19	%
Total capital	8.0		10.0		12.11		15.09		12.48		15.01	
Leverage ratio	3.0		5.0		6.75		8.50		7.45		8.81	

Tier 1 capital	\$ 483,257	\$ 679,552	\$ 534,161	\$ 720,075
Total capital	605,204	826,251	621,807	819,415

United monitors these capital ratios to ensure that United and the Bank remain within regulatory guidelines. In addition, pursuant to the Bank's MOU, the Bank must maintain its Tier I leverage ratio at not less than 8% and its total risk-based capital ratio at not less than 10% during the life of the MOU. As indicated above, as of December 31, 2010, the Bank's Tier I leverage ratio was below the target level of 8%. Further information regarding the actual and required capital ratios of United and the Bank is provided in Note 18 to the consolidated financial statements.

Effect of Inflation and Changing Prices

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

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

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

Interest Rate Sensitivity Management

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

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

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 to 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 most likely 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 December 31, 2010 and 2009 made use of the down 200 basis point scenario problematic. At December 31, 2010 United's simulation model indicated that a 200 basis point increase in rates would cause an approximate .08% increase in net interest revenue over the next twelve months and a 25 basis point decrease in rates would cause an approximate .29% increase in net interest revenue over the next twelve months. At December 31, 2009, United's

simulation model indicated that a 200 basis point increase in rates over the next twelve months would cause an approximate 1.81% increase in net interest revenue and a 25 basis point decrease in rates over the next twelve months would cause an approximate .65% increase in net interest revenue.

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

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

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

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

United's derivative financial instruments are classified as either cash flow or fair value hedges. The change in fair value of cash flow hedges is recognized in other comprehensive income. Fair value hedges recognize currently in earnings both the effect of the change in the fair value of the derivative financial instrument and the offsetting effect of the change in fair value of the hedged asset or liability associated with the particular risk of that asset or liability being hedged. At December 31, 2010, United did not have any active derivative contracts outstanding.

From time to time, United will terminate swap or floor positions when conditions change and the position is no longer necessary to manage United's overall sensitivity to changes in interest rates. In those situations where the terminated swap or floor was in an effective hedging relationship at the time of termination and the hedging relationship is expected to remain effective throughout the original term of the swap or floor, the resulting gain or loss is amortized over the remaining life of the original contract. For swap contracts, the gain or loss is amortized over the remaining original contract term using the straight line method of amortization. For floor contracts, the gain or loss is amortized over the remaining original contract term based on the original floorlet schedule. At December 31, 2010, United had \$19.7 million in gains from terminated derivative positions included in other comprehensive income that will be amortized into earnings over their remaining original contract terms. Approximately \$11.7 million is expected to be reclassified into interest revenue over the next twelve months.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

We assessed the effectiveness of the internal control over financial reporting as of December 31, 2010. In making this assessment, we used the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment, we believe that as of December 31, 2010, United Community Banks, Inc.'s internal control over financial reporting is effective based on those criteria.

Our independent registered public accountants have issued an audit report on the company's internal control over financial reporting. This report appears on page 62.

/s/ Jimmy C. Tallent

Jimmy C. Tallent
President and Chief Executive Officer

/s/ Rex S. Schuette

Rex S. Schuette
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of United Community Banks, Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. We have also audited the Company's internal controls over financial reporting as of December 31, 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective control over financial reporting and for its assessment of the effectiveness internal control over financial reporting included in the accompanying Management's Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

Certified Public Accountants

Suite 1800 235 Peachtree Street NE Atlanta, Georgia 30303 Phone 404-588-4200 Fax 404-588-4222
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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Community Banks, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, United Community Banks, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Porter Keadle Moore, LLP

Atlanta, Georgia
March 16, 2011

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Statement of Operations

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands, except per share data)

	2010	2009	2008
Interest revenue:			
Loans, including fees	\$277,904	\$322,509	\$385,959
Investment securities:			
Taxable	58,821	76,048	74,405
Tax exempt	1,137	1,322	1,464
Federal funds sold, commercial paper and deposits in banks	3,260	2,950	2,880
Total interest revenue	341,122	402,829	464,708
Interest expense:			
Deposits:			
NOW	6,966	11,023	28,626
Money market	7,552	9,545	10,643
Savings	331	483	764
Time	66,883	120,326	158,268
Total deposit interest expense	81,732	141,377	198,301
Federal funds purchased, repurchase agreements and other short-term borrowings	4,235	2,842	7,699
Federal Home Loan Bank advances	3,355	4,622	13,026
Long-term debt	10,749	10,893	9,239
Total interest expense	100,071	159,734	228,265
Net interest revenue	241,051	243,095	236,443
Provision for loan losses	223,000	310,000	184,000
Net interest revenue after provision for loan losses	18,051	(66,905)	52,443
Fee revenue:			
Service charges and fees	30,127	30,986	31,683
Mortgage loan and other related fees	7,019	8,959	7,103
Brokerage fees	2,662	2,085	3,457
Securities gains, net	2,552	2,756	1,315
Gain from acquisition	-	11,390	-
Losses on prepayment of borrowings	(2,233)	-	(2,714)
Other	8,421	6,178	5,237
Total fee revenue	48,548	62,354	46,081
Total revenue	66,599	(4,551)	98,524
Operating expenses:			
Salaries and employee benefits	96,618	101,568	104,056
Communications and equipment	13,781	14,676	15,139
Occupancy	15,394	15,653	14,862
Advertising and public relations	4,625	3,950	5,695
Postage, printing and supplies	4,072	5,040	6,243
Professional fees	9,254	11,480	9,191
Foreclosed property	65,707	32,365	19,110
FDIC assessments and other regulatory charges	13,747	16,004	6,020
Amortization of intangibles	3,160	3,104	3,009

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Goodwill impairment	210,590	95,000	-
Loss on sale of nonperforming assets	45,349	-	-
Severance costs	-	2,898	-
Other	16,594	13,210	17,010
Total operating expenses	498,891	314,948	200,335
Loss from continuing operations before income taxes	(432,292)	(319,499)	(101,811)
Income tax benefit	(85,492)	(90,659)	(37,912)
Net loss from continuing operations	(346,800)	(228,840)	(63,899)
(Loss) income from discontinued operations, net of income taxes	(101)	513	449
Gain from sale of subsidiary, net of income taxes and selling costs	1,266	-	-
Net loss	(345,635)	(228,327)	(63,450)
Preferred stock dividends	10,316	10,242	724
Net loss available to common shareholders	\$(355,951)	\$(238,569)	\$(64,174)
Loss from continuing operations per common share - basic / diluted	\$(3.77)	\$(3.96)	\$(1.36)
Loss per common share - basic / diluted	(3.76)	(3.95)	(1.35)
Cash dividends per common share	-	-	.18
Weighted average common shares outstanding - basic / diluted	94,624	60,374	47,369

See accompanying notes to consolidated financial statements

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

As of December 31, 2010 and 2009

(in thousands, except share data)

	2010	2009
Assets		
Cash and due from banks	\$95,994	\$ 126,265
Interest-bearing deposits in banks	111,901	120,382
Federal funds sold, commercial paper and short-term investments	441,562	129,720
Cash and cash equivalents	649,457	376,367
Securities available for sale	1,224,417	1,530,047
Securities held to maturity (fair value \$267,988)	265,807	-
Mortgage loans held for sale	35,908	30,226
Loans, net of unearned income	4,604,126	5,151,476
Less allowance for loan losses	174,695	155,602
Loans, net	4,429,431	4,995,874
Assets covered by loss sharing agreements with the FDIC	131,887	185,938
Premises and equipment, net	178,239	182,038
Accrued interest receivable	24,299	33,867
Goodwill and other intangible assets	11,446	225,196
Foreclosed property	142,208	120,770
Other assets	350,097	319,591
Total assets	\$7,443,196	\$ 7,999,914
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Demand	\$793,414	\$ 707,826
NOW	1,424,781	1,335,790
Money market	891,252	713,901
Savings	183,894	177,427
Time:		
Less than \$100,000	1,496,700	1,746,511
Greater than \$100,000	1,002,359	1,187,499
Brokered	676,772	758,880
Total deposits	6,469,172	6,627,834
Federal funds purchased, repurchase agreements and other short-term borrowings	101,067	101,389
Federal Home Loan Bank advances	55,125	114,501
Long-term debt	150,146	150,066
Accrued expenses and other liabilities	32,171	43,803
Total liabilities	6,807,681	7,037,593
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

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Series B, \$1,000 stated value; 180,000 shares issued and outstanding	175,711	174,408
Common stock, \$1 par value; 100,000,000 shares authorized; 94,685,003 and 94,045,603 shares issued	94,685	94,046
Common stock issuable; 336,437 and 221,906 shares	3,894	3,597
Capital surplus	665,496	622,034
(Accumulated deficit) retained earnings	(335,567)	20,384
Accumulated other comprehensive income	31,079	47,635
 Total shareholders' equity	 635,515	 962,321
 Total liabilities and shareholders' equity	 \$7,443,196	 \$ 7,999,914

See accompanying notes to consolidated financial statements

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Shareholders' Equity
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands, except share and per share data)

	Preferred Stock		Common			Retained	Treasury	Accumulated	
	Series A	Series B	Common Stock	Stock Issuable	Capital Surplus	Earnings (Accumulated Deficit)	Stock	Other Comprehensive Income	Total
Balance, December 31, 2007	\$ 258	\$ -	\$ 48,809	\$ 2,100	\$ 462,881	\$ 347,391	\$ (43,798)	\$ 14,261	\$ 831,902
Comprehensive loss:									
Net loss						(63,450)			(63,450)
Other comprehensive income:									
Unrealized holding gains on available for sale securities (net of deferred tax expense of \$5,442)								8,912	8,912
Reclassification adjustment for gains on securities available for sale included in fee revenue (net of tax expense of \$512)								(803)	(803)
Unrealized gains on derivative financial instruments qualifying as cash flow hedges (net of deferred tax expense of \$22,439)								35,244	35,244
Reclassification adjustment for gains on								(3,035)	(3,035)

terminated floor contracts (net of tax expense of \$1,932)					
Comprehensive loss		(63,450)		40,318	(23,132)
Issuance of Series B preferred stock (180,000 shares)	173,097	6,903			180,000
Issuance of warrants attached to trust preferred securities		392			392
Cash dividends declared on common stock (\$.18 per share)		(8,465)			(8,465)
Stock dividends declared on common stock (723,814 shares)		(8,663)	(9,347)	17,934	(76)
Exercise of stock options, net of shares exchanged (80,838 shares)		(1,257)		2,277	1,020
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (281,501 shares)		(3,259)		6,648	3,389
Amortization of stock options and restricted stock		3,859			3,859
Vesting of restricted stock awards (15,662 shares issued, 8,700 shares deferred)	264	(639)		375	-
Deferred compensation	658				658

plan, net, including dividend equivalents									
Shares issued from deferred compensation plan (4,214 shares)				(114)	15		99		-
Tax benefit from options exercised					476				476
Cash dividends on Series A preferred stock (\$.60 per share)						(16)			(16)
Cash dividends on Series B preferred stock (5%)	83					(708)			(625)
Balance, December 31, 2008	258	173,180	48,809	2,908	460,708	265,405	(16,465)	54,579	989,382
Comprehensive loss:									
Net loss						(228,327)			(228,327)
Other comprehensive income:									
Unrealized holding gains on available for sale securities (net of deferred tax expense of \$9,635)								16,277	16,277
Reclassification adjustment for gains on securities available for sale included in fee revenue (net of tax expense of \$1,072)								(1,684)	(1,684)
Unrealized losses on derivative financial instruments qualifying as								(21,537)	(21,537)

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cash flow						
hedges (net of						
deferred tax						
benefit of						
\$13,712)						
Comprehensive						
loss			(228,327)		(6,944)	(235,271)
Retirement of						
Series A						
preferred stock						
(4,100 shares)	(41)					(41)
Stock dividends						
declared on						
common stock						
(1,111,522						
shares)	482		(6,731)	(6,452)	12,649	(52)
Exercise of						
stock options,						
net of shares						
exchanged (437						
shares)			(6)		8	2
Common stock						
issued to						
Dividend						
Reinvestment						
Plan and						
employee						
benefit plans						
(401,101						
shares)	248		(1,528)		3,434	2,154
Common stock						
issued						
(44,505,000						
shares)	44,505		166,584			211,089
Amortization of						
stock options						
and restricted						
stock			3,704			3,704
Vesting of						
restricted stock						
awards (12,447						
shares issued,						
18,281 shares						
deferred)	2	446	(688)		240	-
Deferred						
compensation						
plan, net,						
including						
dividend						
equivalents		398				398
		(155)	21		134	-

Shares issued from deferred compensation plan (5,687 shares)									
Tax on option exercise and restricted stock vesting					(30)			(30)	
Cash dividends on Series A preferred stock (\$.60 per share)						(14)		(14)	
Cash dividends on Series B preferred stock (5%)		1,228				(10,228)		(9,000)	
Balance, December 31, 2009	217	174,408	94,046	3,597	622,034	20,384	-	47,635	962,321
Comprehensive loss:									
Net loss						(345,635)		(345,635)	
Other comprehensive income:									
Unrealized holding losses on available for sale securities (net of deferred tax benefit of \$3,165)								(4,986)	(4,986)
Reclassification adjustment for gains on securities available for sale included in fee revenue (net of tax expense of \$993)								(1,559)	(1,559)
Unrealized losses on derivative financial instruments qualifying as cash flow hedges (net of deferred tax								(10,011)	(10,011)

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benefit of \$6,373)									
Comprehensive loss						(345,635)		(16,556)	(362,191)
Issuance of equity instruments in private equity transaction						39,813			39,813
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (608,883 shares)		609				1,226			1,835
Amortization of stock options and restricted stock						2,459			2,459
Vesting of restricted stock awards (10,565 shares issued, 41,522 shares deferred)		10	607			(617)			-
Deferred compensation plan, net, including dividend equivalents						295			295
Shares issued from deferred compensation plan (19,952 shares)		20				(605)	581		(4)
Cash dividends on Series A preferred stock (\$.60 per share)								(13)	(13)
Cash dividends on Series B preferred stock (5%)		1,303						(10,303)	(9,000)
Balance, December 31, 2010	\$ 217	\$ 175,711	\$ 94,685	\$ 3,894	\$ 665,496	\$ (335,567)	\$ -	\$ 31,079	\$ 635,515

See accompanying notes to consolidated financial statements

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands)

	2010	2009	2008
Operating activities:			
Net loss	\$(345,635)	\$(228,327)	\$(63,450)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, amortization and accretion	16,388	14,553	14,848
Provision for loan losses	223,000	310,000	184,000
Goodwill impairment charges	210,590	95,000	-
Stock based compensation	2,459	3,704	3,859
Deferred income tax benefit	(87,455)	(49,992)	(13,576)
Securities gains, net	(2,552)	(2,756)	(1,315)
Losses on sale of other assets	81	89	14
Losses on prepayment of borrowings	2,233	-	2,714
Losses on sale and write downs of foreclosed property	49,326	17,881	12,415
Gain from sale of subsidiary	(2,110)	-	-
Gain from acquisition	-	(11,390)	-
Loss on sale of nonperforming assets	45,349	-	-
Change in assets and liabilities:			
Other assets and accrued interest receivable	53,362	(15,657)	212
Accrued expenses and other liabilities	(8,406)	16,348	(26,079)
Mortgage loans held for sale	(5,682)	(9,892)	7,670
Net cash provided by operating activities	150,948	139,561	121,312
Investing activities:			
Investment in securities held to maturity:			
Proceeds from maturities and calls of securities held to maturity	102,567	-	-
Purchases of securities held to maturity	(55,513)	-	-
Investment securities available for sale:			
Proceeds from sales of securities available for sale	75,528	328,968	162,679
Proceeds from maturities and calls of securities available for sale	779,963	693,064	464,672
Purchases of securities available for sale	(872,513)	(884,815)	(820,665)
Net decrease (increase) in loans	188,040	62,964	(47,870)
Purchases of premises and equipment	(7,128)	(14,868)	(11,393)
Proceeds from sales of premises and equipment	103	634	535
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 foreclosed property	111,222	154,381	78,973
Net cash provided by (used in) investing activities	345,729	403,945	(173,069)
Financing activities, net of effects of business combinations:			
Net change in deposits	(154,902)	(682,236)	927,673
Net change in federal funds purchased, repurchase agreements and other short-term borrowings	(322)	(9,692)	(488,051)

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Repayment of line of credit	-	-	(42,000)
Proceeds from issuance of trust preferred securities	-	-	12,967
Proceeds from new FHLB advances	-	330,000	400,000
Repayments of FHLB advances	(61,181)	(503,322)	(686,714)
Proceeds from issuance of subordinated debt	-	-	30,000
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	1,831	2,154	3,389
Proceeds from issuance of common stock	-	211,089	-
Proceeds from exercise of stock options	-	2	1,020
Retirement of Series A preferred stock	-	(41)	-
Proceeds from issuance of Series B preferred stock	-	-	180,000
Cash dividends on common stock	-	-	(12,713)
Cash dividends on Series A preferred stock	(13)	(14)	(16)
Cash dividends on Series B preferred stock	(9,000)	(8,500)	-
Net cash (used in) provided by financing activities	(223,587)	(660,560)	325,555
Net change in cash and cash equivalents	273,090	(117,054)	273,798
Cash and cash equivalents at beginning of year	376,367	493,421	219,623
Cash and cash equivalents at end of year	\$649,457	\$376,367	\$493,421

See accompanying notes to consolidated financial statements

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

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

Organization and Basis of Presentation

At December 31, 2010, United was a bank holding company whose business was conducted by its wholly-owned commercial bank subsidiary (the “Bank”). United is subject to regulation under the Bank Holding Company Act of 1956. The consolidated financial statements include the accounts of United Community Banks, Inc., the Bank and other wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Use of Estimates

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

Operating Segments

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

Discontinued Operations

Effective 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 statement of operations as a discontinued operation with all revenue and expenses related to the sold operations deconsolidated from the consolidated statement of operations for all periods presented. The results of operations from Brintech are reported on a separate line on the consolidated statement of operations 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.”

Cash and Cash Equivalents

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

Investment Securities

United classifies its securities in one of three categories: held to maturity, available for sale, or trading. Trading securities are bought and held principally for the purpose of selling them in the near term. Held to maturity securities are those securities for which United has the ability and intent to hold until maturity. All other securities are classified as available for sale. In 2010, United transferred securities with a fair value of \$315 million from available for sale 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.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Investment Securities, continued

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

Management evaluates investment securities for other than temporary impairment on a quarterly basis. A decline in the fair value of available for sale and held to maturity securities below cost that is deemed other than temporary is charged to earnings for a decline in value deemed to be credit related. The decline in value attributed to non credit related factors is recognized in other comprehensive income and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses for securities classified as available for sale and held to maturity are included in net income and derived using the specific identification method for determining the cost of the securities sold.

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

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of aggregate cost or market value. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net income for the period in which the change occurs. No market valuation allowances were required at December 31, 2010 or 2009 since those loans have market values that approximated the recorded basis.

Loans

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

The accrual of interest is discontinued when a loan becomes 90 days past due and is not both well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged against interest revenue on loans. Interest payments are applied to reduce the principal balance on nonaccrual loans. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Nonaccrual loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

A loan is considered impaired when, based on current events and circumstances, it is probable that all amounts due, according to the contractual terms of the loan, will not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Interest revenue on impaired loans is discontinued when the loans meet the criteria for nonaccrual status described above. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not considered impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Concentration of Credit Risk: Most of United's business activity is with customers located within the markets where it has banking operations. Therefore, United's exposure to credit risk is significantly affected by changes in the economy within its markets. More than 85% of United's loan portfolio is secured by real estate and is therefore susceptible to changes in real estate valuations.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Loans, continued

Certain Purchased Loans: United from time to time purchases loans, primarily through business combination transactions. Some of those purchased loans show evidence of credit deterioration since origination. Purchased loans are recorded at their estimated fair value such that there is no carryover of the seller's allowance for loan losses. After acquisition, further losses are recognized by an increase in the allowance for loan losses.

Such purchased loans are accounted for individually or aggregated into pools of loans based on common risk characteristics such as the type of loan. United estimates the amount and timing of expected cash flows for each purchased loan or pool and the expected cash flows in excess of the amount paid is recorded as interest income over the remaining life of the loan or pool (accrutable yield). The excess of the loan's or pool's contractual principal and interest over expected cash flows is not recorded (nonaccrutable difference).

Over the life of the loan or pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest revenue.

Allowance for Loan Losses

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

The allowance is composed of general reserves and specific reserves. General reserves are determined by applying loss percentages to the individual loan categories that are based on actual historical loss experience. United uses an eight-quarter weighted average historical loss rate for each major loan category, weighted toward the most recent quarters' losses. Additionally, the general economic and business conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, the findings of internal and external credit reviews and results from external bank regulatory examinations are considered in this evaluation. The need for specific reserves is evaluated on impaired loan relationships greater than \$500,000. The specific reserves are determined on a loan-by-loan basis based on management's evaluation of United's exposure for each credit, given the current payment status of the loan and the value of any underlying collateral. Loans for which specific reserves are provided are excluded from the calculation of general reserves.

For purposes of determining general reserves, United segments the loan portfolio into broad categories with similar risk elements. Those categories and their specific risks are described below.

Commercial (secured by real estate) – Loans in this category are susceptible to declines in general economic conditions and occupancy rates. Business failure, lack of a suitable alternative use for the property and environmental contamination are also risks common to this segment of the loan portfolio.

Commercial (commercial and industrial) – Risks to this loan category include industry concentrations and the inability to monitor the condition of the collateral which often consists of inventory, accounts receivable and other non real estate assets. Equipment and inventory obsolescence can also pose a risk. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to service debt.

Commercial construction – Risks common to commercial construction loans are cost overruns, changes in market demand for property and inadequate long-term financing arrangements.

Residential construction – Residential construction loans are susceptible to the same risks as commercial construction loans. Changes in market demand for property leads to longer marketing times resulting in higher carrying costs and declining values.

Residential mortgage – Residential mortgage loans are susceptible to weakening general economic conditions and increases in unemployment rates. Declining real estate values can reduce or eliminate the borrower's home equity which can be particularly troubling for home equity lines.

Consumer installment – Risks common to consumer installment loans include unemployment and changes in local economic conditions as well as the inability to monitor collateral consisting of personal property.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Allowance for Loan Losses, continued

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

Management believes the allowance for loan losses is appropriate at December 31, 2010. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review United's allowance for loan losses. Such agencies may require United to recognize additions or deductions to the allowance based on their judgment and information available to them at the time of their examination.

Premises and Equipment

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

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill and other intangible assets deemed to have an indefinite useful life are not amortized but instead are subject to an annual review for impairment. Impairment tests may be performed more often if events or circumstances indicate impairment may exist.

Also in connection with business combinations involving banks and branch locations, United generally records core deposit intangibles representing the value of the acquired core deposit base. Core deposit intangibles are amortized over the estimated useful life of the deposit base, generally on a straight-line or accelerated basis not exceeding 10 years. The remaining useful lives of core deposit intangibles are evaluated periodically to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Foreclosed Properties

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

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from United, the transferee

obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets and United does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

FHLB Stock

United Community Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income. United's FHLB stock is included in the balance of "other assets" in the consolidated balance sheet.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Bank Owned Life Insurance

United has purchased life insurance policies on certain key executives and members of management. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other changes or other amounts due that are probable at settlement.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Income Taxes

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

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

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

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

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

Mortgage Banking Derivatives

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free standing derivatives. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest rate on the loan is locked. United enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into in order to hedge the change in interest rates resulting from its commitments to fund the loans. United's forward commitments for the future delivery of mortgage loans are based on United's "best efforts" and therefore United is not penalized if a loan is not delivered to the investor if the loan did not get

originated. Changes in the fair values of these derivatives generally offset each other and are included in “mortgage loan and other related fees” in the consolidated statement of operations.

Derivative Instruments and Hedging Activities

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

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

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

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Derivative Instruments and Hedging Activities, continued

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

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

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

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

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

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

Earnings Per Common Share

Basic earnings per common share is net loss available to common shareholders divided by the weighted average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Additionally,

shares issuable to participants in United's deferred compensation plan are considered to be participating securities for purposes of calculating basic earnings per share. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options, warrants and securities convertible into common stock.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the financial statements.

Restrictions on Cash

A portion of the cash on hand and on deposit with the Federal Reserve Bank was required to meet regulatory reserve requirements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Dividend Restrictions

Banking regulations require maintaining certain capital levels and may limit dividends paid by the Bank to United or by United to shareholders. United is currently required to obtain approval of the Federal Reserve Bank before declaring any dividends from the holding company.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions as more fully disclosed in Note 22. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Stock-Based Compensation

United uses the fair value method of recognizing expense for stock-based compensation based on the fair value of option and restricted stock awards at the date of grant as prescribed by Accounting Standards Codification Topic 781-10 Compensation-Stock Compensation.

Comprehensive Income

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

Reclassifications

Certain 2009 and 2008 amounts have been reclassified to conform to the 2010 presentation.

(2) Accounting Standards Updates

In December 2010, the FASB issued Accounting Standards Update No. 2010-27, Fees Paid to the Federal Government by Pharmaceutical Manufacturers ("ASU No. 2010-27"). ASU No. 2010-27 provides guidance on how pharmaceutical manufacturers should recognize and classify fees mandated by the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act. This guidance is effective for calendar years beginning after December 31, 2010, and is not applicable to United.

In December 2010, the FASB issued Accounting Standards Update No. 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts ("ASU No. 2010-28"). ASU No. 2010-28 requires entities with reporting units with zero or negative carrying amounts to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In doing so, entities should consider whether there are any adverse qualitative factors indicating that an impairment may exist. For public companies this guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. ASU No. 2010-28 is currently not applicable to United, as it has no remaining goodwill balance as of December 31, 2010.

In December 2010, the FASB issued Accounting Standards Update No. 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations ("ASU No. 2010-29"). ASU No. 2010-29 specifies that if a public entity

presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. ASU No. 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. It is not expected to have a material impact on United's results of operations, financial position or disclosures.

In January 2011, the FASB issued Accounting Standards Update No. 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20 ("ASU No. 2011-01"). ASU No. 2011-01 temporarily delays the effective date of the disclosures surrounding troubled debt restructurings in Update 2010-20 for public companies. The FASB is deliberating on what constitutes a troubled debt restructuring and will coordinate that guidance with the effective date of the new disclosures, which is anticipated to be effective for interim and annual periods ending after June 15, 2011. It is not expected to have a material impact on United's results of operations, financial position, or disclosures.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) Mergers and Acquisitions

On June 19, 2009, the Bank purchased substantially all the assets and assumed substantially all the liabilities of Southern Community Bank (“SCB”) from the 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 on June 19, 2009. The transaction resulted in a cash payment of \$31 million from the FDIC to the Bank. Further, the Bank 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.

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date. The carryover of the related allowance for loan losses is prohibited. Purchased loans are accounted for under Accounting Standards Codification Topic 310, Subtopic 30, Loans or Debt Securities Acquired with Deteriorated Credit Quality (“ASC 310-30”), when the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that United will not collect all contractually required principal and interest payments. Evidence of credit quality deterioration as of the purchase date may include statistics such as past due and non-accrual status. Generally, acquired loans that meet United’s definition of non-accrual status fall within the scope of ASC 310-30. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference, which is deducted from the carrying amount of loans. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges or a reversal of the non-accretable difference with a positive impact on interest revenue. Further, any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest revenue over the remaining life of the loan, when there is reasonable expectation about the amount and timing of such cash flows.

Under the loss sharing agreements, the portion of the losses expected to be indemnified by the 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, which calls for the FDIC to reimburse 80 percent of the losses on acquired loans and foreclosed properties up to \$109 million, and 95 percent of any losses that exceed \$109 million. 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 December 31, 2010 (in thousands):

Assets Covered by Loss Sharing Agreements with the FDIC	Purchased Impaired Loans	Other Purchased Loans	Other	Total
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Construction	\$ 2,925	\$ 13,496	\$ -	\$ 16,421
Commercial (secured by real estate)	-	36,982	-	36,982
Residential mortgage	145	9,177	-	9,322
Commercial & industrial	-	5,119	-	5,119
Consumer	8	343	-	351
Total covered loans	3,078	65,117	-	68,195
Covered foreclosed property	-	-	31,976	31,976
Estimated loss reimbursement from the FDIC	-	-	31,716	31,716
Total covered assets	\$ 3,078	\$ 65,117	\$ 63,692	\$ 131,887

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3)Mergers and Acquisitions, continued

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 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 includes 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.

Core deposit intangibles related to this acquisition are being amortized over a period of 10 years.

(4)Cash Flows

United paid approximately \$112 million, \$177 million and \$227 million in interest on deposits and other borrowings during 2010, 2009 and 2008, respectively. In connection with United's 2009 acquisition of SCB, assets with a fair value of \$378 million were acquired and liabilities totaling approximately \$367 million were assumed.

During 2010, 2009 and 2008, non-accrual loans having a value of \$238 million, \$240 million and \$132 million, respectively, were transferred to foreclosed property. Also, during 2010, 2009 and 2008, United financed the sale of foreclosed properties with loans totaling \$56.9 million, \$10.8 million and \$10.5 million, respectively. Loans made by United to finance the sale of foreclosed property were made on terms substantially the same as other loans made by United.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(5) Investment Securities

In 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. The cost basis, unrealized gains and losses, and fair value of securities held to maturity at December 31, 2010 are listed below (in thousands). There were no securities held to maturity at December 31, 2009.

As of December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agencies	\$ 11,939	\$ 79	\$ -	\$ 12,018
State and political subdivisions	47,007	416	1,005	46,418
Mortgage-backed securities (1)	206,861	2,700	9	209,552
Total	\$ 265,807	\$ 3,195	\$ 1,014	\$ 267,988

(1) All are residential type mortgage-backed securities

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

As of December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agencies	\$ 99,969	\$ 67	\$ 1,556	\$ 98,480
State and political subdivisions	27,600	878	36	28,442
Mortgage-backed securities (1)	963,475	29,204	1,671	991,008
Other	107,811	192	1,516	106,487
Total	\$ 1,198,855	\$ 30,341	\$ 4,779	\$ 1,224,417

As of 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

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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

(1) All are residential type mortgage-backed securities

The following summarizes securities held to maturity in an unrealized loss position as of December 31, 2010 (in thousands):

As of December 31, 2010	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	\$ 28,949	\$ 1,005	\$ -	\$ -	\$ 28,949	\$ 1,005
Mortgage-backed securities	1,951	9	-	-	1,951	9
Total unrealized loss position	\$ 30,900	\$ 1,014	\$ -	\$ -	\$ 30,900	\$ 1,014

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(5) Investment Securities, continued

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

As of December 31, 2010	Less than 12 Months		12 Months or More		Total	Unrealized Loss
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	
U.S. Government agencies	\$ 68,412	\$ 1,556	\$ -	\$ -	\$ 68,412	\$ 1,556
State and political subdivisions	1,082	30	12	6	1,094	36
Mortgage-backed securities	59,505	1,630	2,799	41	62,304	1,671
Other	69,985	1,516	-	-	69,985	1,516
Total unrealized loss position	\$ 198,984	\$ 4,732	\$ 2,811	\$ 47	\$ 201,795	\$ 4,779
As of 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

At December 31, 2010, there were 24 available for sale securities and 46 held to maturity securities that were in an unrealized loss position. United does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of its amortized cost basis. Unrealized losses at December 31, 2010 and 2009 were primarily attributable to changes in interest rates.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analyst's reports. During 2010 and 2009, United recorded impairment losses of \$950,000 and \$1.2 million, respectively, on investments in financial institutions that failed or otherwise showed evidence of other-than-temporary impairment. No impairment charges were recognized during 2008.

Realized gains and losses are derived using the specific identification method for determining the cost of the securities sold.

The following summarizes securities sales activities for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	2010	2009	2008
Proceeds from sales	\$ 75,528	\$ 328,968	\$ 162,679
Gross gains on sales	\$ 3,751	\$ 5,291	\$ 1,419
Gross losses on sales	(249)	(1,291)	(104)
Impairment losses	(950)	(1,244)	-
Net gains on sales of securities	\$ 2,552	\$ 2,756	\$ 1,315
Income tax expense attributable to sales	\$ 993	\$ 1,072	\$ 512

At year-end 2010 and 2009, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(5) Investment Securities, continued

The amortized cost and fair value of available for sale and held to maturity securities at December 31, 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	\$ 10,044	\$ -	\$ -
5 to 10 years	76,391	75,673	11,939	12,018
More than 10 years	13,578	12,763	-	-
	99,969	98,480	11,939	12,018
State and political subdivisions:				
Within 1 year	2,645	2,658	-	-
1 to 5 years	14,819	15,279	1,002	992
5 to 10 years	8,788	9,175	21,500	21,666
More than 10 years	1,348	1,330	24,505	23,760
	27,600	28,442	47,007	46,418
Other:				
Within 1 year	4,408	4,424	-	-
1 to 5 years	9,900	9,900	-	-
5 to 10 years	90,051	89,411	-	-
More than 10 years	3,452	2,752	-	-
	107,811	106,487	-	-
Total securities other than mortgage-backed securities:				
Within 1 year	7,053	7,082	-	-
1 to 5 years	34,719	35,223	1,002	992
5 to 10 years	175,230	174,259	33,439	33,684
More than 10 years	18,378	16,845	24,505	23,760
Mortgage-backed securities	963,475	991,008	206,861	209,552
	\$ 1,198,855	\$ 1,224,417	\$ 265,807	\$ 267,988

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

At both December 31, 2010 and 2009, securities with a carrying value of \$1.43 billion and \$1.49 billion, respectively, were pledged to secure public deposits and FHLB advances.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Loans and Allowance for Loan Losses

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

	2010	2009
Commercial (secured by real estate)	\$ 1,761,424	\$ 1,779,398
Commercial (commercial and industrial)	441,518	390,520
Commercial construction	296,582	362,566
Total commercial	2,499,524	2,532,484
Residential construction	695,166	1,050,065
Residential mortgage	1,278,780	1,427,198
Consumer installment	130,656	141,729
 Total loans	 4,604,126	 5,151,476
 Less allowance for loan losses	 174,695	 155,602
 Loans, net	 \$ 4,429,431	 \$ 4,995,874

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

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

	2010	2009	2008
Balance beginning of period	\$ 155,602	\$ 122,271	\$ 89,423
Provision for loan losses	223,000	310,000	184,000
Charge-offs:			
Commercial (commercial and industrial)	10,837	11,322	5,197
Commercial (secured by real estate)	33,593	21,796	5,843
Commercial construction	9,993	9,908	1,796
Residential construction	136,666	219,168	123,771
Residential mortgage	28,806	18,997	12,995
Consumer installment	4,828	5,115	3,275
Total loans charged-off	224,723	286,306	152,877
Recoveries:			
Commercial (commercial and industrial)	1,762	5,397	61
Commercial (secured by real estate)	1,167	520	72
Commercial construction	431	12	4
Residential construction	15,370	2,253	653
Residential mortgage	867	411	224

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Consumer installment	1,219	1,044	711
Total recoveries	20,816	9,637	1,725
Net charge-offs	203,907	276,669	151,152
Balance end of period	\$ 174,695	\$ 155,602	\$ 122,271

At December 31, 2010 and 2009, loans with a carrying value of \$1.02 billion and \$1.54 billion were pledged as collateral to secure FHLB advances and other contingent funding sources.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6)Loans and Allowance for Loan Losses, continued

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

	Commercial (Secured by Real Estate)	Commercial (Commercial and Industrial)	Commercial Construction	Residential Construction	Residential Mortgage	Consumer Installment	Unallocated	Total
Allowance for loan losses: Ending allowance attributable to loans: Individually evaluated for impairment	\$ 268	\$ -	\$ -	\$ 644	\$ 137	\$ -	\$ -	\$ 1,049
Collectively evaluated for impairment	30,923	7,580	6,780	91,927	22,168	3,030	11,238	173,646
Total ending allowance balance	\$ 31,191	\$ 7,580	\$ 6,780	\$ 92,571	\$ 22,305	\$ 3,030	\$ 11,238	\$ 174,695
Loans: Individually evaluated for impairment	\$ 41,818	\$ 5,874	\$ 20,311	\$ 39,505	\$ 15,468	\$ -	\$ -	\$ 122,976
Collectively evaluated for impairment	1,719,606	435,644	276,271	655,661	1,263,312	130,656	-	4,481,150
Total loans	\$ 1,761,424	\$ 441,518	\$ 296,582	\$ 695,166	\$ 1,278,780	\$ 130,656	\$ -	\$ 4,604,126

In the ordinary course of business, the Bank grants loans to executive officers, and directors of the holding company and the Bank, including their immediate families and companies with which they are associated. Management believes that such loans are made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers. The following is a summary of such loans outstanding and the activity in these loans for the year ended December 31, 2010 (in thousands):

Balances at December 31, 2009	\$20,832
New loans and advances	6,948
Repayments	(13,405)
Renewals	-
Adjustment for changes in executive officers and directors	(2,199)

Balances at December 31, 2010 \$12,176

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

Impaired loans at December 31, 2010 and 2009 were as follows (in thousands).

	2010	2009
Year-end loans with no allocated allowance for loan losses	\$ 115,338	\$ 182,154
Year-end loans with allocated allowance for loan losses	7,638	16,102
Total	\$ 122,976	\$ 198,256
Amount of allowance for loan losses allocated	\$ 1,049	\$ 2,979

The average balances of impaired loans and income recognized on impaired loans while they were considered impaired is presented below for the last three years (in thousands).

	2010	2009	2008
Average of individually impaired loans during year	\$ 170,039	\$ 229,109	\$ 97,072
Interest income recognized during impairment	-	-	-
Cash-basis interest income recognized	-	-	-

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6)Loans and Allowance for Loan Losses, continued

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

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded:			
Commercial (secured by real estate)	\$ 60,238	\$ 39,588	\$ -
Commercial (commercial and industrial)	10,115	5,874	-
Commercial construction	33,898	20,311	-
Total commercial	104,251	65,773	-
Residential construction	59,502	34,597	-
Residential mortgage	21,528	14,968	-
Consumer installment	-	-	-
Total with no related allowance recorded	185,281	115,338	-
With an allowance recorded:			
Commercial (secured by real estate)	2,230	2,230	268
Commercial (commercial and industrial)	-	-	-
Commercial construction	-	-	-
Total commercial	2,230	2,230	268
Residential construction	14,480	4,908	644
Residential mortgage	500	500	137
Consumer installment	-	-	-
Total with an allowance recorded	17,210	7,638	1,049
Total	\$ 202,491	\$ 122,976	\$ 1,049

There were no loans more than 90 days past due and still accruing interest. Nonaccrual loans at December 31, 2010 and 2009 were \$179 million and \$264 million, respectively. Nonaccrual loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following table presents the recorded investment in nonaccrual loans and loans past due over 90 days and still accruing by loan class as of December 31, 2010 (in thousands).

	Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Commercial (secured by real estate)	\$ 44,927	\$ -
Commercial (commercial and industrial)	5,611	-
Commercial construction	21,374	-
Total commercial	71,912	-

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Residential construction	54,505	-
Residential mortgage	51,083	-
Consumer installment	1,594	-
Total	\$ 179,094	\$ -

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Loans and Allowance for Loan Losses, continued

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

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial (secured by real estate)	\$ 10,697	\$ 3,672	\$ 19,457	\$ 33,826	\$ 1,727,598	\$ 1,761,424
Commercial (commercial and industrial)	2,016	2,620	3,092	7,728	433,790	441,518
Commercial construction	4,616	2,917	9,189	16,722	279,860	296,582
Total commercial	17,329	9,209	31,738	58,276	2,441,248	2,499,524
Residential construction	13,599	5,158	34,673	53,430	641,736	695,166
Residential mortgage	24,375	7,780	38,209	70,364	1,208,416	1,278,780
Consumer installment	2,104	462	808	3,374	127,282	130,656
Total loans	\$ 57,407	\$ 22,609	\$ 105,428	\$ 185,444	\$ 4,418,682	\$ 4,604,126

United has allocated \$173,000 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2010. United has committed to lend additional amounts totaling up to \$1.17 million as of December 31, 2010 to customers with outstanding loans that are classified as troubled debt restructurings.

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

	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Number of Contracts	Troubled Debt Restructurings That Have Subsequently Defaulted Recorded Investment
Commercial (secured by real estate)	41	\$ 40,649	\$ 36,759	3	\$ 1,402
Commercial (commercial and industrial)	7	645	364	1	7
Commercial construction	16	37,980	37,067	2	1,083
Total commercial	64	79,274	74,190	6	2,492

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Residential construction	63	22,012	20,782	11	2,028
Residential mortgage	43	6,574	6,285	4	324
Consumer installment	7	124	124	-	-
Total loans	177	\$ 107,984	\$ 101,381	21	\$ 4,844

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

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

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

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Loans and Allowance for Loan Losses, continued

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

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are generally new loans that have not yet been assigned a grade. As of December 31, 2010, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands).

	Pass	Watch	Substandard	Doubtful / Loss	Not Rated	Total
Commercial (secured by real estate)	\$ 1,475,992	\$ 82,762	\$ 201,688	\$ -	\$ 982	\$ 1,761,424
Commercial (commercial and industrial)	403,986	15,153	22,379	-	-	441,518
Commercial construction	174,049	10,413	112,120	-	-	296,582
Total commercial	2,054,027	108,328	336,187	-	982	2,499,524
Residential construction	398,926	82,973	213,267	-	-	695,166
Residential mortgage	1,101,645	38,378	136,915	-	1,842	1,278,780
Consumer installment	122,056	650	4,550	-	3,400	130,656
Total loans	\$ 3,676,654	\$ 230,329	\$ 690,919	\$ -	\$ 6,224	\$ 4,604,126

(7)Foreclosed Property

Major classifications of foreclosed properties at December 31, 2010 and 2009 are summarized as follows (in thousands):

	2010	2009
Commercial (secured by real estate)	\$ 25,893	\$ 16,853
Commercial construction	17,808	9,761
Total commercial	43,701	26,614
Residential construction	91,385	82,279
Residential mortgage	23,687	19,310
Total foreclosed property	158,773	128,203
Less valuation allowance	16,565	7,433
Foreclosed property, net	\$ 142,208	\$ 120,770
	64.4 %	66.6 %

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Balance as a percentage of original
loan unpaid principal

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

	2010	2009	2008
Balance at beginning of year	\$ 7,433	\$ 6,480	\$ 2,904
Additions charged to expense	25,755	9,004	4,379
Direct write downs	(16,623)	(8,051)	(803)
Balance at end of year	\$ 16,565	\$ 7,433	\$ 6,480

Expenses related to foreclosed assets include (in thousands):

	2010	2009	2008
Net loss on sales	\$ 23,571	\$ 8,877	\$ 8,038
Provision for unrealized losses	25,755	9,004	4,379
Operating expenses, net of rental income	16,381	14,484	6,693
Total foreclosed property expense	\$ 65,707	\$ 32,365	\$ 19,110

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) Premises and Equipment

Premises and equipment at December 31, 2010 and 2009 are summarized as follows, (in thousands):

	2010	2009
Land and land improvements	\$ 80,294	\$ 80,377
Buildings and improvements	112,318	110,062
Furniture and equipment	67,296	74,002
Construction in progress	1,486	540
	261,394	264,981
Less accumulated depreciation	83,155	82,943
Premises and equipment, net	\$ 178,239	\$ 182,038

Depreciation expense was approximately \$10.6 million, \$11.3 million and \$11.8 million for 2010, 2009 and 2008, respectively.

United leases certain branch properties and equipment under operating leases. Rent expense was \$2.23 million, \$3.25 million and \$3.45 million for 2010, 2009 and 2008, respectively. United does not have any capital leases. Rent commitments under operating leases, before considering renewal options that generally are present, were as follows (in thousands).

2011	\$2,847
2012	2,480
2013	2,410
2014	646
2015	481
Thereafter	2,184
Total	\$11,048

(9) Goodwill and Other Intangible Assets

A summary of changes in goodwill for the years ended December 31, 2010, 2009 and 2008 is presented below, (in thousands):

	2010	2009	2008
Beginning balance	\$ 210,590	\$ 305,590	\$ 306,086
Impairment charges	(210,590)	(95,000)	-

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Purchase adjustments	-	-	(496)
Ending balance	\$ -	\$ 210,590	\$ 305,590

During the first quarter of 2009, United updated its annual goodwill impairment assessment as a result of its stock price falling significantly below tangible book value. As a result of the updated assessment, goodwill was deemed to be impaired and written down to its estimated fair value. The impairment charge of \$70 million was recognized as an expense in the first quarter of 2009 consolidated statement of operations. Although conditions in the second quarter of 2009 did not lead management to believe that further impairment existed, due to further weakness in United's loan portfolio and management's expectation for higher credit losses, goodwill was tested again for impairment in the third quarter of 2009. An additional impairment charge of \$25 million was taken as a result of the third 2009 quarter assessment. No impairment was recognized in the fourth quarter as a result of United's annual goodwill impairment test conducted as of December 31, 2009. For the year ended December 31, 2009, total goodwill impairment charges amounted to \$95 million.

In the third quarter of 2010, United's falling stock price led management to believe that further goodwill impairment might exist and management performed an interim impairment test. United's third quarter impairment test indicated that the entire balance of goodwill was impaired and United recognized a charge to earnings for the remaining balance of goodwill.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Goodwill and Other Intangible Assets, continued

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 exceeded the book value of equity, then goodwill would not have been impaired. If the fair value was less than book value, then Step 2 of the goodwill impairment assessment had to be completed. Step 2 consisted 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 the book value, goodwill is impaired by the amount by which book value exceeds fair value.

The techniques used to determine fair value of United in Step 1 included a discounted cash flow analysis based on United's long-term earnings forecast, the 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 the 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. For the third quarter 2010 impairment test, a third market approach was used that considered the market price of United's common stock. In earlier impairment tests, the decline in United's share price had been considered temporary and therefore was not considered in the Step 1 valuation process. However, the length of time over which United's stock had traded at a discount to tangible book value through the third quarter of 2010 made that assertion no longer valid.

The assessments performed in the first, third and fourth quarters of 2009 as well as the third quarter of 2010 all indicated that the fair value of United was less than the book value, so United proceeded to Step 2. United's Step 2 analysis indicated that the book value of goodwill exceeded the fair value in the first and third quarters of 2009 and the third quarter of 2010, leading to the impairment charges.

In arriving at the impairment charges, United 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 rate selected for the fourth, third and first quarter of 2009 assessments were 15.5%, 15% and 15%, 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. The increase in the discount rate used in the annual impairment assessment at December 31, 2009 was due to a higher long-term risk-free rate. The discount rate used for the third quarter 2010 impairment test was 15% which reflected a lower long-term risk-free rate than had been used in earlier impairment tests but a higher company-specific risk premium was assigned. Other significant valuation assumptions related to valuing the loan portfolio. Changing these assumptions, or any other key assumptions, could have a material impact on the amount of goodwill impairment.

United has finite-lived intangible assets capitalized on its balance sheet in the form of core deposit intangibles. These intangible assets are amortized over their estimated useful lives of no more than 10 years.

A summary of core deposit intangible assets as of December 31, 2010 and 2009 is presented below, (in thousands):

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	2010	2009
Gross carrying amount	\$ 32,652	\$ 32,652
Less accumulated amortization	21,206	18,046
Net carrying amount	\$ 11,446	\$ 14,606

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Goodwill and Other Intangible Assets, continued

Amortization expense on finite-lived intangible assets was \$3.16 million in 2010, \$3.10 million for 2009 and \$3.01 million for 2008. Amortization expense for each of the years 2011 through 2015 is estimated below (in thousands):

2011	\$3,018
2012	2,918
2013	2,030
2014	1,349
2015	956

(10) Deposits

At December 31, 2010, the contractual maturities of time deposits are summarized as follows (in thousands):

Maturing In:	
2011	\$ 2,315,574
2012	597,759
2013	136,478
2014	28,757
2015	96,951
thereafter	312
	\$ 3,175,831

At December 31, 2010, United held \$677 million in certificates of deposit obtained through the efforts of third party brokers. At December 31, 2009, United had \$759 million of such certificates of deposit. The daily average balance of these brokered deposits totaled \$610 million and \$756 million in 2010 and 2009, respectively. The weighted average rates paid during 2010 and 2009 were 2.21% and 2.78%, respectively, and the weighted average rate as of December 31, 2010 was 1.24%. These deposits generally have maturity dates ranging from 1 week to 3 years.

At December 31, 2010 and 2009, \$1.02 million and \$1.27 million in overdrawn deposit accounts were reclassified as loans. No specific allowance for loan losses was deemed necessary for these accounts at December 31, 2010 and 2009.

(11) Federal Home Loan Bank Advances

At December 31, 2010, United had advances totaling \$55.1 million from the FHLB all of which were fixed rate advances. At December 31, 2009, United had advances totaling \$115 million from the FHLB all of which were fixed rate advances. Interest payments and principal payments are due at various maturity dates with interest rates up to 4.49% at December 31, 2010. At December 31, 2010, the weighted average interest rate on FHLB advances was 4.28%, compared to 4.16% as of December 31, 2009. The FHLB advances are collateralized by commercial (secured by real estate) and residential mortgage loans, investment securities and FHLB stock.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(11)Federal Home Loan Bank Advances, continued

At December 31, 2010, the maturities and current rates of outstanding advances were as follows (in thousands):

Maturing In:	Amount	
	Maturing	Current Rate Range
2011	\$ -	
2012	25,000	4.39% - 4.39%
2013	-	
2014	30,000	2.85% - 4.49%
2015	-	
thereafter	125	
	\$ 55,125	

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

(12)Short-term Borrowings

United uses a number of sources of short-term borrowings to meet its liquidity needs including federal funds purchased, repurchase agreements, Federal Reserve discount window borrowings and the Federal Reserve's Term Auction Facility ("TAF") programs. The table below shows the amounts of short-term borrowings outstanding by type at December 31, 2010 and 2009 (in thousands).

	2010	2009
Repurchase agreements	\$ 101,067	\$ 101,389
Total short-term borrowings	\$ 101,067	\$ 101,389

Term Auction Facility

United periodically obtains funds from the Federal Reserve through its TAF program. The funds are obtained through a bid process. Interest rates on these funds are comparable to the targeted federal funds rate. The Federal Reserve terminated the program in 2010. United's discount window and TAF funds are collateralized by commercial loans and investment securities.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Long-term Debt

Long-term debt at December 31, 2010 and 2009 consisted of the following (in thousands):

	2010	2009	Issue Date	Stated Maturity Date	Earliest Call Date	Interest Rate
2002 subordinated debentures	\$ 30,500	\$ 30,500	2002	2012	2012	6.750 %
2003 subordinated debentures	35,000	35,000	2003	2015	2010	6.250
2008 subordinated debentures	30,000	30,000	2008	2015	2008	LIBOR + 4.00
Total subordinated debentures	95,500	95,500				
United Community Capital Trust	21,650	21,650	1998	2028	2008	8.125
United Community Statutory Trust I	5,155	5,155	2000	2030	2010	10.600
United Community Capital Trust II	10,309	10,309	2000	2030	2010	11.295
Southern Bancorp Capital Trust I	4,382	4,382	2004	2034	2009	Prime + 1.00
United Community Statutory Trust II	11,932	11,859	2008	2038	2013	9.000
United Community Statutory Trust III	1,218	1,211	2008	2038	2013	Prime + 3.00
Total trust preferred securities	54,646	54,566				
Total long-term debt	\$ 150,146	\$ 150,066				

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

Subordinated Debentures

Subordinated debentures qualify as Tier 2 capital under risk based capital guidelines. The 2003 subordinated debentures were callable at par on September 30, 2010 and are callable at par on September 30 of each year thereafter. At September 30, 2010, the interest rate increased to 7.50% and will remain at that rate until maturity or until it is called. The 2008 subordinated debentures are callable at any time. United acquired \$1 million of the 2002 subordinated debentures through its acquisition of Southern Community Bank and retired them upon acquisition in 2009.

Trust Preferred Securities

Trust preferred securities qualify as Tier 1 capital under risk based capital guidelines subject to certain limitations. The trust preferred securities are mandatorily redeemable upon maturity, or upon earlier redemption at a premium as provided in the indentures.

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

(14)Earnings Per Share

United is required to report on the face of the statement of income, earnings per common share with and without the dilutive effects of potential common stock issuances from instruments such as options, convertible securities and warrants. Basic earnings per common share is based on the weighted average number of common shares outstanding during the period while the effects of potential common shares outstanding during the period are included in diluted earnings per common share. During 2010, 2009 and 2008, United paid dividends to Series A preferred stockholders totaling \$13,000, \$14,000 and \$16,000, respectively. Additionally, in 2010, 2009 and 2008, United accrued dividends of \$10.3 million, \$10.2 million and \$708,000, respectively, on Series B preferred stock. The preferred stock dividends were subtracted from net loss in order to arrive at net loss available to common shareholders. There is no dilution from dilutive securities for the years ended December 31, 2010, 2009 and 2008, due to the antidilutive effect of the net loss for those periods.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(14) Earnings Per Share, continued

The following table sets forth the computation of basic and diluted loss per common share for the years ended December 31, 2010, 2009 and 2008 (in thousands, except per share data):

	2010	2009	2008
Net loss available to common stockholders	\$ (355,951)	\$ (238,569)	\$ (64,174)
Loss per common share:			
Basic	\$ (3.76)	\$ (3.95)	\$ (1.35)
Diluted	(3.76)	(3.95)	(1.35)
Weighted average common shares:			
Basic	94,624	60,374	47,369
Effect of dilutive securities:			
Stock options	-	-	-
Warrants	-	-	-
Diluted	94,624	60,374	47,369

(15) Income Taxes

Income tax benefit for the years ended December 31, 2010, 2009 and 2008 is as follows (in thousands):

	2010	2009	2008
Current	\$ 1,963	\$ (40,667)	\$ (24,336)
Deferred	(88,124)	(53,864)	(13,576)
Change in valuation allowance	669	3,872	-
Total income tax benefit	\$ (85,492)	\$ (90,659)	\$ (37,912)

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

	2010	2009	2008
Pretax loss at statutory rates	\$ (151,302)	\$ (111,825)	\$ (35,634)
Add (deduct):			
State taxes, net of federal benefit	(9,431)	(9,405)	(6,786)
Nondeductible goodwill impairment charges	71,561	32,282	-
Bank owned life insurance earnings	(606)	(3,308)	1,672
Adjustment to reserve for uncertain tax positions	2,903	(852)	3,875
Tax-exempt interest revenue	(993)	(1,120)	(1,195)

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Nondeductible interest expense	62	96	149
Tax credits	(501)	(501)	(506)
Incentive stock option expense	-	52	192
Change in valuation allowance	669	3,872	-
Other	2,146	50	321
Total income tax benefit	\$ (85,492)	\$ (90,659)	\$ (37,912)

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(15)Income Taxes, continued

The following summarizes the sources and expected tax consequences of future taxable deductions (revenue) which comprise the net deferred tax asset at December 31, 2010 and 2009, which is included in other assets (in thousands):

	2010	2009
Deferred tax assets:		
Allowances for loan losses	\$ 68,070	\$ 60,656
Net operating loss carryforwards	123,716	47,741
Deferred compensation	6,309	6,278
Reserve for losses on foreclosed properties	6,444	2,891
Nonqualified share based compensation	3,911	3,442
Accrued expenses	746	1,019
Investment in low income housing tax credit partnerships	1,302	1,083
Other	-	330
Total deferred tax assets	210,498	123,440
Deferred tax liabilities:		
Unrealized gains on cash flow hedges	7,676	14,050
Unrealized gains on securities available for sale	11,417	15,272
Premises and equipment	4,636	5,369
Acquired intangible assets	1,824	4,930
Loan origination costs	3,455	3,112
Gain from acquisition of Southern Community Bank	6,933	6,286
Prepaid expenses	1,509	1,311
Other	1,570	-
Total deferred tax liabilities	39,020	50,330
Less valuation allowance	4,541	3,872
Net deferred tax asset	\$ 166,937	\$ 69,238

At December 31, 2010 and 2009, United had net deferred tax assets of \$167 million and \$69.2 million, respectively, including valuation allowances of \$4.54 million and \$3.87 million, respectively, 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 December 31, 2010, United’s management believes that it is more likely than not that, with the exception of the state tax credits that are expected to expire unused due to a relatively short carry forward period of three 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, and has expectations of future taxable income. The deferred tax assets are analyzed quarterly for changes affecting realizability, and there can be no guarantee that a valuation allowance will not be necessary in future

periods.

During 2010 and 2009, United received refunds of previously paid income taxes of \$38.4 million and \$26.1 million, respectively. During 2008 United made income tax payments of approximately \$15.2 million.

At December 31, 2010, United had state net operating loss carryforwards of approximately \$20.0 million that begin to expire in 2023, and approximately \$398 million that begin to expire in 2028, if not previously utilized. United has state tax credit carryforwards of approximately \$9.2 million that begin to expire in 2011, if not previously utilized. United has \$280 million in Federal net operating loss carryforwards that begin to expire in 2029, if not previously utilized. United has \$1.5 million of Federal general business tax credits that begin to expire in 2028, if not previously utilized as well as \$2.4 million in federal alternative minimum tax credits which have no expiration date.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(15)Income Taxes, continued

The amount of unrecognized tax benefits as of December 31, 2010, 2009 and 2008 are \$11.1 million, \$8.3 million, and \$9.3 million, respectively.

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

	2010	2009	2008
Balance at beginning of year	\$ 8,252	\$ 9,336	\$ 4,729
Additions based on tax positions related to prior years	-	-	2,331
Decreases based on tax positions related to prior years	(119)	(216)	(154)
Additions based on tax positions related to the current year	3,982	1,965	2,430
Decreases resulting from a lapse in the applicable statute of limitations	(982)	-	-
Decreases based on settlements with taxing authorities	-	(2,833)	-
Balance at end of year	\$ 11,133	\$ 8,252	\$ 9,336

Approximately \$8.0 million of this amount would increase income from continuing operations, and thus affect United's effective tax rate, if ultimately recognized into income.

It is United's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in their respective federal or state income taxes accounts. The total amount of interest and penalties recorded in the income statement for the years ended December 31, 2010 and 2008 was \$235,000 and \$880,000, respectively. In 2009, United recognized a net reduction of previously recorded penalties and interest of \$148,000, primarily as a result of the settlement of an uncertain tax position. The amount accrued for interest and penalties at December 31, 2010 and 2009 was \$1.6 million and \$1.4 million, respectively.

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

United and its subsidiaries file a consolidated U.S. federal income tax return, as well as file various returns in the states where its banking offices are located. United's Georgia filed income tax returns for the years before 2003, and for the year ended 2006, are no longer subject to examination by taxing authorities. United's North Carolina filed income tax returns are no longer subject to examination by taxing authorities for years before 2009. The federal and remaining state filed income tax returns are no longer subject to examination by taxing authorities for years before 2007.

(16)Employee Benefit Plans

United offers a defined contribution 401(k) and Profit Sharing Plan (“Plan”) that covers substantially all employees meeting certain minimum service requirements. The Plan allows employees to make pre-tax contributions to the Plan and United matches these employee contributions dollar-for-dollar up to 5% of eligible compensation, subject to Plan and regulatory limits. United also makes discretionary profit sharing contributions of up to 3.5% of eligible compensation based on earnings performance. Employees begin to receive matching contributions after completing one year of service and benefits vest after three years of service. United’s Plan is administered in accordance with applicable laws and regulations. Compensation expense from continuing operations related to the Plan totaled \$2.97 million, \$3.14 million and \$3.29 million in 2010, 2009 and 2008, respectively. The Plan allows employees to choose to invest among a number of investment options, including United’s common stock. During 2010, 2009 and 2008, the Plan purchased 449,167, 255,727 and 134,792 shares, respectively, directly from United at the average of the high and low stock price on the date of purchase.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(16)Employee Benefit Plans, continued

United provides defined post-retirement benefits to certain executive officers and other key employees. Expenses incurred from continuing operations for these post-retirement benefits were approximately \$1.50 million, \$1.73 million and \$1.42 million for 2010, 2009 and 2008, respectively.

United sponsors a non-qualified deferred compensation plan for its executive officers, certain other key employees and members of its, and its community banks' Boards of Directors. The deferred compensation plan provides for the pre-tax deferral of compensation, fees and other specified benefits. The deferred compensation plan permits each participant to elect to defer a portion of his or her base salary or bonus and permits each director participant to elect to defer all or a portion of his or her director's fees. Further, the deferred compensation plan allows for additional contributions by an employee, with matching contributions by United, for amounts that exceed the allowable amounts under the tax-qualified 401(k) plan. During 2010, 2009 and 2008, United recognized \$31,000, \$12,000 and \$133,000, respectively, in matching contributions from continuing operations for this provision of the deferred compensation plan. The Board of Directors may elect to make a discretionary contribution to any or all participants.

(17)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 the use of derivative financial instruments. Specifically, United enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. United's derivative financial instruments are used to manage differences in the amount, timing, and duration of United's known or expected cash receipts and its known or expected cash payments principally related to United's loans and wholesale borrowings.

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

Derivatives Designated as Hedging Instruments under ASC 815, (Hedge Accounting)

Interest Rate	Balance Sheet Location	Fair Value	
		December 31, 2010	December 31, 2009
Products			
Asset derivatives	Other assets	\$ -	\$ 10,692

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

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(17) Derivatives and Hedging Activities, continued

The effective portion of changes in the fair value of derivatives designated, and that qualify, as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2010 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 2010, \$1.37 million in cash flow hedge ineffectiveness was recognized in other fee revenue. For the year ended December 31, 2009, \$3,000 in hedge ineffectiveness was recognized in other operating expense on derivative financial instruments designated as cash flow hedges. No hedge ineffectiveness was recognized on derivative financial instruments designated as cash flow hedges during the year ended December 31, 2008.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest revenue as interest payments are received on United's prime-based, variable-rate loans. At December 31, 2010, the amount included in other comprehensive income represents deferred gains from terminated cash flow hedges where the forecasted hedging transaction is expected to remain effective over the remaining unexpired term of the original contract. Such gains are being deferred and recognized over the remaining life of the original derivative contract. For terminated swap contracts, the gains are recognized over the original life of the contract on a straight line basis. For terminated floors, the gains are recognized over the original term based on the original floorlet schedule. During the year ended December 31, 2010, United accelerated the reclassification of \$1.37 million in gains from terminated positions as a result of the forecasted transactions becoming probable not to occur. During the year ended December 31, 2009, United accelerated the reclassification of an unrealized loss in accumulated other comprehensive income of \$3,000 to earnings, as a result of the hedged forecasted transactions becoming probable not to occur. During the next twelve months, United estimates that an additional \$11.7 million of the deferred gains on terminated cash flow hedging positions will be reclassified as an increase to interest revenue.

Fair Value Hedges of Interest Rate Risk

United is exposed to changes in the fair value of certain of its fixed rate obligations due to changes in LIBOR, a benchmark interest rate. United uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the benchmark interest rate. Interest rate swaps designated as fair value hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreements without the exchange of the underlying notional amount. At December 31, 2010, United had no derivative contracts outstanding that were 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 years ended December 31, 2010, 2009 and 2008, United recognized net gains/(losses) of \$215,000, \$(393,000) and \$140,000, respectively, related to ineffectiveness of the fair value hedging relationships. United also recognized a net reduction of interest expense of \$3.97 million, \$6.18 million and \$2.10 million for the years ended December 31, 2010, 2009 and 2008, respectively, related to United's fair value hedges, which includes net settlements on the derivatives.

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

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The tables below present the effect of United's derivative financial instruments on the consolidated statement of operations for the years ended December 31, 2010, 2009 and 2008.

Derivatives in Fair Value Hedging Relationships (in thousands).

Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in			Amount of Gain (Loss) Recognized in		
	Income on Derivative			Income on Hedged Item		
	2010	2009	2008	2010	2009	2008
Other fee revenue	\$ (3,760)	\$ (259)	\$ -	\$ 3,975	\$ 431	\$ -
Other expense	-	(3,177)	6,313	-	2,612	(6,173)
	\$ (3,760)	\$ (3,436)	\$ 6,313	\$ 3,975	\$ 3,043	\$ (6,173)

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(17) Derivatives and Hedging Activities, continued

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) Location	Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)		
	2010	2009	2008		2010	2009	2008
Interest rate products	\$ 2,314	\$ (1,453)	\$ 83,057	Interest revenue	\$ 17,326	\$ 36,793	\$ 27,347
				Other expense	1,370	(3)	-
Total	\$ 2,314	\$ (1,453)	\$ 83,057		\$ 18,696	\$ 36,790	\$ 27,347

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 December 31, 2010, United had no active derivative positions and therefore no credit support agreements remained in effect.

(18) Regulatory Matters

Capital Requirements

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

Quantitative measures (as defined) established by regulation to ensure capital adequacy require United and the Bank to maintain minimum amounts and ratios of Total capital and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets.

As of December 31, 2010, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must exceed the well-capitalized guideline ratios, as set forth in the table and meet certain other requirements. Management believes that the Bank exceeded all well-capitalized requirements, and there have been no conditions or events since year-end that would change the status of well-capitalized. The regulatory designation of "well-capitalized" under prompt corrective action regulations is not applicable to United (a bank holding company). However, Regulation Y defines "well-capitalized" for a bank holding company for the purpose of determining eligibility for a streamlined review process for acquisition proposals. For such purposes, "well-capitalized" requires United to maintain a minimum Tier 1 risk-based capital ratio of 6% and a

minimum Total risk-based capital ratio of 10%.

The Bank is currently subject to an informal memorandum of understanding with the FDIC and Georgia Department of Banking and Finance (the “MOU”). The MOU requires, among other things, that the Bank maintain its Tier I leverage ratio at not less than 8% and its total risk-based capital ratio at not less than 10% during the life of the MOU. As of December 31, 2010, the Bank’s Tier I leverage ratio was below the target level of 8% at 7.45%.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(18)Regulatory Matters, continued

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

	Regulatory Guidelines		United Community Banks, Inc. (consolidated)				United Community Bank	
	Minimum	Well Capitalized	2010	2009	2010	2009		
Risk-based ratios:								
Tier 1 capital	4.0 %	6.0 %	9.67 %	12.41 %	10.72 %	13.19 %		
Total capital	8.0	10.0	12.11	15.09	12.48	15.01		
Leverage ratio	3.0		6.75	8.50	7.45	8.81		
Tier 1 capital			\$ 483,257	\$ 679,552	\$ 534,161	\$ 720,075		
Total capital			605,204	826,251	621,807	819,415		

Cash, Dividend, Loan and Other Restrictions

At December 31, 2010 and 2009, the Bank did not have a required reserve balance at the Federal Reserve Bank. Federal and state banking regulations place certain restrictions on dividends paid by the Bank to United. At December 31, 2010, the Bank did not have any retained earnings available for distribution to United in the form of dividends without requesting regulatory approval.

Effective April 2009, United adopted a board resolution proposed by the Federal Reserve Bank of Atlanta pursuant to which we agreed to not incur additional indebtedness, pay cash dividends, make payments on our trust preferred securities or repurchase outstanding stock without prior regulatory approval (the "Board Resolution"). Since that date, United has requested and received approval to pay all cash dividends and interest payments during 2010 and 2009 but was not given permission to pay interest on our trust preferred securities and dividends on its preferred stock during the first quarter of 2011. As a result of such deferrals, United may not pay dividends on any of common or preferred stock or trust preferred securities until all accrued and unpaid amounts under the deferred securities have been paid.

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

On December 5, 2008, United entered into a Letter Agreement and Securities Purchase Agreement (the "Purchase Agreement") with the U.S. Treasury Department ("Treasury") under the Troubled Asset Relief Program ("TARP") Capital Purchase Program discussed below, pursuant to which United sold (i) 180,000 shares of United's Fixed Rate Cumulative Perpetual Preferred Stock, Series B (the "Series B Preferred Stock") and (ii) a warrant (the "Warrant") to purchase 2,132,701 shares (1,099,542 shares, as adjusted for subsequent stock dividends and a 50% reduction following United's recent stock offering) of United's common stock for an aggregate purchase price of \$180 million in cash. Pursuant to the terms of the Purchase Agreement, the ability of United to declare or pay dividends or distributions its common stock is subject to restrictions, including a restriction against increasing dividends from the

last quarterly cash dividend per share (\$.09) declared on the common stock prior to December 5, 2008, as adjusted for subsequent stock dividends and other similar actions. In addition, as long as Series B Preferred Stock is outstanding, dividend payments are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions. This restriction will terminate on December 5, 2011, or earlier, if the Series B Preferred Stock has been redeemed in whole or Treasury has transferred all of the Series B Preferred Stock to third parties.

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

(19)Commitments and Contingencies

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

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(19)Commitments and Contingencies, continued

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

The following table summarizes, as of December 31, 2010 and 2009, the contract amount of off-balance sheet instruments (in thousands):

	2010	2009
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 482,860	\$ 569,408
Commercial letters of credit	18,813	22,624

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

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

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

(20)Preferred Stock

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

Series A

At December 31, 2010 and 2009, there were 21,700 Series A preferred shares, respectively, issued and outstanding, which were issued as non-cumulative preferred stock. The dividend rate of the Series A preferred stock is 6% per

annum, provided a dividend has been declared for the common shares. The holders of the Series A preferred stock maintain a liquidation preference to the common stockholder. The Series A preferred stock has no voting rights and United may redeem the Series A preferred stock for an amount equal to the stated value plus the accrued dividend.

Series B

On December 5, 2008, United sold 180,000 shares of Series B Preferred Stock with the Warrant to purchase 2,132,701 shares (2,199,084 shares adjusted for stock dividends declared subsequent to issuance) of common stock, to Treasury under Treasury's Capital Purchase Program. The proceeds from the sale of \$180 million were allocated between the Series B Preferred Stock and the Warrant based on their relative fair values at the time of the sale. Of the \$180 million in proceeds, \$173 million was allocated to the Series B Preferred Stock and \$6.90 million was allocated to the Warrant. The accretion of the discount recorded on the Series B Preferred Stock that resulted from allocating a portion of the proceeds to the Warrant is accreted directly to retained earnings over a five-year period applying a level yield, and is reported on the consolidated statement of operations in the determination of the amount of net (loss) income available to common shareholders. The exercise price of the Warrant is \$12.66 (\$12.28 as adjusted for stock dividends declared subsequent to issuance) and it is exercisable at any time on or before December 5, 2018. According to the terms of the agreement with Treasury, the number of shares issuable under the Warrant was reduced by 50% due to the sale of \$211 million in qualifying common equity in the third quarter of 2009. As a result, the number of shares issuable under the warrant was reduced to 1,099,542.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(20)Preferred Stock, continued

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

(21)Shareholders' Equity

In 2007, the shareholders approved the Amended and Restated 2000 Key Employee Stock Option Plan ("2000 Plan"). Under the terms of the 2000 Plan, awards of 2,500,000 options, restricted stock awards, stock awards, performance share awards or stock appreciation rights could be granted for shares of United's common stock. Options granted under the 2000 Plan can have an exercise price no less than the fair market value at the date of grant. The general terms of the 2000 Plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain option and restricted stock grants provide for accelerated vesting if there is a change in control of United or certain other conditions are met (as defined in the plan document). As of December 31, 2010, approximately 1,227,000 awards could be granted under the 2000 Plan.

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

Restricted stock and options outstanding and activity for the years ended December 31, 2010, 2009 and 2008 consisted of the following:

	Restricted Stock		Options			
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs.)	Aggregate Intrinsic Value (000's)
December 31, 2007	84,413	29.26	2,912,557	21.57		
Stock dividend	1,354	-	51,582	-		
Granted	31,097	14.19	597,750	13.76		
Exercised	(24,366)	26.99	(87,941)	13.41		
Cancelled	(3,000)	30.10	(123,247)	23.65		
December 31, 2008	89,498	24.17	3,350,701	19.99		
Stock dividend	3,179	-	79,489	-		
Granted	106,000	7.07	354,450	6.35		
Exercised	(30,728)	24.32	(437)	5.96		
Cancelled	(390)	30.38	(120,750)	18.13		
December 31, 2009	167,559	12.86	3,663,453	18.30		
Granted	430	5.02	12,500	4.91		
Exercised	(51,907)	14.85	-	-		
Cancelled	-	-	(284,376)	14.08		
December 31, 2010	116,082	11.94	3,391,577	18.60	4.61	\$ -

Exercisable at December 31, 2010	2,740,265	19.67	3.91	-
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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(21) Shareholders' Equity, continued

The following is a summary of stock options outstanding at December 31, 2010:

Shares	Range	Options Outstanding		Average Remaining Life	Options Exercisable	
		Weighted Average Price	Weighted Average Price		Shares	Weighted Average Price
356,304	\$ 3.00 - 7.50	\$ 6.31	6.31	7.67	113,004	\$ 6.44
526,167	7.51 - 12.50	11.85	11.85	0.93	522,789	11.86
547,237	12.51 - 15.00	13.31	13.31	7.02	286,967	13.32
381,224	15.01 - 17.50	15.81	15.81	2.41	374,739	15.81
392,595	17.51 - 22.50	21.52	21.52	3.90	392,205	21.52
234,472	22.51 - 25.00	23.12	23.12	3.38	233,302	23.11
413,902	25.01 - 28.50	27.68	27.68	4.97	413,902	27.68
508,504	28.51 - 30.00	29.52	29.52	6.07	377,381	29.52
31,172	30.01 - 33.50	30.50	30.50	6.17	25,976	30.56
3,391,577	3.00 - 33.50	18.60	18.60	4.61	2,740,265	19.67

The weighted average fair value of options granted in 2010, 2009 and 2008 was \$2.64, \$2.85 and \$2.88, respectively. The fair value of each option granted was estimated on the date of grant using the Black-Scholes model. The key assumptions used to determine the fair value of options are presented in the table below:

	2010		2009		2008	
Expected volatility	52	%	41	%	23	%
Expected dividend yield	0.0	%	0.0	%	2.6	%
Expected life (in years)	6.15		6.25		6.25	
Risk free rate	3.1	%	3.3	%	3.4	%

United's stock trading history began in March of 2002 when United listed on the Nasdaq Global Select Market. For 2010 and 2009, expected volatility was determined using United's historical monthly volatility over a period of 25 quarters ending December 31, 2009 and 2008, respectively. For 2008, expected volatility was determined using United's historical monthly volatility over the period beginning in March of 2002 through the end of the last completed

year. Compensation expense relating to options of \$1.97 million, \$2.82 million and \$2.99 million, respectively, was included in earnings in 2010, 2009 and 2008. A deferred income tax benefit related to stock option expense of \$780,000, \$1,040,000 and \$941,000 was included in the determination of income tax expense in 2010, 2009 and 2008, respectively. The amount of compensation expense for all periods was determined based on the fair value of options at the time of grant, multiplied by the number of options granted that were expected to vest, which was then amortized over the vesting period. The forfeiture rate for options is estimated to be approximately 3% per year. The total intrinsic value of options exercised during 2009 and 2008, was \$1,000 and \$404,000, respectively. There were no options exercised during 2010.

Compensation expense for restricted stock is based on the fair value of restricted stock awards at the time of grant, which is equal to the value of United's common stock on the date of grant. The value of restricted stock grants that are expected to vest is amortized into expense over the vesting period. Compensation expense recognized in the consolidated statement of operations for restricted stock in 2010, 2009 and 2008 was \$493,000, \$886,000, and \$865,000, respectively. The total intrinsic value of restricted stock at December 31, 2010 was approximately \$226,000.

As of December 31, 2010, there was \$2.28 million of unrecognized compensation cost related to nonvested stock options and restricted stock granted under the 2000 Plan. The cost is expected to be recognized over a weighted-average period of 1.6 years. The aggregate grant date fair value of options and restricted stock that vested during 2010 was \$3.52 million.

United sponsors a Dividend Reinvestment and Stock Purchase Plan ("DRIP") that allows participants who already own United's common stock to purchase additional shares directly from the company. The DRIP also allows participants to automatically reinvest their quarterly dividends in additional shares of common stock without a commission. During 2010, 2009 and 2008, 35,307 shares, 48,906 shares and 100,757 shares, respectively, were issued in connection with the DRIP.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(21) Shareholders' Equity, continued

United offers its common stock as an investment option in its deferred compensation plan. The common stock component is accounted for as an equity instrument and is reflected in the consolidated balance sheet as common stock issuable. The deferred compensation plan does not allow for diversification once an election is made to invest in United stock and settlement must be accomplished in shares at the time the deferral period is completed. At December 31, 2010 and 2009, United had 336,437 shares and 221,906 shares, respectively, of its common stock that was issuable under the deferred compensation plan.

The table below shows the components of accumulated other comprehensive income at December 31, 2010 and 2009 (in thousands):

	2010	2009
Unrealized gains on securities available for sale, net of tax	\$ 19,022	\$ 25,567
Unrealized gains on derivative financial instruments qualifying as cash flow hedges, net of tax	12,057	22,068
Accumulated other comprehensive income	\$ 31,079	\$ 47,635

(22) Fair Value

Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 ("ASC 820") Fair Value Measurements and Disclosures establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Fair Value Hierarchy

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

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

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

entirety. United's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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

Securities Available for Sale

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

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22)Fair Value, continued

Deferred Compensation Plan Assets and Liabilities

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

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of cost or market value. The fair value of mortgage loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics. Generally, book value approximates fair value.

Loans

United does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if repayment of the loan is dependent upon the sale of the underlying collateral. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2010, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with ASC 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, United records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, United records the impaired loan as nonrecurring Level 3.

Foreclosed Assets

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

Goodwill and Other Intangible Assets

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

Derivative Financial Instruments

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

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22)Fair Value, continued

The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates fell below the strike rate of the floors. The variable interest rates used in the calculation of projected receipts on the floor are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of ASC 820, United incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, United has considered the effect of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although United has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2009, United had assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, United has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. United did not have any active derivative contracts at December 31, 2010.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

December 31, 2010	Level 1	Level 2	Level 3	Total
Assets:				
Securities available for sale				
U.S. Government agencies	\$ -	\$ 98,480	\$ -	\$ 98,480
State and political subdivisions	-	28,442	-	28,442
Mortgage-backed securities	-	986,074	4,934	991,008
Other	-	106,137	350	106,487
Deferred compensation plan assets	3,252	-	-	3,252
Total assets	\$ 3,252	\$ 1,219,133	\$ 5,284	\$ 1,227,669
Liabilities:				
Deferred compensation plan liability	\$ 3,252	\$ -	\$ -	\$ 3,252
Total liabilities	\$ 3,252	\$ -	\$ -	\$ 3,252
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

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Deferred compensation plan assets	4,818	-	-	4,818
Derivative financial instruments	-	10,692	-	10,692
Total assets	\$ 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

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22)Fair Value, continued

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	(78)
Impairment losses	(950)
Other comprehensive income	(700)
Transfers between valuation levels, net	(31,880)
Balance at December 31, 2010	\$ 5,284

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

United may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The table below presents United's assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2010 and 2009, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands).

December 31, 2010	Level 1	Level 2	Level 3	Total
Assets:				
Loans	\$ -	\$ -	\$ 106,904	\$ 106,904
Foreclosed properties	-	-	85,072	85,072
Total assets	\$ -	\$ -	\$ 191,976	\$ 191,976
December 31, 2009	Level 1	Level 2	Level 3	Total
Assets:				
Loans	\$ -	\$ -	\$ 153,038	\$ 153,038
Foreclosed properties	-	-	81,213	81,213
Total assets	\$ -	\$ -	\$ 234,251	\$ 234,251

For assets and liabilities that are not presented on the balance sheet at fair value, United uses the following methods to determine 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, the fair value of interest rate contracts used for balance sheet management was an asset of approximately \$10.7 million. United did not have any active derivative contracts outstanding at December 31, 2010.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22) Fair Value, continued

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

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

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

The carrying amount and fair values for other financial instruments included in United's balance sheet at December 31, 2010 and 2009 are as follows (in thousands):

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Securities held to maturity	\$ 265,807	\$ 267,988	\$ -	\$ -
Loans, net	4,429,431	4,196,142	4,995,874	4,529,755
Liabilities:				
Deposits	6,469,172	6,481,867	6,627,834	6,660,196
Federal Home Loan Bank advances	55,125	59,498	114,501	119,945
Long-term debt	150,146	93,536	150,066	111,561

(23) Transaction with Fletcher International

On April 1, 2010, United entered into a securities purchase agreement with Fletcher International, Ltd. and the Bank entered into an asset purchase and sale agreement with Fletcher International, Inc. and certain affiliates thereof. Under the terms of the agreements, the Bank sold \$103 million in nonperforming commercial and residential mortgage loans and foreclosed properties to Fletcher's affiliates with a nominal aggregate sales price equal to the Bank's recorded book value. The nonperforming assets sale transaction closed on April 30, 2010. The consideration for the sale consisted of \$20.6 million in cash and a loan for \$82.4 million. As part of the agreement, Fletcher received a warrant to acquire

7,058,824 shares of United's common stock at a price of \$4.25 per share. In accordance with the terms of the securities purchase agreement, Fletcher has the right during the next two years to purchase up to \$65 million in United's Series C Convertible Preferred Stock. The Series C Convertible Preferred Stock pays a dividend equal to the lesser of 8% or LIBOR plus 4%. The Series C Convertible Preferred Stock is convertible by Fletcher into common stock at \$5.25 per share (12,380,952 shares). If Fletcher has not purchased all of the Series C Convertible Preferred Stock by May 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.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(23) Transaction with Fletcher International, continued

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.

(24)Subsequent Events

As of February 22, 2011, United adopted a Tax Benefits Preservation Plan (the "Plan") designed to protect its ability to utilize its substantial tax assets. Those tax assets include net operating losses that it could utilize in certain circumstances to offset taxable income and reduce its federal income tax liability and the future tax benefits from potential net unrealized built in losses.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(24)Subsequent Events, continued

United's ability to use the Tax Benefits would be substantially limited if it were to experience an "ownership change" as defined under Section 382 of the Internal Revenue Code of 1986, as amended, and related Internal Revenue Service pronouncements ("Section 382"). In general, an "ownership change" would occur if United's "5-percent shareholders," as defined under Section 382, collectively increase their ownership in United by more than 50% over a rolling three-year period. The Plan is designed to reduce the likelihood that United will experience an ownership change by discouraging any person or group from becoming a beneficial owner of 4.99% or more of United's common stock then outstanding.

In connection with the Plan, on February 22, 2011, United entered into a share exchange agreement (the "Share Exchange Agreement") with Elm Ridge Offshore Master Fund, Ltd. (the "Master Fund") and Elm Ridge Value Partners, L.P. ("Value Partners" and, together with the Master Fund, collectively, the "Elm Ridge Parties"). Under the Share Exchange Agreement, the Elm Ridge Parties agreed to transfer to the Company 7,755,631 shares of United's common stock, in exchange for (i) 16,613 shares of the Company's Cumulative Perpetual Preferred Stock, Series D, par value \$1.00 per share and liquidation value \$1,000 per share (the "Series D Preferred Shares") and (ii) warrants to purchase 7,755,631 shares of common stock. The warrants are exercisable at a price of \$2.50 per share and may not be exercised until October 1, 2012 and expire on August 22, 2013. The closing of the Share Exchange occurred on February 22, 2011. Prior to entering into the Share Exchange Agreement, collectively, the Elm Ridge Parties were United's largest shareholder. By exchanging the Elm Ridge Parties' common stock for the Series D Preferred Shares and warrants, United eliminated its only "5-percent shareholder" and, as a result, obtained further protection against an ownership change under Section 382.

On March 16, 2011, United announced its plans to sell \$380 million of common stock in a private placement to a group of investors (the "Private Placement"). United has entered into definitive agreements with the investors and anticipates closing the Private Placement by March 31, 2011, subject to customary regulatory approvals and satisfaction of remaining conditions to closing. Pursuant to the Private Placement, the investors have agreed to purchase 17,338,497 shares of common stock and \$347 million of mandatorily convertible preferred stock. If shareholder approval is received, such preferred stock will be converted into common stock and non-voting common stock. Following such shareholder approval, the purchasers in the Private Placement will own an aggregate of 120,429,003 shares of common stock and 79,570,997 shares of non-voting common stock.

Assuming the Private Placement is completed, United will be subject to certain ongoing obligations under the investment agreements with the investors. The lead investor in the Private Placement, an affiliate of Corsair Capital, LLC ("Corsair") will be entitled to, among other things, the right to nominate one member to United's board of directors and certain preemptive rights in connection with certain equity issuances by United. The investors will also have the benefit of certain registration rights under their respective agreements with us, and United has agreed to provide the investors certain indemnities under the agreements.

In connection with the Private Placement, United plans to de-risk its balance sheet by accelerating the disposition of certain substandard loans and nonperforming assets with an underlying goal of immediately returning to profitability to further enhance and rebuild shareholder value (the "Asset Disposition Plan"). Execution of the Asset Disposition Plan is subject to approval by United's Board of Directors. The Asset Disposition Plan provides for the sale of approximately \$200 million in performing substandard loans and approximately \$93 million in nonperforming loans in bulk sale transactions. Based on early indications of bids, United expects to incur losses on the bulk sales of

approximately \$200 million. The bulk sales transactions are not expected to close until the second quarter of 2011; however, United expects to move the loans to a held-for-sale balance sheet classification and accordingly, will charge them down to the expected sales proceeds in the first quarter of 2011. United expects that up to \$25 million of the \$200 million charge off will be covered by United's allowance for loan losses and the other \$175 million will be recorded as a provision for loan losses in the first quarter. Also part of the Asset Disposition Plan and subject to Board approval, United expects to record a charge of between \$50 and \$75 million to write down foreclosed properties in an effort to accelerate sales with the goal of disposing of all of its current foreclosed properties within the second and third quarters of 2011. The foreclosed property write down will be reflected in United's first quarter 2011 results of operations.

On January 3, 2011, United announced that it would defer its regularly scheduled interest payments on its trust preferred securities. United may defer interest payments for consecutive periods of up to five years without default or penalty under the terms of the trust preferred agreements. On February 14, 2011, United announced that it would defer its regularly scheduled dividend payment on its Cumulative Perpetual Preferred Stock, Series B that was issued to the U.S. Treasury under its Capital Purchase Program. United may defer dividend payments for up to six consecutive quarters without default or penalty under the terms of the investment documents. The interest on trust preferred securities and dividends on United's Series B preferred stock will continue to accrue to be paid at a later date. Both deferral decisions were made in consultation with the Federal Reserve Bank of Atlanta as required by United's existing board resolution that was previously adopted at the request of the Federal Reserve.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Statement of Operations
For the Years Ended December 31, 2010, 2009 and 2008

(in thousands)

	2010	2009	2008
Dividends from subsidiaries	\$ -	\$ -	\$ 70,000
Other	6,767	7,760	9,824
Total income	6,767	7,760	79,824
Interest expense	9,249	9,229	8,595
Other expense	7,683	9,109	7,920
Total expenses	16,932	18,338	16,515
Income tax benefit	255	3,950	2,384
(Loss) income before equity in undistributed loss of subsidiaries	(9,910)	(6,628)	65,693
Equity in undistributed loss of subsidiaries	(335,725)	(221,699)	(129,143)
Net loss	\$ (345,635)	\$ (228,327)	\$ (63,450)

Balance Sheet
As of December 31, 2010 and 2009

(in thousands)

	2010	2009
Assets		
Cash	\$ 9,331	\$ 23,828
Investment in subsidiaries	735,427	1,047,896
Other assets	35,532	73,934
Total assets	\$ 780,290	\$ 1,145,658
Liabilities and Shareholders' Equity		
Subordinated debentures	\$ 120,146	\$ 120,066
Other liabilities	24,629	63,271

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Total liabilities	144,775	183,337
Shareholders' equity	635,515	962,321
Total liabilities and shareholders' equity	\$ 780,290	\$ 1,145,658

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Statement of Cash Flows

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands)

	2010	2009	2008
Operating activities:			
Net loss	\$ (345,635)	\$ (228,327)	\$ (63,450)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Equity in undistributed loss of the subsidiaries	335,725	221,699	129,143
Depreciation, amortization and accretion	241	333	596
Impairment loss on securities	-	555	-
Employee stock compensation	2,459	3,704	3,859
Change in assets and liabilities:			
Other assets	36,864	(5,395)	(40,813)
Other liabilities	(36,782)	2,170	43,341
Net cash (used in) provided by operating activities	(7,128)	(5,261)	72,676
Investing activities:			
Disposal of premises and equipment	-	-	34
Investment in subsidiaries	-	(210,900)	(253,000)
Repayment of subordinated notes by subsidiary	-	-	73,000
Purchases of securities available for sale	(187)	(438)	(250)
Net cash used in investing activities	(187)	(211,338)	(180,216)
Financing activities:			
Net change in short-term borrowings	-	-	(42,000)
Proceeds from issuance of trust preferred securities	-	-	12,967
Repayment of subordinated notes	-	(1,000)	-
Proceeds from exercise of stock options	-	2	1,020
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	1,831	2,154	3,389
Proceeds from issuance of common stock	-	211,089	-
Proceeds from issuance of Series B preferred stock	-	-	180,000
Retirement of Series A preferred stock	-	(41)	-
Cash dividends on common stock	-	-	(12,713)
Cash dividends on Series A preferred stock	(13)	(14)	(16)
Cash dividends on Series B preferred stock	(9,000)	(8,500)	-

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Net cash (used in) provided by financing activities	(7,182)	203,690	142,647
Net change in cash	(14,497)	(12,909)	35,107
Cash at beginning of year	23,828	36,737	1,630
Cash at end of year	\$ 9,331	\$ 23,828	\$ 36,737

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

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

ITEM CONTROLS AND PROCEDURES.

9A.

Evaluation of Disclosure Controls and Procedures

United's management, including the Chief Executive Officer and Chief Financial Officer, supervised and participated in an evaluation of the company's disclosure controls and procedures as of December 31, 2010.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective in accumulating and communicating information to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosures of that information under the Securities and Exchange Commission's rules and forms and that the disclosure controls and procedures are designed to ensure that the information required to be disclosed in reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified.

Changes in Internal Control Over Financial Reporting

No changes were made to United's internal control over financial reporting during the fourth quarter of 2010 that materially affected, or are reasonably likely to materially affect, United's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

United's management is responsible for establishing and maintaining adequate internal control over financial reporting. Management's assessment of the effectiveness of United's internal control over financial reporting as of December 31, 2010 is included in Item 8 of this Report under the heading "Management's Report on Internal Controls Over Financial Reporting."

ITEM OTHER INFORMATION.

9B.

There were no items required to be reported on Form 8-K during the fourth quarter of 2010 that were not reported on Form 8-K.

PART III

ITEM DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

10.

The information contained under the headings “Information Regarding Nominees and Other Directors”, “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2011 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference. Pursuant to instruction 3 to paragraph (b) of Item 401 of Regulation S-K, information relating to the executive officers of United is included in Item 1 of this Report.

ITEM EXECUTIVE COMPENSATION.

11.

The information contained under the heading “Compensation of Executive Officers and Directors” in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2011 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

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

12.

The information contained under the heading “Principal and Management Shareholders” and the “Equity Compensation Plan Information” table in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2011 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference. For purposes of determining the aggregate market value of United’s voting stock held by nonaffiliates, shares held by all directors and executive officers of United have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which persons or entities may be “Affiliates” of United as defined by the Commission.

ITEM CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

13.

The information contained under the heading “Corporate Governance – Certain Relationships and Related Transactions” in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2011 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

ITEM PRINCIPAL ACCOUNTANT FEES AND SERVICES.

14.

The information contained under the heading “Other Matters – Independent Registered Public Accounting Firm” in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2011 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) 1. Financial Statements.

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

Report of Independent Registered Public Accounting Firm

Consolidated Statement of Operations - Years ended December 31, 2010, 2009, and 2008

Consolidated Balance Sheet - December 31, 2010 and 2009

Consolidated Statement of Changes in Shareholders' Equity - Years ended December 31, 2010, 2009, and 2008

Consolidated Statement of Cash Flows - Years ended December 31, 2010, 2009, and 2008

Notes to Consolidated Financial Statements

2. Financial Statement Schedules.

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

3. Exhibits.

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

Exhibit No.	Exhibit
3.1	Restated Articles of Incorporation of United Community Banks, Inc., (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, File No. 0-21656, filed with the Commission on August 14, 2001).
3.2	Amendment to the Restated Articles of Incorporation of United Community Banks, Inc. (incorporated herein by reference to Exhibit 3.3 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-118893, filed with the Commission on September 9, 2004).
3.3	Amended and Restated Bylaws of United Community Banks, Inc., dated September 12, 1997 (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Annual Report on Form 10-K, for the year ended December 31, 1997, File No. 0-21656, filed with the Commission on March 27, 1998).
3.4	Amendment to the Amended and Restated Articles of Incorporation of United Community Banks, Inc. (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s current report on Form 8-K, filed with the Commission on December 5, 2008).
3.5	

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.)

- 3.6 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).

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Exhibit No.	Exhibit
3.7	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).
3.8	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.
4.2	Form of Warrant to be granted by United Community Banks, Inc. to Fletcher International, Ltd. (incorporated by reference to Exhibit 1.3 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on April 1, 2010.)
4.3	Amendment to Warrants to Purchase Shares of Common Stock of United Community Banks, Inc., dated June 11, 2010, between United Community Banks, Inc. and Fletcher International, Ltd. (incorporated by reference to Exhibit 1.2 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on June 14, 2010.)
4.4	Amendment to Amended and Restated Articles of Incorporation, dated February 22, 2011 (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s current report on Form 8-K, filed with the Commission on February 24, 2011).
4.5	Amendment to Amended and Restated Articles of Incorporation, dated February 22, 2011 (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 February 24, 2011).
4.6	Tax Benefits Preservation Plan, dated as of February 22, 2011, by and between United Community Banks, Inc. and Illinois Stock Transfer Company (incorporated by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on February 24, 2011.)
4.7	Form of Warrant granted by United Community Banks, Inc. to Elm Ridge Offshore Master Fund, Ltd. and Elm Ridge Value Partners, L.P. (incorporated by reference to Exhibit 4.3 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on February 24, 2011.)
10.1	United Community Banks, Inc.'s Profit Sharing Plan, dated as of March 9, 2001 (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-86876, filed with the Commission

on April 24, 2002).*

10.2

Amendment No. 1 to United Community Banks, Inc.'s Profit Sharing Plan, dated as of March 15, 2002 (incorporated herein by reference to Exhibit 4.4 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-86876, filed with the Commission on April 24, 2002).*

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Exhibit No.	Exhibit
10.3	United Community Banks, Inc.'s 2000 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-99849, filed with the Commission on September 19, 2002).*
10.4	Amendment to United Community Banks, Inc.'s 2000 Key Employee Stock Option Plan, dated March 5, 2004 (incorporated herein by reference to United Community Banks, Inc.'s Registration Statement on Form S-4, filed on September 9, 2004).*
10.5	Split-Dollar Agreement between United and Jimmy C. Tallent dated June 1, 1994 (incorporated herein by reference to Exhibit 10.11 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-21656).*
10.6	Form of Amended and Restated Change of Control Severance Agreement by and between United Community Banks, Inc. and Jimmy C. Tallent, Guy W. Freeman, Rex S. Schuette and David Shearrow (incorporated herein by reference to Exhibit 10.8 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the Commission on February 27, 2009).*
10.7	Employment Agreement by and between United Community Banks, Inc. and Glenn S. White (incorporated herein by reference to Exhibit 10.9 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the Commission on February 27, 2009).*
10.8	United Community Banks, Inc.'s Amended and Restated Modified Retirement Plan, effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.10 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the Commission on February 27, 2009).*
10.9	United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.11 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the Commission on February 27, 2009).*
10.10	United Community Banks, Inc. Dividend Reinvestment and Share Purchase Plan (incorporated) herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-3D, File No. 333-127477, filed with the Commission on August 12, 2005).
10.11	United Community Banks, Inc. Employee Stock Purchase Plan, effective as of December 20, 2005 (incorporated herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-130489,

filed with the commission on December 20, 2005).

10.12

Amendment Number 2 to United Community Banks, Inc. 2000 Key Employee Stock Option Plan, dated April 26, 2006 (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, File No. 0-21656, filed with the Commission on August 8, 2006).*

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Exhibit No.	Exhibit
10.13	United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on May 1, 2007).*
10.14	Form of Senior Executive Officer Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 10.3 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 0-21656, filed with the Commission on August 7, 2009).*
10.15	Form of Senior Executive Officer Nonqualified Stock Option Agreement (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 0-21656, filed with the Commission on August 7, 2009).*
10.16	Form of Senior Executive Officer Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.2 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 0-21656, filed with the Commission on August 7, 2009).*
10.17	United Community Banks, Inc.'s Management Incentive Plan (incorporated herein by reference to Exhibit 10.5 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on May 1, 2007).*
10.18	Amendment No. 1 to United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on April 13, 2007).*
10.19	Subordinated Term Loan Agreement, dated as of August 29, 2008, among United Community Bank, as borrower, the lenders from time to time party thereto, and SunTrust Bank as administrative agent (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s current report on Form 8-K, filed with the Commission on August 28, 2008).
10.20	Letter Agreement, dated December 5, 2008, between United Community Banks, Inc. and the United States Treasury, with respect to the issuance and sale of Series B Preferred Stock and the Warrant (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s current Report on Form 8-K, filed with the Commission on December 5, 2008).
10.21	Form of Senior Executive Officer Waiver, dated December 5, 2008, by Jimmy C. Tallent, Guy W. Freeman, Rex S. Schuette, David Shearrow and Glenn S. White (incorporated herein by reference to Exhibit 10.23 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the Commission on February 27, 2009).*

- 10.22 Asset Purchase Agreement, dated April 1, 2010 by and among United Community Bank and Fletcher International, Inc. and certain affiliates thereof who may become parties thereto as purchasers (incorporated by reference to Exhibit 1.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on April 1, 2010.)
- 10.23 Securities Purchase Agreement, dated April 1, 2010 between United Community Banks, Inc. and Fletcher International, Ltd. (incorporated by reference to Exhibit 1.2 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on April 1, 2010.)

Exhibit No.	Exhibit
10.24	Amendment to Securities Purchase Agreement, dated June 11, 2010 between United Community Banks, Inc. and Fletcher International, Ltd. (incorporated by reference to Exhibit 1.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the Commission on June 14, 2010.)
10.25	Share Exchange Agreement dated as of February 22, 2011, by and among United Community Banks, Inc. and Elm Ridge Offshore Master Fund, Ltd and Elm Ridge Value Partners L.P.
14	Code of Ethical Conduct (incorporated herein by reference to Exhibit 14 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 0-21656, filed with the Commission on March 8, 2004.).
21	Subsidiaries of United
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney of certain officers and directors of United (included on Signature Page)
31.1	Certification by Jimmy C. Tallent, President and Chief Executive Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Rex S. Schuette, Executive Vice President and Chief Financial Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	TARP Compliance Certification pursuant to 31 C.F.R. Section 30.15.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(a) of the Securities Exchange Act of 1934, United has duly caused this Report on Form 10-K, to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Blairsville, State of Georgia, on the 16th day of March, 2011.

UNITED COMMUNITY BANKS, INC.
(Registrant)

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

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

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

POWER OF ATTORNEY AND SIGNATURES

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of United in the capacities set forth and on the 16th day of March, 2011.

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

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

/s/ Robert Blalock
Robert Blalock
Director

/s/ Cathy Cox
Cathy Cox
Director

/s/ Hoyt O. Holloway
Hoyt O. Holloway

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

Director

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

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

/s/ Tim Wallis
Tim Wallis
Director

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

EXHIBIT INDEX

Exhibit No.	Description
10.25	Share Exchange Agreement dated as of February 22, 2011, by and among United Community Banks, Inc. and Elm Ridge Offshore Master Fund, Ltd and Elm Ridge Value Partners L.P.
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