

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2020

OR

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

For the Transition Period from _____ to _____

Commission file number 001-35095

UNITED COMMUNITY BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia

(State of incorporation)

125 Highway 515 East
Blairsville, Georgia

(Address of principal executive offices)

58-1807304

(I.R.S. Employer Identification No.)

30512

(Zip code)

(706) 781-2265

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$1 per share	UCBI	Nasdaq Global Select Market
Depository shares, each representing 1/1000th interest in a share of Series I Non-Cumulative Preferred Stock	UCBIO	Nasdaq Global Select Market

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

Common stock, par value \$1 per share 86,472,479 shares outstanding as of July 31, 2020.

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PART I - Financial Information

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Cautionary Note Regarding Forward-looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements regarding the potential effects of the COVID-19 pandemic on our business, operations, financial performance and prospects are forward-looking statements. Also, any statement that does not describe historical or current facts is a forward-looking statement. These statements generally can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “projects”, “plans”, “goal”, “targets”, “potential”, “estimates”, “pro forma”, “seeks”, “intends”, or “anticipates”, or similar expressions. Forward-looking statements include discussions of strategy, financial projections, guidance and estimates (including their underlying assumptions), statements regarding plans, objectives, expectations or consequences of various transactions or events, and statements about the future performance, operations, products and services of United Community Banks, Inc. (the “Holding Company”) and its subsidiaries (collectively referred to in this report as “United”).

Because forward-looking statements relate to the future, they are subject to known and unknown risks, uncertainties, assumptions, and changes in circumstances, many of which are beyond our control, and that are difficult to predict as to timing, extent, likelihood and degree of occurrence, and that could cause actual results to differ materially from the results implied or anticipated by the statements. Except as required by law, we expressly disclaim any obligations to publicly update any forward-looking statements whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements, in addition to those described in detail under Part II, Item 1A of this Report - “Risk Factors” - include, but are not limited to the following:

- negative economic and political conditions that adversely affect the general economy, housing prices, the real estate market, the job market, consumer confidence, the financial condition of our borrowers and consumer spending habits, which may affect, among other things, the level of non-performing assets, charge-offs and provision expense;
- changes in loan underwriting, credit review or loss policies associated with economic conditions, examination conclusions or regulatory developments, either as they currently exist or as they may be affected by conditions associated with the COVID-19 pandemic;
- the COVID-19 pandemic and its effects on the economic and business environments in which we operate;
- strategic, market, operational, liquidity and interest rate risks associated with our business;
- continuation of historically low interest rates coupled with other potential fluctuations or unanticipated changes in the interest rate environment, including interest rate changes made by the Federal Reserve, the discontinuation of London Interbank Offered Rate (“LIBOR”) as an interest rate benchmark, as well as cash flow reassessments may reduce net interest margin and/or the volumes and values of loans made or held as well as the value of other financial assets;
- our lack of geographic diversification and any unanticipated or greater than anticipated adverse conditions in the national or local economies in which we operate;
- our loan concentration in industries or sectors that may experience unanticipated or greater than anticipated adverse conditions than other industries or sectors in the national or local economies in which we operate;
- the risks of expansion into new geographic or product markets;
- risks with respect to future mergers or acquisitions, including our ability to successfully expand and complete acquisitions and integrate businesses and operations that we acquire;
- our ability to attract and retain key employees;
- competition from financial institutions and other financial service providers including financial technology providers and our ability to attract customers from other financial institutions;
- losses due to fraudulent and negligent conduct of our customers, third party service providers or employees;
- cybersecurity risks and the vulnerability of our network and online banking portals, and the systems of parties with whom we contract, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches that could adversely affect our business and financial performance or reputation;
- our reliance on third parties to provide key components of our business infrastructure and services required to operate our business;
- the risk that we may be required to make substantial expenditures to keep pace with regulatory initiatives and the rapid technological changes in the financial services market;
- the availability of and access to capital;
- legislative, regulatory or accounting changes that may adversely affect us;
- volatility in the allowance for credit losses resulting from the Current Expected Credit Loss (“CECL”) methodology, either alone or as that may be affected by conditions arising out of the COVID-19 pandemic;
- adverse results (including judgments, costs, fines, reputational harm, inability to obtain necessary approvals and/or other negative effects) from current or future litigation, regulatory proceedings, examinations, investigations, or similar matters, or developments related thereto;

- any matter that would cause us to conclude that there was impairment of any asset, including intangible assets;
- limitations on our ability to make dividends and other distributions from the Bank to the Holding Company, which could affect Holding Company liquidity, including the ability to pay dividends to shareholders or take other capital actions;
- other risks and uncertainties disclosed in documents filed or furnished by us with or to the SEC, any of which could cause actual results to differ materially from future results expressed, implied or otherwise anticipated by such forward-looking statements.

We caution readers that the foregoing list of factors is not exclusive, is not necessarily in order of importance and not to place undue reliance on forward-looking statements. Additional factors that may cause actual results to differ materially from those contemplated by any forward-looking statements also may be found in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K filed with the Securities and Exchange Commission (the "SEC") and available at the SEC's website at <http://www.sec.gov>. We do not intend to and hereby disclaim any obligation to update or revise any forward-looking statement contained in this Form 10-Q, which speak only as of the date hereof, whether as a result of new information, future events, or otherwise. The financial statements and information contained herein have not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation (the "FDIC") or any other regulator.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNITED COMMUNITY BANKS, INC.
Consolidated Balance Sheets (Unaudited)

<i>(in thousands, except share data)</i>	June 30, 2020	December 31, 2019
ASSETS		
Cash and due from banks	\$ 125,255	\$ 125,844
Interest-bearing deposits in banks	1,203,706	389,362
Cash and cash equivalents	1,328,961	515,206
Debt securities available-for-sale	2,125,209	2,274,581
Debt securities held-to-maturity (fair value \$320,253 and \$287,904)	306,638	283,533
Loans held for sale at fair value	99,477	58,484
Loans and leases held for investment	10,132,510	8,812,553
Less allowance for credit losses - loans and leases	(103,669)	(62,089)
Loans and leases, net	10,028,841	8,750,464
Premises and equipment, net	211,972	215,976
Bank owned life insurance	200,699	202,664
Accrued interest receivable	37,774	32,660
Net deferred tax asset	27,362	34,059
Derivative financial instruments	94,434	35,007
Goodwill and other intangible assets, net	340,220	342,247
Other assets	203,300	171,135
Total assets	\$ 15,004,887	\$ 12,916,016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 4,689,545	\$ 3,477,979
Interest-bearing deposits	8,012,540	7,419,265
Total deposits	12,702,085	10,897,244
Long-term debt	311,631	212,664
Derivative financial instruments	24,685	15,516
Accrued expenses and other liabilities	194,841	154,900
Total liabilities	13,233,242	11,280,324
Shareholders' equity:		
Preferred stock; \$1 par value; 10,000,000 shares authorized; Series I, \$25,000 per share liquidation preference; 4,000 shares issued and outstanding	96,660	—
Common stock, \$1 par value; 150,000,000 shares authorized; 78,335,127 and 79,013,729 shares issued and outstanding	78,335	79,014
Common stock issuable; 596,785 and 664,640 shares	10,646	11,491
Capital surplus	1,480,464	1,496,641
Retained earnings	64,990	40,152
Accumulated other comprehensive income	40,550	8,394
Total shareholders' equity	1,771,645	1,635,692
Total liabilities and shareholders' equity	\$ 15,004,887	\$ 12,916,016

See accompanying notes to consolidated financial statements (unaudited).

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

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest revenue:				
Loans, including fees	\$ 107,862	\$ 119,671	\$ 225,925	\$ 234,930
Investment securities, including tax exempt of \$1,570 and \$1,122 and \$3,093 and \$2,291	15,615	19,076	33,009	39,894
Deposits in banks and short-term investments	128	409	1,218	848
Total interest revenue	123,605	139,156	260,152	275,672
Interest expense:				
Deposits	11,271	17,115	26,346	33,072
Short-term borrowings	—	248	1	409
Federal Home Loan Bank advances	—	752	1	2,174
Long-term debt	3,030	3,257	5,894	6,599
Total interest expense	14,301	21,372	32,242	42,254
Net interest revenue	109,304	117,784	227,910	233,418
Provision for credit losses	33,543	3,250	55,734	6,550
Net interest revenue after provision for credit losses	75,761	114,534	172,176	226,868
Noninterest income:				
Service charges and fees	6,995	9,060	15,633	17,513
Mortgage loan gains and other related fees	23,659	5,344	31,969	9,092
Brokerage fees	1,324	1,588	2,964	2,925
Gains from sales of other loans, net	1,040	1,470	2,714	2,773
Securities gains (losses), net	—	149	—	(118)
Other	7,220	6,920	12,772	13,314
Total noninterest income	40,238	24,531	66,052	45,499
Total revenue	115,999	139,065	238,228	272,367
Noninterest expenses:				
Salaries and employee benefits	51,811	48,157	103,169	95,660
Communications and equipment	6,556	6,222	12,502	12,010
Occupancy	5,945	5,919	11,659	11,503
Advertising and public relations	2,260	1,596	3,534	2,882
Postage, printing and supplies	1,613	1,529	3,283	3,115
Professional fees	4,823	4,054	8,920	7,215
Lending and loan servicing expense	3,189	2,619	5,482	4,953
Outside services - electronic banking	1,796	1,558	3,628	3,167
FDIC assessments and other regulatory charges	1,558	1,547	3,042	3,257
Amortization of intangibles	987	1,342	2,027	2,635
Merger-related and other charges	397	3,894	1,205	4,440
Other	3,045	3,376	7,067	7,060
Total noninterest expenses	83,980	81,813	165,518	157,897
Net income before income taxes	32,019	57,252	72,710	114,470
Income tax expense	6,923	13,167	15,730	26,123
Net income	\$ 25,096	\$ 44,085	\$ 56,980	\$ 88,347
Net income available to common shareholders	\$ 24,913	\$ 43,769	\$ 56,554	\$ 87,716
Net income per common share:				
Basic	\$ 0.32	\$ 0.55	\$ 0.71	\$ 1.10
Diluted	0.32	0.55	0.71	1.10
Weighted average common shares outstanding:				
Basic	78,920	79,673	79,130	79,739
Diluted	78,924	79,678	79,186	79,745

See accompanying notes to consolidated financial statements (unaudited).

UNITED COMMUNITY BANKS, INC.
Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands)

	Three Months Ended June 30,			Six Months Ended June 30,		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
2020						
Net income	\$ 32,019	\$ (6,923)	\$ 25,096	\$ 72,710	\$ (15,730)	\$ 56,980
Other comprehensive income:						
Unrealized gains on available-for-sale securities	28,985	(6,969)	22,016	42,670	(10,402)	32,268
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	96	(23)	73	179	(43)	136
Derivative instruments designated as cash flow hedges:						
Unrealized holding losses on derivatives arising during the period	(828)	211	(617)	(828)	211	(617)
Reclassification of losses on derivative instruments realized in net income	67	(17)	50	67	(17)	50
Net cash flow hedge activity	(761)	194	(567)	(761)	194	(567)
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	214	(55)	159	428	(109)	319
Total other comprehensive income	28,534	(6,853)	21,681	42,516	(10,360)	32,156
Comprehensive income	\$ 60,553	\$ (13,776)	\$ 46,777	\$ 115,226	\$ (26,090)	\$ 89,136
2019						
Net income	\$ 57,252	\$ (13,167)	\$ 44,085	\$ 114,470	\$ (26,123)	\$ 88,347
Other comprehensive income:						
Unrealized gains on available-for-sale securities:						
Unrealized holding gains arising during period	29,756	(7,248)	22,508	62,930	(15,297)	47,633
Reclassification adjustment for (gains) losses included in net income	(149)	38	(111)	118	(30)	88
Net unrealized gains	29,607	(7,210)	22,397	63,048	(15,327)	47,721
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	93	(22)	71	177	(42)	135
Amortization of losses included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	235	(60)	175	337	(86)	251
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	173	(44)	129	347	(88)	259
Total other comprehensive income	30,108	(7,336)	22,772	63,909	(15,543)	48,366
Comprehensive income	\$ 87,360	\$ (20,503)	\$ 66,857	\$ 178,379	\$ (41,666)	\$ 136,713

See accompanying notes to consolidated financial statements (unaudited).

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

(in thousands, except share and per share data)	Three Months Ended June 30,							Six Months Ended June 30,						
	Preferred Stock	Common Stock	Common Stock Issuable	Capital Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Preferred Stock	Common Stock	Common Stock Issuable	Capital Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
2020														
Balance at beginning of period	\$ —	\$ 78,284	\$ 10,534	\$ 1,478,719	\$ 54,206	\$ 18,869	\$ 1,640,612	\$ —	\$ 79,014	\$ 11,491	\$ 1,496,641	\$ 40,152	\$ 8,394	\$ 1,635,692
Net income					25,096		25,096					56,980		56,980
Other comprehensive income						21,681	21,681						32,156	32,156
Issuance of preferred stock (4,000 shares), net	96,660						96,660	96,660						96,660
Common stock issued to dividend reinvestment plan and employee benefit plans (12,906 and 21,592 shares, respectively)		13		214			227		22		404			426
Amortization of restricted stock unit awards				1,764			1,764				4,256			4,256
Vesting of restricted stock unit awards, net of shares surrendered to cover payroll taxes (38,247 and 62,252 shares issued, respectively, and 378 and 24,345 shares deferred, respectively)		38	11	(240)			(191)		62	676	(1,417)			(679)
Purchases of common stock (826,482 shares)							—		(827)		(19,955)			(20,782)
Deferred compensation plan, net, including dividend equivalents			111				111			267				267
Shares issued from deferred compensation plan, net of shares surrendered to cover payroll taxes (430 and 64,036 shares, respectively)		—	(10)	7			(3)		64	(1,788)	535			(1,189)
Common stock dividends (\$0.18 and \$0.36 per share, respectively)					(14,312)		(14,312)					(28,613)		(28,613)
Adoption of new accounting standard							—					(3,529)		(3,529)
Balance, June 30, 2020	<u>\$ 96,660</u>	<u>\$ 78,335</u>	<u>\$ 10,646</u>	<u>\$ 1,480,464</u>	<u>\$ 64,990</u>	<u>\$ 40,550</u>	<u>\$ 1,771,645</u>	<u>\$ 96,660</u>	<u>\$ 78,335</u>	<u>\$ 10,646</u>	<u>\$ 1,480,464</u>	<u>\$ 64,990</u>	<u>\$ 40,550</u>	<u>\$ 1,771,645</u>
2019														
Balance at beginning of period	\$ —	\$ 79,035	\$ 10,291	\$ 1,494,400	\$ (59,573)	\$ (15,995)	\$ 1,508,158	\$ —	\$ 79,234	\$ 10,744	\$ 1,499,584	\$ (90,419)	\$ (41,589)	\$ 1,457,554
Net income					44,085		44,085					88,347		88,347
Other comprehensive income						22,772	22,772						48,366	48,366
Exercise of stock options (12,000 shares)							—		12		185			197
Common stock issued to dividend reinvestment plan and employee benefit plans (33,978 and 42,423 shares, respectively)		34		871			905		42		1,049			1,091
Amortization of restricted stock unit awards				4,017			4,017				6,002			6,002
Vesting of restricted stock unit awards, net of shares surrendered to cover payroll taxes (5,034 and 20,979 shares issued, respectively, and 17,211 and 36,661 shares deferred, respectively)		5	477	(557)			(75)		21	1,009	(1,422)			(392)
Purchases of common stock (305,052 shares)							—		(305)		(7,535)			(7,840)
Deferred compensation plan, net, including dividend equivalents			107				107			292				292
Shares issued from deferred compensation plan, net of shares surrendered to cover payroll taxes (748 and 70,792 shares, respectively)		1	(17)	9			(7)		71	(1,187)	877			(239)
Common stock dividends (\$0.17 and \$0.33 per share, respectively)					(13,628)		(13,628)					(26,495)		(26,495)
Adoption of new accounting standard							—					(549)		(549)
Balance, June 30, 2019	<u>\$ —</u>	<u>\$ 79,075</u>	<u>\$ 10,858</u>	<u>\$ 1,498,740</u>	<u>\$ (29,116)</u>	<u>\$ 6,777</u>	<u>\$ 1,566,334</u>	<u>\$ —</u>	<u>\$ 79,075</u>	<u>\$ 10,858</u>	<u>\$ 1,498,740</u>	<u>\$ (29,116)</u>	<u>\$ 6,777</u>	<u>\$ 1,566,334</u>

See accompanying notes to consolidated financial statements (unaudited).

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

(in thousands)	Six Months Ended June 30,	
	2020	2019
Operating activities:		
Net income	\$ 56,980	\$ 88,347
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	5,205	12,549
Provision for credit losses	55,734	6,550
Stock based compensation	4,256	6,002
Deferred income tax (benefit) expense	(2,356)	1,341
Securities losses, net	—	118
Gains from sales of other loans	(2,714)	(2,773)
Changes in assets and liabilities:		
Other assets and accrued interest receivable	(76,407)	(40,876)
Accrued expenses and other liabilities	15,929	4,787
Loans held for sale	(40,993)	(27,350)
Net cash provided by operating activities	15,634	48,695
Investing activities:		
Debt securities held-to-maturity:		
Proceeds from maturities and calls	19,889	29,453
Purchases	(43,118)	(8,499)
Debt securities available-for-sale and equity securities:		
Proceeds from sales	1,000	225,883
Proceeds from maturities and calls	296,744	138,741
Purchases	(110,481)	(45,629)
Net increase in loans	(1,306,120)	(242,584)
Proceeds from sales of premises and equipment	102	1,028
Purchases of premises and equipment	(3,655)	(13,879)
Net cash paid for acquisition	—	(19,545)
Proceeds from sale of other real estate	278	2,260
Other investing activities, net	(5,853)	—
Net cash (used in) provided by investing activities	(1,151,214)	67,229
Financing activities:		
Net increase (decrease) in deposits	1,805,016	(154,876)
Net increase in short-term borrowings	—	40,000
Repayment of long-term debt	—	(19,608)
Proceeds from FHLB advances	5,000	1,365,000
Repayment of FHLB advances	(5,000)	(1,365,000)
Proceeds from issuance of senior debentures, net of issuance costs	98,638	—
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	426	1,091
Proceeds from exercise of stock options	—	197
Cash paid for shares withheld to cover payroll taxes upon vesting of restricted stock units	(1,868)	(631)
Proceeds from issuance of Series I preferred stock, net of issuance costs	96,660	—
Repurchase of common stock	(20,782)	(7,840)
Cash dividends on common stock	(28,755)	(25,743)
Net cash provided by (used in) financing activities	1,949,335	(167,410)
Net change in cash and cash equivalents, including restricted cash	813,755	(51,486)
Cash and cash equivalents, including restricted cash, at beginning of period	515,206	327,265
Cash and cash equivalents, including restricted cash, at end of period	\$ 1,328,961	\$ 275,779
Supplemental disclosures of cash flow information:		
Significant non-cash investing and financing transactions:		
Unsettled government guaranteed loan sales	\$ 289	\$ 15,331
Transfers of loans to foreclosed properties	355	751
Acquisitions:		
Assets acquired	—	264,937
Liabilities assumed	—	212,844
Net assets acquired	—	52,093

See accompanying notes to consolidated financial statements (unaudited).

Note 1 – Accounting Policies

The accounting and financial reporting policies of United Community Banks, Inc. and its subsidiaries (collectively referred to herein as “United”) conform to accounting principles generally accepted in the United States (“GAAP”) and reporting guidelines of banking regulatory authorities. The accompanying interim consolidated financial statements have not been audited. All material intercompany balances and transactions have been eliminated. In addition to those items mentioned below, a more detailed description of United’s accounting policies is included in its Annual Report on Form 10-K for the year ended December 31, 2019 (the “2019 10-K”).

In management’s opinion, all accounting adjustments necessary to accurately reflect the financial position and results of operations on the accompanying financial statements have been made. These adjustments are normal and recurring accruals considered necessary for a fair and accurate presentation. The results for interim periods are not necessarily indicative of results for the full year or any other interim periods. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes appearing in United’s 2019 10-K. Certain amounts reported in prior periods’ consolidated financial statements have been reclassified to conform to the current presentation.

Debt Securities

Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are generally amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

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 sheets. These unrealized holding gains or losses are amortized into income over the remaining life of the security as an adjustment to the yield in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

Allowance for Credit Losses (“ACL”) - Held-to-Maturity Securities: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled \$1.00 million at June 30, 2020 and was excluded from the estimate of credit losses.

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the held-to-maturity portfolio into the following major security types: State and political subdivisions, residential mortgage-backed, agency and commercial mortgage-backed, agency.

All of the residential and commercial mortgage-backed securities held by United are issued by U.S. government agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The state and political subdivision securities are highly rated by major rating agencies. As a result, no ACL was recorded on the held-to-maturity portfolio at June 30, 2020.

ACL - Available-For-Sale Securities: For available-for-sale debt securities in an unrealized loss position, United first assesses whether it intends to sell, or whether it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, United evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the

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credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an ACL is recognized in other comprehensive income.

Changes in the ACL are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the ACL when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. At June 30, 2020, there was no ACL related to the available-for-sale portfolio.

Accrued interest receivable on available-for-sale debt securities totaled \$7.72 million at June 30, 2020 and was excluded from the estimate of credit losses.

Loans and Leases

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Accrued interest receivable related to loans totaled \$28.0 million at June 30, 2020 and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments.

The accrual of interest is discontinued when a loan becomes 90 days past due and is not 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.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance and future payments are reasonably assured.

Equipment Financing Lease Receivables: Equipment financing lease receivables, which are classified as sales-type or direct financing leases, are recorded as the sum of the future minimum lease payments, initial deferred costs and estimated or contractual residual values less unearned income and security deposits. The determination of residual value is derived from a variety of sources including equipment valuation services, appraisals, and publicly available market data on recent sales transactions on similar equipment. The length of time until contract termination, the cyclical nature of equipment values and the limited marketplace for re-sale of certain leased assets are important variables considered in making this determination. Interest income, which is included in loan interest revenue in the consolidated statements of income, is recognized as earned using the effective interest method. Direct fees and costs associated with the origination of leases are deferred and included as a component of equipment financing receivables. Net deferred fees or costs are recognized as an adjustment to interest income over the contractual life of the lease using the effective interest method. These lease agreements may include options to renew and for the lessee to purchase the leased equipment at the end of the lease term. United excludes sales taxes from consideration in these lease contracts.

Purchased Credit Deteriorated (“PCD”) Loans: Upon adoption of Accounting Standards Codification (“ASC”) Topic 326, Financial Instruments - Credit Losses (“ASC 326”), loans that were designated as purchased credit impaired (“PCI”) loans under the previous accounting guidance were classified as PCD loans without reassessment.

In future acquisitions, United may purchase loans, some of which have experienced more than insignificant credit deterioration since origination. In those cases, United will consider internal loan grades, delinquency status and other relevant factors in assessing whether purchased loans are PCD. PCD loans are recorded at the amount paid. An initial ACL is determined using the same methodology as other loans held for investment, but with no impact to earnings. The initial ACL determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and ACL becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent to initial recognition, PCD loans are subject to the same interest income recognition and impairment model as non-PCD loans, with changes to the ACL recorded through provision expense.

ACL - Loans

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the ACL when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

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Management determines the ACL balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit behaviors along with model judgments provide the basis for the estimation of expected credit losses. Adjustments to modeled loss estimates may be made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in economic conditions, property values, or other relevant factors.

The ACL is measured on a collective basis when similar risk characteristics exist. United has identified the following portfolio segments and calculates the ACL for each using a discounted cash flow methodology at the loan level, with loss rates, prepayment assumptions and curtailment assumptions driven by each loan's collateral type:

Owner occupied commercial real estate - Loans in this category are susceptible to business failure and general economic conditions.

Income producing commercial real estate - Common risks for this loan category are declines in general economic conditions, declines in real estate value, declines in occupancy rates, and lack of suitable alternative use for the property.

Commercial & industrial - Risks to this loan category include 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, inadequate long-term financing arrangements and declines in real estate values.

Equipment financing - Risks associated with equipment financing are similar to those described for commercial and industrial loans, including general economic conditions, as well as appropriate lien priority on equipment, equipment obsolescence and the general mobility of the collateral.

Residential mortgage - Residential mortgage loans are susceptible to weakening general economic conditions, increases in unemployment rates and declining real estate values.

Home equity lines of credit - Risks common to home equity lines of credit are general economic conditions, including an increase in unemployment rates, and declining real estate values which reduce or eliminate the borrower's home equity.

Residential construction - Residential construction loans are susceptible to the same risks as residential mortgage loans. Changes in market demand for property lead to longer marketing times resulting in higher carrying costs and declining values.

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

When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

When the discounted cash flow method is used to determine the ACL, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Determining the Contractual Term: Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by United.

Troubled Debt Restructurings ("TDR"s): A loan for which the terms have been modified resulting in a more than insignificant concession, and for which the borrower is experiencing financial difficulties, is generally considered to be a TDR. The ACL on a TDR is measured using the same method as all other loans held for investment, except that the original interest rate is used to discount the expected cash flows, not the rate specified within the restructuring. As discussed in Note 2, in accordance with the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), United implemented loan modification programs in response to the COVID-19 pandemic in order to provide borrowers with flexibility with respect to repayment terms. These loan modifications were not considered TDRs to the extent that the borrower was impacted by the COVID-19 pandemic and was not more than 30 days past due at

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December 31, 2019, or in certain circumstances, at the time that the COVID-19 loan modification program was implemented, unless the loan was previously classified as a TDR.

ACL - Off-Balance Sheet Credit Exposures

Management estimates expected credit losses on commitments to extend credit over the contractual period during which United is exposed to credit risk on the underlying commitments. The ACL on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The ACL is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund.

Note 2 –Accounting Standards Updates and Recently Adopted Standards

On January 1, 2020, United adopted ASC 326, which replaced the incurred loss impairment framework in prior GAAP with a current expected credit loss (“CECL”) framework, which requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an ACL. PCD loans will receive an initial allowance at the acquisition date that represents an adjustment to the amortized cost basis of the loan, with no impact to earnings. Credit losses relating to available-for-sale debt securities will be recorded through an ACL prospectively, with such allowance limited to the amount by which fair value is below amortized cost.

United adopted ASC 326 as of January 1, 2020 using the modified retrospective method for loans, leases and off-balance sheet credit exposures. Adoption of this guidance resulted in an \$8.75 million increase in the ACL, comprised of increases in the ACL for loans of \$6.88 million and the ACL for unfunded commitments of \$1.87 million, with \$3.59 million of the increase reclassified from the amortized cost basis of PCD financial assets that were previously classified as PCI. The cumulative effect adjustment to retained earnings was \$3.53 million, net of tax. Calculated credit losses on held-to-maturity debt securities were not material and there was no impact to the available-for-sale securities portfolio or other financial instruments. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP (“Incurred Loss”).

The ACL for the majority of loans and leases was calculated using a discounted cash flow methodology applied at a loan level with a one-year reasonable and supportable forecast period and a two-year straight-line reversion period. In connection with the adoption, management has implemented changes to relevant systems, processes and controls where necessary. Model validation was completed during the fourth quarter of 2019 and implementation of the accounting, reporting and governance processes to comply with the new guidance was completed in the first quarter of 2020. United’s CECL allowance will fluctuate over time due to macroeconomic conditions and forecasts as well as the size and composition of the loan portfolios. United has adopted the relief provided by federal banking regulatory agencies for the delay of the adverse capital impact of CECL at adoption and during the subsequent two-year period following adoption. This optional two-year delay is followed by an optional three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. Under the transition provision, the amount of aggregate capital benefit is phased out by 25% each year with the full impact of adoption completely recognized by the beginning of the sixth year.

United adopted ASC 326 using the prospective transition approach for PCD assets that were previously classified as PCI. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. As mentioned above, the amortized cost basis of the PCD assets was adjusted to reflect the addition of \$3.59 million of the ACL. The remaining noncredit discount (based on the adjusted amortized cost basis) will be accreted into interest income at a rate that approximates the effective interest rate as of January 1, 2020.

With regard to PCD assets, because United elected to disaggregate the former PCI pools and no longer considers these pools to be the unit of account, contractually delinquent PCD loans will be reported as nonaccrual loans using the same criteria as other loans. Similarly, although management did not reassess whether modifications to individual acquired financial assets accounted for in pools were TDRs as of the date of adoption, PCD loans that are restructured and meet the definition of troubled debt restructurings after the adoption of CECL will be reported as such.

United elected not to measure an allowance for credit losses for accrued interest receivable and instead to reverse interest income on those loans that are 90 days past due, to exclude accrued interest receivable from the amortized cost basis of financial instruments subject to CECL and to separately state the balance of accrued interest receivable on the consolidated balance sheet. In addition,

United elected to adjust the discount rate used to calculate credit losses for expected prepayments and will include all changes in discounted cash flows as credit loss. As a practical expedient, United has also elected to use the fair value of collateral when determining the ACL for loans if repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty (collateral-dependent loans).

On March 27, 2020, the CARES Act was signed into law. The CARES Act included a number of provisions that were applicable to United, including the following:

- **Accounting Relief for TDRs:** The CARES Act provided that modifications under certain forbearance conditions for loans that were not more than 30 days past due at December 31, 2019 will not be considered TDRs for regulatory reporting and GAAP.
- **Optional Delay and Regulatory Relief for CECL Implementation:** The CARES Act stipulated that large SEC filers have the option of delaying the adoption of CECL from January 1, 2020 to the earlier of the end of the COVID-19 emergency period or December 31, 2020. Banks that were required to implement CECL by the end of 2020 were granted the option to defer any impact of CECL on regulatory capital for two years before beginning the original three-year regulatory phase-in period, for a total five-year phase-in period. Although United did not elect to delay the adoption of CECL, the Company did elect the five-year phase-in period for regulatory capital purposes, as discussed above.
- **Paycheck Protection Program (“PPP”):** The CARES Act created the PPP through the Small Business Administration (“SBA”), which allowed United to lend money to small businesses to maintain employee payrolls through the crisis with guarantees from the SBA. Under this program, loan amounts may be forgiven if the borrower maintains employee payrolls or restores payrolls afterwards.

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-03, *Codification Improvements to Financial Instruments*. This update clarified certain minor issues within the codification, including, among other things, debt securities disclosure for financial institutions and determination of the contractual term of a net investment in a lease. The standard was effective immediately, and did not have a material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This update provides expedients for contracts that are modified because of reference rate reform, including receivables, debt, leases, and certain derivatives. In addition, the update provides a one-time election to sell or transfer debt securities classified as held-to-maturity that reference a rate that is affected by reference rate reform. The update is effective as of March 12, 2020 through December 31, 2022. Adoption of this update did not have a material impact on the consolidated financial statements.

In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments*. In addition to amending guidance related to the new CECL standard, this update clarifies certain aspects of hedge accounting and recognition and measurement of financial instruments. United adopted this update as of January 1, 2020, with no material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This update eliminates Step 2 from the goodwill impairment test, which required an entity to calculate the implied fair value of goodwill by valuing a reporting unit’s assets and liabilities using the same process that would be required to value assets and liabilities in a business combination. Instead, the amendments require that an entity perform its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. United adopted this update as of January 1, 2020, with no material impact on the consolidated financial statements.

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Note 3 – Securities

The amortized cost basis, unrealized gains and losses and fair value of debt securities held-to-maturity as of the dates indicated are as follows (*in thousands*).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of June 30, 2020				
State and political subdivisions	\$ 87,840	\$ 4,382	\$ 95	\$ 92,127
Residential mortgage-backed securities, Agency	137,416	6,051	—	143,467
Residential mortgage-backed securities, Non-agency	15,221	324	54	15,491
Commercial mortgage-backed, Agency	66,161	3,007	—	69,168
Total	\$ 306,638	\$ 13,764	\$ 149	\$ 320,253
As of December 31, 2019				
State and political subdivisions	\$ 45,479	\$ 1,574	\$ 9	\$ 47,044
Residential mortgage-backed securities, Agency	153,967	2,014	694	155,287
Commercial mortgage-backed, Agency	84,087	1,627	141	85,573
Total	\$ 283,533	\$ 5,215	\$ 844	\$ 287,904

The cost basis, unrealized gains and losses, and fair value of debt securities available-for-sale as of the dates indicated are presented below (*in thousands*).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of June 30, 2020				
U.S. Treasuries	\$ 123,392	\$ 5,474	\$ —	\$ 128,866
U.S. Government agencies	2,754	183	—	2,937
State and political subdivisions	212,767	17,942	—	230,709
Residential mortgage-backed securities, Agency	929,543	34,965	4	964,504
Residential mortgage-backed securities, Non-agency	237,614	9,903	—	247,517
Commercial mortgage-backed, Agency	253,517	8,161	—	261,678
Corporate bonds	172,023	1,659	206	173,476
Asset-backed securities	116,955	1,332	2,765	115,522
Total	\$ 2,048,565	\$ 79,619	\$ 2,975	\$ 2,125,209
As of December 31, 2019				
U.S. Treasuries	\$ 152,990	\$ 1,628	\$ —	\$ 154,618
U.S. Government agencies	2,848	188	1	3,035
State and political subdivisions	214,677	11,813	—	226,490
Residential mortgage-backed securities, Agency	1,030,948	12,022	726	1,042,244
Residential mortgage-backed securities, Non-agency	250,550	6,231	—	256,781
Commercial mortgage-backed, Agency	266,770	2,261	128	268,903
Commercial mortgage-backed, Non-agency	15,395	918	263	16,050
Corporate bonds	202,131	1,178	218	203,091
Asset-backed securities	104,298	743	1,672	103,369
Total	\$ 2,240,607	\$ 36,982	\$ 3,008	\$ 2,274,581

Securities with a carrying value of \$524 million and \$918 million were pledged, primarily to secure public deposits, at June 30, 2020 and December 31, 2019, respectively.

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The following table summarizes debt securities held-to-maturity in an unrealized loss position as of the dates indicated (*in thousands*).

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of June 30, 2020						
State and political subdivisions	\$ 4,905	\$ 95	\$ —	\$ —	\$ 4,905	\$ 95
Residential mortgage-backed securities, Agency	127	—	—	—	127	—
Residential mortgage-backed securities, Non-agency	8,995	3	1,384	51	10,379	54
Total unrealized loss position	<u>\$ 14,027</u>	<u>\$ 98</u>	<u>\$ 1,384</u>	<u>\$ 51</u>	<u>\$ 15,411</u>	<u>\$ 149</u>
As of December 31, 2019						
State and political subdivisions	\$ 10,117	\$ 9	\$ —	\$ —	\$ 10,117	\$ 9
Residential mortgage-backed securities, Agency	16,049	64	48,237	630	64,286	694
Commercial mortgage-backed, Agency	21,841	87	1,685	54	23,526	141
Total unrealized loss position	<u>\$ 48,007</u>	<u>\$ 160</u>	<u>\$ 49,922</u>	<u>\$ 684</u>	<u>\$ 97,929</u>	<u>\$ 844</u>

The following table summarizes debt securities available-for-sale in an unrealized loss position as of the dates indicated (*in thousands*).

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of June 30, 2020						
Residential mortgage-backed securities, Agency	\$ 514	\$ 3	\$ 1,289	\$ 1	\$ 1,803	\$ 4
Commercial mortgage-backed, Agency	9	—	—	—	9	—
Corporate bonds	14,794	206	—	—	14,794	206
Asset-backed securities	13,967	462	60,859	2,303	74,826	2,765
Total unrealized loss position	<u>\$ 29,284</u>	<u>\$ 671</u>	<u>\$ 62,148</u>	<u>\$ 2,304</u>	<u>\$ 91,432</u>	<u>\$ 2,975</u>
As of December 31, 2019						
U.S. Government agencies	\$ 404	\$ 1	\$ —	\$ —	\$ 404	\$ 1
Residential mortgage-backed securities, Agency	228,611	576	18,294	150	246,905	726
Commercial mortgage-backed, Agency	—	—	33,517	128	33,517	128
Commercial mortgage-backed, Non-agency	—	—	4,864	263	4,864	263
Corporate bonds	19,742	216	998	2	20,740	218
Asset-backed securities	32,294	625	38,990	1,047	71,284	1,672
Total unrealized loss position	<u>\$ 281,051</u>	<u>\$ 1,418</u>	<u>\$ 96,663</u>	<u>\$ 1,590</u>	<u>\$ 377,714</u>	<u>\$ 3,008</u>

At June 30, 2020, there were 21 debt securities available-for-sale and 4 debt securities held-to-maturity that were in an unrealized loss position. United does not intend to sell nor does it believe it will be required to sell securities in an unrealized loss position prior to the recovery of their amortized cost basis. Unrealized losses at June 30, 2020 were primarily attributable to changes in interest rates.

No impairment charges were recognized during the three and six months ended June 30, 2019. At adoption of CECL on January 1, 2020 and at June 30, 2020, calculated credit losses on held-to-maturity debt securities were not material due to the high credit quality of the portfolio, which included securities issued or guaranteed by U.S. Government agencies and high credit quality municipal securities. As a result, no ACL was recorded on the held-to-maturity portfolio at June 30, 2020. In addition, at June 30, 2020, there was no ACL related to the available-for-sale portfolio. See Note 1 for additional details on the adoption of CECL as it relates to the securities portfolio.

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Realized gains and losses are derived using the specific identification method for determining the cost of securities sold. The following table summarizes available-for-sale securities sales activity for the three and six months ended June 30, 2020 and 2019 (*in thousands*).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Proceeds from sales	\$ —	\$ 47,279	\$ 1,000	\$ 225,883
Gross gains on sales	\$ —	\$ 489	\$ —	\$ 1,776
Gross losses on sales	—	(340)	—	(1,894)
Net gains (losses) on sales of securities	\$ —	\$ 149	\$ —	\$ (118)
Income tax expense (benefit) attributable to sales	\$ —	\$ 38	\$ —	\$ (30)

The amortized cost and fair value of debt securities available-for-sale and held-to-maturity at June 30, 2020, 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. Treasuries:				
1 to 5 years	\$ 123,392	\$ 128,866	\$ —	\$ —
	123,392	128,866	—	—
U.S. Government agencies:				
1 to 5 years	354	360	—	—
More than 10 years	2,400	2,577	—	—
	2,754	2,937	—	—
State and political subdivisions:				
Within 1 year	—	—	1,350	1,350
1 to 5 years	54,483	57,120	14,260	15,226
5 to 10 years	23,810	25,808	10,789	12,244
More than 10 years	134,474	147,781	61,441	63,307
	212,767	230,709	87,840	92,127
Corporate bonds:				
Within 1 year	140,008	140,217	—	—
1 to 5 years	27,515	28,644	—	—
5 to 10 years	4,500	4,615	—	—
	172,023	173,476	—	—
Total securities other than asset-backed and mortgage-backed securities:				
Within 1 year	140,008	140,217	1,350	1,350
1 to 5 years	205,744	214,990	14,260	15,226
5 to 10 years	28,310	30,423	10,789	12,244
More than 10 years	136,874	150,358	61,441	63,307
Asset-backed securities	116,955	115,522	—	—
Residential mortgage-backed securities	1,167,157	1,212,021	152,637	158,958
Commercial mortgage-backed securities	253,517	261,678	66,161	69,168
	\$ 2,048,565	\$ 2,125,209	\$ 306,638	\$ 320,253

Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations.

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Note 4 – Loans and Leases and Allowance for Credit Losses

Major classifications of the loan and lease portfolio (collectively referred to as the “loan portfolio” or “loans”) are summarized as of the dates indicated as follows (*in thousands*).

	June 30, 2020	December 31, 2019
Owner occupied commercial real estate	\$ 1,759,617	\$ 1,720,227
Income producing commercial real estate	2,177,857	2,007,950
Commercial & industrial ⁽¹⁾	2,314,169	1,220,657
Commercial construction	945,748	976,215
Equipment financing	778,749	744,544
Total commercial	7,976,140	6,669,593
Residential mortgage	1,151,661	1,117,616
Home equity lines of credit	653,798	660,675
Residential construction	230,231	236,437
Consumer	120,680	128,232
Total loans	10,132,510	8,812,553
Less allowance for credit losses - loans	(103,669)	(62,089)
Loans, net	\$ 10,028,841	\$ 8,750,464

⁽¹⁾ Commercial and industrial loans as of June 30, 2020 included \$1.10 billion of PPP loans.

At June 30, 2020 and December 31, 2019, loans totaling \$4.12 billion and \$4.06 billion, respectively, were pledged as collateral to secure contingent funding sources. At December 31, 2019, the carrying value and outstanding balance of PCI loans were \$58.6 million and \$83.1 million, respectively.

During the second quarter and first six months of 2020, United sold \$14.0 million and \$18.1 million, respectively, of United States Small Business Administration / United States Department of Agriculture (“SBA/USDA”) guaranteed loans and \$1.70 million and \$23.9 million, respectively, of equipment financing receivables. During the second quarter and first six months of 2019, United sold \$17.1 million and \$34.2 million, respectively, of SBA/USDA guaranteed loans. The gains and losses on these loan sales were included in noninterest income on the consolidated statements of income.

At June 30, 2020 and December 31, 2019, equipment financing assets included leases of \$37.0 million and \$37.4 million, respectively. The components of the net investment in leases, which included both sales-type and direct financing, are presented below (*in thousands*).

	June 30, 2020	December 31, 2019
Minimum future lease payments receivable	\$ 39,205	\$ 39,709
Estimated residual value of leased equipment	3,476	3,631
Initial direct costs	688	842
Security deposits	(857)	(989)
Purchase accounting premium	191	273
Unearned income	(5,675)	(6,088)
Net investment in leases	\$ 37,028	\$ 37,378

Minimum future lease payments expected to be received from equipment financing lease contracts as of June 30, 2020 were as follows (*in thousands*):

Year	
Remainder of 2020	\$ 7,898
2021	13,346
2022	9,590
2023	5,705
2024	2,164
Thereafter	502
Total	\$ 39,205

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The following table presents changes in the balance of the accretable yield for PCI loans for the periods indicated (*in thousands*):

	June 30, 2019	
	Three Months Ended	Six Months Ended
Balance at beginning of period	\$ 26,624	\$ 26,868
Additions due to acquisitions	1,300	1,300
Accretion	(4,274)	(9,087)
Reclassification from nonaccretable difference	1,762	4,468
Changes in expected cash flows that do not affect nonaccretable difference	896	2,759
Balance at end of period	<u>\$ 26,308</u>	<u>\$ 26,308</u>

Nonaccrual and Past Due Loans

The following table presents the aging of the amortized cost basis in loans by aging category and accrual status as of June 30, 2020 (*in thousands*).

	Accruing				Nonaccrual Loans	Total Loans
	Current Loans	Loans Past Due				
		30 - 59 Days	60 - 89 Days	> 90 Days		
Owner occupied commercial real estate	\$ 1,745,613	\$ 2,829	\$ 465	\$ —	\$ 10,710	\$ 1,759,617
Income producing commercial real estate	2,166,238	199	146	—	11,274	2,177,857
Commercial & industrial	2,309,960	664	113	—	3,432	2,314,169
Commercial construction	943,153	291	14	—	2,290	945,748
Equipment financing	773,000	1,202	1,428	—	3,119	778,749
Total commercial	7,937,964	5,185	2,166	—	30,825	7,976,140
Residential mortgage	1,136,665	1,585	226	—	13,185	1,151,661
Home equity lines of credit	649,309	739	611	1	3,138	653,798
Residential construction	229,626	53	52	—	500	230,231
Consumer	119,884	291	132	—	373	120,680
Total loans	<u>\$ 10,073,448</u>	<u>\$ 7,853</u>	<u>\$ 3,187</u>	<u>\$ 1</u>	<u>\$ 48,021</u>	<u>\$ 10,132,510</u>

The following table presents the aging of recorded investment in loans, including accruing and nonaccrual loans, as of December 31, 2019 (*in thousands*).

	Loans Past Due - Accruing and Nonaccrual				Current Loans	PCI Loans	Total
	30 - 59 Days	60 - 89 Days	> 90 Days ⁽¹⁾	Total			
Owner occupied commercial real estate	\$ 2,913	\$ 2,007	\$ 6,079	\$ 10,999	\$ 1,700,682	\$ 8,546	\$ 1,720,227
Income producing commercial real estate	562	706	401	1,669	1,979,053	27,228	2,007,950
Commercial & industrial	2,140	491	2,119	4,750	1,215,581	326	1,220,657
Commercial construction	1,867	557	96	2,520	966,833	6,862	976,215
Equipment financing	2,065	923	3,045	6,033	734,526	3,985	744,544
Total commercial	9,547	4,684	11,740	25,971	6,596,675	46,947	6,669,593
Residential mortgage	5,655	2,212	2,171	10,038	1,097,999	9,579	1,117,616
Home equity lines of credit	1,697	421	1,385	3,503	655,762	1,410	660,675
Residential construction	325	125	402	852	235,211	374	236,437
Consumer	668	181	27	876	127,020	336	128,232
Total loans	<u>\$ 17,892</u>	<u>\$ 7,623</u>	<u>\$ 15,725</u>	<u>\$ 41,240</u>	<u>\$ 8,712,667</u>	<u>\$ 58,646</u>	<u>\$ 8,812,553</u>

⁽¹⁾ Excluding PCI loans, substantially all loans more than 90 days past due were on nonaccrual status at December 31, 2019.

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The following table presents nonaccrual loans by loan class for the periods indicated (*in thousands*).

	CECL			Incurred Loss
	June 30, 2020			December 31, 2019
	Nonaccrual loans with no allowance	Nonaccrual loans with an allowance	Total Nonaccrual Loans	Nonaccrual Loans
Owner occupied commercial real estate	\$ 6,564	\$ 4,146	\$ 10,710	\$ 10,544
Income producing commercial real estate	10,780	494	11,274	1,996
Commercial & industrial	1,038	2,394	3,432	2,545
Commercial construction	1,824	466	2,290	2,277
Equipment financing	23	3,096	3,119	3,141
Total commercial	20,229	10,596	30,825	20,503
Residential mortgage	2,918	10,267	13,185	10,567
Home equity lines of credit	1,045	2,093	3,138	3,173
Residential construction	149	351	500	939
Consumer	10	363	373	159
Total	\$ 24,351	\$ 23,670	\$ 48,021	\$ 35,341

The gross additional interest revenue that would have been earned if the loans classified as nonaccrual had performed in accordance with the original terms was approximately \$661,000 and \$249,000 for the three months ended June 30, 2020 and 2019, respectively, and \$1.13 million and \$627,000 for the six months ended June 30, 2020 and 2019, respectively.

Risk Ratings

United categorizes commercial loans, with the exception of equipment financing receivables, 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, and current industry and economic trends, among other factors. United analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continual basis. United uses the following definitions for its risk ratings:

Pass. Loans in this category are considered to have a low probability of default and do not meet the criteria of the risk categories below.

Watch. Loans in this category are presently protected from apparent loss; however, weaknesses exist that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. These loans require more than the ordinary amount of supervision. Collateral values generally afford adequate coverage, but may not be immediately marketable.

Substandard. These loans are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged. 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. There is the distinct possibility that United will sustain some loss if deficiencies are not corrected. If possible, immediate corrective action is taken.

Doubtful. Specific weaknesses characterized as Substandard that are severe enough to make collection in full highly questionable and improbable. 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 Loss are charged off.

Equipment Financing Receivables and Consumer Purpose Loans. United applies a pass / fail grading system to all equipment financing receivables and consumer purpose loans. Under the pass / fail grading system, loans that are on nonaccrual status, become past due 90 days, or are in bankruptcy are classified as “fail” and all other loans are classified as “pass”. For purposes of the table below, loans in these categories that are classified as “fail” are reported as substandard and all other loans are reported as pass.

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Based on the most recent analysis performed, the amortized cost of loans by risk category by vintage year as of the date indicated is as follows (in thousands).

	As of June 30, 2020								
	Term Loans by Origination Year						Revolvers	Revolvers converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
Owner occupied commercial real estate:									
Pass	\$ 291,879	\$ 389,657	\$ 246,017	\$ 220,588	\$ 211,852	\$ 256,821	\$ 48,274	\$ 11,150	\$ 1,676,238
Watch	5,123	4,549	3,153	7,334	7,546	4,117	860	65	32,747
Substandard	6,314	8,441	5,970	13,842	3,063	9,438	2,259	1,305	50,632
Total owner occupied commercial real estate	303,316	402,647	255,140	241,764	222,461	270,376	51,393	12,520	1,759,617
Income producing commercial real estate:									
Pass	352,274	470,496	441,607	288,448	265,489	229,116	32,460	9,620	2,089,510
Watch	7,022	12,420	14,298	2,231	17,941	3,859	—	1,777	59,548
Substandard	7,753	10,217	2,667	5,731	219	2,109	—	103	28,799
Total income producing commercial real estate	367,049	493,133	458,572	296,410	283,649	235,084	32,460	11,500	2,177,857
Commercial & industrial									
Pass	1,267,194	229,358	225,334	108,145	88,314	56,600	269,416	5,660	2,250,021
Watch	1,710	2,785	2,163	592	740	47	11,374	128	19,539
Substandard	7,301	1,419	1,527	2,774	2,083	1,537	27,208	760	44,609
Total commercial & industrial	1,276,205	233,562	229,024	111,511	91,137	58,184	307,998	6,548	2,314,169
Commercial construction									
Pass	173,064	222,025	279,580	132,311	90,840	16,941	11,349	7,388	933,498
Watch	538	1,054	973	104	15	248	—	—	2,932
Substandard	3,366	2,059	739	351	977	401	—	1,425	9,318
Total commercial construction	176,968	225,138	281,292	132,766	91,832	17,590	11,349	8,813	945,748
Equipment financing:									
Pass	201,088	327,673	168,784	58,013	17,429	2,003	—	—	774,990
Substandard	48	1,157	1,742	570	181	61	—	—	3,759
Total equipment financing	201,136	328,830	170,526	58,583	17,610	2,064	—	—	778,749
Residential mortgage:									
Pass	216,923	228,371	163,632	145,081	124,323	248,565	11	7,647	1,134,553
Substandard	1,642	1,901	3,084	1,327	801	7,945	—	408	17,108
Total residential mortgage	218,565	230,272	166,716	146,408	125,124	256,510	11	8,055	1,151,661
Home equity lines of credit									
Pass	—	—	—	—	—	—	631,916	17,504	649,420
Substandard	—	—	—	—	—	—	177	4,201	4,378
Total home equity lines of credit	—	—	—	—	—	—	632,093	21,705	653,798
Residential construction									
Pass	86,914	107,671	8,236	5,427	4,761	16,430	—	73	229,512
Substandard	—	92	104	30	136	357	—	—	719
Total residential construction	86,914	107,763	8,340	5,457	4,897	16,787	—	73	230,231
Consumer									
Pass	30,915	37,957	21,424	8,055	5,595	3,073	12,957	78	120,054
Substandard	23	91	58	113	133	119	89	—	626
Total consumer	30,938	38,048	21,482	8,168	5,728	3,192	13,046	78	120,680
Total loans									
Pass	2,620,251	2,013,208	1,554,614	966,068	808,603	829,549	1,006,383	59,120	9,857,796
Watch	14,393	20,808	20,587	10,261	26,242	8,271	12,234	1,970	114,766
Substandard	26,447	25,377	15,891	24,738	7,593	21,967	29,733	8,202	159,948
Total loans	\$ 2,661,091	\$ 2,059,393	\$ 1,591,092	\$ 1,001,067	\$ 842,438	\$ 859,787	\$ 1,048,350	\$ 69,292	\$ 10,132,510

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Based on the most recent analysis performed, the risk category of loans by class of loans as of the date indicated is as follows (*in thousands*).

	As of December 31, 2019				
	Pass	Watch	Substandard	Doubtful / Loss	Total
Owner occupied commercial real estate	\$ 1,638,398	\$ 24,563	\$ 48,720	\$ —	\$ 1,711,681
Income producing commercial real estate	1,914,524	40,676	25,522	—	1,980,722
Commercial & industrial	1,156,366	16,385	47,580	—	1,220,331
Commercial construction	960,251	2,298	6,804	—	969,353
Equipment financing	737,418	—	3,141	—	740,559
Total commercial	6,406,957	83,922	131,767	—	6,622,646
Residential mortgage	1,093,902	—	14,135	—	1,108,037
Home equity lines of credit	654,619	—	4,646	—	659,265
Residential construction	234,791	—	1,272	—	236,063
Consumer	127,507	8	381	—	127,896
Total loans, excluding PCI loans	8,517,776	83,930	152,201	—	8,753,907
Owner occupied commercial real estate	3,238	2,797	2,511	—	8,546
Income producing commercial real estate	19,648	6,305	1,275	—	27,228
Commercial & industrial	104	81	141	—	326
Commercial construction	3,628	590	2,644	—	6,862
Equipment financing	3,952	—	33	—	3,985
Total commercial	30,570	9,773	6,604	—	46,947
Residential mortgage	8,112	—	1,467	—	9,579
Home equity lines of credit	1,350	—	60	—	1,410
Residential construction	348	—	26	—	374
Consumer	303	—	33	—	336
Total PCI loans	40,683	9,773	8,190	—	58,646
Total loan portfolio	\$ 8,558,459	\$ 93,703	\$ 160,391	\$ —	\$ 8,812,553

Troubled Debt Restructurings and Other Modifications

As of June 30, 2020 and December 31, 2019, United had TDRs totaling \$50.4 million and \$54.2 million, respectively. United allocated \$881,000 and \$2.51 million of allowance for TDRs as of June 30, 2020 and December 31, 2019, respectively. As of June 30, 2020 and December 31, 2019, there were no commitments to lend additional amounts to customers with outstanding loans that are classified as TDRs.

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Loans modified under the terms of a TDR during the three and six months ended June 30, 2020 and 2019 are presented in the following table. In addition, the table presents loans modified under the terms of a TDR that defaulted (became 90 days or more delinquent or otherwise in default of modified terms) during the periods presented and were initially restructured within one year prior to default (*dollars in thousands*).

	New TDRs							
	Number of Contracts	Pre-modification Outstanding Amortized Cost	Post-Modification Outstanding Amortized Cost by Type of Modification				TDRs Modified Within the Previous Twelve Months That Have Subsequently Defaulted	
			Rate Reduction	Structure	Other	Total	Number of Contracts	Amortized Cost
Three Months Ended June 30, 2020								
Owner occupied commercial real estate	2	\$ 836	\$ —	\$ —	\$ 546	\$ 546	—	\$ —
Income producing commercial real estate	—	—	—	—	—	—	1	5,998
Commercial & industrial	1	15	—	—	15	15	1	627
Commercial construction	1	255	—	255	—	255	—	—
Equipment financing	129	3,471	—	3,471	—	3,471	6	310
Total commercial	133	4,577	—	3,726	561	4,287	8	6,935
Residential mortgage	6	644	—	644	—	644	—	—
Home equity lines of credit	—	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—	—
Consumer	1	7	—	—	7	7	—	—
Total loans	140	\$ 5,228	\$ —	\$ 4,370	\$ 568	\$ 4,938	8	\$ 6,935
Six Months Ended June 30, 2020								
Owner occupied commercial real estate	3	\$ 1,844	\$ —	\$ —	\$ 1,536	\$ 1,536	—	\$ —
Income producing commercial real estate	3	235	—	67	165	232	1	5,998
Commercial & industrial	1	15	—	—	15	15	2	633
Commercial construction	1	255	—	255	—	255	—	—
Equipment financing	136	3,905	—	3,905	—	3,905	6	310
Total commercial	144	6,254	—	4,227	1,716	5,943	9	6,941
Residential mortgage	11	946	—	922	—	922	—	—
Home equity lines of credit	—	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—	—
Consumer	3	18	—	—	18	18	1	3
Total loans	158	\$ 7,218	\$ —	\$ 5,149	\$ 1,734	\$ 6,883	10	\$ 6,944
Three Months Ended June 30, 2019								
Owner occupied commercial real estate	2	\$ 610	\$ —	\$ 610	\$ —	\$ 610	—	\$ —
Income producing commercial real estate	—	—	—	—	—	—	—	—
Commercial & industrial	—	—	—	—	—	—	—	—
Commercial construction	—	—	—	—	—	—	—	—
Equipment financing	1	20	—	20	—	20	—	—
Total commercial	3	630	—	630	—	630	—	—
Residential mortgage	7	831	—	831	—	831	1	135
Home equity lines of credit	1	50	—	50	—	50	—	—
Residential construction	1	22	—	—	21	21	1	13
Consumer direct	—	—	—	—	—	—	—	—
Indirect auto	5	104	—	—	104	104	—	—
Total loans	17	\$ 1,637	\$ —	\$ 1,511	\$ 125	\$ 1,636	2	\$ 148
Six Months Ended June 30, 2019								
Owner occupied commercial real estate	2	\$ 610	\$ —	\$ 610	\$ —	\$ 610	—	\$ —
Income producing commercial real estate	1	169	—	169	—	169	—	—
Commercial & industrial	1	7	—	—	7	7	—	—
Commercial construction	—	—	—	—	—	—	—	—
Equipment financing	1	20	—	20	—	20	—	—
Total commercial	5	806	—	799	7	806	—	—
Residential mortgage	9	1,176	—	1,175	—	1,175	1	135
Home equity lines of credit	1	50	—	50	—	50	—	—
Residential construction	1	22	—	—	21	21	1	13
Consumer direct	—	—	—	—	—	—	—	—
Indirect auto	11	170	—	—	161	161	—	—
Total loans	27	\$ 2,224	\$ —	\$ 2,024	\$ 189	\$ 2,213	2	\$ 148

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As of June 30, 2020, United had granted short-term deferrals related to the COVID-19 crisis for \$1.76 billion of loans that, pursuant to the CARES Act or interagency guidance, were not considered new TDRs. These short-term deferrals generally represent payment deferrals for up to 90 days. The loans continue to accrue interest and are not reported as past due during the deferral period. The table below presents short-term deferrals related to the COVID-19 crisis that were not considered new TDRs as of June 30, 2020 (*in thousands*).

	June 30, 2020	
	COVID-19 Deferrals	Deferrals as a % of total loans
Owner occupied commercial real estate	\$ 378,959	22 %
Income producing commercial real estate	715,650	33
Commercial & industrial	106,020	5
Commercial construction	175,463	19
Equipment financing	231,402	30
Total commercial	1,607,494	20
Residential mortgage	122,474	11
Home equity lines of credit	18,594	3
Residential construction	4,995	2
Consumer	2,923	2
Total COVID-19 deferrals	<u>\$ 1,756,480</u>	17

Allowance for Credit Losses

Since the adoption of ASC 326, the ACL for loans represents management's estimate of life of loan credit losses in the portfolio as of the end of the period. The ACL related to unfunded commitments is included in other liabilities in the consolidated balance sheet.

The following table presents the balance and activity in the ACL by portfolio segment for the periods indicated (*in thousands*).

	Three Months Ended June 30,									
	CECL					Incurred Loss				
	2020					2019				
	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance
Owner occupied commercial real estate	\$ 11,000	\$ —	\$ 466	\$ 3,126	\$ 14,592	\$ 11,874	\$ —	\$ 58	\$ (387)	\$ 11,545
Income producing commercial real estate	16,584	(4,589)	41	9,663	21,699	11,126	(308)	66	136	11,020
Commercial & industrial	10,831	(254)	291	(2,279)	8,589	4,895	(1,416)	275	1,554	5,308
Commercial construction	9,556	(239)	117	5,080	14,514	10,275	(1)	163	(119)	10,318
Equipment financing	14,738	(2,085)	420	7,232	20,305	6,231	(1,010)	121	1,593	6,935
Residential mortgage	11,063	(50)	56	1,757	12,826	8,345	(108)	234	(181)	8,290
Home equity lines of credit	6,887	(98)	196	1,702	8,687	4,797	(29)	140	(114)	4,794
Residential construction	816	(32)	37	1,176	1,997	2,390	(246)	47	174	2,365
Consumer	430	(712)	286	456	460	837	(529)	239	308	855
Indirect auto	—	—	—	—	—	872	(180)	46	36	774
Total allowance for loan losses	81,905	(8,059)	1,910	27,913	103,669	61,642	(3,827)	1,389	3,000	62,204
Allowance for unfunded commitments	6,470	—	—	5,630	12,100	3,141	—	—	250	3,391
Total allowance for credit losses	<u>\$ 88,375</u>	<u>\$ (8,059)</u>	<u>\$ 1,910</u>	<u>\$ 33,543</u>	<u>\$ 115,769</u>	<u>\$ 64,783</u>	<u>\$ (3,827)</u>	<u>\$ 1,389</u>	<u>\$ 3,250</u>	<u>\$ 65,595</u>

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	Six Months Ended June 30,											
	CECL							Incurred Loss				
	2020							2019				
	December 31, 2019 Balance	Adoption of CECL	January 1, 2020 Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance	Beginning Balance	Charge- Offs	Recoveries	(Release) Provision	Ending Balance
Owner occupied commercial real estate	\$ 11,404	\$ (1,616)	\$ 9,788	\$ (6)	\$ 1,500	\$ 3,310	\$ 14,592	\$ 12,207	\$ (5)	\$ 127	\$ (784)	\$ 11,545
Income producing commercial real estate	12,306	(30)	12,276	(5,000)	182	14,241	21,699	11,073	(505)	86	366	11,020
Commercial & industrial	5,266	4,012	9,278	(7,815)	667	6,459	8,589	4,802	(2,935)	438	3,003	5,308
Commercial construction	9,668	(2,583)	7,085	(239)	258	7,410	14,514	10,337	(70)	557	(506)	10,318
Equipment financing	7,384	5,871	13,255	(3,948)	776	10,222	20,305	5,452	(2,434)	264	3,653	6,935
Residential mortgage	8,081	1,569	9,650	(334)	331	3,179	12,826	8,295	(169)	282	(118)	8,290
Home equity lines of credit	4,575	1,919	6,494	(118)	299	2,012	8,687	4,752	(366)	262	146	4,794
Residential construction	2,504	(1,771)	733	(54)	71	1,247	1,997	2,433	(250)	73	109	2,365
Consumer	901	(491)	410	(1,350)	517	883	460	853	(1,076)	446	632	855
Indirect auto	—	—	—	—	—	—	—	999	(377)	84	68	774
Total allowance for credit losses - loans	62,089	6,880	68,969	(18,864)	4,601	48,963	103,669	61,203	(8,187)	2,619	6,569	62,204
Allowance for unfunded commitments	3,458	1,871	5,329	—	—	6,771	12,100	3,410	—	—	(19)	3,391
Total allowance for credit losses	<u>\$ 65,547</u>	<u>\$ 8,751</u>	<u>\$ 74,298</u>	<u>\$ (18,864)</u>	<u>\$ 4,601</u>	<u>\$ 55,734</u>	<u>\$ 115,769</u>	<u>\$ 64,613</u>	<u>\$ (8,187)</u>	<u>\$ 2,619</u>	<u>\$ 6,550</u>	<u>\$ 65,595</u>

As of June 30, 2020, United used a one-year reasonable and supportable forecast period. The changes in loss rates used as the basis for the estimate of credit losses during this period were modeled using historical data from peer banks and macroeconomic forecast data obtained from a third party vendor, which were then applied to United's recent default experience as a starting point. At June 30, 2020, the forecast indicated that the markets in which United operates will experience a decline in economic conditions and an increase in the unemployment rate over the next year, primarily as a result of the COVID-19 pandemic. The increase in the ACL compared to January 1, 2020 and March 31, 2020 was primarily attributable to the worsening trends in the forecast at June 30, 2020 compared to the earlier forecasts used, with the primary economic forecast driver being the change in the unemployment rate. United adjusted the economic forecast by eliminating the initial spike in unemployment to account for the impact of government stimulus programs, which mitigated some of the negative impact on forecasted losses. In addition, United further adjusted the economic forecast for residential mortgage loans and income producing commercial real estate to moderate losses in those portfolios.

For periods beyond the reasonable and supportable forecast period of one year, United reverted to historical credit loss information on a straight line basis over two years. For all collateral types excluding residential mortgage, United reverted to through-the-cycle average default rates using peer data from 2000 to 2017. For loans secured by residential mortgages, the peer data was adjusted for changes in lending practices designed to prevent the magnitude of losses observed during the mortgage crisis.

PPP loans were considered low risk assets due to the related 100% guarantee by the SBA.

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Disaggregation of Incurred Loss Impairment Methodology

The following tables represent the recorded investment in loans by portfolio segment and the balance of the allowance assigned to each segment based on the method of evaluating the loans for impairment as of December 31, 2019 (*in thousands*).

	Loans Outstanding				Allowance for Credit Losses			
	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance
Owner occupied commercial real estate	\$ 19,233	\$ 1,692,448	\$ 8,546	\$ 1,720,227	\$ 816	\$ 10,483	\$ 105	\$ 11,404
Income producing commercial real estate	18,134	1,962,588	27,228	2,007,950	770	11,507	29	12,306
Commercial & industrial	1,449	1,218,882	326	1,220,657	21	5,193	52	5,266
Commercial construction	3,675	965,678	6,862	976,215	55	9,613	—	9,668
Equipment financing	1,027	739,532	3,985	744,544	—	7,240	144	7,384
Residential mortgage	15,991	1,092,046	9,579	1,117,616	782	7,296	3	8,081
Home equity lines of credit	992	658,273	1,410	660,675	16	4,541	18	4,575
Residential construction	1,256	234,807	374	236,437	47	2,456	1	2,504
Consumer	214	127,682	336	128,232	5	885	11	901
Total	\$ 61,971	\$ 8,691,936	\$ 58,646	\$ 8,812,553	2,512	59,214	363	62,089
Allowance for unfunded commitments					—	3,458	—	3,458
Total allowance for credit losses					\$ 2,512	\$ 62,672	\$ 363	\$ 65,547

The following table presents additional detail on loans individually evaluated for impairment under Incurred Loss by class as of December 31, 2019 (*in thousands*).

	December 31, 2019		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded:			
Owner occupied commercial real estate	\$ 9,527	\$ 8,118	\$ —
Income producing commercial real estate	5,159	4,956	—
Commercial & industrial	1,144	890	—
Commercial construction	2,458	2,140	—
Equipment financing	1,027	1,027	—
Total commercial	19,315	17,131	—
Residential mortgage	7,362	6,436	—
Home equity lines of credit	1,116	861	—
Residential construction	731	626	—
Consumer	66	53	—
Total with no related allowance recorded	28,590	25,107	—
With an allowance recorded:			
Owner occupied commercial real estate	11,136	11,115	816
Income producing commercial real estate	13,591	13,178	770
Commercial & industrial	559	559	21
Commercial construction	1,535	1,535	55
Equipment financing	—	—	—
Total commercial	26,821	26,387	1,662
Residential mortgage	9,624	9,555	782
Home equity lines of credit	146	131	16
Residential construction	643	630	47
Consumer	161	161	5
Total with an allowance recorded	37,395	36,864	2,512
Total	\$ 65,985	\$ 61,971	\$ 2,512

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The average balances of impaired loans and income recognized on impaired loans while they were considered impaired under Incurred Loss are presented below for the period indicated (*in thousands*).

	Three Months Ended June 30, 2019			Six Months Ended June 30, 2019		
	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received
Owner occupied commercial real estate	\$ 18,737	\$ 273	\$ 308	\$ 18,074	\$ 558	\$ 592
Income producing commercial real estate	13,680	186	169	13,959	379	376
Commercial & industrial	1,914	7	16	1,815	26	35
Commercial construction	3,369	41	42	2,886	75	75
Equipment financing	21	—	—	11	—	—
Total commercial	37,721	507	535	36,745	1,038	1,078
Residential mortgage	16,230	190	184	15,866	358	358
Home equity lines of credit	304	3	2	281	7	5
Residential construction	1,350	24	24	1,379	48	47
Consumer	181	3	3	193	7	7
Indirect auto	1,104	14	14	1,147	28	28
Total	\$ 56,890	\$ 741	\$ 762	\$ 55,611	\$ 1,486	\$ 1,523

Note 5 – Goodwill

Goodwill represents the premium paid for acquired companies above the net fair value of the assets acquired and liabilities assumed, including separately identifiable intangible assets. At June 30, 2020 and December 31, 2019, the net carrying value of goodwill was \$327 million. Goodwill is not amortized but is assessed for impairment on an annual basis, or more often if events or circumstances indicate there may be impairment, referred to as a triggering event. Upon the occurrence of a triggering event, accounting guidance allows for an assessment of qualitative factors to determine whether it is more likely than not, or a greater than 50% likelihood, that the fair value of the entity is less than its carrying amount, including goodwill. When it is more likely than not that impairment has occurred, management is required to perform a quantitative analysis and, if necessary, adjust the carrying amount of goodwill by recording a goodwill impairment loss. During the latter part of the first quarter and the second quarter of 2020, as a result of market concerns about the potential impact of COVID-19, United's stock price declined such that it traded below book value for much of that time period. As a result of this triggering event, management has qualitatively assessed and concluded that there is not a greater than 50% likelihood that United's fair value is less than its carrying amount as of June 30, 2020, given the anticipated short duration of the change in macroeconomic conditions and excess of value as of the latest annual test performed as of September 30, 2019. Management will continue to monitor and assess the impact of the pandemic on the Company's value.

Note 6 – 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 through a combination of pricing and term structure of deposit product offerings, the amount and duration of its investment securities portfolio and wholesale funding and, to a lesser degree, through the use of derivative financial instruments. From time to time, United enters into derivative financial instruments to manage interest rate risk 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. Derivative financial instruments are used to manage differences in the amount, timing, and duration of known or expected cash receipts and known or expected cash payments principally related to loans, investment securities, wholesale borrowings and deposits.

United has master netting agreements with the derivatives dealers with which it does business, but has elected to reflect gross assets and liabilities on the consolidated balance sheets.

United clears certain derivatives centrally through the Chicago Mercantile Exchange ("CME"). CME rules legally characterize variation margin payments for centrally cleared derivatives as settlements of the derivatives' exposure rather than as collateral. As a result, the variation margin payment and the related derivative instruments are considered a single unit of account for accounting

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purposes. Variation margin, as determined by the CME, is settled daily. As a result, derivative contracts that clear through the CME have an estimated fair value of zero.

The table below presents the fair value of derivative financial instruments as of the dates indicated as well as their classification on the consolidated balance sheets (*in thousands*):

	June 30, 2020		December 31, 2019	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Derivatives designated as hedging instruments:				
Fair value hedge of brokered time deposits	\$ —	\$ 24	\$ —	\$ 880
Cash flow hedge of subordinated debt	2,990	—	—	—
Total	\$ 2,990	\$ 24	\$ —	\$ 880
Derivatives not designated as hedging instruments:				
Customer derivative positions	\$ 79,900	\$ 3	\$ 27,277	\$ 446
Dealer offsets to customer derivative positions	3	20,266	394	6,425
Risk participations	7	21	—	12
Mortgage banking - loan commitment	11,517	—	1,970	—
Mortgage banking - forward sales commitment	17	1,847	98	86
Bifurcated embedded derivatives	—	1,606	5,268	—
Dealer offsets to bifurcated embedded derivatives	—	918	—	7,667
Total	\$ 91,444	\$ 24,661	\$ 35,007	\$ 14,636
Total derivatives	\$ 94,434	\$ 24,685	\$ 35,007	\$ 15,516
Total gross derivative instruments	\$ 94,434	\$ 24,685	\$ 35,007	\$ 15,516
Less: Amounts subject to master netting agreements	(313)	(313)	(401)	(401)
Less: Cash collateral received/pledged	(2,680)	(21,624)	—	(14,933)
Net amount	\$ 91,441	\$ 2,748	\$ 34,606	\$ 182

Hedging Derivatives

Cash Flow Hedges of Interest Rate Risk

United enters into cash flow hedges to mitigate exposure to the variability of future cash flows or other forecasted transactions. During the second quarter of 2020, United entered into three cash flow hedges using interest rate caps and swaps with an aggregate notional amount of \$120 million to hedge the variability of cash flows due to changes in interest rates on certain of its variable-rate subordinated debt and trust preferred securities. United considers these derivatives to be highly effective at achieving offsetting changes in cash flows attributable to changes in interest rates. Therefore, changes in the fair value of these derivative instruments are recognized in other comprehensive income. Gains and losses related to changes in fair value are reclassified into earnings in the periods the hedged forecasted transactions occur. Losses representing amortization of the premium recorded on cash flow hedges, which is a component excluded from the assessment of effectiveness, are recognized in earnings on a straight-line basis in the same caption as the hedged item over the term of the hedge. Over the next twelve months United expects to reclassify \$576,000 of losses from accumulated other comprehensive income into earnings related to these agreements.

At December 31, 2019 United had no active cash flow hedges. The loss remaining in other comprehensive income from prior hedges that had previously been de-designated was being amortized into earnings over the original term of the swaps as the forecasted transactions that the swaps were originally designated to hedge were still expected to occur. During the second quarter of 2019, United amortized the remaining balance of losses on terminated hedging positions from other comprehensive income, which was the only effect of cash flow hedges on the consolidated statements of income for the three and six months ended June 30, 2019. See Note 11 for further detail.

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 interest rates. United uses interest rate derivatives to manage its exposure to changes in fair value on these instruments attributable to changes in interest rates. 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 income statement line item as the offsetting loss or gain on the related derivatives.

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At June 30, 2020 and December 31, 2019, United had three and four, respectively, interest rate swaps with an aggregate notional amount of \$27.9 million and \$37.9 million, respectively, that were designated as fair value hedges of fixed-rate brokered time deposits. The swaps involved the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreements.

In certain cases, the estate of deceased brokered certificate of deposit holders may put the certificate of deposit back to United at par upon the death of the holder. When these estate puts occur, a gain or loss is recognized for the difference between the fair value and the par amount of the deposits put back. The change in the fair value of brokered time deposits that are being hedged in fair value hedging relationships reported in the table above includes gains and losses from estate puts.

The table below presents the effect of derivatives in hedging relationships on the consolidated statement of income for the periods indicated (*in thousands*).

	Interest expense			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Total amounts presented in the consolidated statements of income	\$ 14,301	\$ 21,372	\$ 32,242	\$ 42,254
Gains (losses) on fair value hedging relationships:				
Interest rate contracts:				
Amounts related to interest settlements on derivatives	102	(102)	27	(203)
Recognized on derivatives	120	149	1,182	600
Recognized on hedged items	(9)	(151)	(991)	(613)
Net income (expense) recognized on fair value hedges	213	(104)	218	(216)
Gains (losses) on active cash flow hedging relationships ⁽¹⁾:				
Interest rate contracts:				
Realized gains (losses) reclassified from AOCI into net income ⁽²⁾	(67)	—	(67)	—
Net income (expense) recognized on cash flow hedges	\$ (67)	\$ —	\$ (67)	\$ —

⁽¹⁾ Excludes amortization of losses related to de-designated cash flow hedges. See Note 11 for further detail.

⁽²⁾ Includes \$92,000 of premium amortization expense excluded from the assessment of hedge effectiveness for the three and six months ended June 30, 2020.

The table below presents the carrying amount of hedged fixed-rate brokered time deposits and cumulative fair value hedging adjustments included in the carrying amount of the hedged liability for the periods presented (*in thousands*).

Balance Sheet Location	June 30, 2020		December 31, 2019	
	Carrying amount of Assets (Liabilities)	Hedge Accounting Basis Adjustment	Carrying amount of Assets (Liabilities)	Hedge Accounting Basis Adjustment
Deposits	\$ (26,985)	\$ (346)	\$ (35,880)	\$ 645

Derivatives Not Designated as Hedging Instruments

Customer derivative positions include swaps, caps, and corridors between United and certain commercial loan customers with offsetting positions to dealers under a back-to-back program. In addition, United occasionally enters into credit risk participation agreements with counterparty banks to accept or transfer a portion of the credit risk related to interest rate swaps. The agreements, which are typically executed in conjunction with a participation in a loan with the same customer, allow customers to execute an interest rate swap with one bank while allowing for the distribution of the credit risk among participating members.

United also has three interest rate swap contracts that are not designated as hedging instruments but are economic hedges of market-linked brokered certificates of deposit. The market-linked brokered certificates of deposit contain embedded derivatives that are bifurcated from the host instruments and are marked to market through earnings. The fair value marks on the market-linked swaps and the bifurcated embedded derivatives tend to move in opposite directions with changes in 90-day London Interbank Offered Rate (“LIBOR”) and therefore provide an economic hedge.

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In addition, United originates certain residential mortgage loans with the intention of selling these loans. Between the time United enters into an interest-rate lock commitment to originate a residential mortgage loan that is to be held for sale and the time the loan is funded and eventually sold, United is subject to the risk of variability in market prices. United enters into forward sale agreements to mitigate risk and to protect the expected gain on the eventual loan sale. The commitments to originate residential mortgage loans and forward loan sales commitments are freestanding derivative instruments. United accounts for most newly originated mortgage loans at fair value pursuant to the fair value option, and these loans are not reflected in the table above. Fair value adjustments on these derivative instruments are recorded within mortgage loan gains and other related fee income in the consolidated statements of income.

The table below presents the gains and losses recognized in income on derivatives not designated as hedging instruments for the periods indicated (*in thousands*).

	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Customer derivatives and dealer offsets	Other noninterest income	\$ 1,168	\$ 1,224	\$ 2,592	\$ 1,727
Bifurcated embedded derivatives and dealer offsets	Other noninterest income	(28)	(74)	(223)	144
De-designated hedges	Other noninterest income	—	—	—	(193)
Mortgage banking derivatives	Mortgage loan revenue	929	(748)	100	(938)
Risk participations	Other noninterest income	14	(6)	(3)	(4)
		<u>\$ 2,083</u>	<u>\$ 396</u>	<u>\$ 2,466</u>	<u>\$ 736</u>

Credit-Risk-Related Contingent Features

United manages its credit exposure on derivatives transactions by entering into a bilateral credit support agreement with each non-customer 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.

United's agreements with each of its derivative counterparties provide that if either party defaults on any of its indebtedness, then it could also be declared in default on its derivative obligations. The agreements with derivatives counterparties also include provisions that if not met, could result in United being declared in default. United has agreements with certain of its derivative counterparties that provide that if United fails to maintain its status as a well-capitalized institution or is subject to a prompt corrective action directive, the counterparty could terminate the derivative positions and United would be required to settle its obligations under the agreements. Derivatives that are centrally cleared do not have credit-risk-related features that would require additional collateral if United's credit rating were downgraded.

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Note 7 - Long-term Debt

Long-term debt consisted of the following (in thousands):

	June 30, 2020	December 31, 2019	Issue Date	Stated Maturity Date	Earliest Call Date	Interest Rate
2022 senior debentures	\$ 50,000	\$ 50,000	2015	2022	2020	5.000% through August 13, 2020, 3-month LIBOR plus 3.814% thereafter
2027 senior debentures	35,000	35,000	2015	2027	2025	5.500% through August 13, 2025, 3-month LIBOR plus 3.71% thereafter
2030 senior debentures	100,000	—	2020	2030	2025	5.00% through June 15, 2025, 3-month SOFR plus 4.87% thereafter
Total senior debentures	<u>185,000</u>	<u>85,000</u>				
2028 subordinated debentures	100,000	100,000	2018	2028	2023	4.500% through January 30, 2023, 3-month LIBOR plus 2.12% thereafter
2025 subordinated debentures	11,250	11,250	2015	2025	2020	6.250%
Total subordinated debentures	<u>111,250</u>	<u>111,250</u>				
Southern Bancorp Capital Trust I	4,382	4,382	2004	2034	2009	Prime + 1.00%
Tidelands Statutory Trust I	8,248	8,248	2006	2036	2011	3-month LIBOR plus 1.38%
Four Oaks Statutory Trust I	12,372	12,372	2006	2036	2011	3-month LIBOR plus 1.35%
Total trust preferred securities	<u>25,002</u>	<u>25,002</u>				
Less discount	(9,621)	(8,588)				
Total long-term debt	<u>\$ 311,631</u>	<u>\$ 212,664</u>				

Interest is currently paid at least semiannually for all senior and subordinated debentures and trust preferred securities.

Senior Debentures

During the second quarter of 2020, United issued the 2030 senior debentures. The 2030 senior debentures are redeemable, in whole or in part, on any interest payment date on or after June 15, 2025 at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, and will mature on June 15, 2030 if not redeemed prior to that date.

The 2022 senior debentures are redeemable, in whole or in part, on or after August 14, 2020 at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, and will mature on February 14, 2022 if not redeemed prior to that date.

The 2027 senior debentures are redeemable, in whole or in part, on or after August 14, 2025 at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, and will mature on February 14, 2027 if not redeemed prior to that date.

Subordinated Debentures

The subordinated debentures qualify as Tier 2 regulatory capital.

Trust Preferred Securities

Trust preferred securities qualify as Tier 1 capital under risk based capital guidelines subject to certain limitations, including an acquisition-triggered asset size limitation, which United is expected to exceed in the third quarter of 2020. The trust preferred securities are mandatorily redeemable upon maturity, or upon earlier redemption as provided in the indentures.

Note 8 – Assets and Liabilities Measured at 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, United uses 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). United has processes in place to review the significant valuation inputs and to reassess how the instruments are classified in the valuation framework.

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 when 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. The 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.

Investment Securities

Debt securities available-for-sale and equity securities with readily determinable fair values 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, corporate debt securities and asset-backed securities and are valued based on observable inputs that include: quoted market prices for similar assets, quoted market prices that are not in an active market, or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the securities. Securities classified as Level 3 include those traded in less liquid markets and are valued based on estimates obtained from broker-dealers that are not directly observable.

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

United has elected the fair value option for most of its newly originated mortgage loans held for sale in order to reduce certain timing differences and better match changes in fair values of the loans with changes in the value of derivative instruments used to economically hedge them. The fair value of mortgage loans held for sale is determined using quoted prices for a similar asset, adjusted for specific attributes of that loan (Level 2).

Derivative Financial Instruments

United uses derivatives to manage interest rate risk. The valuation of these instruments is typically 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 also uses best effort and mandatory delivery forward loan sale commitments to hedge risk in its mortgage lending business.

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United incorporates credit valuation adjustments (“CVAs”) as necessary to appropriately reflect 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 and guarantees.

Management has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy. However, the CVAs associated with these derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. Generally, management’s assessment of the significance of the CVAs has indicated that they are not a significant input to the overall valuation of the derivatives. In cases where management’s assessment indicates that the CVA is a significant input, the related derivative is disclosed as a Level 3 value. During the second quarter of 2020, certain derivative assets were transferred from Level 2 to Level 3 of the fair value hierarchy due to a change in the assessment of significance of the CVA.

Other derivatives classified as Level 3 include structured derivatives for which broker quotes, used as a key valuation input, were not observable. Risk participation agreements are classified as Level 3 instruments due to the incorporation of significant Level 3 inputs used to evaluate the probability of funding and the likelihood of customer default. Interest rate lock commitments, which relate to mortgage loan commitments, are categorized as Level 3 instruments as the fair value of these instruments is based on unobservable inputs for commitments that United does not expect to fund.

Servicing Rights for Residential and SBA/USDA Loans

United recognizes servicing rights upon the sale of residential and SBA/USDA loans sold with servicing retained. Management has elected to carry these assets at fair value. Given the nature of these assets, the key valuation inputs are unobservable and management classifies these assets as Level 3.

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 the dates indicated, aggregated by the level in the fair value hierarchy within which those measurements fall (*in thousands*).

June 30, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Debt securities available-for-sale:				
U.S. Treasuries	\$ 128,866	\$ —	\$ —	\$ 128,866
U.S. Government agencies	—	2,937	—	2,937
State and political subdivisions	—	230,709	—	230,709
Residential mortgage-backed securities	—	1,212,021	—	1,212,021
Commercial mortgage-backed securities	—	261,678	—	261,678
Corporate bonds	—	172,476	1,000	173,476
Asset-backed securities	—	115,522	—	115,522
Equity securities with readily available fair values	631	725	—	1,356
Mortgage loans held for sale	—	99,477	—	99,477
Deferred compensation plan assets	8,070	—	—	8,070
Servicing rights for SBA/USDA loans	—	—	6,034	6,034
Residential mortgage servicing rights	—	—	12,492	12,492
Derivative financial instruments	—	82,327	12,107	94,434
Total assets	\$ 137,567	\$ 2,177,872	\$ 31,633	\$ 2,347,072
Liabilities:				
Deferred compensation plan liability	\$ 8,082	\$ —	\$ —	\$ 8,082
Derivative financial instruments	—	22,116	2,569	24,685
Total liabilities	\$ 8,082	\$ 22,116	\$ 2,569	\$ 32,767

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December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Debt securities available-for-sale				
U.S. Treasuries	\$ 154,618	\$ —	\$ —	\$ 154,618
U.S. Agencies	—	3,035	—	3,035
State and political subdivisions	—	226,490	—	226,490
Residential mortgage-backed securities	—	1,299,025	—	1,299,025
Commercial mortgage-backed securities	—	284,953	—	284,953
Corporate bonds	—	202,093	998	203,091
Asset-backed securities	—	103,369	—	103,369
Equity securities with readily available fair values	1,973	—	—	1,973
Mortgage loans held for sale	—	58,484	—	58,484
Deferred compensation plan assets	8,133	—	—	8,133
Servicing rights for SBA/USDA loans	—	—	6,794	6,794
Residential mortgage servicing rights	—	—	13,565	13,565
Derivative financial instruments	—	27,769	7,238	35,007
Total assets	\$ 164,724	\$ 2,205,218	\$ 28,595	\$ 2,398,537
Liabilities:				
Deferred compensation plan liability	\$ 8,132	\$ —	\$ —	\$ 8,132
Derivative financial instruments	—	6,957	8,559	15,516
Total liabilities	\$ 8,132	\$ 6,957	\$ 8,559	\$ 23,648

The following table shows a reconciliation of the beginning and ending balances for the periods indicated for assets measured at fair value on a recurring basis using significant unobservable inputs that are classified as Level 3 values (*in thousands*).

	2020					2019				
	Derivative Assets	Derivative Liabilities	Servicing rights for SBA/USDA loans	Residential mortgage servicing rights	Debt Securities Available-for-Sale	Derivative Assets	Derivative Liabilities	Servicing rights for SBA/USDA loans	Residential mortgage servicing rights	Debt Securities Available-for-Sale
Three Months Ended June 30,										
Balance at beginning of period	\$ 7,361	\$ 2,717	\$ 6,290	\$ 11,059	\$ —	\$ 9,561	\$ 11,444	\$ 7,401	\$ 11,447	\$ 995
Additions	7	—	303	3,217	1,000	—	—	405	1,228	—
Transfers into Level 3	583	—	—	—	—	—	—	—	—	—
Sales and settlements	—	—	(34)	(682)	—	—	—	(188)	(153)	—
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Amounts included in earnings - fair value adjustments	4,156	(148)	(525)	(1,102)	—	(1,817)	(2,432)	(238)	(1,843)	—
Balance at end of period	\$ 12,107	\$ 2,569	\$ 6,034	\$ 12,492	\$ 1,000	\$ 7,744	\$ 9,012	\$ 7,380	\$ 10,679	\$ 995
Six Months Ended June 30,										
Balance at beginning of period	\$ 7,238	\$ 8,559	\$ 6,794	\$ 13,565	\$ 998	\$ 11,841	\$ 15,732	\$ 7,510	\$ 11,877	\$ 995
Additions	7	—	398	5,332	1,000	—	—	780	2,091	—
Transfers into Level 3	583	—	—	—	—	—	—	—	—	—
Sales and settlements	—	—	(341)	(1,175)	(1,000)	(1,135)	(2,330)	(551)	(303)	—
Other comprehensive income	—	—	—	—	2	—	—	—	—	—
Amounts included in earnings - fair value adjustments	4,279	(5,990)	(817)	(5,230)	—	(2,962)	(4,390)	(359)	(2,986)	—
Balance at end of period	\$ 12,107	\$ 2,569	\$ 6,034	\$ 12,492	\$ 1,000	\$ 7,744	\$ 9,012	\$ 7,380	\$ 10,679	\$ 995

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The following table presents quantitative information about Level 3 fair value measurements for fair value on a recurring basis as of the dates indicated (*in thousands*).

Level 3 Assets and Liabilities	Valuation Technique	Unobservable Inputs	Weighted Average	
			June 30, 2020	December 31, 2019
Servicing rights for SBA/USDA loans	Discounted cash flow	Discount rate	12.0 %	12.3 %
		Prepayment rate	18.2 %	16.5 %
Residential mortgage servicing rights	Discounted cash flow	Discount rate	10.0 %	10.0 %
		Prepayment rate	19.8 %	14.1 %
Corporate bonds	Indicative bid provided by a broker	Multiple factors, including but not limited to, current operations, financial condition, cash flows, and recently executed financing transactions related to the company	N/A	N/A
Derivative assets - customer derivative positions	Internal model	Probability of default rate	36.7 %	N/A
		Loss given default rate	100 %	N/A
Derivative assets - mortgage	Internal model	Pull through rate	81.2 %	83.6 %
Derivative assets and liabilities- other	Dealer priced	Dealer priced	N/A	N/A
Derivative assets and liabilities - risk participations	Internal model	Probable exposure rate	1.04 %	0.36 %
		Probability of default rate	1.86 %	1.80 %

Fair Value Option

United records mortgage loans held for sale at fair value under the fair value option. Interest income on these loans is calculated based on the note rate of the loan and is recorded in interest revenue. The following tables present the fair value and outstanding principal balance of these loans, as well as the gain or loss recognized resulting from the change in fair value for the periods indicated (*in thousands*).

	Mortgage Loans Held for Sale	
	June 30, 2020	December 31, 2019
Outstanding principal balance	\$ 94,335	\$ 56,613
Fair value	99,477	58,484

Location	Amount of Gain (Loss) Recognized on Mortgage Loans Held for Sale			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Mortgage loan gains and other related fees	\$ 1,546	\$ 569	\$ 3,271	\$ 875

Changes in fair value were mostly offset by hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

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 adjustments to fair value usually result from the application of the lower of the amortized cost or fair value accounting or write-downs of individual assets due to impairment. The following table presents the fair value hierarchy and carrying value of all assets that were still held as of June 30, 2020 and December 31, 2019, for which a nonrecurring fair value adjustment was recorded during the year-to-date periods presented (*in thousands*).

	Level 1	Level 2	Level 3	Total
June 30, 2020				
Loans	\$ —	\$ —	\$ 12,654	\$ 12,654
December 31, 2019				
Loans	\$ —	\$ —	\$ 20,977	\$ 20,977

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Loans that are reported above as being measured at fair value on a nonrecurring basis are generally impaired loans that have either been partially charged off or have specific reserves assigned to them. Nonaccrual loans that are collateral dependent are generally written down to 80% of appraised value which considers the estimated costs to sell. Specific reserves that are established based on appraised value of collateral are considered nonrecurring fair value adjustments as well. 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.

Assets and Liabilities Not Measured at Fair Value

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

Cash and cash equivalents and repurchase agreements have short maturities and therefore the carrying value approximates fair value. Due to the short-term settlement of accrued interest receivable and payable, the carrying amount closely approximates fair value.

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. All estimates are inherently subjective in nature. 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) for which draws can be reasonably predicted are generally short-term in maturity and are priced at variable rates. Therefore, the estimated fair value associated with these instruments is immaterial.

The carrying amount and fair values as of the dates indicated for other financial instruments that are not measured at fair value on a recurring basis are as follows (*in thousands*).

	Carrying Amount	Fair Value Level			Total
		Level 1	Level 2	Level 3	
June 30, 2020					
Assets:					
Securities held-to-maturity	\$ 306,638	\$ —	\$ 320,253	\$ —	\$ 320,253
Loans and leases, net	10,028,841	—	—	9,944,499	9,944,499
Liabilities:					
Deposits	12,702,085	—	12,704,397	—	12,704,397
Long-term debt	311,631	—	—	295,910	295,910
December 31, 2019					
Assets:					
Securities held-to-maturity	\$ 283,533	\$ —	\$ 287,904	\$ —	\$ 287,904
Loans and leases, net	8,750,464	—	—	8,714,592	8,714,592
Liabilities:					
Deposits	10,897,244	—	10,897,465	—	10,897,465
Long-term debt	212,664	—	—	217,665	217,665

Note 9 – Common and Preferred Stock

In November of 2019, United’s Board of Directors authorized an expansion of the existing common stock repurchase plan to authorize the repurchase of its common stock up to \$50 million. The program is scheduled to expire on the earlier of United’s repurchase of its common stock having an aggregate purchase price of \$50 million or December 31, 2020. Under the program, shares may be repurchased in the open market or in privately negotiated transactions, from time to time, subject to market conditions. During the six months ended June 30, 2020 and 2019, 826,482 and 305,052 shares, respectively, were repurchased under the program. No shares were purchased during the three months ended June 30, 2020 and 2019. As of June 30, 2020, United had remaining authorization to repurchase up to \$29.2 million of outstanding common stock under the program.

During the second quarter of 2020, United issued \$100 million, or 4,000 shares, of Series I perpetual non-cumulative preferred stock (“Preferred Stock”) with a dividend rate of 6.875% per annum for net proceeds of \$96.7 million and corresponding depository shares each representing a 1/1,000th interest in one share of Preferred Stock. If declared, dividends will be payable quarterly in arrears beginning on September 15, 2020. The Preferred Stock has no stated maturity and redemption is solely at the option of United in whole, but not in part, upon the occurrence of a regulatory capital treatment event, as defined. In addition, the Preferred Stock may be redeemed on or after September 15, 2025 at a cash redemption price equal to \$25,000 per share (equivalent to \$25 per depository share) plus any declared and unpaid dividends. As of June 30, 2020, the Preferred Stock had a carrying amount of \$96.7 million.

Note 10 – Stock-Based Compensation

United has an equity compensation plan that allows for grants of various share-based compensation. Options granted under the plan have an exercise price no less than the fair market value of the underlying stock at the date of grant. The general terms of the plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain options and restricted stock unit awards provide for accelerated vesting if there is a change in control (as defined in the plan document). As of June 30, 2020, 1.28 million additional awards could be granted under the plan.

The following table shows stock option activity for the first six months of June 30, 2020.

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$000)
Outstanding at December 31, 2019	1,500	\$ 27.95		
Expired	(1,500)	27.95		
Outstanding at June 30, 2020	<u>—</u>	<u>—</u>	0.00	\$ —
Exercisable at June 30, 2020	<u>—</u>	<u>—</u>	0.00	—

The fair value of each option is estimated on the date of grant using the Black-Scholes model. No stock options were granted during the six months ended June 30, 2020 and 2019. United recognized no compensation expense related to stock options during the six months ended June 30, 2020 and 2019.

The table below presents restricted stock unit activity for the first six months of June 30, 2020.

Restricted Stock Unit Awards	Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$000)
Outstanding at December 31, 2019	808,424	\$ 27.94		
Granted	62,055	23.20		
Vested	(113,748)	27.83		\$ 2,798
Cancelled	(18,754)	26.45		
Outstanding at June 30, 2020	<u>737,977</u>	<u>27.47</u>	3.6	14,848

Compensation expense for restricted stock units and performance stock units without market conditions is based on the market value of United’s common stock on the date of grant. Compensation expense for performance stock units with market conditions is based on the grant date per share fair market value which was estimated using the Monte Carlo Simulation valuation model. United recognizes

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the impact of forfeitures as they occur. The value of restricted stock unit and performance stock unit awards is amortized into expense over the service period. For the six months ended June 30, 2020 and 2019, expense of \$4.04 million and \$5.83 million, respectively, was recognized related to restricted stock unit and performance stock unit awards granted to United employees. Of the expense related to restricted stock unit awards during the six months ended June 30, 2019, \$1.38 million related to the modification of existing awards resulting from an acceleration of vesting of awards due to retirement and \$740,000 related to awards granted in conjunction with an acquisition, both of which were recognized in merger-related and other charges in the consolidated statement of income. The remaining expense of \$3.71 million for the six months ended June 30, 2019 was recognized in salaries and employee benefits expense, as was the entire amount for the six months ended June 30, 2020. In addition, for the six months ended June 30, 2020 and 2019, \$217,000 and \$169,000, respectively, was recognized in other operating expense for restricted stock unit awards granted to members of United's Board of Directors.

A deferred income tax benefit related to stock-based compensation expense of \$1.09 million and \$1.53 million was included in the determination of income tax expense for the six months ended June 30, 2020 and 2019, respectively. As of June 30, 2020, there was \$11.4 million of unrecognized expense related to non-vested restricted stock unit and performance stock unit awards granted under the plan. That cost is expected to be recognized over a weighted-average period of 2.2 years. As of June 30, 2020, there was no unrecognized expense related to non-vested stock options granted under the plan.

Note 11 – Reclassifications Out of Accumulated Other Comprehensive Income

The following table presents the details regarding amounts reclassified out of accumulated other comprehensive income for the periods indicated (*in thousands*).

Details about Accumulated Other Comprehensive Income Components	Three Months Ended June 30,		Six Months Ended June 30,		Affected Line Item in the Statement Where Net Income is Presented
	2020	2019	2020	2019	
Realized (gains) losses on available-for-sale securities:					
	\$ —	\$ 149	\$ —	\$ (118)	Securities (gains) losses, net
	—	(38)	—	30	Income tax (expense) benefit
	<u>\$ —</u>	<u>\$ 111</u>	<u>\$ —</u>	<u>\$ (88)</u>	Net of tax
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity:					
	\$ (96)	\$ (93)	\$ (179)	\$ (177)	Investment securities interest revenue
	23	22	43	42	Income tax benefit
	<u>\$ (73)</u>	<u>\$ (71)</u>	<u>\$ (136)</u>	<u>\$ (135)</u>	Net of tax
Reclassifications related to derivative financial instruments accounted for as cash flow hedges:					
Interest rate contracts	\$ (67)	\$ —	\$ (67)	\$ —	Long-term debt interest expense
Amortization of losses on de-designated positions	—	—	—	(102)	Deposit interest expense
Amortization of losses on de-designated positions	—	(235)	—	(235)	Other expense
	<u>(67)</u>	<u>(235)</u>	<u>(67)</u>	<u>(337)</u>	Total before tax
	17	60	17	86	Income tax benefit
	<u>\$ (50)</u>	<u>\$ (175)</u>	<u>\$ (50)</u>	<u>\$ (251)</u>	Net of tax
Reclassifications related to defined benefit pension plan activity:					
Prior service cost	\$ (132)	\$ (159)	\$ (265)	\$ (318)	Salaries and employee benefits expense
Actuarial losses	(82)	(14)	(163)	(29)	Other expense
	<u>(214)</u>	<u>(173)</u>	<u>(428)</u>	<u>(347)</u>	Total before tax
	55	44	109	88	Income tax benefit
	<u>\$ (159)</u>	<u>\$ (129)</u>	<u>\$ (319)</u>	<u>\$ (259)</u>	Net of tax
Total reclassifications for the period	<u>\$ (282)</u>	<u>\$ (264)</u>	<u>\$ (505)</u>	<u>\$ (733)</u>	Net of tax

Amounts shown above in parentheses reduce earnings.

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Note 12 – Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated (*in thousands, except per share data*).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	\$ 25,096	\$ 44,085	\$ 56,980	\$ 88,347
Dividends and undistributed earnings allocated to unvested shares	(183)	(316)	(426)	(631)
Net income available to common shareholders	<u>\$ 24,913</u>	<u>\$ 43,769</u>	<u>\$ 56,554</u>	<u>\$ 87,716</u>
Weighted average shares outstanding:				
Basic	78,920	79,673	79,130	79,739
Effect of dilutive securities				
Stock options	—	1	—	2
Restricted stock units	4	4	56	4
Diluted	<u>78,924</u>	<u>79,678</u>	<u>79,186</u>	<u>79,745</u>
Net income per common share:				
Basic	<u>\$ 0.32</u>	<u>\$ 0.55</u>	<u>\$ 0.71</u>	<u>\$ 1.10</u>
Diluted	<u>\$ 0.32</u>	<u>\$ 0.55</u>	<u>\$ 0.71</u>	<u>\$ 1.10</u>

At June 30, 2020, United had potentially dilutive instruments outstanding in the form of 154,795 shares of common stock issuable upon vesting of restricted stock unit awards.

At June 30, 2019, United excluded 1,000 potentially dilutive shares of common stock issuable upon exercise of stock options with a weighted average exercise price of \$30.45 from the computation of diluted earnings per share because of their antidilutive effect.

Note 13 – Regulatory Matters

As of June 30, 2020, United and the Bank were categorized as well-capitalized under the regulatory framework for prompt corrective action in effect at such time. To be categorized as well-capitalized at June 30, 2020, United and the Bank must have exceeded the well-capitalized guideline ratios in effect at such time, as set forth in the table below and have met certain other requirements. Management believes that United and the Bank exceeded all well-capitalized requirements at June 30, 2020, and there have been no conditions or events since year-end that would change the status of well-capitalized.

Pursuant to the CARES Act, United has adopted relief provided by federal banking regulatory agencies for the delay of the adverse capital impact of CECL at adoption and during the subsequent two-year period after adoption. This optional two-year delay is followed by an optional three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. Under the transition provision, the amount of aggregate capital benefit is phased out by 25% each year with the full impact of adoption completely recognized by the beginning of the sixth year.

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Regulatory capital ratios at June 30, 2020 and December 31, 2019, along with the minimum amounts required for capital adequacy purposes and to be well-capitalized under prompt corrective action provisions in effect at such times are presented below for United and the Bank (*dollars in thousands*):

	Basel III Guidelines		United Community Banks, Inc. (Consolidated)		United Community Bank	
	Minimum ⁽¹⁾	Well Capitalized	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Risk-based ratios:						
Common equity tier 1 capital	4.5 %	6.5 %	12.85 %	12.97 %	13.70 %	14.87 %
Tier 1 capital	6.0	8.0	14.05	13.21	13.70	14.87
Total capital	8.0	10.0	16.07	15.01	14.63	15.54
Leverage ratio	4.0	5.0	10.31	10.34	10.05	11.63
Common equity tier 1 capital			\$ 1,300,627	\$ 1,275,148	\$ 1,382,891	\$ 1,458,720
Tier 1 capital			1,421,537	1,299,398	1,382,891	1,458,720
Total capital			1,625,967	1,476,302	1,475,970	1,524,267
Risk-weighted assets			10,118,998	9,834,051	10,091,674	9,810,477
Average total assets for the leverage ratio			13,784,914	12,568,563	13,755,117	12,545,254

⁽¹⁾ As of June 30, 2020 and December 31, 2019 the additional capital conservation buffer in effect was 2.50%

Note 14 – Commitments and Contingencies

United is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its 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 United has in particular classes of financial instruments. The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit written is represented by the contractual amount of these instruments. United uses the same credit policies in making commitments and conditional obligations as 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 the contractual amount of off-balance sheet instruments as of the dates indicated (*in thousands*).

	June 30, 2020	December 31, 2019
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 2,291,128	\$ 2,126,275
Letters of credit	26,554	22,533

United holds minor investments in certain limited partnerships for Community Reinvestment Act purposes. As of June 30, 2020, United had committed to fund an additional \$10.1 million related to future capital calls that are not reflected in the consolidated balance sheet.

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.

Note 15 – Acquisitions

Acquisition of Three Shores Bancorporation, Inc.

Subsequent to quarter-end, on July 1, 2020, United completed its previously announced acquisition of Three Shores Bancorporation, Inc. ("Three Shores"), including its wholly-owned subsidiary, Seaside National Bank & Trust ("Seaside"), headquartered in Orlando, Florida. Seaside operated a 14 branch network located in key Florida metropolitan markets. As of June 30, 2020, Three Shores had total assets of \$2.16 billion, loans of \$1.47 billion and deposits of \$1.79 billion. Seaside has merged into the Bank, but will operate under the brand name Seaside Bank and Trust.

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Under the terms of the merger agreement, Three Shores shareholders received \$188 million in total consideration, of which \$164 million was United common stock and \$24.1 million was cash. United issued 8.13 million shares to Three Shores shareholders in the acquisition. The acquisition will be accounted for as a business combination. Due to the timing of the acquisition, United is currently in the process of completing the purchase accounting and has not made all of the remaining required disclosures, such as the fair value of assets acquired and supplemental pro forma information, which will be disclosed in subsequent filings.

Acquisition of First Madison Bank and Trust

On May 1, 2019, United completed the acquisition of First Madison Bank & Trust (“FMBT”). Information related to the fair value of assets acquired and liabilities assumed is included in United’s 2019 10-K. The following table discloses the impact of the acquisition of FMBT since the acquisition date through June 30, 2019, and certain pro forma information as if FMBT had been acquired on January 1, 2018. These results combine the historical results of FMBT with United’s consolidated statement of income and, while adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not necessarily indicative of what would have occurred had the acquisitions taken place in earlier years.

Merger-related costs from the FMBT acquisition of \$924,000 and \$1.02 million, respectively, have been excluded from the three and six months 2019 pro forma information presented below. The actual results and pro forma information were as follows (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	Revenue	Net Income	Revenue	Net Income
2019				
Actual FMBT results included in statement of income since acquisition date	\$ 2,327	\$ 1,187	\$ 2,327	\$ 1,187
Supplemental consolidated pro forma as if FMBT had been acquired January 1, 2018	139,489	43,913	275,991	89,504

Note 16 - Subsequent Events

On August 5, 2020, United’s Board of Directors approved a regular quarterly cash dividend of \$0.18 per common share and a preferred stock dividend of \$453.559 per preferred share (equivalent to \$0.453559 per depository share, or 1/1000 interest per share). The common stock dividend is payable October 5, 2020, to shareholders of record on September 15, 2020. The preferred stock dividend is payable September 15, 2020 to shareholders of record on August 31, 2020.

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

The following is a discussion of our financial condition at June 30, 2020 and December 31, 2019 and our results of operations for the three and six months ended June 30, 2020 and June 30, 2019. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from our consolidated financial statements and is intended to provide insight into our results of operations and financial condition. Unless the context otherwise requires, the terms “we,” “our,” “us” or “United” refer to United Community Banks, Inc. and its direct and indirect subsidiaries, including United Community Bank, which we sometimes refer to as “the Bank,” “our bank subsidiary” or “our bank.” References to the “Holding Company” refer to United Community Banks, Inc. on an unconsolidated basis. The following discussion and analysis should be read along with our consolidated financial statements and related notes included in Part I - Item 1 of this Quarterly Report on Form 10-Q, “Cautionary Note Regarding Forward-Looking Statements” and the risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the “2019 10-K”), as supplemented by those incorporated by reference in Part II, Item 1A of this Quarterly Report on Form 10-Q, and the other reports we have filed with the SEC after we filed the 2019 10-K.

Overview

We offer a wide array of commercial and consumer banking services and investment advisory services through a 149-branch network throughout Georgia, South Carolina, North Carolina and Tennessee. We have grown organically as well as through strategic acquisitions. On May 1, 2019, we acquired First Madison Bank & Trust (“FMBT”), which operated four branches in the Athens-Clarke County, Georgia MSA. We acquired \$245 million of assets and assumed \$213 million of liabilities in the acquisition. Also, subsequent to quarter-end, on July 1, 2020, we completed the previously announced acquisition of Three Shores Bancorporation, Inc. (“Three Shores”) including its wholly-owned subsidiary, Seaside National Bank & Trust (“Seaside”) headquartered in Orlando, Florida. Seaside is a premier commercial lender with a strong wealth management platform and operates a 14 branch network located in key Florida metropolitan markets. As of June 30, 2020, Three Shores had total assets of \$2.16 billion, loans of \$1.47 billion and deposits of \$1.79 billion. Three Shores and Seaside will be included in our financial results beginning July 1, 2020.

Recent Developments

During the first six months of 2020, global financial markets experienced significant volatility resulting from the spread of a novel coronavirus known as COVID-19. In March of 2020, the World Health Organization declared COVID-19 a global pandemic and the United States declared a National Public Health Emergency. The COVID-19 pandemic has materially restricted the level of economic activity in our markets. In response to the pandemic, the governments of the states in which we have branches and of most other states have taken preventative or protective actions, such as imposing restrictions on travel and business operations, advising or requiring individuals to limit or forego time outside of their homes, and ordering temporary closures of businesses that have been deemed to be non-essential. These measures have dramatically increased unemployment in the United States and have negatively impacted many businesses, and thereby threatened the repayment ability of some of our borrowers.

To address the economic impact in the United States, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law on March 27, 2020. The CARES Act included a number of provisions that affected us, including accounting relief for troubled debt restructurings (“TDRs”) and relief for the effect of current expected credit losses accounting standard (“CECL”) implementation on regulatory capital. The CARES Act also established the Paycheck Protection Program (“PPP”) through the Small Business Administration (“SBA”), which allowed us to lend money to small businesses to maintain employee payrolls through the crisis with guarantees from the SBA. Under this program, loan amounts may be forgiven if the borrower maintains employee payrolls and meet certain other requirements.

The Federal Reserve also took additional steps to bolster the economy by, among other things, reducing the federal funds rate and the discount-window borrowing rate to near zero.

In response to the pandemic, we have implemented protocols and processes to help protect our employees, customers and communities. These measures have included:

- Operating our branches under a drive-through model with appointment-only lobby service, leveraging our business continuity plans and capabilities that include critical operations teams being divided and dispersed to separate locations and, when possible, having employees work from home.
- Offering assistance to our customers affected by the COVID-19 pandemic, which includes payment deferrals, waiving certain fees, suspending property foreclosures, and participating in the CARES Act and lending programs for businesses, including the SBA PPP.
- Temporarily suspending common stock repurchases to maximize capital and liquidity resources.

- Issuing \$100 million of non-cumulative perpetual preferred stock and \$100 million of senior debentures to ensure our capital ratios and liquidity remain strong throughout the rapidly changing economic conditions.

In connection with reviewing our financial condition in light of the pandemic, we evaluated certain assets, including goodwill and other intangibles, for potential impairment. Based upon our review as of June 30, 2020, no impairments have occurred. We have also elected to delay for two years the phase-in of the capital impact from our adoption of the new accounting standard on credit losses. For more information, see Capital Resources and Dividends.

We have implemented various consumer and commercial loan modification programs to provide our borrowers relief from the economic impacts of COVID-19. Based on guidance in the CARES Act, COVID-19 related modifications to loans that were current as of December 31, 2019 are exempt from TDR classification under accounting principles generally accepted in the United States of America (“GAAP”). In addition, the bank regulatory agencies issued interagency guidance stating that COVID-19 related short-term modifications (i.e., payment deferrals of six months or less) granted to loans that were current as of the loan modification program implementation date are not new TDRs. For more information, see Note 4 - Loans and Leases and Allowance for Credit Losses to the consolidated financial statements.

Given the unprecedented uncertainty and rapidly evolving economic effects and social impacts of the COVID-19 pandemic, the future direct and indirect impact on our business, results of operations and financial condition are highly uncertain. Should current economic conditions persist or continue to deteriorate, we expect that this macroeconomic environment will have a continued adverse effect on our business and results of operations, which could include, but not be limited to: decreased demand for our products and services, protracted periods of lower interest rates, increased noninterest expenses, including operational losses, and increased credit losses due to deterioration in the financial condition of our consumer and commercial borrowers, including declining asset and collateral values, which may continue to increase our provision for credit losses and net charge-offs.

LIBOR and Other Benchmark Rates

As previously disclosed, to facilitate an orderly transition from Interbank Offered Rates (“IBORs”) and other benchmark rates to alternative reference rates (“ARRs”), we have established an enterprise-wide program to identify, assess and monitor risks associated with the expected discontinuation or unavailability of benchmarks, including the London InterBank Offered Rate (“LIBOR”). As part of this program, we continue to identify, assess and monitor risks associated with the expected discontinuation or unavailability of LIBOR and other benchmarks, and evaluate and address documentation and contractual mechanics of outstanding IBOR-based products and contracts that mature after 2021 and new and potential future ARR-based products and contracts to achieve operational readiness. This program includes active involvement of senior management and regular reports to the Enterprise Risk Committee. The program is structured to address the industry and regulatory engagement, client and financial contract changes, internal and external communications, technology and operations modifications, introduction of new products, migration of existing clients, and program strategy and governance. As the markets for ARR continue to grow, we continue to monitor the development and usage of ARR, including the Secured Overnight Financing Rate (“SOFR”). Additionally, any prolonged economic and market disruptions resulting from COVID-19 may have an adverse impact on the market and industry transition to ARR, including the readiness of other market participants and third-party vendors, and our engagement with impacted clients and their operational readiness to transition to ARR. For more information on the expected replacement of LIBOR and other benchmark rates, see Item 1A. Risk Factors – Market Risks of the 2019 10-K.

Financial Highlights

At June 30, 2020, we had total consolidated assets of \$15.0 billion, total loans of \$10.1 billion, total deposits of \$12.7 billion, and shareholders’ equity of \$1.77 billion. We reported net income of \$25.1 million, or \$0.32 per diluted share, for the second quarter of 2020, compared to net income of \$44.1 million, or \$0.55 per diluted share, for the second quarter of 2019. For the six months ended June 30, 2020, we reported net income of \$57.0 million, or \$0.71 per diluted share, compared to \$88.3 million, or \$1.10 per diluted share, for the first six months of 2019.

Net interest revenue decreased to \$109 million for the second quarter of 2020, compared to \$118 million for the second quarter of 2019. The net interest margin decreased to 3.42% for the three months ended June 30, 2020 from 4.12% for the same period in 2019. For the six months ended June 30, 2020, net interest revenue was \$228 million and the net interest margin was 3.73% compared to net interest revenue of \$233 million and net interest margin of 4.11% for the same period in 2019. The decreases in net interest revenue and net interest margin were primarily due to the effect of falling interest rates on our asset sensitive balance sheet, which more than offset the positive impact of continued growth of our loan portfolio and the reduction of borrowed funds since June 30, 2019.

The provision for credit losses was \$33.5 million for the second quarter of 2020, compared to \$3.25 million for the second quarter of 2019. For the six months ended June 30, 2020, the provision for credit losses was \$55.7 million, compared to \$6.55 million for the same period in 2019. The increase in provision expense for the second quarter and first six months of 2020 reflected higher expected losses resulting primarily from the adoption of CECL and the macroeconomic effects of the COVID-19 pandemic on our CECL

calculation. As a result, as of June 30, 2020, our allowance for credit losses (“ACL”) on loans was \$104 million, or 1.02% of loans, compared to \$62.1 million, or 0.70% of loans, at December 31, 2019. Net charge-offs for the second quarter of 2020 were \$6.15 million compared to \$2.44 million for the same period in 2019. The increase in charge-offs for the quarter was mostly attributable to a few large credits that have been deteriorating over the past several quarters. At June 30, 2020 and December 31, 2019, nonperforming assets of \$48.5 million and \$35.8 million, respectively, were 0.32% and 0.28% of total assets, respectively.

Noninterest income of \$40.2 million for the second quarter of 2020 was up \$15.7 million, or 64%, from the second quarter of 2019. The increase was primarily attributable to an increase in mortgage origination activity which resulted in a \$18.3 million increase in mortgage fees. We closed \$562 million in mortgage loans in the second quarter of 2020 compared with \$260 million a year ago. These increases were partially offset by decreases in service charges and fees driven mostly by a reduction in overdraft transaction volume. For the first six months of 2020, total noninterest income was up \$20.6 million compared to the same period of 2019 mostly driven by the same factors affecting the quarter.

For the second quarter and first six months of 2020, noninterest expenses of \$84.0 million and \$166 million, respectively, increased \$2.17 million and \$7.62 million, respectively, from the same periods of 2019. The increases were primarily attributable to increases in salaries and employee benefits, professional fees, and advertising and public relations partially offset by decreases in merger-related and other charges. Increases in salaries and employee benefits were driven by several factors including higher mortgage commissions and incentives as a result of increased mortgage production, annual merit-based salary increases awarded during the second quarter of 2020, increased overtime wages in connection with the processing of PPP loans during the second quarter of 2020, and investments in new staff for key areas of the bank. The increase in professional fees was primarily a result of increased legal and consulting fees related to various projects in process. The increase in advertising and public relations expense was primarily attributable to a \$1.00 million contribution to our private foundation, United Community Bank Foundation, made during the second quarter of 2020. The decrease in merger-related and other charges was a result of elevated merger-related costs during the second quarter and first six months of 2019 due to the completion of the acquisition of FMBT on May 1, 2019.

Critical Accounting Policies

Our accounting and reporting policies are in accordance with accounting principles generally accepted in the United States (“GAAP”) and conform to general practices within the banking industry. Except as described below, there have been no significant changes to the Critical Accounting Policies as described in our 2019 10-K.

Allowance for Credit Losses

Since the adoption of CECL on January 1, 2020, the allowance for credit losses represents management’s estimate of credit losses for the remaining estimated life of financial instruments, with particular applicability on our balance sheet to loans and unfunded loan commitments. Estimating the amount of the allowance for credit losses requires significant judgment and the use of estimates related to historical experience, current conditions, reasonable and supportable forecasts, and the value of collateral on collateral-dependent loans. The loan portfolio also represents the largest asset type on our 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 credit losses is charged to operations based on management’s periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

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

Additional information on the loan portfolio and allowance for credit losses can be found in the sections of Management’s Discussion and Analysis titled “Asset Quality and Risk Elements” and “Nonperforming Assets.” Note 1 to the consolidated financial statements includes additional information on accounting policies related to the allowance for credit losses.

Non-GAAP Reconciliation and Explanation

This Form 10-Q contains financial information determined by methods other than in accordance with GAAP. Such non-GAAP financial information includes the following measures: “tangible book value per common share,” and “tangible common equity to tangible assets.” In addition, management presents non-GAAP operating performance measures, which exclude merger-related and other items that are not part of our ongoing business operations. Operating performance measures include “expenses – operating,” “net income – operating,” “diluted income per common share – operating,” “return on common equity – operating,” “return on tangible common equity – operating,” “return on assets – operating,” “dividend payout ratio – operating” and “efficiency ratio – operating.” Management has developed internal policies and procedures to accurately capture and account for merger-related and other charges and those charges are reviewed with the audit committee of our Board of Directors each quarter. Management uses these non-GAAP measures because it believes they provide useful supplemental information 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 measures may also provide users of our financial information with a meaningful measure for assessing our financial results and credit trends, as well as a comparison to financial results for prior periods. Nevertheless, non-GAAP measures have inherent limitations, are not required to be uniformly applied and are not audited. These non-GAAP measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP. In addition, because non-GAAP measures are not standardized, it may not be possible to compare our non-GAAP measures to similarly titled measures used by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable measures as reported in accordance with GAAP are included in Table 1 of Management’s Discussion and Analysis.

Results of Operations

We reported net income and diluted earnings per common share of \$25.1 million and \$0.32, respectively, for the second quarter of 2020. This compared to net income and diluted earnings per common share of \$44.1 million and \$0.55, respectively, for the same period in 2019. For the six months ended June 30, 2020, we reported net income and diluted earnings per share of \$57.0 million and \$0.71, respectively, compared to net income and diluted earnings per share of \$88.3 million and \$1.10, respectively, for the same period in 2019.

We reported net income - operating (non-GAAP) of \$25.4 million and \$57.9 million for the second quarter and first six months of 2020, compared to \$47.2 million and \$92.1 million for the same periods in 2019. For the second quarter and first six months of 2020, net income - operating (non-GAAP) excludes merger-related and branch closure charges, which net of tax, totaled \$310,000 and \$936,000, respectively. For the second quarter and first six months of 2019, net income - operating (non-GAAP) excludes merger-related and branch closure charges and executive retirement charges, which net of tax, totaled \$3.15 million and \$3.71 million, respectively.

UNITED COMMUNITY BANKS, INC.

Table 1 - Financial Highlights

Selected Financial Information

(in thousands, except per share data)	2020		2019			2nd Quarter 2020 - 2019 Change	For the Six Months Ended June 30,		YTD 2020 - 2019 Change
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter		2020	2019	
INCOME SUMMARY									
Interest revenue	\$ 123,605	\$ 136,547	\$ 136,419	\$ 140,615	\$ 139,156		\$ 260,152	\$ 275,672	
Interest expense	14,301	17,941	19,781	21,277	21,372		32,242	42,254	
Net interest revenue	109,304	118,606	116,638	119,338	117,784	(7)%	227,910	233,418	(2)%
Provision for credit losses	33,543	22,191	3,500	3,100	3,250		55,734	6,550	751
Noninterest income	40,238	25,814	30,183	29,031	24,531	64	66,052	45,499	45
Total revenue	115,999	122,229	143,321	145,269	139,065	(17)	238,228	272,367	(13)
Expenses	83,980	81,538	81,424	82,924	81,813	3	165,518	157,897	5
Income before income tax expense	32,019	40,691	61,897	62,345	57,252	(44)	72,710	114,470	(36)
Income tax expense	6,923	8,807	12,885	13,983	13,167	(47)	15,730	26,123	(40)
Net income	25,096	31,884	49,012	48,362	44,085	(43)	56,980	88,347	(36)
Merger-related and other charges	397	808	(74)	2,605	4,087		1,205	4,826	
Income tax benefit of merger-related and other charges	(87)	(182)	17	(600)	(940)		(269)	(1,112)	
Net income - operating ⁽¹⁾	\$ 25,406	\$ 32,510	\$ 48,955	\$ 50,367	\$ 47,232	(46)	\$ 57,916	\$ 92,061	(37)
PERFORMANCE MEASURES									
Per common share:									
Diluted net income - GAAP	\$ 0.32	\$ 0.40	\$ 0.61	\$ 0.60	\$ 0.55	(42)	\$ 0.71	\$ 1.10	(35)
Diluted net income - operating ⁽¹⁾	0.32	0.41	0.61	0.63	0.59	(46)	0.73	1.15	(37)
Cash dividends declared	0.18	0.18	0.18	0.17	0.17	6	0.36	0.33	9
Book value	21.22	20.80	20.53	20.16	19.65	8	21.22	19.65	8
Tangible book value ⁽³⁾	16.95	16.52	16.28	15.90	15.38	10	16.95	15.38	10
Key performance ratios:									
Return on common equity - GAAP ⁽²⁾⁽⁴⁾	6.17 %	7.85 %	12.07 %	12.16 %	11.45 %		7.01 %	11.65 %	
Return on common equity - operating ⁽¹⁾⁽²⁾⁽⁴⁾	6.25	8.01	12.06	12.67	12.27		7.13	12.14	
Return on tangible common equity - operating ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	8.09	10.57	15.49	16.38	15.88		9.20	15.67	
Return on assets - GAAP ⁽⁴⁾	0.71	0.99	1.50	1.51	1.40		0.85	1.42	
Return on assets - operating ⁽¹⁾⁽⁴⁾	0.72	1.01	1.50	1.58	1.50		0.86	1.48	
Dividend payout ratio - GAAP	56.25	45.00	29.51	28.33	30.91		50.70	30.00	
Dividend payout ratio - operating ⁽¹⁾	56.25	43.90	29.51	26.98	28.81		49.32	28.70	
Net interest margin (fully taxable equivalent) ⁽⁴⁾	3.42	4.07	3.93	4.12	4.12		3.73	4.11	
Efficiency ratio - GAAP	55.86	56.15	54.87	55.64	57.28		56.00	56.32	
Efficiency ratio - operating ⁽¹⁾	55.59	55.59	54.92	53.90	54.42		55.59	54.60	
Equity to total assets	11.81	12.54	12.66	12.53	12.25		11.81	12.25	
Tangible common equity to tangible assets ⁽³⁾	9.12	10.22	10.32	10.16	9.86		9.12	9.86	
ASSET QUALITY									
Nonperforming loans	\$ 48,021	\$ 36,208	\$ 35,341	\$ 30,832	\$ 26,597	81	\$ 48,021	\$ 26,597	81
Foreclosed properties	477	475	476	102	75	536	477	75	536
Total nonperforming assets ("NPAs")	48,498	36,683	35,817	30,934	26,672	82	48,498	26,672	82
Allowance for credit losses - loans	103,669	81,905	62,089	62,514	62,204	67	103,669	62,204	67
Net charge-offs	6,149	8,114	3,925	2,723	2,438	152	14,263	5,568	156
Allowance for credit losses - loans to loans	1.02 %	0.92 %	0.70 %	0.70 %	0.70 %		1.02 %	0.70 %	
Net charge-offs to average loans ⁽⁴⁾	0.25	0.37	0.18	0.12	0.11		0.31	0.13	
NPAs to loans and foreclosed properties	0.48	0.41	0.41	0.35	0.30		0.48	0.30	
NPAs to total assets	0.32	0.28	0.28	0.24	0.21		0.32	0.21	
AVERAGE BALANCES (\$ in millions)									
Loans	\$ 9,773	\$ 8,829	\$ 8,890	\$ 8,836	\$ 8,670	13	\$ 9,301	\$ 8,551	9
Investment securities	2,408	2,520	2,486	2,550	2,674	(10)	2,464	2,778	(11)
Earning assets	12,958	11,798	11,832	11,568	11,534	12	12,378	11,516	7
Total assets	14,173	12,944	12,946	12,681	12,608	12	13,558	12,559	8
Deposits	12,071	10,915	10,924	10,531	10,493	15	11,493	10,427	10
Shareholders' equity	1,686	1,653	1,623	1,588	1,531	10	1,670	1,505	11
Common shares - basic (thousands)	78,920	79,340	79,659	79,663	79,673	(1)	79,130	79,739	(1)
Common shares - diluted (thousands)	78,924	79,446	79,669	79,667	79,678	(1)	79,186	79,745	(1)
AT PERIOD END (\$ in millions)									
Loans	\$ 10,133	\$ 8,935	\$ 8,813	\$ 8,903	\$ 8,838	15	\$ 10,133	\$ 8,838	15
Investment securities	2,432	2,540	2,559	2,515	2,620	(7)	2,432	2,620	(7)
Total assets	15,005	13,086	12,916	12,809	12,779	17	15,005	12,779	17
Deposits	12,702	11,035	10,897	10,757	10,591	20	12,702	10,591	20
Shareholders' equity	1,772	1,641	1,636	1,605	1,566	13	1,772	1,566	13
Common shares outstanding (thousands)	78,335	78,284	79,014	78,974	79,075	(1)	78,335	79,075	(1)

⁽¹⁾ Excludes merger-related and other charges which includes termination of pension plan in the third quarter of 2019, executive retirement charges in the second quarter of 2019 and amortization of certain executive change of control benefits. ⁽²⁾ Net income divided by average realized common equity, which excludes accumulated other comprehensive income (loss). ⁽³⁾ Excludes effect of acquisition related intangibles and associated amortization. ⁽⁴⁾ Annualized.

UNITED COMMUNITY BANKS, INC.

Table 1 (Continued) - Non-GAAP Performance Measures Reconciliation

Selected Financial Information

	2020		2019			For the Six Months Ended June 30,	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	2020	2019
<i>(in thousands, except per share data)</i>							
Expense reconciliation							
Expenses (GAAP)	\$ 83,980	\$ 81,538	\$ 81,424	\$ 82,924	\$ 81,813	\$ 165,518	\$ 157,897
Merger-related and other charges	(397)	(808)	74	(2,605)	(4,087)	(1,205)	(4,826)
Expenses - operating	<u>\$ 83,583</u>	<u>\$ 80,730</u>	<u>\$ 81,498</u>	<u>\$ 80,319</u>	<u>\$ 77,726</u>	<u>\$ 164,313</u>	<u>\$ 153,071</u>
Net income reconciliation							
Net income (GAAP)	\$ 25,096	\$ 31,884	\$ 49,012	\$ 48,362	\$ 44,085	\$ 56,980	\$ 88,347
Merger-related and other charges	397	808	(74)	2,605	4,087	1,205	4,826
Income tax benefit of merger-related and other charges	(87)	(182)	17	(600)	(940)	(269)	(1,112)
Net income - operating	<u>\$ 25,406</u>	<u>\$ 32,510</u>	<u>\$ 48,955</u>	<u>\$ 50,367</u>	<u>\$ 47,232</u>	<u>\$ 57,916</u>	<u>\$ 92,061</u>
Diluted income per common share reconciliation							
Diluted income per common share (GAAP)	\$ 0.32	\$ 0.40	\$ 0.61	\$ 0.60	\$ 0.55	\$ 0.71	\$ 1.10
Merger-related and other charges, net of tax	—	0.01	—	0.03	0.04	0.02	0.05
Diluted income per common share - operating	<u>\$ 0.32</u>	<u>\$ 0.41</u>	<u>\$ 0.61</u>	<u>\$ 0.63</u>	<u>\$ 0.59</u>	<u>\$ 0.73</u>	<u>\$ 1.15</u>
Book value per common share reconciliation							
Book value per common share (GAAP)	\$ 21.22	\$ 20.80	\$ 20.53	\$ 20.16	\$ 19.65	\$ 21.22	\$ 19.65
Effect of goodwill and other intangibles	(4.27)	(4.28)	(4.25)	(4.26)	(4.27)	(4.27)	(4.27)
Tangible book value per common share	<u>\$ 16.95</u>	<u>\$ 16.52</u>	<u>\$ 16.28</u>	<u>\$ 15.90</u>	<u>\$ 15.38</u>	<u>\$ 16.95</u>	<u>\$ 15.38</u>
Return on tangible common equity reconciliation							
Return on common equity (GAAP)	6.17 %	7.85 %	12.07 %	12.16 %	11.45 %	7.01 %	11.65 %
Merger-related and other charges, net of tax	0.08	0.16	(0.01)	0.51	0.82	0.12	0.49
Return on common equity - operating	6.25	8.01	12.06	12.67	12.27	7.13	12.14
Effect of goodwill and other intangibles	1.84	2.56	3.43	3.71	3.61	2.07	3.53
Return on tangible common equity - operating	<u>8.09 %</u>	<u>10.57 %</u>	<u>15.49 %</u>	<u>16.38 %</u>	<u>15.88 %</u>	<u>9.20 %</u>	<u>15.67 %</u>
Return on assets reconciliation							
Return on assets (GAAP)	0.71 %	0.99 %	1.50 %	1.51 %	1.40 %	0.85 %	1.42 %
Merger-related and other charges, net of tax	0.01	0.02	—	0.07	0.10	0.01	0.06
Return on assets - operating	<u>0.72 %</u>	<u>1.01 %</u>	<u>1.50 %</u>	<u>1.58 %</u>	<u>1.50 %</u>	<u>0.86 %</u>	<u>1.48 %</u>
Dividend payout ratio reconciliation							
Dividend payout ratio (GAAP)	56.25 %	45.00 %	29.51 %	28.33 %	30.91 %	50.70 %	30.00 %
Merger-related and other charges, net of tax	—	(1.10)	—	(1.35)	(2.10)	(1.38)	(1.30)
Dividend payout ratio - operating	<u>56.25 %</u>	<u>43.90 %</u>	<u>29.51 %</u>	<u>26.98 %</u>	<u>28.81 %</u>	<u>49.32 %</u>	<u>28.70 %</u>
Efficiency ratio reconciliation							
Efficiency ratio (GAAP)	55.86 %	56.15 %	54.87 %	55.64 %	57.28 %	56.00 %	56.32 %
Merger-related and other charges	(0.27)	(0.56)	0.05	(1.74)	(2.86)	(0.41)	(1.72)
Efficiency ratio - operating	<u>55.59 %</u>	<u>55.59 %</u>	<u>54.92 %</u>	<u>53.90 %</u>	<u>54.42 %</u>	<u>55.59 %</u>	<u>54.60 %</u>
Tangible common equity to tangible assets reconciliation							
Equity to total assets (GAAP)	11.81 %	12.54 %	12.66 %	12.53 %	12.25 %	11.81 %	12.25 %
Effect of goodwill and other intangibles	(2.05)	(2.32)	(2.34)	(2.37)	(2.39)	(2.05)	(2.39)
Effect of preferred equity	(0.64)	—	—	—	—	(0.64)	—
Tangible common equity to tangible assets	<u>9.12 %</u>	<u>10.22 %</u>	<u>10.32 %</u>	<u>10.16 %</u>	<u>9.86 %</u>	<u>9.12 %</u>	<u>9.86 %</u>

Net Interest Revenue

Net interest revenue, which is the difference between the interest earned on assets and the interest paid on deposits and borrowed funds, is the single largest component of total revenue. Management seeks to optimize this revenue while balancing interest rate, credit and liquidity risks.

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

Net interest revenue for the second quarters of 2020 and 2019 was \$109 million and \$118 million, respectively. As set forth in the following tables, fully taxable equivalent net interest revenue for the second quarter of 2020 was \$110 million, representing a decrease of \$8.33 million, or 7%, from the same period in 2019. The net interest spread and net interest margin for the second quarter of 2020 of 3.14% and 3.42%, respectively, decreased 58 basis points and 70 basis points, respectively, from the second quarter of 2019. For the first six months of 2020 and 2019, net interest revenue was \$228 million and \$233 million, respectively. Fully taxable equivalent net interest revenue for the first six months of 2020 was \$230 million, a decrease of \$5.23 million, or 2%, from the first six months of 2019.

The following tables also indicate the relationship between interest revenue and expense and the average amounts of assets and liabilities for the periods indicated. As shown in the tables, both average assets and average liabilities for the three and six months ended June 30, 2020 increased compared to the same periods of 2019. For the second quarter of 2020, the increase in average assets was primarily driven by the increase in average loans of \$1.10 billion, or 13%, from the second quarter of 2019, which reflects the PPP loans originated during the second quarter of 2020 and organic growth, the combination of which more than offset the impact of the sale of the indirect auto portfolio on December 31, 2019. The increase in average loans was offset by an intentional decrease in average taxable securities. The increase in average assets for the three months ended June 30, 2020 from the same period of 2019 was funded primarily through an increase in average noninterest-bearing customer deposits.

The decrease in the net interest margin during the three and six months ended June 30, 2020, was primarily attributable to the impact of falling interest rates on our asset sensitive balance sheet as loan yields fell faster than we could lower deposit rates. In March of 2020, the Federal Reserve's Federal Open Market Committee ("FOMC") lowered interest rates twice for a total reduction of 150 basis points in response to the COVID-19 pandemic, which was the most aggressive action taken by the FOMC since the financial crisis in 2008. This followed three other federal funds rate reductions since second quarter 2019 of 25 basis points each on July 31, September 18 and October 30. Although the earning asset mix generally improved as growth in the loan portfolio replaced an intentionally shrinking investment portfolio, lower-yielding PPP loans and cash balances exerted downward pressure on the margin. The negative impact of falling interest rates and the introduction of lower-yielding PPP loans and higher cash balances was partially mitigated by a more favorable funding mix. In the second quarter and first six months of 2020, noninterest-bearing deposits funded 34% and 32%, respectively, of our interest-earning assets compared with 29% and 28%, respectively, for the same periods of 2019. Since the first quarter of 2019, we substantially reduced our use of wholesale funding sources, with nearly all of our balance sheet funded with customer deposits as of June 30, 2020.

Table 2 - Average Consolidated Balance Sheets and Net Interest Analysis

For the Three Months Ended June 30,

<i>(dollars in thousands, fully taxable equivalent (FTE))</i>	2020			2019		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (FTE) ⁽¹⁾⁽²⁾	\$ 9,772,703	\$ 107,398	4.42 %	\$ 8,669,847	\$ 119,668	5.54 %
Taxable securities ⁽³⁾	2,229,371	14,045	2.52	2,506,942	17,954	2.86
Tax-exempt securities (FTE) ⁽¹⁾⁽³⁾	178,903	2,110	4.72	166,628	1,507	3.62
Federal funds sold and other interest-earning assets	776,776	857	0.44	190,678	679	1.42
Total interest-earning assets (FTE)	12,957,753	124,410	3.86	11,534,095	139,808	4.86
Noninterest-earning assets:						
Allowance for credit losses	(89,992)			(62,716)		
Cash and due from banks	138,842			125,021		
Premises and equipment	217,096			224,018		
Other assets ⁽³⁾	949,201			787,859		
Total assets	\$ 14,172,900			\$ 12,608,277		
Liabilities and Shareholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW and interest-bearing demand ⁽⁵⁾	\$ 2,444,895	1,628	0.27	\$ 2,190,080	3,460	0.63
Money market ⁽⁵⁾	2,541,805	3,421	0.54	2,186,282	4,842	0.89
Savings	788,247	39	0.02	687,753	42	0.02
Time	1,805,671	6,058	1.35	1,773,968	6,949	1.57
Brokered time deposits	130,556	125	0.39	298,553	1,822	2.45
Total interest-bearing deposits	7,711,174	11,271	0.59	7,136,636	17,115	0.96
Federal funds purchased and other borrowings	1	—	—	38,838	248	2.56
Federal Home Loan Bank advances	—	—	—	117,912	752	2.56
Long-term debt	228,096	3,030	5.34	252,351	3,257	5.18
Total borrowed funds	228,097	3,030	5.34	409,101	4,257	4.17
Total interest-bearing liabilities	7,939,271	14,301	0.72	7,545,737	21,372	1.14
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	4,360,095			3,355,930		
Other liabilities	187,375			175,806		
Total liabilities	12,486,741			11,077,473		
Shareholders' equity	1,686,159			1,530,804		
Total liabilities and shareholders' equity	\$ 14,172,900			\$ 12,608,277		
Net interest revenue (FTE)		\$ 110,109			\$ 118,436	
Net interest-rate spread (FTE)			3.14 %			3.72 %
Net interest margin (FTE) ⁽⁴⁾			3.42 %			4.12 %

⁽¹⁾ Interest revenue on tax-exempt securities and loans has been increased to reflect comparable interest on taxable securities and loans. The rate used was 26%, reflecting the statutory federal income tax rate and the federal tax adjusted state income tax rate.

⁽²⁾ Included in the average balance of loans outstanding are loans on which the accrual of interest has been discontinued and loans that are held for sale.

⁽³⁾ Securities available-for-sale are shown at amortized cost. Pretax unrealized gains of \$66.3 million in 2020 and unrealized gains of \$5.00 million in 2019 are included in other assets for purposes of this presentation.

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

⁽⁵⁾ Reflects reclassification of certain sweep deposits from money market to NOW and interest bearing demand during the third quarter of 2019.

Table 3 - Average Consolidated Balance Sheets and Net Interest Analysis

For the Six Months Ended June 30,

<i>(dollars in thousands, fully taxable equivalent (FTE))</i>	2020			2019		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (FTE) ⁽¹⁾⁽²⁾	\$ 9,300,792	\$ 225,194	4.87 %	\$ 8,550,574	\$ 235,015	5.54 %
Taxable securities ⁽³⁾	2,293,502	29,916	2.61	2,609,400	37,603	2.88
Tax-exempt securities (FTE) ⁽¹⁾⁽³⁾	170,578	4,155	4.87	168,156	3,077	3.66
Federal funds sold and other interest-earning assets	612,776	2,489	0.81	188,165	1,297	1.38
Total interest-earning assets (FTE)	12,377,648	261,754	4.25	11,516,295	276,992	4.84
Non-interest-earning assets:						
Allowance for loan losses	(79,885)			(62,253)		
Cash and due from banks	133,548			124,414		
Premises and equipment	218,170			220,335		
Other assets ⁽³⁾	908,828			759,899		
Total assets	\$ 13,558,309			\$ 12,558,690		
Liabilities and Shareholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW and interest-bearing demand ⁽⁵⁾	\$ 2,428,815	4,606	0.38	\$ 2,238,083	7,069	0.64
Money market ⁽⁵⁾	2,441,264	7,952	0.66	2,142,411	8,974	0.84
Savings	750,179	74	0.02	680,018	74	0.02
Time	1,823,612	13,308	1.47	1,701,181	12,285	1.46
Brokered time deposits	105,689	406	0.77	389,794	4,670	2.42
Total interest-bearing deposits	7,549,559	26,346	0.70	7,151,487	33,072	0.93
Federal funds purchased and other borrowings	199	1	1.01	30,241	409	2.73
Federal Home Loan Bank advances	83	1	2.42	170,636	2,174	2.57
Long-term debt	220,429	5,894	5.38	257,134	6,599	5.18
Total borrowed funds	220,711	5,896	5.37	458,011	9,182	4.04
Total interest-bearing liabilities	7,770,270	32,242	0.83	7,609,498	42,254	1.12
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	3,943,740			3,275,612		
Other liabilities	174,781			169,048		
Total liabilities	11,888,791			11,054,158		
Shareholders' equity	1,669,518			1,504,532		
Total liabilities and shareholders' equity	\$ 13,558,309			\$ 12,558,690		
Net interest revenue (FTE)		\$ 229,512			\$ 234,738	
Net interest-rate spread (FTE)			3.42 %			3.72 %
Net interest margin (FTE) ⁽⁴⁾			3.73 %			4.11 %

¹⁾ Interest revenue on tax-exempt securities and loans has been increased to reflect comparable interest on taxable securities and loans. The rate used was 26%, reflecting the statutory federal income tax rate and the federal tax adjusted state income tax rate.

²⁾ Included in the average balance of loans outstanding are loans on which the accrual of interest has been discontinued and loans that are held for sale.

³⁾ Securities available-for-sale are shown at amortized cost. Pretax unrealized gains of \$59.6 million in 2020 and unrealized losses of \$10.4 million in 2019 are included in other assets for purposes of this presentation.

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

⁵⁾ Reflects reclassification of certain sweep deposits from money market to NOW and interest bearing demand during the third quarter of 2019.

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

Table 4 - Change in Interest Revenue and Expense on a Taxable Equivalent Basis

(in thousands)

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	Compared to 2019					
	Increase (Decrease) Due to Changes in					
	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Loans (FTE)	\$ 14,030	\$ (26,300)	\$ (12,270)	\$ 19,578	\$ (29,399)	\$ (9,821)
Taxable securities	(1,873)	(2,036)	(3,909)	(4,310)	(3,377)	(7,687)
Tax-exempt securities (FTE)	118	485	603	45	1,033	1,078
Federal funds sold and other interest-earning assets	911	(733)	178	1,910	(718)	1,192
Total interest-earning assets (FTE)	13,186	(28,584)	(15,398)	17,223	(32,461)	(15,238)
Interest-bearing liabilities:						
NOW and interest-bearing demand accounts ⁽¹⁾	364	(2,196)	(1,832)	560	(3,023)	(2,463)
Money market accounts ⁽¹⁾	697	(2,118)	(1,421)	1,145	(2,167)	(1,022)
Savings deposits	6	(9)	(3)	7	(7)	—
Time deposits	122	(1,013)	(891)	892	131	1,023
Brokered deposits	(679)	(1,018)	(1,697)	(2,207)	(2,057)	(4,264)
Total interest-bearing deposits	510	(6,354)	(5,844)	397	(7,123)	(6,726)
Federal funds purchased & other borrowings	(124)	(124)	(248)	(250)	(158)	(408)
Federal Home Loan Bank advances	(376)	(376)	(752)	(2,061)	(112)	(2,173)
Long-term debt	(320)	93	(227)	(972)	267	(705)
Total borrowed funds	(820)	(407)	(1,227)	(3,283)	(3)	(3,286)
Total interest-bearing liabilities	(310)	(6,761)	(7,071)	(2,886)	(7,126)	(10,012)
Increase in net interest revenue (FTE)	\$ 13,496	\$ (21,823)	\$ (8,327)	\$ 20,109	\$ (25,335)	\$ (5,226)

⁽¹⁾ Reflects reclassification of certain sweep deposits from money market to NOW and interest bearing demand during the third quarter of 2019.

Provision for Credit Losses

Prior to January 1, 2020, the provision for credit losses was based on the then-applicable incurred loss model and represented an estimate of probable incurred losses in the loan portfolio and unfunded commitments at the end of each reporting period. Since the adoption of CECL on January 1, 2020, the provision for credit losses represents management's estimate of life of loan credit losses in the loan portfolio and unfunded loan commitments. The allowance for unfunded commitments, which is included in other liabilities in the consolidated balance sheets, represents expected losses on unfunded loan commitments that are expected to result in outstanding loan balances. Management's estimate of credit losses under CECL is determined using a complex model that relies on reasonable and supportable forecasts and historical loss information to determine the balance of the ACL and resulting provision for credit losses.

The provision for credit losses was \$33.5 million and \$55.7 million, respectively, for the three and six months ended June 30, 2020, compared to \$3.25 million and \$6.55 million, respectively, for the same periods in 2019. The amount of provision recorded in each period was the amount required such that the total ACL reflected the appropriate balance as determined under the applicable accounting standards in effect at each balance sheet date. The increase in provision expense for the three and six months ended June 30, 2020 compared to the same periods of 2019 was primarily a result of higher expected credit losses mostly resulting from the adoption of CECL and the macroeconomic effects of the COVID-19 pandemic on our CECL calculation. Loan growth also contributed to the higher provision for credit losses.

For the six months ended June 30, 2020, net loan charge-offs as an annualized percentage of average outstanding loans were 0.31% compared to 0.13% for the same period in 2019. The increase in charge-offs during the first six months of 2020 was mostly attributable to a few large credits that have been deteriorating over the past several quarters.

Additional discussion on credit quality and the ACL is included in the “Asset Quality and Risk Elements” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Quarterly Report on Form 10-Q.

Noninterest income

The following table presents the components of noninterest income for the periods indicated.

Table 5 - Noninterest Income

(in thousands)

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Overdraft fees	\$ 1,997	\$ 3,473	\$ (1,476)	(42)%	\$ 5,516	\$ 6,928	\$ (1,412)	(20)%
ATM and debit card fees	3,199	3,330	(131)	(4)	6,268	6,208	60	1
Other service charges and fees	1,799	2,257	(458)	(20)	3,849	4,377	(528)	(12)
Total service charges and fees	6,995	9,060	(2,065)	(23)	15,633	17,513	(1,880)	(11)
Mortgage loan gains and related fees	23,659	5,344	18,315	343	31,969	9,092	22,877	252
Brokerage fees	1,324	1,588	(264)	(17)	2,964	2,925	39	1
Gains on sales of other loans	1,040	1,470	(430)	(29)	2,714	2,773	(59)	(2)
Securities gains (losses), net	—	149	(149)		—	(118)	118	
Other noninterest income:								
Bank owned life insurance ("BOLI")	2,032	957	1,075	112	2,877	1,830	1,047	57
Customer derivatives	1,181	1,218	(37)	(3)	2,588	1,723	865	50
Other	4,007	4,745	(738)	(16)	7,307	9,761	(2,454)	(25)
Total other noninterest income	7,220	6,920	300	4	12,772	13,314	(542)	(4)
Total noninterest income	\$ 40,238	\$ 24,531	\$ 15,707	64	\$ 66,052	\$ 45,499	\$ 20,553	45

During the second quarter and first six months of 2020 noninterest income increased \$15.7 million and \$20.6 million, respectively, compared to the same periods of 2019. The increase was primarily due to increases in mortgage loan gains and related fees and BOLI income, partially offset by a decrease in service charges and fees, gains on sales of other loans, and other noninterest income.

Service charges and fees decreased \$2.07 million and \$1.88 million for the three and six months ended June 30, 2020, respectively, in comparison to the same periods of 2019, which is mostly attributable to a decrease in overdraft fees. Lower customer transaction volume due to the economic shutdown during the second quarter and first half of 2020, combined with government stimulus payments during the second quarter of 2020, increased the balances of customer deposit accounts, which in turn reduced the number of overdraft transactions.

Mortgage loan and related fees for the second quarter and first six months of 2020 reflected an increase in fees on mortgage rate locks and mortgage closings compared to the same periods of last year. The increase was driven by both higher demand due to a historically low interest rate environment and the organic growth of our mortgage business in existing and new markets. The low rate environment was partially attributable to the 150 basis point decrease in the national federal funds rate during the first quarter of 2020 in response to the COVID-19 pandemic. For the first six months of 2020, the increase in rate locks and closings was partially offset by negative fair value adjustments on the mortgage servicing rights asset due to the decrease in mortgage interest rates that resulted in an acceleration of prepayments.

Mortgage rate locks during the second quarter of 2020 increased 106% to \$802 million compared to \$390 million in the second quarter of 2019. Mortgage production in the second quarter of 2020 also increased compared to the same period of 2019. We closed 2,095 mortgage loans totaling \$562 million in the second quarter of 2020 compared with 1,082 mortgage loans totaling \$260 million in the second quarter of 2019. We had \$243 million in home purchase mortgage originations in the second quarter of 2020, which accounted for 43% of mortgage production volume, compared to \$209 million, or 80% of production volume for the same period a year ago.

Mortgage rate locks during the first six months of 2020 increased 128% to \$1.60 billion in 2020 compared to \$702 million for the same period of 2019. During the first six months of 2020, we closed 3,565 mortgage loans totaling \$950 million compared to 1,845 loans totaling \$440 million for the same period of last year. We had \$462 million in home purchase mortgage originations in the first six months of 2020, which accounted for 49% of mortgage production volume. During the first six months of 2019, we had \$325 million in home purchase originations, or 74%, of production volume.

During the second quarter and first six months of 2020, we realized net gains on the sale of other loans of \$1.04 million and \$2.71 million, respectively, which included the sale of the guaranteed portion of SBA loans and the sale of certain equipment financing loans. During the second quarter and first six months of 2020, we sold \$1.70 million and \$23.9 million, respectively, of equipment financing loans, which resulted in gains of \$20,000 and \$1.28 million, respectively. Our SBA/USDA lending strategy includes selling a portion of the loan production each quarter. The amount of loans sold depends on several variables including the current lending environment and balance sheet management activities. During the first quarter of 2020, less-favorable pricing for these loans driven by COVID-19 related market disruption led to our decision to hold more of our production in portfolio, rather than sell to the secondary market until market conditions improved during the second quarter of 2020. In the second quarter and first six months of 2020, we sold the guaranteed portion of SBA loans in the amount of \$14.0 million and \$18.1 million, respectively, which resulted in gains of \$1.02 million and \$1.43 million, respectively. In the second quarter and first six months of 2019, we sold the guaranteed portion of SBA loans in the amount of \$17.1 million and \$34.2 million, respectively, which resulted in gains of \$1.47 million and \$2.77 million, respectively.

During the second quarter of 2020, we recognized a death benefit gain of \$1.10 million, resulting in an increase in BOLI income for the second quarter and first six months of 2020 compared to the same periods of 2019. Income from customer derivatives during the first six months of 2020 increased \$865,000 compared to the same period of 2019 due to increased demand for fixed rates during the current low rate environment. During the second quarter of 2020, the demand-driven increase in customer derivative income was offset by an increase to the credit valuation adjustment on customer derivative positions resulting in a nominal reduction in income compared to the same period of 2019. Other noninterest income for the second quarter and first six months of 2020 decreased from the same periods of 2019 primarily due to negative fair value adjustments on deferred compensation plan assets and other investments and a decrease in other fee income.

Noninterest Expenses

The following table presents the components of noninterest expenses for the periods indicated.

Table 6 - Noninterest Expenses

(in thousands)

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Salaries and employee benefits	\$ 51,811	\$ 48,157	\$ 3,654	8 %	\$ 103,169	\$ 95,660	\$ 7,509	8 %
Communications and equipment	6,556	6,222	334	5	12,502	12,010	492	4
Occupancy	5,945	5,919	26	—	11,659	11,503	156	1
Advertising and public relations	2,260	1,596	664	42	3,534	2,882	652	23
Postage, printing and supplies	1,613	1,529	84	5	3,283	3,115	168	5
Professional fees	4,823	4,054	769	19	8,920	7,215	1,705	24
Lending and loan servicing expense	3,189	2,619	570	22	5,482	4,953	529	11
Outside services - electronic banking	1,796	1,558	238	15	3,628	3,167	461	15
FDIC assessments and other regulatory charges	1,558	1,547	11	1	3,042	3,257	(215)	(7)
Amortization of core deposit intangibles	987	1,149	(162)	(14)	2,027	2,249	(222)	(10)
Other	3,045	3,376	(331)	(10)	7,067	7,060	7	—
Total excluding merger-related and other charges	83,583	77,726	5,857	8	164,313	153,071	11,242	7
Merger-related and other charges	397	3,894	(3,497)		1,205	4,440	(3,235)	
Amortization of noncompete agreements	—	193	(193)		—	386	(386)	
Total noninterest expenses	\$ 83,980	\$ 81,813	\$ 2,167	3	\$ 165,518	\$ 157,897	\$ 7,621	5

Noninterest expenses for the second quarter and first six months of 2020 totaled \$84.0 million and \$166 million, respectively, up 3% and 5%, respectively, from the same periods of 2019. Increases in salaries and employee benefits, professional fees, advertising and public relations, and lending and loan servicing expense partially offset by a decrease in merger-related and other charges and amortization of noncompete agreements accounted for much of the change in noninterest expense for the periods presented.

Salaries and employee benefits for the second quarter and first six months of 2020 increased 8% from same periods of 2019. The increase was a result of several contributing factors including merit-based salary increases awarded during the second quarter of 2020, increased mortgage commissions and incentives resulting from increased production, and an increase in overtime pay related to the

processing of PPP loans. These increases in expense were offset by a decrease in bonus expense driven by the expectation of a lower payout based on financial results and higher deferred loan origination costs related to recording PPP loans in the second quarter of 2020. Full time equivalent headcount totaled 2,297 at June 30, 2020, down from 2,316 at June 30, 2019.

The increase in professional fees for the second quarter and first six months of 2020 was mostly attributable to increases in legal and consulting fees related to various projects in process. Advertising and public relations expense for the three and six months ended June 30, 2020, increased relative to the same periods in 2019 resulting from a \$1.00 million contribution to our newly formed private foundation, United Community Bank Foundation, during the second quarter of 2020. Lending and loan servicing expense increased mostly due to the increase in mortgage origination volume.

Merger-related and other charges for the second quarter of 2020 consisted primarily of merger-related expenses associated with the acquisition of Three Shores. The six months ended June 30, 2020 also included merger-related expenses associated with the acquisition of FMBT, severance, and branch closure costs. Merger-related and other charges for the three and six months of 2019 included FMBT merger-related expenses, branch closure costs, and executive retirement charges.

The reduction of amortization of noncompete agreements was a result of the expiration of certain of these agreements since the second quarter of 2019.

Balance Sheet Review

Total assets at June 30, 2020 and December 31, 2019 were \$15.0 billion and \$12.9 billion, respectively. The increase in assets was primarily attributable to PPP loan originations and other loan growth during the quarter. Much of the increase in customer deposits was directly attributable to the increase in PPP loans as many of the balances remained deposited in customer accounts through the end of the quarter. Average total assets for the second quarter of 2020 were \$14.2 billion, up from \$12.6 billion for the same period of 2019. Average total assets for the first six months of 2020 were \$13.6 billion, up from \$12.6 billion for the same period of 2019.

The following table presents a summary of the loan portfolio, of which approximately 68% was secured by real estate at June 30, 2020.

Table 7 - Loans Outstanding

(in thousands)

	June 30, 2020	December 31, 2019
By Loan Type		
Owner occupied commercial real estate	\$ 1,759,617	\$ 1,720,227
Income producing commercial real estate	2,177,857	2,007,950
Commercial & industrial ⁽¹⁾	2,314,169	1,220,657
Commercial construction	945,748	976,215
Equipment financing	778,749	744,544
Total commercial	7,976,140	6,669,593
Residential mortgage	1,151,661	1,117,616
Home equity lines of credit	653,798	660,675
Residential construction	230,231	236,437
Consumer	120,680	128,232
Total loans	\$ 10,132,510	\$ 8,812,553
As a percentage of total loans:		
Owner occupied commercial real estate	17 %	20 %
Income producing commercial real estate	22	23
Commercial & industrial ⁽¹⁾	23	14
Commercial construction	9	11
Equipment financing	8	8
Total commercial	79	76
Residential mortgage	11	13
Home equity lines of credit	7	7
Residential construction	2	3
Consumer	1	1
Total	100 %	100 %

⁽¹⁾ Commercial and industrial loans as of June 30, 2020 included \$1.10 billion of PPP loans.

Asset Quality and Risk Elements

We manage asset quality and control 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. Our credit administration function is responsible for monitoring asset quality and Board of Directors approved portfolio concentration limits, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures. Additional information on our credit administration function is included in Part I, Item 1 under the heading *Lending Activities* in our 2019 10-K.

We classify loans as “substandard” when there is a well-defined weakness or weaknesses that jeopardizes the repayment by the borrower and there is a distinct possibility that we could sustain some loss if the deficiency is not corrected. Performing substandard loans, which are substandard loans that are still accruing interest, totaled \$112 million and \$125 million at June 30, 2020 and December 31, 2019, respectively.

We conduct reviews of classified performing and non-performing loans, TDRs, past due loans and portfolio concentrations on a regular basis to identify risk migration and potential charges to the ACL. These items are discussed in a series of meetings attended by Credit Risk Management leadership and leadership from various lending groups. In addition to the reviews mentioned above, an independent loan review team reviews the portfolio to ensure consistent application of risk rating policies and procedures.

The ACL at June 30, 2020 reflects management’s assessment of the life of loan expected credit losses in the loan portfolio and unfunded loan commitments. This assessment involves uncertainty and judgment and is subject to change in future periods. The amount of any changes could be significant if management’s assessment of loan quality or collateral values changes substantially with respect to one or more loan relationships or portfolios. The allocation of the ACL is based on reasonable and supportable forecasts,

historical data, subjective judgment and estimates and therefore, is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur. In addition, bank regulatory authorities, as part of their periodic examination of the Bank, may require adjustments to the provision for credit 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 credit losses.

The total ACL, which includes a portion related to unfunded commitments, totaled \$116 million at June 30, 2020, compared with \$65.5 million at December 31, 2019. At June 30, 2020, the ACL for loans was \$104 million, or 1.02% of loans, compared with \$62.1 million, or 0.70% of total loans, at December 31, 2019. The adoption of CECL on January 1, 2020 added \$6.88 million to the ACL for loans and \$1.87 million to the reserve for unfunded commitments resulting in a total ACL of \$74.3 million at the time of adoption. The increase since adoption primarily reflects higher expected credit losses resulting from the COVID-19 pandemic as well as the impact of loan growth during 2020. The impact of loan growth on the ACL was partially mitigated by the fact that PPP loans were considered low risk assets due to the related 100% guarantee by the SBA.

The following table presents a summary of the changes in the ACL for the periods indicated.

Table 8 - ACL
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
ACL - loans, beginning of period	\$ 81,905	\$ 61,642	\$ 62,089	\$ 61,203
Adoption of CECL	—	—	6,880	—
ACL - loans, adjusted beginning balance	81,905	61,642	68,969	61,203
Charge-offs:				
Owner occupied commercial real estate	—	—	6	5
Income producing commercial real estate	4,589	308	5,000	505
Commercial & industrial	254	1,416	7,815	2,935
Commercial construction	239	1	239	70
Equipment financing	2,085	1,010	3,948	2,434
Residential mortgage	50	108	334	169
Home equity lines of credit	98	29	118	366
Residential construction	32	246	54	250
Consumer direct	712	529	1,350	1,076
Indirect auto	—	180	—	377
Total loans charged-off	8,059	3,827	18,864	8,187
Recoveries:				
Owner occupied commercial real estate	466	58	1,500	127
Income producing commercial real estate	41	66	182	86
Commercial & industrial	291	275	667	438
Commercial construction	117	163	258	557
Equipment financing	420	121	776	264
Residential mortgage	56	234	331	282
Home equity lines of credit	196	140	299	262
Residential construction	37	47	71	73
Consumer direct	286	239	517	446
Indirect auto	—	46	—	84
Total recoveries	1,910	1,389	4,601	2,619
Net charge-offs	6,149	2,438	14,263	5,568
Provision for credit losses - loans	27,913	3,000	48,963	6,569
ACL - loans, end of period	103,669	62,204	103,669	62,204
ACL - unfunded commitments, beginning of period	6,470	3,141	3,458	3,410
Adoption of CECL	—	—	1,871	—
ACL - unfunded commitments, adjusted beginning balance	6,470	3,141	5,329	3,410
Provision for credit losses - unfunded commitments	5,630	250	6,771	(19)
ACL - unfunded commitments, end of period	12,100	3,391	12,100	3,391
Total ACL	\$ 115,769	\$ 65,595	\$ 115,769	\$ 65,595
Total loans:				
At period-end	\$ 10,132,510	\$ 8,838,218	\$ 10,132,510	\$ 8,838,218
Average	9,772,703	8,669,847	9,300,792	8,550,574
ACL - loans, as a percentage of period-end loans	1.02 %	0.70 %	1.02 %	0.70 %
As a percentage of average loans (annualized):				
Net charge-offs	0.25	0.11	0.31	0.13
Provision for credit losses - loans	1.15	0.14	1.06	0.15

Nonperforming Assets

Nonperforming assets (“NPAs”), which include nonaccrual loans and foreclosed properties, totaled \$48.5 million at June 30, 2020, compared with \$35.8 million at December 31, 2019. The increase in NPAs since December 31, 2019 is a result of an increase in nonaccrual loans. Specifically, there were a few large substandard credits that reached nonaccrual status during the second quarter of 2020. In addition, when we adopted CECL on January 1, 2020, we elected to disaggregate the former Purchased Credit Impaired (“PCI”) pools and no longer consider the loan pool to be the unit of account. Reporting these contractually delinquent Purchased Credit Deteriorated (“PCD”) loans as nonaccrual loans using the same criteria as other loans contributed \$2.54 million to the increase in nonaccrual loans since December 31, 2019.

Our policy is to place loans on nonaccrual status when, in the opinion of management, the full principal and interest on a loan is not likely to be collected or when the loan becomes 90 days past due and is not well-collateralized or in the process of collection. When a loan is placed on nonaccrual status, interest previously accrued but not collected is reversed against current interest revenue. Interest payments received on nonaccrual loans are applied to reduce the loan’s amortized cost. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance and future payments are reasonably assured.

Generally, we do not commit to lend additional funds to customers whose loans are on nonaccrual status, although in certain isolated cases, we execute forbearance agreements whereby we agree to continue to fund construction loans to completion or other lines of credit as long as the borrower meets the conditions of the forbearance agreement. We may also fund other amounts necessary to protect collateral such as amounts to pay past due property taxes and insurance coverage.

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 lesser of fair value, less estimated costs to sell, or the listed selling price, less the costs to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to foreclosed property expense. 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.

The table below summarizes NPAs.

Table 9 - NPAs
(in thousands)

	June 30, 2020	December 31, 2019
Nonaccrual loans:		
Owner occupied commercial real estate	10,710	10,544
Income producing commercial real estate	11,274	1,996
Commercial & industrial	3,432	2,545
Commercial construction	2,290	2,277
Equipment financing	3,119	3,141
Total commercial	30,825	20,503
Residential mortgage	13,185	10,567
Home equity lines of credit	3,138	3,173
Residential construction	500	939
Consumer	373	159
Total nonaccrual loans	48,021	35,341
Foreclosed properties/other real estate owned (“OREO”)	477	476
Total NPAs	\$ 48,498	\$ 35,817
Nonaccrual loans as a percentage of total loans	0.47 %	0.40 %
NPAs as a percentage of total loans and OREO	0.48	0.41
NPAs as a percentage of total assets	0.32	0.28

At June 30, 2020 and December 31, 2019, we had \$50.4 million and \$54.2 million, respectively, in loans with terms that have been modified in TDRs. Included therein were \$15.4 million and \$8.25 million, respectively, of TDRs that were classified as nonaccrual and were included in nonperforming loans. The remaining TDRs with an aggregate balance of \$35.0 million and \$46.0 million, respectively, were performing according to their modified terms and were therefore not considered to be nonperforming assets. As previously mentioned, the CARES Act granted temporary relief from TDR classification for certain loans restructured as a result of

COVID-19. During the first and second quarters of 2020 we received a significant amount of payment deferral requests from our borrowers related to the economic disruption created by COVID-19, most of which are exempt from TDR classification in the short term. As of June 30, 2020, we had granted short-term deferrals on loans that were not reported as new TDRs of \$1.76 billion. For more information, see Note 4 - Loans and Leases and Allowance for Credit Losses in the consolidated financial statements.

Investment Securities

The composition of the investment securities portfolio reflects our investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of revenue. The investment securities portfolio also provides a balance to interest rate risk and credit risk in other categories of the balance sheet while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits and borrowings.

At June 30, 2020 and December 31, 2019, we had debt securities held-to-maturity with a carrying amount of \$307 million and \$284 million, respectively, and debt securities available-for-sale totaling \$2.13 billion and \$2.27 billion, respectively. At June 30, 2020 and December 31, 2019, the securities portfolio represented approximately 16% and 20%, respectively, of total assets.

The investment securities portfolio primarily consists of Treasury securities, U.S. government agency securities, U.S. government sponsored agency mortgage-backed securities, non-agency mortgage-backed securities, corporate securities, municipal securities and asset-backed securities. Mortgage-backed securities and asset-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 usually differ from contractual maturities because loans underlying the securities can prepay. Decreases in interest rates will generally cause an acceleration of prepayment levels. In a declining or prolonged low interest rate environment, we 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.

In accordance with CECL, our held-to-maturity securities portfolio was evaluated to assess whether an ACL was required. We measure expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. At adoption on January 1, 2020 and at June 30, 2020, calculated credit losses on held-to-maturity debt securities were not material due to the high credit quality of the portfolio, which included securities issued or guaranteed by U.S. Government agencies and high credit quality municipal securities. As a result, we did not record an ACL for held-to-maturity securities at adoption or at June 30, 2020.

For available-for-sale debt securities in an unrealized loss position, if we intend to sell, or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, the security's amortized cost basis is written down to fair value through income. Absent an intent or more than likely requirement to sell, we evaluate whether the decline in fair value has resulted from credit losses or other factors. The evaluation considers factors such as the extent to which fair value is less than amortized cost, changes to the security's rating, and adverse conditions specific to the security. If the evaluation indicates a credit loss exists, an ACL may be recorded, with such allowance limited to the amount by which fair value is below amortized cost. Any impairment unrelated to credit factors is recognized in other comprehensive income. At June 30, 2020, there was no ACL related to the available-for-sale portfolio. Losses on fixed income securities at June 30, 2020 primarily reflected the effect of changes in interest rates.

Goodwill and Other Intangibles

Goodwill represents the premium paid for acquired companies above the net fair value of the assets acquired and liabilities assumed, including separately identifiable intangible assets. At June 30, 2020 and December 31, 2019, the net carrying amount of goodwill was \$327 million. Goodwill is not amortized but is assessed for impairment on an annual basis, or more often if events or circumstances indicate there may be impairment, referred to as a triggering event. Upon the occurrence of a triggering event, accounting guidance allows for an assessment of qualitative factors to determine whether it is more likely than not, or a greater than 50% likelihood, that the fair value of the entity is less than its carrying amount, including goodwill. When it is more likely than not that impairment has occurred, management is required to perform a quantitative analysis and, if necessary, adjust the carrying amount of goodwill by recording a goodwill impairment loss. During the latter part of the first quarter and the second quarter of 2020, as a result of market concerns about the potential impact of COVID-19, our stock price declined such that it traded below book value. As a result of this triggering event, we have qualitatively assessed and concluded that there is not a greater than 50% likelihood that our fair value is less than our carrying amount as of June 30, 2020, given the anticipated short duration of the change in macroeconomic conditions and excess of value as of the latest annual test performed as of September 30, 2019. We will continue to monitor and assess the impact of the pandemic on our value and, should conditions be more severe and/or recovery extend for a longer period than currently anticipated, our assessment may change, which could necessitate the write-down or write-off of goodwill or other intangible assets.

Core deposit intangibles, representing the value of acquired deposit relationships, are amortizing intangible assets that are required to be tested for impairment only when events or circumstances indicate that impairment may exist. There were no events or circumstances that led us to believe that any impairment existed on core deposit intangible assets.

Deposits

Customer deposits are the primary source of funds for the continued growth of our earning assets. Our high level of service, as evidenced by our strong customer satisfaction scores, has been instrumental in attracting and retaining customer deposit accounts. At June 30, 2020, the increase in core transaction deposits was partly attributable to PPP-related deposits. The following table sets forth the deposit composition for the periods indicated.

Table 10 - Deposits
(in thousands)

	June 30, 2020	December 31, 2019
Noninterest-bearing demand	\$ 4,689,545	\$ 3,477,979
NOW and interest-bearing demand	2,582,831	2,461,895
Money market and savings	3,453,687	2,937,095
Time	1,751,091	1,859,574
Total customer deposits	12,477,154	10,736,543
Brokered deposits	224,931	160,701
Total deposits	\$ 12,702,085	\$ 10,897,244

Borrowing Activities

At June 30, 2020 and December 31, 2019, we had long-term debt outstanding of \$312 million and \$213 million, respectively, which includes senior debentures, subordinated debentures, and trust preferred securities. During the second quarter of 2020 we issued \$100 million of 5% fixed-to-floating rate senior debentures with a maturity date of June 15, 2030. The proceeds generated from the issuance of these debentures will be used for general business purposes. See Note 7 to the consolidated financial statements for additional information regarding long-term debt.

Contractual Obligations

There have not been any material changes to our contractual obligations since December 31, 2019.

Off-Balance Sheet Arrangements

We are 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. We use the same credit underwriting procedures for making commitments, letters of credit and financial guarantees, as we use for underwriting on-balance sheet instruments. Management 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. We are 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 21 to the

consolidated financial statements included in our 2019 10-K and Note 14 to the consolidated financial statements in this Form 10-Q for additional information on off-balance sheet arrangements.

Interest Rate Sensitivity Management

The absolute level and volatility of interest rates can have a significant effect on profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest revenue to changing interest rates, consistent with our 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.

Net interest revenue and the fair value of financial instruments are influenced by changes in the level of interest rates. We limit our exposure to fluctuations in interest rates through policies established by our Asset/Liability Management Committee (“ALCO”) and approved by the Board of Directors. ALCO meets periodically and has responsibility for formulating and recommending asset/liability management policies to the Board of Directors, formulating and implementing strategies to improve balance sheet positioning and/or earnings, and reviewing interest rate sensitivity.

One of the tools management uses to estimate and manage the sensitivity of net interest revenue to changes in interest rates is an asset/liability simulation model. Resulting estimates are based upon several assumptions for each scenario, including loan and deposit re-pricing characteristics and the rate of prepayments. ALCO periodically reviews the assumptions for reasonableness 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 immediate rate shock scenarios, as well as gradually rising and falling rate scenarios, which are all compared to the base scenario. Our assumptions include floors such that market rates and discount rates cannot go below zero. Other scenarios analyzed may include delayed rate shocks, yield curve steepening or flattening, or other variations in rate movements. While the primary policy scenarios focus on a 12-month time frame, longer time horizons are also modeled.

Our policy is based on the 12-month impact on net interest revenue of interest rate shocks and ramps that increase from 100 to 400 basis points or decrease 100 to 200 basis points from the base scenario. In the shock scenarios, rates immediately change the full amount at the scenario onset. In the ramp scenarios, rates change by 25 basis points per month. Our policy limits the projected change in net interest revenue over the first 12 months to an 8% decrease for each 100 basis point change in the increasing and decreasing rate ramp and shock scenarios. The following table presents our interest sensitivity position at the dates indicated.

Table 11 - Interest Sensitivity

Change in Rates	Increase (Decrease) in Net Interest Revenue from Base Scenario at			
	June 30, 2020		December 31, 2019	
	Shock	Ramp	Shock	Ramp
100 basis point increase	3.95 %	3.05 %	2.91 %	2.22 %
100 basis point decrease	(0.73)	(0.72)	(4.86)	(3.92)

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. 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 on a net basis within an acceptable timeframe, thereby minimizing the potentially adverse effect of interest rate changes on net interest revenue.

We have discretion in the extent and timing of deposit repricing depending upon the competitive pressures in the markets in which we operate. 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. This is commonly referred to as basis risk.

Derivative financial instruments are used to manage interest rate sensitivity. These contracts generally consist of interest rate swaps under which we pay a variable rate (or fixed rate, as the case may be) and receive a fixed rate (or variable rate, as the case may be). In addition, investment securities and wholesale funding strategies are used to manage interest rate risk.

Derivative financial instruments that are designated as accounting hedges 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 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. We have other derivative financial instruments that are not designated as accounting hedges, but are used for interest rate risk management purposes and as effective economic hedges. Derivative financial instruments that are not accounted for as accounting hedges are marked to market through earnings.

Our policy requires all non-customer derivative financial instruments be used only for asset/liability management through the hedging of specific transactions, positions or risks, 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 appropriately monitored and controlled and will not have any material adverse effect on financial condition or results of operations. In order to mitigate potential credit risk, from time to time we may require the counterparties to derivative contracts to pledge cash and/or securities as collateral to cover the net exposure.

Liquidity Management

Liquidity is defined as the ability to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining the ability to meet the daily cash flow requirements of customers, both depositors and borrowers. The primary objective is to ensure that sufficient funding is available, at a 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 upon a variety of factors, our primary goal is to maintain a sufficient level of liquidity in all expected economic environments. To assist in determining the adequacy of our liquidity, we perform a variety of liquidity stress tests. We maintain an unencumbered liquid asset reserve to help ensure our ability to meet our obligations under normal conditions for at least a 12-month period and under severely adverse liquidity conditions for a minimum of 30 days.

An important part of the Bank's liquidity resides in the asset portion of the balance sheet, which provides liquidity primarily through loan interest and principal repayments and the maturities and sales of securities, as well as the ability to use these assets as collateral for borrowings on a secured basis.

The Bank's main source of liquidity is customer interest-bearing and noninterest-bearing deposit accounts. Liquidity is also available from wholesale funding sources consisting primarily of Federal funds purchased, FHLB advances, and brokered deposits. These sources of liquidity are generally short-term in nature and are used as necessary to fund asset growth and meet other short-term liquidity needs.

In addition, because the Holding Company is a separate entity and apart from the Bank, it must provide for its own liquidity. The Holding Company 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. The Holding Company currently has internal capital resources to meet these obligations. While the Holding Company has access to the capital markets and maintains a line of credit as a contingent funding source, the ultimate sources of its liquidity are subsidiary service fees and dividends from the Bank, which are limited by applicable law and regulations. Holding Company liquidity is managed to a minimum of 15-months of positive cash flow after considering all of its liquidity needs over this period.

At June 30, 2020, we had sufficient qualifying collateral to provide borrowing capacity for FHLB advances of \$1.40 billion and Federal Reserve discount window borrowing capacity of \$1.42 billion, as well as unpledged investment securities of \$1.91 billion that could be used as collateral for additional borrowings. In addition to these wholesale sources, we have the ability to attract retail deposits by competing more aggressively on pricing. In the second quarter of 2020, we originated a significant amount of PPP loans, for which funding is available through the Paycheck Protection Program Lending Facility ("PPPLF") announced by the Federal Reserve in April of 2020. As of June 30, 2020 we had outstanding PPP loans of \$1.10 billion and no balance outstanding under the PPPLF as we have been able to self-fund the majority of our PPP loans through growth in deposits.

As disclosed in the consolidated statement of cash flows, net cash provided by operating activities was \$15.6 million for the six months ended June 30, 2020. Net income of \$57.0 million for the six-month period included non-cash expense and income items consisting of the following: provision expense of \$55.7 million, stock-based compensation expense of \$4.26 million, depreciation, amortization and accretion of \$5.21 million, and a deferred income tax benefit of \$2.36 million. Uses of cash from operating activities included an increase in other assets and accrued interest receivable of \$76.4 million and an increase in loans held for sale of \$41.0 million, partially offset by an increase in accrued expenses and other liabilities of \$15.9 million. Net cash used in investing activities of \$1.15 billion included a \$1.31 billion net increase in loans, \$110 million in purchases of debt securities available-for-sale and equity securities, purchases of debt securities held-to-maturity of \$43.1 million, and \$3.66 million in purchases of premises and equipment. These uses of cash were partially offset by \$297 million in proceeds from maturities and calls of debt securities available-for-sale and equity securities and \$19.9 million in proceeds from maturities and calls of debt securities held-to-maturity. Net cash provided by

financing activities of \$1.95 billion consisted primarily of a net increase in deposits of \$1.81 billion, net proceeds from the issuance of senior debentures of \$98.6 million, and net proceeds from the issuance of preferred stock of \$96.7 million. These sources of cash were partially offset by the payment of cash dividends of \$28.8 million and the repurchases of our common stock of \$20.8 million. In the opinion of management, our liquidity position at June 30, 2020, was sufficient to meet our expected cash flow requirements.

Capital Resources and Dividends

Shareholders' equity at June 30, 2020 was \$1.77 billion, an increase of \$136 million from December 31, 2019 due primarily to the second quarter issuance of \$100 million in non-cumulative perpetual preferred stock, year-to-date earnings less dividends declared and an increase in the value of available-for-sale securities, partially offset by \$20.8 million in share repurchases.

Pursuant to the CARES Act, we have adopted relief provided by federal banking regulatory agencies for the delay of the adverse capital impact of CECL for the two-year period after adoption. This optional two-year delay is followed by an optional three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. Under the transition provision, the amount of aggregate capital benefit is phased out by 25% each year with the full impact of adoption completely recognized by the beginning of the sixth year.

The following table shows capital ratios, as calculated under applicable regulatory guidelines, at June 30, 2020 and December 31, 2019. As of June 30, 2020, capital levels remained characterized as "well-capitalized" under the Basel III Capital Rules in effect at the time. The increase in the consolidated ratios as of June 30, 2020 was primarily attributable to the issuance of preferred stock.

Additional information related to capital ratios, as calculated under regulatory guidelines, as of June 30, 2020 and December 31, 2019, is provided in Note 13 to the consolidated financial statements.

Table 12 – Capital Ratios

(dollars in thousands)

				United Community Banks, Inc. (Consolidated)		United Community Bank	
	Minimum	Well Capitalized	Minimum Capital Plus Capital Conservation Buffer	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Risk-based ratios:							
Common equity tier 1 capital	4.5 %	6.5 %	7.0 %	12.85 %	12.97 %	13.70 %	14.87 %
Tier 1 capital	6.0	8.0	8.5	14.05	13.21	13.70	14.87
Total capital	8.0	10.0	10.5	16.07	15.01	14.63	15.54
Leverage ratio	4.0	5.0	N/A	10.31	10.34	10.05	11.63

Effect of Inflation and Changing Prices

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

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes in our market risk as of June 30, 2020 from that presented in our 2019 10-K. Our interest rate sensitivity position at June 30, 2020 is set forth in Table 10 in Part I - Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q and incorporated herein by this reference.

Item 4. Controls and Procedures

(a) *Disclosure Controls and Procedures.* Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures (as such term is defined in Exchange Act Rule 13a-15(e)) as of June 30, 2020. Based on that evaluation, our principal executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) *Changes in Internal Control Over Financial Reporting.* No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the fiscal quarter ended June 30, 2020 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, the Holding Company and the Bank are parties to various legal proceedings. Additionally, in the ordinary course of business, the Holding Company and the Bank are subject to regulatory examinations and investigations. Based on our current knowledge and advice of counsel, in the opinion of management there is no such pending or threatened legal matter which would result in a material adverse effect upon our consolidated financial condition or results of operations.

Items 1A. Risk Factors

Except as set forth in Part II, Item 1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and filed with the SEC on May 7, 2020, which is incorporated herein by this reference, there have been no material changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 27, 2020.

Item 6. Exhibits

(d) Exhibits. See Exhibit Index below.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of March 9, 2020 by and between United Community Banks, Inc. and Three Shores Bancorporation, Inc. (incorporated herein by reference to Exhibit 2.1 to United Community Banks, Inc.'s Current Report on Form 8-K dated March 9, 2020 and filed with the SEC on March 10, 2020).
3.1	Restated Articles of Incorporation of United Community Banks, Inc., as amended to date.
3.2	Amended and Restated Bylaws of United Community Banks, Inc., as amended (incorporated herein by reference to Exhibit 3.2 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2015, filed with the SEC on May 11, 2015).
4.1	Deposit Agreement, dated as of June 10, 2020, between United Community Banks, Inc. and Continental Stock Transfer & Trust Company as depository (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K dated June 5, 2020 and filed with the SEC on June 10, 2020).
4.2	Form of Depositary Receipt (included as part of Exhibit 4.1).
4.3	Indenture, dated as of June 17, 2020, between United Community Banks and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K dated and filed with the SEC on June 17, 2020).
4.4	Supplemental Indenture, dated as of June 17, 2020, between United Community Banks and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K dated June 17, 2020 and filed with the SEC on June 17, 2020).
4.5	Form of 5.000% Fixed-to-Floating Senior Notes due 2030 (included as Exhibit A to Exhibit 4.4)
31.1	Certification by H. Lynn Harton, President and Chief Executive Officer of United Community Banks, Inc., pursuant to Exchange Act Rule 13a-14(a).
31.2	Certification by Jefferson L. Harralson, Executive Vice President and Chief Financial Officer of United Community Banks, Inc., pursuant to Exchange Act Rule 13a-14(a).
32	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350.
101	Interactive data files for United Community Bank, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL: (i) the Consolidated Balance Sheets (unaudited); (ii) the Consolidated Statements of Income (unaudited); (iii) the Consolidated Statements of Comprehensive Income (unaudited); (iv) the Consolidated Statements in Shareholders' Equity (unaudited); (v) the Consolidated Statements of Cash Flows (unaudited); and (vi) the Notes to Consolidated Financial Statements (unaudited).
104	The cover page from United Community Bank's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 (formatted in Inline XBRL and included in Exhibit 101)

Signatures

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

UNITED COMMUNITY BANKS, INC.

/s/ H. Lynn Harton

H. Lynn Harton
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Jefferson L. Harralson

Jefferson L. Harralson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Alan H. Kumler

Alan H. Kumler
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Date: August 6, 2020

EXHIBIT A
DESIGNATIONS, POWERS, PREFERENCES,
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS
OF
SENIOR 6.875% NON-CUMULATIVE PREFERRED STOCK, SERIES I
OF
UNITED COMMUNITY BANKS, INC.

First: The name of the corporation is United Community Banks, Inc., a corporation organized and existing under the laws of the State of Georgia (the “Issuer”).

Second: The Restated Articles of Incorporation of the Issuer, as amended, authorize the issuance of 10,000,000 shares of preferred stock, par value \$1.00 per share, of the Issuer (“Preferred Stock”) in one or more series, and authorizes the Board of Directors of the Issuer (the “Board of Directors”) to fix by resolution or resolutions the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the shares of such series.

Third: That the following resolution was duly adopted by a duly authorized committee of the Board of Directors as required by O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation by unanimous written consent on June 3, 2020.

Resolved, that pursuant to the provisions of the Restated Articles of Incorporation of the Issuer, as amended, and applicable law, a series of Preferred Stock, par value \$1.00 per share, of the Issuer be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

RIGHTS AND PREFERENCES

Section 1. Designation. The distinctive serial designation of such series of Preferred Stock is “6.875% Non-Cumulative Preferred Stock, Series I” (“Series I”). Each share of Series I shall be identical in all respects to every other share of Series I, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below. Series I will rank equally with Parity Stock, if any, and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation. Shares of Series I may be represented in the form of uncertificated or certificated shares, provided, however, that any holder of certificated shares of Series I and, upon request, every holder of uncertificated shares of Series I shall be entitled to have a certificate for shares of Series I signed by, or in the name of, the Corporation certifying the number of shares owned by such holder.

Section 2. Number of Shares. The authorized number of shares of Series I shall be 4,000. Shares of Series I that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Series I.

Section 3. Definitions. As used herein with respect to Series I:

(a) “Appropriate Federal Banking Agency” means the “appropriate federal banking agency” with respect to the Corporation as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

(b) “Articles of Amendment” means this Articles of Amendment relating to the Series I, as it may be amended from time to time.

(c) “Articles of Incorporation” means the Restated Articles of Incorporation, as amended, of the Corporation, as it may be amended from time to time, and shall include this Articles of Amendment.

(d) “Board of Directors” means the board of directors of the Corporation.

(e) “Bylaws” means the Amended and Restated Bylaws of the Corporation, as amended and as they may be amended from time to time.

(f) “Business Day” means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law, regulation or executive order to close.

(g) “Common Stock” means the common stock, par value \$1.00 per share, of the Corporation.

(h) “Junior Stock” means the Common Stock and any other class or series of stock of the Corporation that ranks junior to Series I as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) “Parity Stock” means any class or series of stock of the Corporation (other than Series I) that ranks equally with Series I both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation, if any.

(j) “Preferred Stock” means any and all series of Preferred Stock, having a par value of \$1.00 per share, of the Corporation, including the Series I.

(k) “Regulatory Capital Event” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series I, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series I, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series I, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of \$25,000 per share of Series I then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series I is outstanding.

(l) “Voting Preferred Stock” means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 7(b) below) or any other matter as to which the holders of Series I are entitled to vote as specified in Section 7 of this Articles of Amendment, and any and all other series of Preferred Stock (other than Series I) that rank equally with Series I as to the payment of dividends and upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 4. Dividends.

(a) *Rate.* Holders of Series I shall be entitled to receive, when, as and if declared by the Board of Directors (or any duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Delaware law, non-cumulative cash dividends at the rate per annum equal to 6.875% applied to the liquidation preference amount of \$25,000 per share of Series I. Such dividends shall be payable quarterly in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors (or any duly authorized committee of the Board of Directors), on March 15, June 15, September 15 and December 15 (“Dividend Payment Dates”), commencing on September 15, 2020; provided that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such dividend shall instead be payable on the immediately succeeding Business Day, without interest or other payment in respect of such delayed payment. Dividends on Series I shall not be cumulative; holders of Series I shall not be entitled to receive any dividends not declared by the Board of Directors (or any duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends on the Series I shall not be declared or set aside for payment if and to the extent such dividends would cause the Corporation to fail to comply with the capital adequacy guidelines of the Board of Governors of the Federal Reserve System

(or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) applicable to the Corporation.

Dividends that are payable on Series I on any Dividend Payment Date will be payable to holders of record of Series I as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors (or any duly authorized committee of the Board of Directors) that is not more than 60 days nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a “Dividend Period”) shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series I, provided that, for any share of Series I issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors (or any duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day preceding the next Dividend Payment Date. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends payable on the Series I in respect of any Dividend Period shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

Holders of Series I shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series I as specified in this Section 4 (subject to the other provisions of this Articles of Amendment).

(b) *Priority of Dividends.* So long as any share of Series I remains outstanding, (i) no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), (ii) no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation other than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series I and such Parity Stock except by conversion into or exchange for Junior Stock unless, in each case, the full dividends for the latest completed Dividend Period on all outstanding shares of Series I have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of the Corporation, or any affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series I and any shares of Parity Stock, all dividends declared on the Series I and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series I and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors (or any duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the shares of Series I or Parity Stock shall not be entitled to participate in any such dividends.

Section 5. Liquidation Rights.

(a) *Voluntary or Involuntary Liquidation.* In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series I shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and

after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series I as to such distribution, and subject to the rights of the holders of any Parity Stock upon liquidation, in full an amount equal to \$25,000 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) *Partial Payment.* If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series I and all holders of any Parity Stock, the amounts paid to the holders of Series I and to the holders of all such Parity Stock shall be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the holders of Series I and the holders of all such Parity Stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series I and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) *Residual Distributions.* If the Liquidation Preference has been paid in full to all holders of Series I and all holders of any Parity Stock, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) *Merger, Consolidation and Sale of Assets Not Liquidation.* For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series I receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 6. Redemption.

(a) *Optional Redemption.* The Series I is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series I at the time outstanding, upon notice given as provided in Section 6(c) below, (i) in whole or in part, from time to time, on any date on or after September 15, 2025 (or, if not a Business Day, the next succeeding Business Day), or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Event, in each case, at a redemption price per share equal to \$25,000, plus (except as otherwise provided herein below) an amount equal to any dividends per share that have accrued but not been paid for the then-current Dividend Period to but excluding the redemption date, whether or not such dividends have been declared. The redemption price for any shares of Series I shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series I without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital guidelines applicable to the Corporation.

(b) *No Sinking Fund.* The Series I will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series I will have no right to require redemption of any shares of Series I.

(c) *Notice of Redemption.* Notice of every redemption of shares of Series I shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(c) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series I designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series I. Notwithstanding the foregoing, if the Series I or any depository shares representing interests in the Series I are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series I at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series I to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) *Partial Redemption.* In case of any redemption of only part of the shares of Series I at the time outstanding, the shares to be redeemed shall be selected either pro rata or by lot. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series I shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) *Effectiveness of Redemption.* If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption unless the Corporation defaults in the payment of the redemption price of the shares of shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

Section 7. Voting Rights.

(a) *General.* The holders of Series I shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) *Right To Elect Two Directors Upon Nonpayment Events.* If and whenever dividends on any shares of Series I or any shares of Voting Preferred Stock shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a "Nonpayment Event"), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series I, together with the holders of all outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect the two additional directors (the "Preferred Stock Directors"), provided that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights) and that the election of any Preferred Stock Directors shall not cause the Corporation to violate the corporate governance requirements of the Nasdaq Global Select Market (or any other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors.

In the event that the holders of the Series I, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series I or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series I or any series of Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 10 below, or as may otherwise be required by law.

When dividends have been paid in full on the Series I and any Voting Preferred Stock for four consecutive Dividend Periods after a Nonpayment Event, then the right of the holders of Series I and Voting Preferred Stock to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series I and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of all of the outstanding shares of the Series I and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of all of the outstanding shares of the Series I and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office

of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) *Other Voting Rights.* So long as any shares of Series I are outstanding, in addition to any other vote or consent of stockholders required by law or by the Articles of Incorporation, the vote or consent of the holders of at least two-thirds of the shares of Series I and any Parity Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) *Authorization of Senior Stock.* Any amendment or alteration of the Articles of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series I with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) *Amendment of Series I.* Any amendment, alteration or repeal of any provision of the Articles of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series I, taken as a whole; or

(iii) *Share Exchanges, Reclassifications, Mergers and Consolidations.* Any consummation of a binding share exchange or reclassification involving the Series I, a merger or consolidation of the Corporation with another corporation or other entity, or a conversion, transfer, domestication or continuance into another entity or an entity organized under the laws of another jurisdiction, unless in each case (x) the shares of Series I remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity or in the case of any such conversion, transfer, domestication or continuance, the shares of Series I are converted into or exchanged for preferred securities of the surviving or resulting entity or its ultimate parent and such surviving or resulting entity or ultimate parent, as the case may be, is organized under the laws of the United States of America, any State thereof, the District of Columbia, Bermuda, the Cayman Islands or any country or state that is a member of the Organization of Economic Cooperation and Development, and (y) such shares remaining outstanding or such preferred securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series I immediately prior to such consummation, taken as a whole;

provided, however, that for all purposes of this Section 7(c), any increase in the amount of the authorized or issued Series I or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series I with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series I.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect the Series I and one or more but not all other series of Preferred Stock, then only the Series I and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

(d) *Changes for Clarification.* Without the consent of the holders of the Series I, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series I, the Corporation may amend, alter, supplement or repeal any terms of the Series I:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Articles of Amendment that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series I that is not inconsistent with the provisions of this Articles of Amendment.

(e) *Changes after Provision for Redemption.* No vote or consent of the holders of Series I shall be required pursuant to Section 7(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to

such Section, all outstanding shares of Series I shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

(f) *Procedures for Voting and Consents.* The rules and procedures for calling and conducting any meeting of the holders of Series I (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or any duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Articles of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series I is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series I, Parity Stock and/or Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series I are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

Section 8. Information Rights. During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and any shares of Series I are outstanding, the Corporation will use its best efforts to (a) transmit through the Corporation’s website at www.ucbi.com (or other permissible means under the Exchange Act) to all holders of the Series I, as their names and addresses appear on the record books of the Corporation and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, respectively, that the Corporation would have been required to file with the Securities and Exchange Commission (the “SEC”) pursuant to Section 13 or 15(d) of the Exchange Act if it were subject thereto (other than any exhibits that would have been required); and (b) promptly, upon request, supply copies of such reports to any holders or prospective holder of Series I. The Corporation will use its best efforts to mail (or otherwise provide) the information to the holders of the Series I within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if the Corporation were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which the Corporation would be required to file such periodic reports if it were a “non-accelerated filer” within the meaning of the Exchange Act.

Section 9. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series I may deem and treat the record holder of any share of Series I as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

Section 10. Notices. All notices or communications in respect of Series I shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Articles of Amendment, in the Articles of Incorporation or Bylaws or by applicable law.

Section 11. Rank. For the avoidance of doubt, the Board of Directors (or any duly authorized committee of the Board of Directors) may, without the vote of the holders of Series I, authorize and issue additional shares of Junior Stock or shares of any class or Series of stock of the Corporation now existing or hereafter authorized that ranks equally with the Series I in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

Section 12. No Preemptive or Conversion Rights. No share of Series I shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted. No share of Series I shall have any rights to convert such Series I into shares of any other class of capital stock of the Corporation.

Section 13. Other Rights. The shares of Series I shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law.

**ARTICLES OF AMENDMENT
OF
UNITED COMMUNITY BANKS, INC.**

1.

The name of the corporation is United Community Banks, Inc.

2.

Article V of the Restated Articles of Incorporation, as amended, of the corporation is amended by deleting the first paragraph of Article V and replacing it with the following in lieu thereof:

“The corporation shall have authority to issue 150,000,000 shares of common stock, \$1.00 par value (the “Common Stock”), 26,000,000 shares of non-voting common stock, \$1.00 par value (the “Non-Voting Common Stock”), having the powers, rights and preferences, and the qualifications, limitations and restrictions thereof, and 10,000,000 shares of preferred stock, \$1.00 par value (the “Preferred Stock”). Subject to the provisions of any applicable law or the Bylaws of the corporation (as from time to time amended) with respect to fixing the record date for the determination of shareholders entitled to vote, and except as otherwise provided by any applicable law or by the resolution or resolutions of the board of directors providing for the issue of any series of Preferred Stock, the holders of the Common Stock shall have and possess exclusive voting power and rights for the election of directors and for all other purposes, with each share being entitled to one vote.”

3.

The amendment set forth in Section 2 hereof was adopted by the board of directors of the corporation at a meeting duly convened and held on March 18, 2016 and duly approved by the shareholders of the corporation on May 11, 2016 in accordance with the provisions of Section 14-2-1003 of the Georgia Business Corporation Code.

4.

The effective time of these Articles of Amendment is at 5:01 p.m. on the date of filing of these Articles of Amendment.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Restated Articles of Incorporation, as amended, of United Community Banks, Inc. this 23rd day of June, 2016.

**UNITED COMMUNITY BANKS, INC.
A Georgia Corporation**

By: /s/ Rex S. Schuette

Rex S. Schuette

Executive Vice President &

Chief Financial Officer

**ARTICLES OF AMENDMENT
OF
UNITED COMMUNITY BANKS, INC.**

1.

The name of the corporation is United Community Banks, Inc.

2.

The Restated Articles of Incorporation, as amended, of the corporation are amended by adding the powers, rights, and preferences, and the qualifications, limitations, and restrictions thereof, of the Senior Non-Cumulative Perpetual Preferred Stock, Series H as set forth in Exhibit A attached hereto.

3.

The amendment was adopted by the board of directors of the corporation at a meeting duly convened and held on January 26, 2015. Pursuant to O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation, as amended, of the corporation, shareholder consent was not required.

4.

The effective time of these Articles of Amendment is at 5:00 p.m. on the date of filing of these Articles of Amendment.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Restated Articles of Incorporation, as amended, of United Community Banks, Inc. this 1st day of May, 2015.

UNITED COMMUNITY BANKS, INC.,
a Georgia corporation

By: /s/ Jimmy C. Tallent

Jimmy C. Tallent

Chairman & Chief Executive Officer

EXHIBIT A

**DESIGNATIONS, POWERS, PREFERENCES,
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS**

OF

SENIOR NON-CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES H

OF

UNITED COMMUNITY BANKS, INC.

First: The name of the corporation is **United Community Banks, Inc.**, a corporation organized and existing under the laws of the State of Georgia (the “Issuer”).

Second: The Restated Articles of Incorporation of the Issuer, as amended, authorize the issuance of 10,000,000 shares of preferred stock, par value \$1.00 per share, of the Issuer (“Preferred Stock”) in one or more series, and authorizes the Board of Directors of the Issuer (the “Board of Directors”) to fix by resolution or resolutions the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the shares of such series.

Third: That the following resolution was duly adopted by the Board of Directors as required by O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation at a meeting duly convened and held on January 26, 2015, at which a quorum was present and acting throughout.

Resolved, that pursuant to the provisions of the Restated Articles of Incorporation of the Issuer, as amended, and applicable law, a series of Preferred Stock, par value \$1.00 per share, of the Issuer be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

RIGHTS AND PREFERENCES

Section 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Issuer a series of preferred stock designated as the “Senior Non-Cumulative Perpetual Preferred Stock, Series H” (the “Designated Preferred Stock”). The authorized number of shares of Designated Preferred Stock shall be 9,992.

Section 2. Standard Provisions. The Standard Provisions contained in Schedule A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this Certificate of Designation to the same extent as if such provisions had been set forth in full herein.

Section 3. Definitions. The following terms are used in this Certificate of Designation (including the Standard Provisions in Schedule A hereto) as defined below:

(a) “Common Stock” means the common stock, par value \$1.00 per share, of the Issuer.

(b) “Definitive Agreement” means that certain Securities Purchase Agreement by and between MoneyTree Corporation, a Tennessee corporation (“MoneyTree”), and Treasury, dated as of the Original Signing Date, August 18, 2011, the obligations of which the Issuer agreed to assume pursuant to that certain Assignment and Assumption Agreement, by and between the Issuer and MoneyTree, and acknowledged by Treasury, dated as of the Signing Date.

(c) “Junior Stock” means the Common Stock, and any other class or series of stock of the Issuer the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend and redemption rights and/or as to rights on liquidation, dissolution or winding up of the Issuer.

(d) “Liquidation Amount” means \$1,000 per share of Designated Preferred Stock.

(e) “Minimum Amount” means (i) the amount equal to twenty-five percent (25%) of the aggregate Liquidation Amount of Designated Preferred Stock issued on the Original Issue Date or (ii) all of the outstanding Designated Preferred Stock, if the aggregate liquidation preference of the outstanding Designated Preferred Stock is less than the amount set forth in the preceding clause (i).

(f) “Original Signing Date” means August 18, 2011.

(g) “Parity Stock” means any class or series of stock of the Issuer (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Issuer (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).

(h) “Signing Date” means May 1, 2015.

(i) “Treasury” means the United States Department of the Treasury and any successor in interest thereto.

Section 4. Certain Voting Matters. Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred stock are entitled to vote, including any action by written consent.

STANDARD PROVISIONS

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designation. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the issuer, as set forth below.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) “Acquiror,” in any Holding Company Transaction, means the surviving or resulting entity or its ultimate parent in the case of a merger or consolidation or the transferee in the case of a sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of the consolidated assets of the Issuer and its subsidiaries, taken as a whole.

(b) “Affiliate” means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”) when used with respect to any person, means the possession, directly or indirectly through one or more intermediaries, of the power to cause the direction of management and/or policies of such person, whether through the ownership of voting securities by contract or otherwise.

(c) “Applicable Dividend Rate” has the meaning set forth in Section 3(a).

(d) “Appropriate Federal Banking Agency” means the “appropriate Federal banking agency” with respect to the Issuer as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(e) “Bank Holding Company” means a company registered as such with the Board of Governors of the Federal Reserve System pursuant to 12 U.S.C. §1842 and the regulations of the Board of Governors of the Federal Reserve System thereunder.

(f) “Baseline” means the “Initial Small Business Lending Baseline” set forth on the Initial Supplemental Report (as defined in the Definitive Agreement), subject to adjustment pursuant to Section 3(a).

(g) “Business Combination” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Issuer’s stockholders.

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(h) “Business Day” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York or the District of Columbia generally are authorized or required by law or other governmental actions to close.

(i) “Bylaws” means the bylaws of the Issuer, as they may be amended from time to time.

(j) “Call Report” has the meaning set forth in the Definitive Agreement.

(k) “Certificate of Designation” means the Certificate of Designation or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(l) “Charge-Offs” means the net amount of loans charged off by the Issuer or, if the Issuer is a Bank Holding Company or a Savings and Loan Holding Company, by the IDI Subsidiary(ies) during quarters that begin on or after the Original Signing Date, determined as follows:

(i) if the Issuer or the applicable IDI Subsidiary is a bank, by subtracting (A) the aggregate dollar amount of recoveries reflected on line RIAD4605 of its Call Reports for such quarters from (B) the aggregate dollar amount of charge-offs reflected on line RIAD4635 of its Call Reports for such quarters (without duplication as a result of such dollar amounts being reported on a year-to-date basis); or

(ii) if the Issuer or the applicable IDI Subsidiary is a thrift, by subtracting (A) the sum of the aggregate dollar amount of recoveries reflected on line VA140 of its Call Reports for such quarters and the aggregate dollar amount of adjustments reflected on line VA150 of its Call Reports for such quarters from (B) the aggregate dollar amount of charge-offs reflected on line VA160 of its Call Reports for such quarters.

(m) “Charter” means the Issuer’s certificate or articles of incorporation, articles of association, or similar organizational document.

(n) “CPP Lending, Incentive Fee” has the meaning set forth in Section 3(e).

(o) “Current Period” has the meaning set forth in Section 3(a)(i)(2).

(p) “Dividend Payment Date” means January 1, April 1, July 1, and October 1 of each year.

(q) “Dividend Period” means the period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date; provided, however, the initial Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date (the “Initial Dividend Period”).

(r) “Dividend Record Date” has the meaning set forth in Section 3(b).

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(s) “Dividend Reference Period” has the meaning set forth in Section 3(a)(i)(2).

(t) “GAAP” means generally accepted accounting principles in the United States.

(u) “Holding Company Preferred Stock” has the meaning set forth in Section 7(c)(v).

(v) “Holding Company Transaction” means the occurrence of (a) any transaction (including, without limitation, any acquisition, merger or consolidation) the result of which is that a “person” or “group” within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended, (i) becomes the direct or indirect ultimate “beneficial owner,” as defined in Rule 13d-3 under that Act, of common equity of the Issuer representing more than 50% of the voting power of the outstanding Common Stock or (ii) is otherwise required to consolidate the Issuer for purposes of generally accepted accounting principles in the United States, or (b) any consolidation or merger of the Issuer or similar transaction or

any sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of the consolidated assets of the Issuer and its subsidiaries, taken as a whole, to any Person other than one of the Issuer's subsidiaries; provided that, in the case of either clause (a) or (b), the Issuer or the Acquiror is or becomes a Bank Holding Company or Savings and Loan Holding Company.

(w) "IDI Subsidiary" means any Issuer Subsidiary that is an insured depository institution.

(x) "Increase in QSBL" means:

(i) with respect to the first (1st) Dividend Period, the difference obtained by subtracting (A) the Baseline from (B) QSBL set forth in the Initial Supplemental Report (as defined in the Definitive Agreement); and

(ii) with respect to each subsequent Dividend Period, the difference obtained by subtracting (A) the Baseline from (B) QSBL for the Dividend Reference Period for the Current Period.

(y) "Initial Dividend Period" has the meaning set forth in the definition of "Dividend Period".

(z) "Issuer Subsidiary" means any subsidiary of the Issuer.

(aa) "Liquidation Preference" has the meaning set forth in Section 4(a).

(bb) "Non-Qualifying Portion Percentage" means with respect to any particular Dividend Period, the percentage obtained by subtracting the Qualifying Portion Percentage from one (1).

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(cc) "Original Issue Date" means the date on which shares of Designated Preferred Stock are first issued.

(dd) "Percentage Change in QSBL" has the meaning set forth in Section 3(a)(ii)

(ee) "Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.

(ff) "Preferred Director" has the meaning set forth in Section 7(c).

(gg) "Preferred Stock" means any and all series of preferred stock of the Issuer, including the Designated Preferred Stock.

(hh) "Previously Acquired Preferred Shares" has the meaning set forth in the Definitive Agreement.

(ii) "Private Capital" means, if the Issuer is Matching Private Investment Supported (as defined in the Definitive Agreement), the equity capital received by the Issuer or the applicable Affiliate of the Issuer from one or more non-governmental investors in accordance with Section 1.3(m) of the Definitive Agreement.

(jj) "Publicly-traded" means a company that (i) has a class of securities that is traded on a national securities exchange and (ii) is required to file periodic reports with either the Securities and Exchange Commission or its primary federal bank regulator.

(kk) "Qualified Small Business Lending" or "QSBL" means, with respect to any particular Dividend Period, the "Quarter-End Adjusted Qualified Small Business Lending" for such Dividend Period set forth in the applicable Supplemental Report.

(ll) "Qualifying Portion Percentage" means, with respect to any particular "Dividend Period, the percentage obtained by dividing (i) the Increase in QSBL for such Dividend Period by (ii) the aggregate Liquidation Amount of then-outstanding Designated Preferred Stock.

(mm) "Savings and Loan Holding Company" means a company registered as such with the Office of Thrift Supervision pursuant to 12 U.S.C. §1467a(b) and the regulations of the Office of Thrift Supervision promulgated thereunder.

(nn) “Share Dilution Amount” means the increase in the number of diluted shares outstanding (determined in accordance with GAAP applied on a consistent basis, and as measured from the date of the Issuer’s or MoneyTree’s, as applicable most recent consolidated financial statements prior to the Signing Date) resulting from the grant, vesting or exercise of equity-based compensation to employees and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

(oo) “Original Signing Date Tier 1 Capital Amount” means \$31,579,357.

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(pp) “Standard Provisions” mean these Standard Provisions that form a part of the Certificate of Designation relating to the Designated Preferred Stock.

(qq) “Supplemental Report” means a Supplemental Report delivered by the Issuer to Treasury pursuant to the Definitive Agreement.

(rr) “Tier 1 Dividend Threshold” means, as of any particular date, the result of the following formula:

$$((A + B - C) * 0.9) - D$$

where:

A = Original Signing Date Tier 1 Capital Amount;

B = the aggregate Liquidation Amount of the Designated Preferred Stock issued to Treasury;

C = the aggregate amount of Charge-Offs since the Original Signing Date; and

D = (i) beginning on the first day of the eleventh (11th) Dividend Period, the amount equal to ten percent (10%) of the aggregate Liquidation Amount of the Designated Preferred Stock issued to Treasury as of the Effective Date (without regard to any redemptions of Designated Preferred Stock that may have occurred thereafter) for every one percent (1%) of positive Percentage Change in Qualified Small Business Lending between the ninth (9th) Dividend Period and the Baseline; and

(ii) zero (0) at all other times.

(ss) “Voting Parity Stock” means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Section 7(d) of these Standard Provisions that form a part of the Certificate of Designation, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 3. Dividends.

(a) Rate.

(i) The “Applicable Dividend Rate” shall be determined as follows:

(1) With respect to the Initial Dividend Period, the Applicable Dividend Rate shall be five percent (5%).

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(i) With respect to each of the second (2nd) through the tenth (10th) Dividend Periods, inclusive (in each case, the “Current Period”), the Applicable Dividend Rate shall be:

(A) (x) the applicable rate set forth in column “A” of the table in Section 3(a)(iii), based on the Percentage Change in QSBL between the Dividend Period that was two Dividend Periods prior to the Current Period (the “Dividend Reference Period”) and the Baseline, multiplied by (y) the Qualifying Portion Percentage; plus

(B) (x) five percent (5%) multiplied by (y) the Non-Qualifying Portion Percentage.

In each such case, the Applicable Dividend Rate shall be determined at the time the Issuer delivers a complete and accurate Supplemental Report to Treasury with respect to the Dividend Reference Period.

(3) With respect to the eleventh (11th) through the eighteenth (18th) Dividend Periods, inclusive, and that portion of the nineteenth (19th) Dividend Period prior to, but not including, the four and one half (4½) year anniversary of the Original Issue Date, the Applicable Dividend Rate shall be:

(A) (x) the applicable rate set forth in column “B” of the table in Section 3(a)(iii), based on the Percentage Change in QSBL between the ninth (9th) Dividend Period and the Baseline, multiplied by (y) the Qualifying Portion Percentage, calculated as of the last day of the ninth (9th) Dividend Period; plus

(B) (x) five percent (5%) multiplied by (y) the Non-Qualifying Portion Percentage, calculated as of the last day of the ninth (9th) Dividend Period.

In such case, the Applicable Dividend Rate shall be determined at the time the Issuer delivers a complete and accurate Supplemental Report to Treasury with respect to the ninth (9th) Dividend Period.

(4) With respect to (A) that portion of the nineteenth (19th) Dividend Period beginning on the four and one half (4½) year anniversary of the Original Issue Date and (B) all Dividend Periods thereafter, the Applicable Dividend Rate shall be nine percent (9%).

(5) Notwithstanding anything herein to the contrary, if the Issuer fails to submit a Supplemental Report that is due during any of the second (2nd) through tenth (10th) Dividend Periods on or before the sixtieth (60th) day of such Dividend Period, the Issuer’s QSBL for the Dividend Period that would have been covered by such Supplemental Report shall be zero (0) for purposes hereof.

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- (i) Notwithstanding anything herein to the contrary, but subject to Section 3(a)(i)(5) above, if the Issuer fails to submit the Supplemental Report that is due during the tenth (10th) Dividend Period, the Issuer’s QSBL for the shall be zero (0) for purposes of calculating the Applicable Dividend Rate pursuant to Section 3(a)(i)(3) and (4). The Applicable Dividend Rate shall be re-determined effective as of the first day of the calendar quarter following the date such failure is remedied, provided it is remedied prior to the four and one half (4½) anniversary of the Original Issue Date.
- (ii) Notwithstanding anything herein on the contrary, if the Issuer fails to submit any of the certificates required by Sections 3.1(d)(ii) or 3.1(d)(iii) of the Definitive Agreement when and as required thereby, the Issuer’s QSBL for the shall be zero (0) for purposes of calculating the Applicable Dividend Rate pursuant to Section 3(a)(1)(2) or (3) above until such failure is remedied.

(ii) The “Percentage Change in Qualified Lending” between any given Dividend Period and the Baseline shall be the result of the following formula, expressed as a percentage:

$$\left(\frac{(\text{QSBL for the Dividend Period} - \text{Baseline})}{\text{Baseline}} \right)$$

(iii) The following table shall be used for determining the Applicable Dividend Rate:

	The Applicable Dividend Rate shall be:	
	Column "A" (each of the 2nd – 10th Dividend Periods)	Column "B" (11th – 18th and the first part of the 19th Dividend Periods)
If the Percentage Change in Qualified Lending is:		
0% or less	5%	7%
More than 0%, but less than 2.5%	5%	5%
2.5% or more, but less than 5%	4%	4%
5% or more, but less than 7.5%	3%	3%
7.5% or more, but less than 10%	2%	2%
10% or more	1%	1%

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(iv) If the Issuer consummates a Business Combination, a purchase of loans or a purchase of participations in loans and the Designated Preferred Stock remains outstanding thereafter, then the Baseline shall thereafter be the "Quarter-End Adjusted Small Business Lending Baseline" set forth on the Quarterly Supplemental Report (as defined in the Definitive Agreement).

(b) **Payment.** Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, non-cumulative cash dividends with respect to:

(i) each Dividend Period (other than the Initial Dividend Period) at a rate equal to one-fourth ($\frac{1}{4}$) of the Applicable Dividend Rate with respect to each Dividend Period on the Liquidation Amount per share of Designated Preferred Stock, and no more, payable quarterly in arrears on each Dividend Payment Date; and

(ii) the Initial Dividend Period, on the first such Dividend Payment Date to occur at least twenty (20) calendar days after the Original Issue Date, an amount equal to (A) the Applicable Dividend Rate with respect to the Initial Dividend Period multiplied by (B) the number of days from the Original Issue Date to the last day of the Initial Dividend Period (inclusive) divided by 360.

In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. For avoidance of doubt, "payable quarterly in arrears" means that, with respect to any particular Dividend Period, dividends begin accruing on the first day of such Dividend Period and are payable on the first day of the next Dividend Period.

The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of four 90-day quarters, and actual days elapsed over a 90-day quarter.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Issuer on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designation).

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(c) Non-Cumulative. Dividends on shares of Designated Preferred Stock shall be non-cumulative. If the Board of Directors or any duly authorized committee of the Board of Directors does not declare a dividend on the Designated Preferred Stock in respect of any Dividend Period:

(i) the holders of Designated Preferred Stock shall have no right to receive any dividend for such Dividend Period, and the Issuer shall have no obligation to pay a dividend for such Dividend Period, whether or not dividends are declared for any subsequent Dividend Period with respect to the Designated Preferred Stock; and

(ii) the Issuer shall, within five (5) calendar days, deliver to the holders of the Designated Preferred Stock a written notice executed by the Chief Executive Officer and the Chief Financial Officer of the Issuer stating the Board of Directors' rationale for not declaring dividends.

(d) Priority of Dividends; Restrictions on Dividends.

(i) Subject to Sections 3(d)(ii), (iii) and (v) and any restrictions imposed by the Appropriate Federal Banking Agency or, if applicable, the Issuer's state bank supervisor (as defined in Section 3(r) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(q)), so long as any share of Designated Preferred Stock remains outstanding, the Issuer may declare and pay dividends on the Common Stock, any other shares of Junior Stock, or Parity Stock, in each case only if (A) after giving effect to such dividend the Issuer's Tier 1 capital would be at least equal to the Tier 1 Dividend Threshold, and (B) full dividends on all outstanding shares of Designated Preferred Stock for the most recently completed Dividend Period have been or are contemporaneously declared and paid.

(ii) If a dividend is not declared and paid in full on the Designated Preferred Stock in respect of any Dividend Period, then from the last day of such Dividend Period until the last day of the third (3rd) Dividend Period immediately following it, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock; provided, however, that in any such Dividend Period in which a dividend is declared and paid on the Designated Preferred Stock, dividends may be paid on Parity Stock to the extent necessary to avoid any material breach of a covenant by which the Issuer is bound.

(iii) When dividends have not been declared and paid in full for an aggregate of four (4) Dividend Periods or more, and during such time the Issuer was not subject to a regulatory determination that prohibits the declaration and payment of dividends, the Issuer shall, within five (5) calendar days of each missed payment, deliver to the holders of the Designated Preferred Stock a certificate executed by at least a majority of the Board of Directors stating that the Board of Directors used its best efforts to declare and pay such dividends in a manner consistent with (A) safe and sound banking practices and (B) the directors' fiduciary obligations.

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(iv) Subject to the foregoing and Section 3(e) below and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

(v) If the Issuer is not Publicly-Traded, then after the tenth (10th) anniversary of the Original Signing Date, so long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock.

(e) Special Lending Incentive Fee Related to CPP. If Treasury held Previously Acquired Preferred Shares immediately prior to the Original Issue Date and the Issuer did not apply to Treasury to redeem such Previously Acquired Preferred Shares prior to December 16, 2010, and if the Issuer's Supplemental Report with respect to the ninth (9th) Dividend Period reflects an amount of Qualified Small Business Lending that is less than or equal to the Baseline (or if the Issuer fails to timely file a Supplemental Report with respect to the ninth (9th) Dividend Period), then beginning on May 15, 2014 and on all Dividend Payment Dates thereafter ending on April 1, 2016, the Issuer shall pay to the Holders of Designated Preferred Stock, on each share of Designated Preferred Stock, but only out of assets legally available therefor, a fee equal to 0.5% of the Liquidation Amount per share of Designated Preferred Stock ("CPP Lending Incentive Fee"). All references in Section 3(d) to "dividends" on the Designated Preferred Stock shall be deemed to include the CPP Lending Incentive Fee.

Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Issuer, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Issuer or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Issuer, subject to the rights of any creditors of the Issuer, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Issuer ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends on each such share (such amounts collectively, the "Liquidation Preference").

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Issuer or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

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(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Issuer ranking equally with Designated Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Issuer shall be entitled to receive all remaining assets of the Issuer for proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Is Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Issuer with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (or cash, securities or other property) of all or substantially all of the assets of the Issuer, shall not constitute a liquidation, dissolution or winding up of the Issuer.

Section 5. Redemption.

(a) Optional Redemption.

(i) Subject to the other provisions of this Section 5:

- (1) The Issuer, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding; and
- (2) If, after the Signing Date, there is a change in law that modifies the terms of Treasury's investment in the Designated Preferred Stock or the terms of Treasury's Small Business Lending Fund program in a materially adverse respect for the Issuer or MoneyTree, as applicable, the Issuer or MoneyTree, as applicable may, after consultation with the Appropriate Federal Banking Agency, redeem all of the shares of Designated Preferred Stock at the time outstanding.

(ii) The per-share redemption price for shares of Designated Preferred Stock shall be equal to the sum of:

- (1) the Liquidation Amount per share,
- (2) the per-share amount of any unpaid dividends for the then current Dividend Period at the Applicable Dividend Rate to, but excluding, the date fixed for redemption (regardless of whether any dividends are actually declared for that Dividend Period; and
- (3) the pro rata amount of CPP Lending Incentive Fees for the current Dividend Period.

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The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Issuer or its agent. Any declared but unpaid dividends for the then current Dividend Period payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Issuer. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either pro rata or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable, but in any event the shares to be redeemed shall not be less than the Minimum Amount. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time, subject to the approval of the Appropriate Federal Banking Agency. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

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(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Issuer, in trust for the pro rata benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least \$500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Issuer, after which time the holders of the shares so called for redemption shall look only to the Issuer for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Issuer shall revert to authorized but unissued shares of Preferred Stock (provided that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) Board Observation Rights. Whenever, at any time or times, dividends on the shares of Designated Preferred Stock have not been declared and paid in full within five (5) Business Days after each Dividend Payment Date for an aggregate of five (5) Dividend Periods or more, whether or not consecutive, the Issuer shall invite a representative selected by the holders of a majority of the outstanding shares of Designated Preferred Stock, voting as a single class, to attend all meetings of its Board of Directors in a nonvoting observer capacity and, in this respect, shall give such representative copies of all notices, minutes, consents, and other materials that it provides to its directors in connection with such meetings; provided, that the holders of the Designated Preferred Stock shall not be obligated to select such a representative, nor shall such representative, if selected, be obligated to attend any meeting to which he/she is invited. The rights of the holders of the Designated Preferred Stock set forth in this Section 7(b) shall terminate when full dividends have been timely paid on the Designated Preferred Stock for at least four consecutive Dividend Periods, subject to revesting in the event of each and every subsequent default of the character above mentioned.

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(c) Preferred Stock Directors. Whenever, at any time or times, (i) dividends on the shares of Designated Preferred Stock have not been declared and paid in full within five (5) Business Days after each Dividend Payment Date for an aggregate of six (6) Dividend Periods or more, whether or not consecutive, and (ii) the aggregate liquidation preference of the then-outstanding shares of Designated Preferred Stock is greater than or equal to \$25,000,000, the authorized number of directors of the Issuer shall automatically be increased by two and the holders of the Designated Preferred Stock, voting as a single class, shall have the right, but not the obligation, to elect two directors (hereinafter the "Preferred Directors" and each a "Preferred Director") to fill such newly created directorships at the Issuer's next annual meeting of stockholders (or, if the next annual meeting is not yet scheduled or is scheduled to occur more than thirty days later, the President of the Company shall promptly call a special meeting for that purpose) and at each subsequent annual meeting of stockholders until full dividends have been timely paid on the Designated Preferred Stock for at least four consecutive Dividend Periods, at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned; provided that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Issuer to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Issuer may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any termination of the right of the holders of shares of Designated Preferred Stock to vote for directors as provided above, the Preferred Directors shall cease to be qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the holders of a majority of the outstanding shares of Designated Preferred Stock, voting as a single class, may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(d) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the written consent of (x) Treasury if Treasury holds any shares of Designated Preferred Stock, or (y) the holders of a majority of the outstanding shares of Designated Preferred Stock, voting as a single class, if Treasury does not hold any shares of Designated Preferred Stock, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designation for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of any class or series of capital stock of the Issuer ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Issuer;

(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designation for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(d)(iii) below, any amendment, alteration or repeal by means of a merger,

consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock;

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(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Subject to Section 7(d)(v) below, any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Issuer with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Issuer is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof that are the same as the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole; provided, that in all cases, the obligations of the Issuer are assumed (by operation of law or by express written assumption) by the resulting entity or its ultimate parent;

(iv) Certain Asset Sales. Any sale of all, substantially all, or any material portion of, the assets of the Company, if the Designated Preferred Stock will not be redeemed in full contemporaneously with the consummation of such sale; and

(v) Holding Company Transactions. Any consummation of a Holding Company Transaction, unless as a result of the Holding Company Transaction each share of Designated Preferred Stock shall be converted into or exchanged for one share with an equal liquidation preference of preference securities of the Issuer or MoneyTree, as applicable or the Acquiror (the "Holding Company Preferred Stock"). Any such Holding Company Preferred Stock shall entitle holders thereof to dividends from the date of issuance of such Holding Company Preferred Stock on terms that are equivalent to the terms set forth herein, and shall have such other rights, preferences, privileges and voting powers, and limitations and restrictions thereof that are the same as the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such conversion or exchange, taken as a whole;

provided, however, that for all purposes of this Section 7(d), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Issuer to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Issuer will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

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(e) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(f) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Restriction on Redemptions and Repurchases.

(a) Subject to Sections 8(b) and (c), so long as any share of Designated Preferred Stock remains outstanding, the Issuer may repurchase or redeem any shares of Capital Stock (as defined below), in each case only if (i) after giving effect to such dividend, repurchase or redemption, the Issuer's Tier 1 capital would be at least equal to the Tier 1 Dividend Threshold and (ii) dividends on all outstanding shares of Designated Preferred Stock for the most recently completed Dividend Period have been or are contemporaneously declared and paid (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date).

(b) If a dividend is not declared and paid on the Designated Preferred Stock in respect of any Dividend Period, then from the last day of such Dividend Period until the last day of the third (3rd) Dividend Period immediately following it, neither the Issuer nor any Issuer Subsidiary shall, redeem, purchase or acquire any shares of Common Stock, Junior Stock, Parity Stock or other capital stock or other equity securities of any kind of the Issuer or any Issuer Subsidiary, or any trust preferred securities issued by the Issuer or any Affiliate of the Issuer ("Capital Stock"), (other than (i) redemptions, purchases, repurchases or other acquisitions of the Designated Preferred Stock and (ii) repurchases of Junior Stock or Common Stock in connection with the administration of any employee benefit plan in the ordinary course of business (including purchases to offset any Share Dilution Amount pursuant to a publicly announced repurchase plan) and consistent with past practice provided that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount, (iii) the acquisition by the Issuer or any of the Issuer Subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Issuer or any other Issuer Subsidiary), including as trustees or custodians, (iv) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock or trust preferred securities for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case set forth in this clause (iv), solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date by MoneyTree or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock, (v) redemptions of securities held by the Issuer or any wholly-owned Issuer Subsidiary or (vi) redemptions, purchases or other acquisitions of capital stock or other equity securities of any kind of any Issuer Subsidiary required pursuant to binding contractual agreements entered into prior to (x) if Treasury held Previously Acquired Preferred Shares immediately prior to the Original Issue Date, the original issue date of such Previously Acquired Preferred Shares, or (y) otherwise, the Signing Date).

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(c) If the Issuer is not Publicly-Traded, then after the tenth (10th) anniversary of the Signing Date, so long as any share of Designated Preferred Stock remains outstanding, no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Issuer or any of its subsidiaries.

Section 9. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Issuer, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 10. References to Line Items of Supplemental Reports. If Treasury modifies the form of Supplemental Report, pursuant to its rights under the Definitive Agreement, and any such modification includes a change to the caption or number of any line item on the Supplemental Report, then any reference herein to such line item shall thereafter be a reference to such re-captioned or re-numbered line item.

Section 11. Record Holders. To the fullest extent permitted by applicable law, the Issuer and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Issuer nor such transfer agent shall be affected by any notice to the contrary.

Section 12. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designation, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 13. Replacement Certificates. The Issuer shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Issuer. The Issuer shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Issuer of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Issuer.

Section 14. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

CERTIFICATE OF DESIGNATION

OF

NON-VOTING COMMON STOCK

OF

UNITED COMMUNITY BANKS, INC.

1. **Designation.** The shares of such class of non-voting common stock, \$1.00 par value, of United Community Banks, Inc. (the "Corporation") shall be designated "Non-Voting Common Stock" (referred to herein as the "Non-Voting Common Stock").

2. **Authorized Number.** The number of shares constituting the Non-Voting Common Stock shall be as set forth in the first paragraph of Article V of the Restated Articles of Incorporation, as amended.

3. **Rights.** Except as set forth below, the Non-Voting Common Stock shall have the same rights and privileges, share ratably and be identical in all respects to the Common Stock as to all matters. Each share of Non-Voting Common Stock shall have the same relative powers, preferences and rights as, and shall be identical in all respects with, all the other shares of Non-Voting Common Stock of the Corporation.

4. **Voting Rights.** The holders of Non-Voting Common Stock shall have no voting rights except as provided herein or required by law. Notwithstanding the foregoing, and in addition to any other vote required by law, the affirmative vote of the holders of a majority of the outstanding shares of Non-Voting Common Stock, voting separately as a class, shall be required to amend, alter or repeal (including by merger, consolidation or otherwise) any provision of these Articles of Amendment that significantly and adversely affects the rights, preferences or privileges of the Non-Voting Common Stock contained herein.

5. **Dividends.** Subject to preferential dividend rights, if any, applicable to any shares of the Preferred Stock, the holders of Non-Voting Common Stock shall be entitled to receive, to the extent permitted by law, such dividends as may be declared from time to time by the Board of Directors on the Common Stock. If a dividend is declared and paid with respect to the Common Stock, then the Board shall declare and pay an equivalent dividend, on a per share basis, to the Non-Voting Common Stock. Likewise, if the Board of Directors declares and pays a dividend on the Non-Voting Common Stock, it shall declare and pay an equivalent dividend, on a per share basis, on the Common Stock. The holders of the Non-Voting Common Stock shall share ratably in any such dividend in proportion to the number of shares of Common Stock and Non-Voting Common Stock held by each such holder. All dividends paid with respect to the Common Stock and Non-Voting Common Stock shall be paid pro rata to the holders of such shares entitled thereto; provided, however, that no dividend payable in Common Stock or rights or warrants to subscribe for Common Stock shall be declared on the Non-Voting Common Stock and no dividend payable in Non-Voting Common Stock or rights or warrants to subscribe for Non-Voting Common Stock shall be declared on the Common Stock, but instead, in the case of such a dividend, each class shall receive such dividend in like stock or rights or warrants to subscribe for like stock.

6. **Distributions.** In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the Corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of Preferred Stock, holders of the Common Stock and the Non-Voting Common Stock shall be entitled to receive all the remaining assets of the Corporation of whatever kind available for distribution to shareholders ratably in proportion to the number of shares of Common Stock and Non-Voting Common Stock held by them.

7. **Adjustment.** In the event of any stock split, combination or other reclassification of shares of either the Common Stock or the Non-Voting Common Stock, the outstanding shares of the other class shall be proportionately split, combined or

reclassified in a similar manner, provided, however, that in any such transaction, only holders of Common Stock shall receive shares of Common Stock and only holders of Non-Voting Common Stock shall receive shares of Non-Voting Common Stock.

8. Conversion.

(a) The Non-Voting Common Stock may be converted into Common Stock in accordance with the provisions of this paragraph 8 by any Convertible Holder following an Approved Transfer (as defined herein). The term "Approved Transfer" means a sale or other transfer (i) to an Affiliate of the holder of the Non-Voting Common Stock to be transferred under common control with such holder's ultimate parent, general partner or investment advisor but only if the transferee agrees in writing for the benefit of the Corporation to be bound by the terms of that certain Investment Agreement or Subscription Agreement by and between the Corporation and such holder pursuant to which such shares of Non-Voting Common Stock were sold to such holder (the "Investment Agreement"); (ii) in a widely distributed public offering registered pursuant to the Securities Act of 1933, as amended; (iii) to a person that is acquiring at least a majority of the Corporation's outstanding "voting securities" (as defined in the Bank Holding Company Act of 1956, as amended and any rules or regulations promulgated thereunder) not including any voting securities such person is acquiring from the holder of the Non-Voting Common Stock to be transferred or its Affiliates; or (iv) upon certification by the holder of the Non-Voting Common Stock to be transferred in writing to the Corporation that the such holder believes that the transferee shall not, after giving effect to such transfer, own for purposes of the Bank Holding Company Act of 1956, as amended, or the Change of Bank Control Act of 1978, as amended, and any rules and regulations promulgated thereunder, more than 2% of any class of voting securities of the Corporation outstanding at such time. The term "Affiliate" means, with respect to any person, any person directly or indirectly, controlling, controlled by or under common control with, such other person. "Convertible Holder" means a holder of Non-Voting Common Stock, other than the initial holder of such Non-Voting Common Stock or an Affiliate thereof, who acquires one or more shares of Non-Voting Common Stock in an Approved Transfer.

(b) *Conditions of Conversion.* Following an Approved Transfer, a Convertible Holder may surrender to the Corporation (at the principal office of the Corporation) a certificate or certificates representing all or part of the Convertible Holder's shares of Non-Voting Common Stock and in such event each share of Non-Voting Common Stock represented by such certificate or certificates will convert into one share of Common Stock. Except as otherwise provided herein, each conversion of Non-Voting Common Stock shall be deemed to have been effected as of the close of business on the date on which the certificate or certificates representing such shares of Non-Voting Common Stock to be converted have been surrendered for conversion at the principal office of the Corporation. Notwithstanding any other provision hereof, if a conversion of Non-Voting Common Stock is to be made in connection with a merger, consolidation, reclassification or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property or any dissolution or liquidation, the conversion of any shares of Non-Voting Common Stock may, at the election of the holder thereof, be conditioned upon the consummation of such event or transaction, in which case such conversion shall not be deemed to be effective until such event or transaction has been consummated.

(c) *Reservation of Stock Issuable Upon Conversion.* The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Non-Voting Common Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Non-Voting Common Stock. The Corporation shall take all action necessary so that all shares of Common Stock issuable upon conversion of Non-Voting Common Stock will, upon issue, be duly and validly issued, fully paid, and non-assessable, and free from all taxes, liens, charges and encumbrances in respect of the issuance or delivery thereof. The Corporation shall take all such actions as may be necessary to assure that all such shares of Common Stock issuable upon conversion of the Non-Voting Common Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares may be listed (except for official notice of issuance which shall be immediately delivered by the Corporation upon each such issuance). The Corporation shall not take any action which would cause the number of authorized but unissued shares of Common Stock to be less than the number of such shares required to be reserved hereunder for issuance upon conversion of the Non-Voting Common Stock.

9. Mergers, Consolidations, Etc. In the event of any merger, consolidation, reclassification or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, each share of Non-Voting Common Stock will at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, that each share of Common Stock would be entitled to receive as a result of such transaction, provided that at the election of such holder, any securities issued with respect to the Non-Voting Common Stock shall be non-voting securities under the resulting corporation's organizational documents and the Corporation shall make appropriate provisions (in form and substance reasonably satisfactory to the holders of a majority of the Non-Voting Common Stock then outstanding) and take such actions

necessary to ensure that holders of the Non-Voting Common Stock shall retain securities with substantially the same rights and benefits as the Non-Voting Common Stock. Subject to the foregoing, in the event the holders of Common Stock are provided the right to convert or exchange Common Stock for stock or securities, cash and/or any other property, then the holders of the Non-Voting Common Stock shall be provided the same right based upon the number of shares of Common Stock such holders would be entitled to receive if such shares of Non-Voting Common Stock were converted into shares of Common Stock immediately prior to such offering. In the event that the Corporation offers to repurchase shares of Common Stock from its shareholders generally, the Corporation shall offer to repurchase Non-Voting Common Stock pro rata based upon the number of shares of Common Stock such holders would be entitled to receive if such shares were converted into shares of Common Stock immediately prior to such repurchase. In the event of any pro rata subscription offer, rights offer or similar offer to holders of Common Stock, the Corporation shall provide the holders of the Non-Voting Common Stock the right to participate based upon the number of shares of Common Stock such holders would be entitled to receive if such shares were converted into shares of Common Stock immediately prior to such offering; provided that at the election of such holder, any shares issued with respect to the Non-Voting Common Stock shall be issued in the form of Non-Voting Common Stock rather than Common Stock.

10. **Notices.** At any time notice is provided to the holders of Common Stock, the Corporation shall give written notice to all holders of Non-Voting Common Stock at or prior to such time.

ARTICLES OF AMENDMENT

OF

UNITED COMMUNITY BANKS, INC.

1.

The name of the corporation is United Community Banks, Inc.

2.

In connection with the corporation's reclassification of its common stock pursuant to which each 1 share of common stock is to be reclassified into one-fifth (1/5) of a share of common stock (so that, conversely, each 5 shares of such common stock is to be reclassified into 1 share of common stock), Section I of the Certificate of Designation of Common Stock Equivalent Junior Preferred Stock of United Community Banks, Inc. is amended by deleting the definition of "Initial Conversion Rate" therein and replacing it with the following in lieu thereof:

"Initial Conversion Rate" means, for each share of Junior Preferred Stock, twenty (20) shares of Common Stock.

In addition, in connection with such reclassification, the corporation hereby supplements the Certificate of Rights and Preferences of Series C Convertible Preferred Stock of United Community Banks, Inc. as set forth in the Supplemental Certificate of Rights and Preferences attached hereto as Exhibit A .

3.

Article V of the Restated Articles of Incorporation, as amended, of the corporation is amended by deleting the first paragraph of Article V and replacing it with the following in lieu thereof:

"The corporation shall have authority to issue 100,000,000 shares of common stock, \$1.00 par value (the "Common Stock"), 26,000,000 shares of non-voting common stock, \$1.00 par value (the "Non-Voting Common Stock"), having the powers, rights and preferences, and the qualifications, limitations and restrictions thereof, as set forth in Exhibit A attached hereto, and 10,000,000 shares of preferred stock, \$1.00 par value (the "Preferred Stock"). Subject to the provisions of any applicable law or the Bylaws of the corporation (as from time to time amended) with respect to fixing the record date for the determination of shareholders entitled to vote, and except as otherwise provided by any applicable law or by the resolution or resolutions of the board of directors providing for the issue of any series of Preferred Stock, the holders of the Common Stock shall have and possess exclusive voting power and rights for the election of directors and for all other purposes, with each share being entitled to one vote."

The amendment to Article V of the Restated Articles of Incorporation, as amended, will result in each 1 share of the corporation's common stock and each 1 share of the corporation's non-voting common stock to be reclassified into one-fifth (1/5) of a share of common stock or non-voting common stock, respectively (so that, conversely, each 5 shares of such common stock or non-voting common stock is to be reclassified into 1 share of common stock or non-voting common stock, respectively). The \$1.00 par value of the common stock and non-voting common stock will not change as a result of such reclassification.

4.

The amendment set for in Section 2 hereof was adopted by the board of directors of the corporation at a meeting duly convened and held on June 16, 2011, and shareholder approval was not required for such amendment pursuant to the Georgia Business Corporation Code.

The amendment set for in Section 3 hereof was adopted by the board of directors of the corporation at a meeting duly convened and held on April 15, 2011 and duly approved by the shareholders of the corporation on June 16, 2011 in accordance with the provisions of Section 14-2-1003 of the Georgia Business Corporation Code.

5.

The effective time of these Articles of Amendment is at 5:01 p.m. on the date of the filing of these Articles of Amendment.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Restated Articles of Incorporation, as amended, of United Community Banks, Inc. this 17th day of June, 2011.

UNITED COMMUNITY BANKS, INC.

By: /s/ Rex S. Schuette
Name: Rex S. Schuette
Title: EVP & CFO

SUPPLEMENTAL CERTIFICATE OF RIGHTS AND PREFERENCES

OF

SERIES C CONVERTIBLE PREFERRED STOCK

OF

UNITED COMMUNITY BANKS, INC.

Pursuant to the authority vested in the Board of Directors (the "Board") by the Restated Articles of Incorporation of United Community Banks, Inc. (the "Corporation"), as amended (the "Articles of Incorporation"), the Board does hereby supplement the Certificate of Rights and Preferences of Series C Convertible Preferred Stock of United Community Banks, Inc. (the "Certificate") by adding the following thereto:

For purposes of clarification, if the Company at any time subdivides or combines (by, as applicable, any stock split, reverse stock split, stock dividend, other reclassification, recapitalization, reorganization or otherwise) the shares of Common Stock and/or Common Stock Equivalent Junior Preferred Stock into a greater or lesser number of shares, as the case may be, then, after the date of record for effecting each such transaction, all measurements and references herein related to Conversion Price and Redemption Price will be proportionately decreased or increased, respectively, and all references to share numbers for such securities herein will be proportionately increased or decreased, respectively, to reflect the effect of any such transaction.

In addition, notwithstanding anything in the Certificate to the contrary, if the Company at any time combines (by any reverse stock split, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock and/or Common Stock Equivalent Junior Preferred Stock into a smaller number of shares, then, after the date of record for effecting each such transaction, all measurements and references herein related to share prices for such securities will be proportionately increased and all references to share numbers for such securities herein will be proportionately decreased.

ARTICLES OF AMENDMENT

OF

UNITED COMMUNITY BANKS, INC.

1.

The name of the corporation is United Community Banks, Inc.

2.

The Restated Articles of Incorporation, as amended, of the corporation are amended by adding the powers, rights, and preferences, and the qualifications, limitations, and restrictions thereof, of the Mandatorily Convertible Cumulative Non-Voting Perpetual Preferred Stock, Series F as set forth in Exhibit A attached hereto and Mandatorily Convertible Cumulative Non-Voting Perpetual Preferred Non-Voting Stock, Series G as set forth in Exhibit B attached hereto.

3.

The amendment was adopted by the board of directors of the corporation at a meeting duly convened and held on March 14, 2011. Pursuant to O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation, as amended, of the corporation, shareholder consent was not required.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Restated Articles of Incorporation, as amended, of United Community Banks, Inc. this 29th day of March, 2011.

UNITED COMMUNITY BANKS, INC.

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

EXHIBIT A
DESIGNATIONS, POWERS, PREFERENCES,
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS
OF
MANDATORILY CONVERTIBLE CUMULATIVE NON-VOTING PERPETUAL PREFERRED STOCK, SERIES F
OF
UNITED COMMUNITY BANKS, INC.

First: The name of the Corporation is **United Community Banks, Inc.**, a corporation organized and existing under the laws of the State of Georgia (the "Corporation").

Second: The Restated Articles of Incorporation of the Corporation, as amended, authorize the issuance of 10,000,000 shares of preferred stock, par value \$1.00 per share, of the Corporation ("Preferred Stock") in one or more series, and authorizes the Board of Directors of the Corporation (the "Board of Directors") to fix by resolution or resolutions the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the shares of such series.

Third: That the following resolution was duly adopted by the Board of Directors as required by O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation at a meeting duly convened and held on March 14, 2011, at which a quorum was present and acting throughout.

Resolved, that pursuant to the provisions of the Restated Articles of Incorporation of the Corporation, as amended, and applicable law, a series of Preferred Stock, par value \$1.00 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

RIGHTS AND PREFERENCES

Section 1. Designation. There is hereby created out of the authorized and unissued shares of preferred stock of the Corporation a series of preferred stock designated as the "Mandatorily Convertible Cumulative Non-Voting Perpetual Preferred Stock, Series F" (the "Series F Preferred Stock"). The number of shares constituting such series shall be 195,872. The par value of the Series F Preferred Stock shall be \$1.00 per share, and the liquidation preference shall be \$1,000 per share.

Section 2. Ranking. The Series F Preferred Stock will, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank (i) on a parity with the Corporation's Series A Non-Cumulative Preferred Stock, the Fixed Rate Cumulative Perpetual Preferred Stock, Series B, the Series C Fixed Rate Cumulative Perpetual Preferred Stock, the Cumulative Perpetual Preferred Stock, Series D, the Junior Participating Preferred Stock, Series E, the Series G Mandatorily Convertible Perpetual Preferred Stock (the "Series G Preferred Stock") and with each other class or series of equity securities of the Corporation the terms of which do not expressly provide that such class or series will rank senior or junior to the Series F Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Parity Securities"), and (ii) senior to the Corporation's common stock, par value \$1.00 per share (the "Common Stock"), the Corporation's non-voting common stock, par value \$1.00 per share (the "Non-Voting Common Stock" and, together with the Common Stock, the "Company Common Stock"), and each other class or series of capital stock of the Corporation outstanding or established after the Effective Date by the Corporation the terms of which do not expressly provide that it ranks on a parity with or senior to the Series F Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Junior Securities"). The Corporation has the power to authorize and/or issue additional shares or classes or series of Junior Securities without the consent of the Holders.

Section 3. Definitions. The following initially capitalized terms shall have the following meanings, whether used in the singular or the plural:

(a) "Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any

specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

(b) “Applicable Conversion Price” means the Conversion Price in effect at any given time.

(c) “Articles of Incorporation” means the Restated Articles of Incorporation of the Corporation, as amended.

(d) “As-Converted Dividend” means, with respect to any Dividend Period, the product of (i) the pro forma per share semi-annual Common Stock dividend derived by (A) annualizing the last dividend declared during such Dividend Period on the Common Stock and (B) dividing such annualized dividend by two and (ii) the number of shares of Common Stock into which a share of Series F Preferred Stock would then be convertible (assuming receipt of the Stockholder Approval); *provided, however*, that for any Dividend Period with respect to which no dividend on the Common Stock has been declared, the As-Converted Dividend shall be \$0.00.

(e) “BHC Act” means the Bank Holding Company Act of 1956, as amended.

(f) “BHC Affiliated Person” means, with respect to any Person, its Affiliates which for purposes of this definition include all “affiliates” as defined in the BHC Act or Regulation Y of the Board of Governors of the Federal Reserve.

(g) “Business Day” means any day that is not Saturday or Sunday and that, in New York City, is not a day on which banking institutions generally are authorized or obligated by law or executive order to be closed.

(h) “Certificate of Designations” means the Articles of Amendment to the Articles of Incorporation, dated March 29, 2011.

(i) “CIBC Act” means the Change in Bank Control Act of 1978, as amended.

(j) “Closing Price” of the Common Stock (or other relevant capital stock or equity interest) on any date of determination means the closing sale price or, if no closing sale price is reported, the last reported sale price of the shares of the Common Stock (or other relevant capital stock or equity interest) on The NASDAQ Global Select Market on such date. If the Common Stock (or other relevant capital stock or equity interest) is not traded on The NASDAQ Global Select Market on any date of determination, the Closing Price of the Common Stock (or other relevant capital stock or equity interest) on such date of determination means the closing sale price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant capital stock or equity interest) is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant capital stock or equity interest) is so listed or quoted, or if the Common Stock (or other relevant capital stock or equity interest) is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock (or other relevant capital stock or equity interest) in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization, or, if that bid price is not available, the market price of the Common Stock (or other relevant capital stock or equity interest) on that date as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

For purposes of this Certificate of Designation, all references herein to the “Closing Price” and “last reported sale price” of the Common Stock (or other relevant capital stock or equity interest) on The NASDAQ Global Select Market shall be such closing sale price and last reported sale price as reflected on the website of The NASDAQ Global Select Market (<http://www.nasdaq.com>) and as reported by Bloomberg Professional Service; *provided* that in the event that there is a discrepancy between the closing sale price or last reported sale price as reflected on the website of The NASDAQ Global Select Market and as reported by Bloomberg Professional Service, the closing sale price and last reported sale price on the website of The NASDAQ Global Select Market shall govern.

(k) “Common Stock” has the meaning set forth in Section 2.

(l) “Company Common Stock” has the meaning set forth in Section 2.

(m) “Conversion Price” means \$1.90, subject to adjustment as set forth herein.

(n) “Current Market Price” means, on any date, the average of the daily Closing Price per share of the Common Stock or other securities on each of the five consecutive Trading Days preceding the earlier of the day before the date in question and the day before the Ex-Date with respect to the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 10.

(o) “Distributed Property” has the meaning set forth in Section 10(a)(iv).

(p) “Dividend” has the meaning set forth in Section 4(b).

(q) “Dividend Payment Date” has the meaning set forth in Section 4(b).

(r) “Dividend Period” has the meaning set forth in Section 4(c).

(s) “Dividend Rate” means, with respect to any Dividend Period, the sum of (a) the greater of (i) LIBOR and (ii) 2.0% plus (b) 15.0%; *provided however* if such amount is greater than 18.0%, the Dividend Rate shall be 18.0%.

(t) “Effective Date” means the date on which shares of the Series F Preferred Stock are first issued.

(u) “Exchange Property” has the meaning set forth in Section 11(a).

(v) “Ex-Date”, when used with respect to any issuance or distribution, means the first date on which the Common Stock or other securities trade without the right to receive the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 10.

(w) “Holder” means the Person in whose name the shares of the Series F Preferred Stock are registered, which may be treated by the Corporation as the absolute owner of the shares of Series F Preferred Stock for the purpose of making payment and settling the related conversions and for all other purposes.

(x) “Junior Securities” has the meaning set forth in Section 2.

(y) “LIBOR” means, with respect to any Dividend Period, the rate for deposits in U.S. dollars for a three-month period that appears on Bloomberg Screen US0003M Index <GO> page (or other applicable page) as of 11:00 a.m. (London time) on the second London Banking Day preceding the first day of that Dividend Period. If the rate described above does not appear on such Bloomberg Screen page, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 a.m., London time on the second London Banking Day preceding the first day of that Dividend Period. The Corporation will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York, New York, selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period and in a principal amount of not less than \$1,000,000. However, if the banks selected by the Corporation to provide quotations are not quoting as described above, LIBOR for that Dividend Period will be the same as LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had the Series F Preferred Stock been outstanding. The establishment of LIBOR will be final and binding in the absence of manifest error.

(z) “Liquidation Preference” means, as to the Series F Preferred Stock, \$1,000 per share (as adjusted for any split, subdivision, combination, consolidation, recapitalization or similar event with respect to the Series F Preferred Stock).

(aa) “London Banking Day” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.

(bb) “Mandatory Conversion Date” means, with respect to the shares of Series F Preferred Stock of any Holder, the second Business Day after which the Corporation has received the Stockholder Approvals (or if a Reorganization Event has theretofore been consummated, the date of consummation of such Reorganization Event) necessary to permit such Holder to convert such shares of Series F Preferred Stock into authorized Common Stock without such conversion resulting in a Violation, *provided, however*, that if a Mandatory Conversion Date would otherwise occur on or after an Ex-Date for an issuance or distribution that results in an adjustment of the Conversion Price pursuant to Section 10 and on or before the Record Date for such issuance or distribution, such Mandatory Conversion Date shall instead occur on the first calendar day after the Record Date for such issuance or distribution, and *provided, further*, that if a Mandatory Conversion Date would otherwise occur but such Holder has not received all accrued and unpaid dividends, whether or not declared with respect to any Dividend Period completed prior to such Mandatory Conversion Date, such Mandatory Conversion Date shall instead occur on the first calendar day after such Holder has received all such accrued and unpaid dividends.

(cc) “Non-Voting Common Stock” has the meaning set forth in Section 2.

(dd) “Notice of Mandatory Conversion” has the meaning set forth in Section 9(a).

(ee) “Parity Securities” has the meaning set forth in Section 2.

(ff) “Person” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.

(gg) “Record Date” has the meaning set forth in Section 4(d).

(hh) “Reorganization Event” has the meaning set forth in Section 11(a).

(ii) “Series F Preferred Stock” has the meaning set forth in Section 1.

(jj) “Series G Preferred Stock” has the meaning set forth in Section 2.

(kk) “Stockholder Approvals” means all stockholder approvals necessary to (i) approve the conversion of the Series F Preferred Stock into Common Stock for purposes of Rule 5635 of the Nasdaq Stock Market Rules and (ii) amend the Articles of Incorporation to (A) authorize a number of shares of Non-Voting Common Stock sufficient to permit the full conversion of the Series G Preferred Stock into Non-Voting Common Stock and the issuance of certain additional shares of Non-Voting Common Stock and (B) increase the number of authorized shares of Common Stock to at least such number as shall be sufficient to permit the full conversion of the Series F Preferred Stock and the Non-Voting Common Stock.

(ll) “Trading Day” means a day on which the shares of Common Stock:

(i) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business; and

(ii) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

(mm) “Violation” means a violation of the stockholder approval requirements of Rule 5635 of the Nasdaq Stock Market Rules.

(nn) “Voting Securities” has the meaning set forth in the BHC Act and any rules or regulations promulgated thereunder.

Section 4. Dividends. (a) From and after the Effective Date, the Holders shall be entitled to receive, when, as and if declared by the Board of Directors or a duly authorized committee of the Board of Directors, out of funds legally available therefor, cumulative dividends of the type and in the amounts determined as set forth in this Section 4, and no more.

(b) Commencing on the Effective Date, dividends shall accrue and shall be payable semi-annually in arrears on March 30th and September 30th of each year (each, a “Dividend Payment Date”) or, if any such day is not a Business Day, the next Business Day. Dividends payable pursuant to this Section 4, if, when and as declared by the Board of Directors or a duly authorized committee of the Board of Directors, will be, for each outstanding share of Series F Preferred Stock, payable in cash at an annual rate equal to the Dividend Rate multiplied by the sum of (i) the Liquidation Preference plus (ii) all accrued and unpaid dividends for any prior Dividend Period that are payable on such share of Series F Preferred Stock, payable in cash (such dividend, the “Dividend”); *provided* that, in the event that the As-Converted Dividend for such Dividend Period is greater than the Dividend, each outstanding share of Series F Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, the As-Converted Dividend rather than the Dividend.

(c) Dividends payable pursuant to Section 4 will be computed on the basis of a 360-day year of twelve 30-day months and, for any Dividend Period greater or less than a full Dividend Period, will be computed on the basis of the actual number of days elapsed in the period divided by 360. The period from the Effective Date to but excluding September 30, 2011 and each period from and including a Dividend Payment Date to but excluding the following Dividend Payment Date is herein referred to as a “Dividend Period”.

(d) Each dividend will be payable to Holders of record as they appear in the records of the Corporation on the applicable record date (each, a “Record Date”), which with respect to dividends payable pursuant to this Section 4, shall be on the fifteenth day of the month immediately prior to the month in which the relevant Dividend Payment Date occurs.

(e) Dividends on the Series F Preferred Stock are cumulative. Such dividends shall begin to accrue and be cumulative from the Effective Date (in the case of the shares of Series F Preferred Stock issued on the Effective Date), shall compound at the relevant rate on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on another dividend unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable semi-annually in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date.

(f) So long as any shares of Series F Preferred Stock remain outstanding, if all dividends payable pursuant to Section 4 on all outstanding shares of the Series F Preferred Stock for any Dividend Period have not been declared and paid, or declared and funds set aside therefor, the Corporation shall not, directly or indirectly, (x) declare or pay dividends with respect to, or make any distributions on, or, directly or indirectly, redeem, purchase or acquire any of its Junior Securities or (y) directly or indirectly, redeem, purchase or acquire any of its Parity Securities, other than, in each case, (i) redemptions, purchases or other acquisitions of Junior Securities or Parity Securities in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants or in connection with a dividend reinvestment plan, (ii) any declaration of a dividend in connection with any stockholders' rights plan, or the issuance of rights, stock or other property under any stockholders' rights plan, or the redemption or repurchase of rights pursuant thereto, (iii) conversions or exchanges of Junior Securities or Parity Securities for Junior Securities or Parity Securities, respectively, and (iv) any purchase of fractional interests in shares of the Corporation's capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged. If dividends payable pursuant to Section 4 for any Dividend Payment Date are not paid in full, or declared and funds set aside therefor on the shares of the Series F Preferred Stock and there are issued and outstanding shares of Parity Securities with the same Dividend Payment Date (or, in the case of Parity Securities having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period applicable to such Dividend Payment Date), then all dividends declared on shares of the Series F Preferred Stock and such Parity Securities on such date or dates, as the case may be, shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as full semi-annual dividends per share payable on the shares of the Series F Preferred Stock pursuant to Section 4 and all such Parity Securities otherwise payable on such Dividend Payment Date (or, in the case of Parity Securities having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period applicable to such Dividend Payment Date) (subject to such dividends on such Parity Securities having been declared by the Board of Directors out of legally available funds and including, in the case of any such Parity Securities that bear cumulative dividends, all accrued but unpaid dividends) bear to each other. However, the foregoing provisions shall not restrict the ability of any Affiliate of the Corporation to engage in any market making transactions in Junior Securities in the ordinary course of business.

(g) If the Mandatory Conversion Date with respect to any share of Series F Preferred Stock is prior to the Dividend Payment Date applicable to any Dividend Period, the Holder of such share of Series F Preferred Stock will not have the right to receive any dividends on the Series F Preferred Stock with respect to such Dividend Period, provided that this provision shall not affect any rights to receive any accrued but unpaid dividends on the Series F Preferred Stock attributable to any Dividend Period completed prior to the Mandatory Conversion Date.

(h) The Corporation, in satisfaction of its obligation to issue preferred stock under any provision of this Certificate of Designations to any Holder, may, in order to minimize the number of its authorized and unissued shares of preferred stock used for such purpose, issue depositary shares for such preferred stock, with such depositary shares and underlying preferred stock being in such denominations as the Corporation and such Holder shall mutually agree.

Section 5. Liquidation. (a) In the event the Corporation voluntarily or involuntarily liquidates, dissolves or winds up, the Holders at the time shall be entitled to receive liquidating distributions in an amount equal to the greater of (i) the Liquidation Preference per share of Series F Preferred Stock plus an amount equal to any accrued but unpaid dividends, whether or not declared, thereon to and including the date of such liquidation and (ii) the payment or distribution to which such Holders would have been entitled if the Series F Preferred Stock were converted into Common Stock (assuming receipt of the Stockholder Approvals) immediately before such liquidation, dissolution or winding-up, out of assets legally available for distribution to the Corporation's stockholders, before any distribution of assets is made to the holders of the Company Common Stock or any other Junior Securities. After payment of the full amount of such liquidation distribution, the Holders shall not be entitled to any further participation in any distribution of assets by the Corporation.

(b) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series F Preferred Stock and the corresponding amounts payable on any Parity Securities, Holders and the holders of such Parity Securities shall share ratably in any distribution of

assets of the Corporation in proportion to the full respective liquidating distributions to which they would otherwise be respectively entitled.

(c) The Corporation's consolidation or merger with or into any other entity, the consolidation or merger of any other entity with or into the Corporation, or the sale of all or substantially all of the Corporation's property or business will not constitute its liquidation, dissolution or winding up.

Section 6. Maturity. The Series F Preferred Stock shall be perpetual unless converted in accordance with this Certificate of Designations.

Section 7. Redemptions.

(a) **Optional Redemption.** The Series F Preferred Stock may not be redeemed by the Corporation prior to December 31, 2015. After December 31, 2015, the Corporation, at its option, may redeem in whole at any time the shares of Series F Preferred Stock at the time outstanding, upon notice given as provided in Section 7(c) below, at a redemption price per share payable in cash equal to the greater of (i) 150.0% of the sum of (A) the Liquidation Preference, plus (B) all accrued and unpaid dividends, whether or not declared, up to, but excluding, the date fixed for redemption and (ii) 125.0% of (A) the number of shares of Common Stock into which a share of Series F Preferred Stock would be convertible on the Trading Day immediately prior to the date fixed for redemption (assuming receipt of Stockholder Approvals) multiplied by (B) the Closing Price of Common Stock on such Trading Day. The redemption price for any shares of Series F Preferred Stock shall be payable on the redemption date to the Holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to a Record Date for a Dividend Period shall not be paid to the Holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Record Date.

(b) **No Sinking Fund.** The Series F Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series F Preferred Stock will have no right to require redemption of any shares of Series F Preferred Stock.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series F Preferred Stock shall be given by first class mail, postage prepaid, addressed to the Holders of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption; *provided, however*, that failure to give such notice by mail, or any defect in such notice or in the mailing thereof, to any Holder of shares of Series F Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series F Preferred Stock to be so redeemed except as to the Holder to whom the Corporation has failed to give such notice or except as to the Holder to whom notice was defective. Notwithstanding the foregoing, if the Series F Preferred Stock or any depositary shares representing interests in the Series F Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the Holders of Series F Preferred Stock at such time and in any manner permitted by such facility. Each such notice given to a Holder shall state: (1) the redemption date; (2) the number of shares of Series F Preferred Stock to be redeemed; (3) the redemption price (or manner of determination of the redemption price); and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Effectiveness of Redemption.** If notice of redemption has been duly given as provided in Section 7(c) and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the Holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date unless the Corporation defaults in the payment of the redemption price, in which case such rights shall continue until the redemption price is paid, dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the Holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the Holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares. Shares of outstanding Series F Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series.

Section 8. Mandatory Conversion. Effective as of the close of business on the Mandatory Conversion Date with respect to the shares of Series F Preferred Stock of a Holder, all such Holder's shares of Series F Preferred Stock shall

automatically convert into shares of Common Stock as set forth below. The number of shares of Common Stock into which a share of Series F Preferred Stock shall be convertible shall be determined by dividing (i) the Liquidation Preference by (ii) the Applicable Conversion Price (subject to the conversion procedures of Section 9 hereof); provided, that the Series F Preferred Stock shall not convert into Common Stock unless and until all accrued and unpaid dividends, whether or not declared, with respect to any Dividend Period completed prior to the Mandatory Conversion Date (but not with respect to the Dividend Period in which the Mandatory Conversion Date occurs) have been paid in cash to the Holders. Upon conversion, Holders shall receive cash in lieu of fractional shares in accordance with Section 13 hereof.

Section 9. Conversion Procedures.

(a) At least one Business Day prior to the Mandatory Conversion Date with respect to shares of any Holder, the Corporation shall provide notice of such conversion to such Holder (such notice a “Notice of Mandatory Conversion”). In addition to any information required by applicable law or regulation, the Notice of Mandatory Conversion with respect to such Holder shall state, as appropriate:

(i) the Mandatory Conversion Date;

(ii) the Applicable Conversion Price;

(iii) the number of shares of Common Stock to be issued upon conversion of each share of Series F Preferred Stock held of record by such Holder and subject to such mandatory conversion;

(iv) if certificates are to be issued, the place or places where certificates for shares of Series F Preferred Stock held of record by such Holder are to be surrendered for issuance of certificates representing shares of Common Stock; and

(v) the amount of accrued and unpaid dividends to be paid in cash on each share of Series F Preferred Stock held of record by such Holder prior to such mandatory conversion.

(b) Effective immediately prior to the close of business on the Mandatory Conversion Date with respect to any shares of Series F Preferred Stock dividends shall no longer be declared on any such shares of Series F Preferred Stock and such shares of Series F Preferred Stock shall cease to be outstanding, in each case, subject to the right of the Holder to receive (i) shares of Common Stock issuable upon such mandatory conversion, (ii) any declared and unpaid dividends on such share to the extent provided in Section 4(g) and (iii) any other payments to which such Holder is otherwise entitled pursuant to Section 5, Section 7, Section 8, Section 11 or Section 13 hereof, as applicable.

(c) No allowance or adjustment, except pursuant to Section 4 or Section 10, shall be made in respect of dividends payable to holders of the Common Stock of record as of any date prior to the close of business on the Mandatory Conversion Date with respect to any share of Series F Preferred Stock. Prior to the close of business on the Mandatory Conversion Date with respect to any share of Series F Preferred Stock, shares of Common Stock issuable upon conversion thereof, or other securities issuable upon conversion of, such share of Series F Preferred Stock shall not be deemed outstanding for any purpose, and the Holder thereof shall have no rights with respect to the Common Stock or other securities issuable upon conversion (including voting rights, rights to respond to tender offers for the Common Stock or other securities issuable upon conversion and rights to receive any dividends or other distributions on the Common Stock or other securities issuable upon conversion) by virtue of holding such share of Series F Preferred Stock.

(d) Shares of Series F Preferred Stock duly converted in accordance with this Certificate of Designations, or otherwise reacquired by the Corporation, will resume the status of authorized and unissued preferred stock, undesignated as to series and available for future issuance. The Corporation may from time-to-time take such appropriate action as may be necessary to reduce the authorized number of shares of Series F Preferred Stock; *provided, however*, that the Corporation shall not take any such action if such action would reduce the authorized number of shares of Series F Preferred Stock below the number of shares of Series F Preferred Stock then outstanding.

(e) The Person or Persons entitled to receive the Common Stock and/or cash, securities or other property issuable upon conversion of Series F Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Common Stock and/or securities as of the close of business on the Mandatory Conversion Date with respect thereto. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock and/or cash, securities or other property (including payments of cash in lieu of fractional shares) to be issued or paid upon conversion of shares of Series F Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payment, in the name of the Holder and in the manner shown on the records of the Corporation.

(f) On the Mandatory Conversion Date with respect to any share of Series F Preferred Stock, certificates representing shares of Common Stock shall be issued and delivered to the Holder thereof or such Holder's designee (or, at the Corporation's option such shares shall be registered in book-entry form) upon presentation and surrender of the certificate evidencing the Series F Preferred Stock to the Corporation and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes.

Section 10. Anti-Dilution Adjustments.

(a) The Conversion Price shall be subject to the following adjustments:

(i) Stock Dividends and Distributions. If the Corporation pays dividends or other distributions on the Company Common Stock in shares of Company Common Stock, then the Conversion Price in effect immediately prior to the Ex-Date for such dividend or distribution will be multiplied by the following fraction:

OS0

OS1

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to Ex-Date for such dividend or distribution.

OS1 = the sum of the number of shares of Company Common Stock outstanding immediately prior to the Ex-Date for such dividend or distribution plus the total number of shares of Company Common Stock constituting such dividend or distribution.

For the purposes of this clause (i), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. If any dividend or distribution described in this clause (i) is declared but not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such dividend or distribution, to such Conversion Price that would be in effect if such dividend or distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(ii) Subdivisions, Splits and Combination of the Company Common Stock. If the Corporation subdivides, splits or combines the shares of Company Common Stock, then the Conversion Price in effect immediately prior to the effective date of such share subdivision, split or combination will be multiplied by the following fraction:

OS0

OS1

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to the effective date of such share subdivision, split or combination.

OS1 = the number of shares of Company Common Stock outstanding immediately after the opening of business on the effective date of such share subdivision, split or combination.

For the purposes of this clause (ii), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. If any subdivision, split or combination described in this clause (ii) is announced but the outstanding shares of Company Common Stock are not subdivided, split or combined, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to subdivide, split or combine the outstanding shares of Company Common Stock, to such Conversion Price that would be in effect if such subdivision, split or combination had not been announced (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(iii) Issuance of Stock Purchase Rights. If the Corporation issues to all or substantially all holders of the shares of Company Common Stock rights or warrants (other than rights or warrants issued pursuant to a stockholders' rights plan, a dividend reinvestment plan or share purchase plan or other similar plans, including that certain Tax Benefits Preservation Plan, dated February 22, 2011, as amended, between the Corporation and Illinois Stock Transfer Company) entitling them to

subscribe for or purchase the shares of Company Common Stock at less than the Current Market Price on the date fixed for the determination of stockholders entitled to receive such rights or warrants, then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{OS0 + Y}{OS0 + X}$$

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to the Ex-Date for such distribution.

X = the total number of shares of Company Common Stock issuable pursuant to such rights or warrants.

Y = the number of shares of Company Common Stock equal to the aggregate price payable to exercise such rights or warrants divided by the Current Market Price on the date fixed for the determination of stockholders entitled to receive such rights or warrants.

For the purposes of this clause (iii), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. The Corporation shall not issue any such rights or warrants in respect of shares of the Company Common Stock acquired by the Corporation. In the event that such rights or warrants described in this clause (iii) are not so issued, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to issue such rights or warrants, to the Conversion Price that would then be in effect if such issuance had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock). To the extent that such rights or warrants are not exercised prior to their expiration or shares of Company Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Price shall be readjusted to such Conversion Price that would then be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Company Common Stock actually delivered (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock). In determining the aggregate offering price payable for such shares of Company Common Stock, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined in a reasonable manner by the Board of Directors).

(iv) Debt or Asset Distributions. If the Corporation distributes to all or substantially all holders of shares of Common Stock evidences of indebtedness, shares of capital stock, securities, cash or other assets (excluding any dividend or distribution referred to in clause (i) above, any rights or warrants referred to in clause (iii) above, any dividend or distribution paid exclusively in cash, any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its applicable subsidiaries, and any dividend of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit in the case of certain spin-off transactions as described below) (such evidences of indebtedness, shares of capital stock, securities, cash or other assets, the "Distributed Property"), then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{SP0 - FMV}{SP0}$$

Where,

SP0 = the Current Market Price per share of Common Stock on such date.

FMV = the fair market value of the portion of the distribution applicable to one share of Common Stock on such date as determined in good faith by the Board of Directors.

In a “spin-off”, where the Corporation makes a distribution to all holders of shares of Common Stock consisting of capital stock of any class or series, or similar equity interests of, or relating to, a subsidiary or other business unit, the Conversion Price will be adjusted on the fifteenth Trading Day after the effective date of the distribution by multiplying such Conversion Price in effect immediately prior to such fifteenth Trading Day by the following fraction:

$$\frac{\text{MP0}}{\text{MP0} + \text{MPs}}$$

Where,

MP0 = the average of the Closing Prices of the Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution.

MPs = the average of the Closing Prices of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution, or, if not traded on a national or regional securities exchange or over-the-counter market, the fair market value of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock on such date as determined by the Board of Directors.

In the event that such distribution described in this clause (iv) is not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Price that would then be in effect if such dividend or distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(v) Cash Distributions. If the Corporation makes a distribution consisting exclusively of cash to all holders of the Common Stock, excluding (a) any cash dividend on the Common Stock to the extent a corresponding cash dividend pursuant to Section 4 is paid on the Series F Preferred Stock, (b) any cash that is distributed in a Reorganization Event or as part of a “spin-off” referred to in clause (iv) above, (c) any dividend or distribution in connection with the Corporation’s liquidation, dissolution or winding up, and (d) any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its subsidiaries, then in each event, the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{\text{SP0} - \text{DIV}}{\text{SP0}}$$

Where,

SP0 = the Closing Price per share of Common Stock on the Trading Day immediately preceding the Ex-Date.

DIV = the amount per share of Common Stock of the cash distribution, as determined pursuant to the introduction to this paragraph (v).

In the event that any distribution described in this clause (v) is not so made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such distribution, to the Conversion Price which would then be in effect if such distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(vi) Self Tender Offers and Exchange Offers. If the Corporation or any of its subsidiaries successfully completes a tender or exchange offer for the Common Stock where the cash and the value of any other consideration included in the payment per share of the Common Stock exceeds the Closing Price per share of the Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer, then the Conversion Price in effect at the close of business on such immediately succeeding Trading Day will be multiplied by the following fraction:

$$\frac{\text{OS0} \times \text{SP0}}{\text{AC} + (\text{SP0} \times \text{OS1})}$$

Where,

SP0 = the Closing Price per share of Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer.

OS0 = the number of shares of Common Stock outstanding immediately prior to the expiration of the tender or exchange offer, including any shares validly tendered and not withdrawn.

OS1 = the number of shares of Common Stock outstanding immediately after the expiration of the tender or exchange offer, giving effect to consummation of the acquisition of all shares validly tendered or exchanged (and not withdrawn) in connection with such tender or exchange.

AC = the aggregate cash and fair market value of the other consideration payable in the tender or exchange offer, as determined by the Board of Directors.

In the event that the Corporation, or one of its subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Corporation, or such subsidiary, is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Price shall be readjusted to be such Conversion Price that would then be in effect if such tender offer or exchange offer had not been made (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock). Except as set forth in the preceding sentence, if the application of this clause (vi) to any tender offer or exchange offer would result in an increase in the Conversion Price, no adjustment shall be made for such tender offer or exchange offer under this clause (vi).

(vii) Rights Plans. To the extent that the Corporation has a rights plan in effect with respect to the Common Stock on the Mandatory Conversion Date, upon conversion of any shares of the Series F Preferred Stock, Holders will receive, in addition to the shares of Common Stock, the rights under the rights plan, unless, prior to the Mandatory Conversion Date, the rights have separated from the shares of Common Stock, in which case the Conversion Price will be adjusted at the time of separation as if the Corporation had made a distribution to all holders of the Common Stock as described in clause (iii) above, subject to readjustment in the event of the expiration, termination or redemption of such rights (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock).

(b) The Corporation may make such decreases in the Conversion Price, in addition to any other decreases required by this Section 10, if the Board of Directors deems it advisable, to avoid or diminish any income tax to holders of the Company Common Stock resulting from any dividend or distribution of shares of Company Common Stock (or issuance of rights or warrants to acquire shares of Company Common Stock) or from any event treated as such for income tax purposes or for any other reason.

(c) (i) All adjustments to the Conversion Price shall be calculated to the nearest 1/10 of a cent. No adjustment in the Conversion Price shall be required if such adjustment would be less than \$0.01; *provided*, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment; *provided further* that on the Mandatory Conversion Date adjustments to the Conversion Price will be made with respect to any such adjustment carried forward and which has not been taken into account before such date.

(ii) No adjustment to the Conversion Price shall be made if Holders may participate in the transaction that would otherwise give rise to an adjustment, as a result of holding the Series F Preferred Stock (including without limitation pursuant to Section 4 hereof), without having to convert the Series F Preferred Stock, as if they held the full number of shares of Common Stock into which a share of the Series F Preferred Stock may then be converted.

(iii) The Applicable Conversion Price shall not be adjusted:

(A) upon the issuance of any shares of Company Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Corporation's securities and the investment of additional optional amounts in shares of Company Common Stock under any such plan;

(B) upon the issuance of any shares of Company Common Stock or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Corporation or any of its subsidiaries;

(C) upon the issuance of any shares of Company Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date shares of the Series F Preferred Stock were first issued and not substantially amended thereafter;

(D) for a change in the par value or no par value of Company Common Stock; or

(E) for accrued and unpaid dividends on the Series F Preferred Stock.

(d) Whenever the Conversion Price is to be adjusted in accordance with Section 10(a) or Section 10(b), the Corporation shall: (i) compute the Conversion Price in accordance with Section 10(a) or Section 10(b), taking into account the \$0.01 threshold set forth in Section 10(c) hereof; (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Price pursuant to Section 10(a) or Section 10(b), taking into account the one percent threshold set forth in Section 10(c) hereof (or if the Corporation is not aware of such occurrence, as soon as practicable after becoming so aware), provide, or cause to be provided, a written notice to the Holders of the occurrence of such event; and (iii) as soon as practicable following the determination of the revised Conversion Price in accordance with Section 10(a) or Section 10(b) hereof, provide, or cause to be provided, a written notice to the Holders setting forth in reasonable detail the method by which the adjustment to the Conversion Price was determined and setting forth the revised Conversion Price.

Section 11. Reorganization Events. (a) In the event that, for so long as any shares of Series F Preferred Stock have not been converted and remain outstanding, there occurs:

(i) any consolidation, merger or other similar business combination of the Corporation with or into another Person, in each case pursuant to which the Common Stock will be converted into cash, securities or other property of the Corporation or another Person;

(ii) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation, in each case pursuant to which the Common Stock will be converted into cash, securities or other property of the Corporation or another Person;

(iii) any reclassification of the Common Stock into securities including securities other than the Common Stock; or

(iv) any statutory exchange of the outstanding shares of Common Stock for securities of another Person (other than in connection with a merger or acquisition);

(any such event specified in this Section 11(a), a “Reorganization Event”); then each share of such Holder’s Series F Preferred Stock outstanding immediately prior to such Reorganization Event shall remain outstanding but shall automatically convert, effective as of the close of business on the Mandatory Conversion Date with respect to the shares of Series F Preferred Stock of such Holder, into the type and amount of securities, cash and other property receivable in such Reorganization Event by the holder (excluding the counterparty to the Reorganization Event or an Affiliate of such counterparty) of the greater of (i) the number of shares of Common Stock into which one share of Series F Preferred Stock would then be convertible assuming the receipt of the Stockholder Approvals and (ii) the number of shares of Common Stock that, if one share of Series F Preferred Stock were converted into such number of shares, would result in the fair market value of the securities, cash and other property receivable in such Reorganization Event by a Holder of such number of shares equaling the Liquidation Preference plus, in each case of clause (i) and (ii) above, all accrued and unpaid dividends, whether or not declared, up to, but excluding such date (such securities, cash and other property, the “Exchange Property”). In the event that a Reorganization Event referenced in Section 11(a) involves common stock as all or part of the consideration being offered in a fixed exchange ratio transaction, the fair market value per share of such common stock shall be determined by reference to the average of the closing prices of such common stock for the ten Trading Day period ending immediately prior to the consummation of such Reorganization Event.

(b) In the event that holders of the shares of Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the Holders shall likewise be allowed to make such an election.

(c) The above provisions of this Section 11 shall similarly apply to successive Reorganization Events and the provisions of Section 10 shall apply to any shares of capital stock of the Corporation (or any successor) received by the holders of the Company Common Stock in any such Reorganization Event.

(d) The Corporation (or any successor) shall, within seven days of the consummation of any Reorganization Event, provide written notice to the Holders of such consummation of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 11.

(e) The Corporation shall not enter into any agreement for a transaction constituting a Reorganization Event unless such agreement provides for or does not interfere with or prevent (as applicable) conversion of the Series F Preferred Stock into the Exchange Property in a manner that is consistent with and gives effect to this Section 11.

Section 12. Voting Rights. (a) Holders will not have any voting rights, including the right to elect any directors, except (i) voting rights, if any, required by law, and (ii) voting rights, if any, described in this Section 12.

(b) So long as any shares of Series F Preferred Stock are outstanding, the vote or consent of the Holders of a majority of the shares of Series F Preferred Stock at the time outstanding, voting as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating any of the following actions, whether or not such approval is required by Georgia law;

(i) any amendment, alteration or repeal (including by means of a merger, consolidation or otherwise) of any provision of the Articles of Incorporation (including this Certificate of Designations) or the Corporation's bylaws that would alter or change the rights, preferences or privileges of the Series F Preferred Stock so as to affect them adversely; or

(ii) any amendment or alteration (including by means of a merger, consolidation or otherwise) of the Corporation's Articles of Incorporation to authorize, or create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking equally with or senior to the Series F Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

provided, however, that the creation and issuance, or an increase in the authorized or issued amount, of any series of preferred stock or any securities convertible into preferred stock ranking junior to the Series F Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon the Corporation's liquidation, dissolution or winding up will not, in and of itself, be deemed to adversely affect rights, preferences or privileges of the Series F Preferred Stock and, notwithstanding any provision of Georgia law, Holders will have no right to vote solely by reason of such an increase, creation or issuance.

(c) Notwithstanding the foregoing, Holders shall not have any voting rights if, at or prior to the effective time of the act with respect to which such vote would otherwise be required, all outstanding shares of Series F Preferred Stock shall have been converted into shares of Common Stock.

Section 13. Fractional Shares.

(a) No fractional shares of Common Stock will be issued as a result of any conversion of shares of Series F Preferred Stock.

(b) In lieu of any fractional share of Common Stock otherwise issuable in respect of any mandatory conversion pursuant to Section 8 hereof, the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the Mandatory Conversion Date.

(c) If more than one share of the Series F Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series F Preferred Stock so surrendered.

Section 14. Reservation of Common Stock.

(a) Following the receipt of the Stockholder Approvals, the Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Series F Preferred Stock as provided in this Certificate of Designations free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series F Preferred Stock then outstanding. For purposes of this Section 14(a), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series F Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(b) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series F Preferred Stock, as herein provided, shares of Common Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as any such acquired shares are free and clear of all liens, charges, security interests or encumbrances.

(c) All shares of Common Stock delivered upon conversion of the Series F Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances.

(d) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series F Preferred Stock, the Corporation shall use its reasonable best efforts to comply with all federal and state laws and

regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(e) The Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on The NASDAQ Global Select Market or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all the Common Stock issuable upon conversion of the Series F Preferred Stock.

Section 15. Replacement Certificates.

(a) The Corporation shall replace any mutilated certificate at the Holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Corporation of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be required by the Corporation.

(b) The Corporation shall not be required to issue any certificates representing the Series F Preferred Stock on or after the Mandatory Conversion Date. In place of the delivery of a replacement certificate following the Mandatory Conversion Date, the Corporation, upon delivery of the evidence and indemnity described in clause (a) above, shall deliver the shares of Common Stock pursuant to the terms of the Series F Preferred Stock formerly evidenced by the certificate.

Section 16. Miscellaneous.

(a) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Certificate of Designations) with postage prepaid, addressed: (i) if to the Corporation, to its office at 125 Highway 515 East, Blairsville, Georgia 30512 or (ii) if to any Holder, to such Holder at the address of such Holder as listed in the stock record books of the Corporation, or (iii) to such other address as the Corporation or any such Holder, as the case may be, shall have designated by notice similarly given.

(b) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series F Preferred Stock or shares of Common Stock or other securities issued on account of Series F Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Series F Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Series F Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any Person other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the Person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(c) All payments on the shares of Series F Preferred Stock shall be subject to withholding and backup withholding of tax to the extent required by applicable law, subject to applicable exemptions, and amounts withheld, if any, shall be treated as received by the holders thereof.

(d) No share of Series F Preferred Stock shall have any rights of preemption whatsoever under this Certificate of Designations as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated issued or granted.

(e) The shares of Series F Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law.

(f) The Corporation covenants (1) not to treat the Series F Preferred Stock as preferred stock for purposes of Section 305 of the Internal Revenue Code of 1986, as amended, except as otherwise required by applicable law.

EXHIBIT B
DESIGNATIONS, POWERS, PREFERENCES,
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS
OF
MANDATORILY CONVERTIBLE CUMULATIVE NON-VOTING PERPETUAL
PREFERRED STOCK, SERIES G
OF
UNITED COMMUNITY BANKS, INC.

First: The name of the Corporation is **United Community Banks, Inc.**, a corporation organized and existing under the laws of the State of Georgia (the "Corporation").

Second: The Restated Articles of Incorporation of the Corporation, as amended, authorize the issuance of 10,000,000 shares of preferred stock, par value \$1.00 per share, of the Corporation ("Preferred Stock") in one or more series, and authorizes the Board of Directors of the Corporation (the "Board of Directors") to fix by resolution or resolutions the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the shares of such series.

Third: That the following resolution was duly adopted by the Board of Directors as required by O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation at a meeting duly convened and held on March 14, 2011, at which a quorum was present and acting throughout.

Resolved, that pursuant to the provisions of the Restated Articles of Incorporation of the Corporation, as amended, and applicable law, a series of Preferred Stock, par value \$1.00 per share, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

RIGHTS AND PREFERENCES

Section 1. Designation. There is hereby created out of the authorized and unissued shares of preferred stock of the Corporation a series of preferred stock designated as the "Mandatorily Convertible Cumulative Non-Voting Perpetual Preferred Stock, Series G" (the "Series G Preferred Stock"). The number of shares constituting such series shall be 151,185. The par value of the Series G Preferred Stock shall be \$1.00 per share, and the liquidation preference shall be \$1,000 per share.

Section 2. Ranking. The Series G Preferred Stock will, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank (i) on a parity with the Corporation's Series A Non-Cumulative Preferred Stock, the Fixed Rate Cumulative Perpetual Preferred Stock, Series B, the Series C Fixed Rate Cumulative Perpetual Preferred Stock, the Cumulative Perpetual Preferred Stock, Series D, the Junior Participating Preferred Stock, Series E, the Series F Mandatorily Convertible Perpetual Preferred Stock and with each other class or series of equity securities of the Corporation the terms of which do not expressly provide that such class or series will rank senior or junior to the Series G Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Parity Securities"), and (ii) senior to the Corporation's common stock, par value \$1.00 per share (the "Common Stock"), the Corporation's non-voting common stock, par value \$1.00 per share (the "Non-Voting Common Stock") and, together with the Common Stock, the "Company Common Stock"), and each other class or series of capital stock of the Corporation outstanding or established after the Effective Date by the Corporation the terms of which do not expressly provide that it ranks on a parity with or senior to the Series G Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to as "Junior Securities"). The Corporation has the power to authorize and/or issue additional shares or classes or series of Junior Securities without the consent of the Holders.

Section 3. Definitions. The following initially capitalized terms shall have the following meanings, whether used in the singular or the plural:

(a) “Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

(b) “Applicable Conversion Price” means the Conversion Price in effect at any given time.

(c) “Articles of Incorporation” means the Restated Articles of Incorporation of the Corporation, as amended.

(d) “As-Converted Dividend” means, with respect to any Dividend Period, the product of (i) the pro forma per share semi-annual Common Stock dividend derived by (A) annualizing the last dividend declared during such Dividend Period on the Common Stock and (B) dividing such annualized dividend by two and (ii) the number of shares of Non-Voting Common Stock into which a share of Series G Preferred Stock would then be convertible (assuming receipt of the Stockholder Approval and, if applicable, the Regulatory Approval); *provided, however*, that for any Dividend Period with respect to which no dividend on the Common Stock has been declared, the As-Converted Dividend shall be \$0.00.

(e) “BHC Act” means the Bank Holding Company Act of 1956, as amended.

(f) “BHC Affiliated Person” means, with respect to any Person, its Affiliates which for purposes of this definition include all “affiliates” as defined in the BHC Act or Regulation Y of the Board of Governors of the Federal Reserve.

(g) “Business Day” means any day that is not Saturday or Sunday and that, in New York City, is not a day on which banking institutions generally are authorized or obligated by law or executive order to be closed.

(h) “Certificate of Designations” means the Articles of Amendment to the Articles of Incorporation, dated March 29, 2011.

(i) “CIBC Act” means the Change in Bank Control Act of 1978, as amended.

(j) “Closing Price” of the Common Stock (or other relevant capital stock or equity interest) on any date of determination means the closing sale price or, if no closing sale price is reported, the last reported sale price of the shares of the Common Stock (or other relevant capital stock or equity interest) on The NASDAQ Global Select Market on such date. If the Common Stock (or other relevant capital stock or equity interest) is not traded on The NASDAQ Global Select Market on any date of determination, the Closing Price of the Common Stock (or other relevant capital stock or equity interest) on such date of determination means the closing sale price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant capital stock or equity interest) is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant capital stock or equity interest) is so listed or quoted, or if the Common Stock (or other relevant capital stock or equity interest) is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock (or other relevant capital stock or equity interest) in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization, or, if that bid price is not available, the market price of the Common Stock (or other relevant capital stock or equity interest) on that date as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

For purposes of this Certificate of Designation, all references herein to the “Closing Price” and “last reported sale price” of the Common Stock (or other relevant capital stock or equity interest) on The NASDAQ Global Select Market shall be such closing sale price and last reported sale price as reflected on the website of The NASDAQ Global Select Market (<http://www.nasdaq.com>) and as reported by Bloomberg Professional Service; *provided* that in the event that there is a discrepancy between the closing sale price or last reported sale price as reflected on the website of The NASDAQ Global Select Market and as reported by Bloomberg Professional Service, the closing sale price and last reported sale price on the website of The NASDAQ Global Select Market shall govern.

(k) “Common Stock” has the meaning set forth in Section 2.

(l) “Company Common Stock” has the meaning set forth in Section 2.

(m) “Conversion Price” means \$1.90, subject to adjustment as set forth herein.

(n) “Current Market Price” means, on any date, the average of the daily Closing Price per share of the Common Stock or other securities on each of the five consecutive Trading Days preceding the earlier of the day before the date in

question and the day before the Ex-Date with respect to the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 10.

(o) “Distributed Property” has the meaning set forth in Section 10(a)(iv).

(p) “Dividend” has the meaning set forth in Section 4(b).

(q) “Dividend Payment Date” has the meaning set forth in Section 4(b).

(r) “Dividend Period” has the meaning set forth in Section 4(c).

(s) “Dividend Rate” means, with respect to any Dividend Period, the sum of (a) the greater of (i) LIBOR and (ii) 2.0% plus (b) 15.0%; *provided however* if such amount is greater than 18.0%, the Dividend Rate shall be 18.0%.

(t) “Effective Date” means the date on which shares of the Series G Preferred Stock are first issued.

(u) “Exchange Property” has the meaning set forth in Section 11(a).

(v) “Ex-Date”, when used with respect to any issuance or distribution, means the first date on which the Common Stock or other securities trade without the right to receive the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 10.

(w) “Holder” means the Person in whose name the shares of the Series G Preferred Stock are registered, which may be treated by the Corporation as the absolute owner of the shares of Series G Preferred Stock for the purpose of making payment and settling the related conversions and for all other purposes.

(x) “Junior Securities” has the meaning set forth in Section 2.

(y) “LIBOR” means, with respect to any Dividend Period, the rate for deposits in U.S. dollars for a three-month period that appears on Bloomberg Screen US0003M Index <GO> page (or other applicable page) as of 11:00 a.m. (London time) on the second London Banking Day preceding the first day of that Dividend Period. If the rate described above does not appear on such Bloomberg Screen page, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 a.m., London time on the second London Banking Day preceding the first day of that Dividend Period. The Corporation will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York, New York, selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period and in a principal amount of not less than \$1,000,000. However, if the banks selected by the Corporation to provide quotations are not quoting as described above, LIBOR for that Dividend Period will be the same as LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had the Series G Preferred Stock been outstanding. The establishment of LIBOR will be final and binding in the absence of manifest error.

(z) “Liquidation Preference” means, as to the Series G Preferred Stock, \$1,000 per share (as adjusted for any split, subdivision, combination, consolidation, recapitalization or similar event with respect to the Series G Preferred Stock).

(aa) “London Banking Day” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.

(bb) “Mandatory Conversion Date” means, with respect to the shares of Series G Preferred Stock of any Holder, the second Business Day after which the Corporation and/or such Holder, as applicable as to a Holder, has received the Stockholder Approvals (or if a Reorganization Event has theretofore been consummated, the date of consummation of such Reorganization Event) and, if applicable, the Regulatory Approval necessary to permit such Holder to convert such shares of Series G Preferred Stock into authorized Non-Voting Common Stock without such conversion resulting in a Violation or, in the case of the

Regulatory Approval, a violation of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder, *provided, however*, that if a Mandatory Conversion Date would otherwise occur on or after an Ex-Date for an issuance or distribution that results in an adjustment of the Conversion Price pursuant to Section 10 and on or before the Record Date for such issuance or distribution, such Mandatory Conversion Date shall instead occur on the first calendar day after the Record Date for such issuance or distribution, and *provided, further*, that if a Mandatory Conversion Date would otherwise occur but such Holder has not received all accrued and unpaid dividends, whether or not declared, with respect to any Dividend Period completed prior to such Mandatory Conversion Date, such Mandatory Conversion Date shall instead occur on the first calendar day after such Holder has received all such accrued and unpaid dividends.

(cc) “Non-Voting Common Stock” has the meaning set forth in Section 2.

(dd) “Notice of Mandatory Conversion” has the meaning set forth in Section 9(a).

(ee) “Parity Securities” has the meaning set forth in Section 2.

(ff) “Person” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.

(gg) “Record Date” has the meaning set forth in Section 4(d).

(hh) “Regulatory Approval” means, as to any Holder, to the extent applicable and required to permit such Holder to convert such Holder’s shares of Series G Preferred Stock into Non-Voting Common Stock and to own such Non-Voting Common Stock without such Holder being in violation of applicable law, rule or regulation, the receipt of approvals and authorizations of, filings and registrations with or notifications to any governmental authority, or expiration or termination of any applicable waiting period under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

(ii) “Reorganization Event” has the meaning set forth in Section 11(a).

(jj) “Series G Preferred Stock” has the meaning set forth in Section 1.

(kk) “Stockholder Approvals” means all stockholder approvals necessary to (1) approve the conversion of the Non-Voting Common Stock into Common Stock for purposes of Rule 5635 of the Nasdaq Stock Market Rules, and (2) approve the amendment to the Articles of Incorporation to (i) authorize a number of shares of Non-Voting Common Stock sufficient to permit the full conversion of the Series G Preferred Stock into Non-Voting Common Stock and the issuance of certain additional shares of Non-Voting Common Stock and (ii) increase the number of authorized shares of Common Stock to at least such number as shall be sufficient to permit the full conversion of the Non-Voting Common Stock.

(ll) “Trading Day” means a day on which the shares of Common Stock:

(i) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business; and

(ii) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

(mm) “Violation” means a violation of the stockholder approval requirements of Rule 5635 of the Nasdaq Stock Market Rules.

(nn) “Voting Securities” has the meaning set forth in the BHC Act and any rules or regulations promulgated thereunder.

Section 4. Dividends. (a) From and after the Effective Date, the Holders shall be entitled to receive, when, as and if declared by the Board of Directors or a duly authorized committee of the Board of Directors, out of funds legally available therefor, cumulative dividends of the type and in the amounts determined as set forth in this Section 4, and no more.

(b) Commencing on the Effective Date, dividends shall accrue and shall be payable semi-annually in arrears on March 30th and September 30th of each year (each, a “Dividend Payment Date”) or, if any such day is not a Business Day, the next Business Day. Dividends payable pursuant to this Section 4, if, when and as declared by the Board of Directors or a duly authorized committee of the Board of Directors, will be, for each outstanding share of Series G Preferred Stock, payable in cash at an annual rate equal to the Dividend Rate multiplied by the sum of (i) the Liquidation Preference plus (ii) all accrued and

unpaid dividends for any prior Dividend Period that are payable on such share of Series G Preferred Stock, payable in cash (such dividend, the “Dividend”); *provided that*, in the event that the As-Converted Dividend for such Dividend Period is greater than the Dividend, each outstanding share of Series G Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, the As-Converted Dividend rather than the Dividend.

(c) Dividends payable pursuant to Section 4 will be computed on the basis of a 360-day year of twelve 30-day months and, for any Dividend Period greater or less than a full Dividend Period, will be computed on the basis of the actual number of days elapsed in the period divided by 360. The period from the Effective Date to but excluding September 30, 2011 and each period from and including a Dividend Payment Date to but excluding the following Dividend Payment Date is herein referred to as a “Dividend Period”.

(d) Each dividend will be payable to Holders of record as they appear in the records of the Corporation on the applicable record date (each, a “Record Date”), which with respect to dividends payable pursuant to this Section 4, shall be on the fifteenth day of the month immediately prior to the month in which the relevant Dividend Payment Date occurs.

(e) Dividends on the Series G Preferred Stock are cumulative. Such dividends shall begin to accrue and be cumulative from the Effective Date (in the case of the shares of Series G Preferred Stock issued on the Effective Date), shall compound at the relevant rate on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on another dividend unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable semi-annually in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date.

(f) So long as any shares of Series G Preferred Stock remain outstanding, if all dividends payable pursuant to Section 4 on all outstanding shares of the Series G Preferred Stock for any Dividend Period have not been declared and paid, or declared and funds set aside therefor, the Corporation shall not, directly or indirectly, (x) declare or pay dividends with respect to, or make any distributions on, or, directly or indirectly, redeem, purchase or acquire any of its Junior Securities or (y) directly or indirectly, redeem, purchase or acquire any of its Parity Securities, other than, in each case, (i) redemptions, purchases or other acquisitions of Junior Securities or Parity Securities in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants or in connection with a dividend reinvestment plan, (ii) any declaration of a dividend in connection with any stockholders’ rights plan, or the issuance of rights, stock or other property under any stockholders’ rights plan, or the redemption or repurchase of rights pursuant thereto, (iii) conversions or exchanges of Junior Securities or Parity Securities for Junior Securities or Parity Securities, respectively, and (iv) any purchase of fractional interests in shares of the Corporation’s capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged. If dividends payable pursuant to Section 4 for any Dividend Payment Date are not paid in full, or declared and funds set aside therefor on the shares of the Series G Preferred Stock and there are issued and outstanding shares of Parity Securities with the same Dividend Payment Date (or, in the case of Parity Securities having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period applicable to such Dividend Payment Date), then all dividends declared on shares of the Series G Preferred Stock and such Parity Securities on such date or dates, as the case may be, shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as full semi-annual dividends per share payable on the shares of the Series G Preferred Stock pursuant to Section 4 and all such Parity Securities otherwise payable on such Dividend Payment Date (or, in the case of Parity Securities having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period applicable to such Dividend Payment Date) (subject to such dividends on such Parity Securities having been declared by the Board of Directors out of legally available funds and including, in the case of any such Parity Securities that bear cumulative dividends, all accrued but unpaid dividends) bear to each other. However, the foregoing provisions shall not restrict the ability of any Affiliate of the Corporation to engage in any market making transactions in Junior Securities in the ordinary course of business.

(g) If the Mandatory Conversion Date with respect to any share of Series G Preferred Stock is prior to the Dividend Payment Date applicable to any Dividend Period, the Holder of such share of Series G Preferred Stock will not have the right to receive any dividends on the Series G Preferred Stock with respect to such Dividend Period, provided that this provision shall not affect any rights to receive any accrued but unpaid dividends on the Series G Preferred Stock attributable to any Dividend Period completed prior to the Mandatory Conversion Date.

(h) The Corporation, in satisfaction of its obligation to issue preferred stock under any provision of this Certificate of Designations to any Holder, may, in order to minimize the number of its authorized and unissued shares of preferred stock used for such purpose, issue depositary shares for such preferred stock, with such depositary shares and underlying preferred stock being in such denominations as the Corporation and such Holder shall mutually agree.

Section 5. Liquidation. (a) In the event the Corporation voluntarily or involuntarily liquidates, dissolves or winds up, the Holders at the time shall be entitled to receive liquidating distributions in an amount equal to the greater of (i) the Liquidation Preference per share of Series G Preferred Stock plus an amount equal to any accrued but unpaid dividends, whether or not declared, thereon to and including the date of such liquidation and (ii) the payment or distribution to which such Holders would have been entitled if the Series G Preferred Stock were converted into Non-Voting Common Stock (assuming receipt of the Stockholder Approvals and, if necessary, Regulatory Approval) immediately before such liquidation, dissolution or winding-up, out of assets legally available for distribution to the Corporation's stockholders, before any distribution of assets is made to the holders of the Company Common Stock or any other Junior Securities. After payment of the full amount of such liquidation distribution, the Holders shall not be entitled to any further participation in any distribution of assets by the Corporation.

(b) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series G Preferred Stock and the corresponding amounts payable on any Parity Securities, Holders and the holders of such Parity Securities shall share ratably in any distribution of assets of the Corporation in proportion to the full respective liquidating distributions to which they would otherwise be respectively entitled.

(c) The Corporation's consolidation or merger with or into any other entity, the consolidation or merger of any other entity with or into the Corporation, or the sale of all or substantially all of the Corporation's property or business will not constitute its liquidation, dissolution or winding up.

Section 6. Maturity. The Series G Preferred Stock shall be perpetual unless converted in accordance with this Certificate of Designations.

Section 7. Redemptions.

(a) **Optional Redemption.** The Series G Preferred Stock may not be redeemed by the Corporation prior to December 31, 2015. After December 31, 2015, the Corporation, at its option, may redeem in whole at any time the shares of Series G Preferred Stock at the time outstanding, upon notice given as provided in Section 7(c) below, at a redemption price per share payable in cash equal to the greater of (i) 150.0% of the sum of (A) the Liquidation Preference, plus (B) all accrued and unpaid dividends, whether or not declared, up to, but excluding, the date fixed for redemption and (ii) 125.0% of (A) the number of shares of Non-Voting Common Stock into which a share of Series G Preferred Stock would be convertible on the Trading Day immediately prior to the date fixed for redemption (assuming receipt of Stockholder Approvals and, if applicable, the Regulatory Approval) multiplied by (B) the Closing Price of Common Stock on such Trading Day. The redemption price for any shares of Series G Preferred Stock shall be payable on the redemption date to the Holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to a Record Date for a Dividend Period shall not be paid to the Holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Record Date.

(b) **No Sinking Fund.** The Series G Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series G Preferred Stock will have no right to require redemption of any shares of Series G Preferred Stock.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series G Preferred Stock shall be given by first class mail, postage prepaid, addressed to the Holders of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption; *provided, however*, that failure to give such notice by mail, or any defect in such notice or in the mailing thereof, to any Holder of shares of Series G Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series G Preferred Stock to be so redeemed except as to the Holder to whom the Corporation has failed to give such notice or except as to the Holder to whom notice was defective. Notwithstanding the foregoing, if the Series G Preferred Stock or any depositary shares representing interests in the Series G Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the Holders of Series G Preferred Stock at such time and in any manner permitted by such facility. Each such notice given to a Holder shall state: (1) the redemption date; (2) the number of shares of Series G Preferred Stock to be redeemed; (3) the redemption price (or manner of determination of the redemption price); and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) **Effectiveness of Redemption.** If notice of redemption has been duly given as provided in Section 7(c) and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the Holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date unless the Corporation defaults in the payment of the redemption price, in which case such rights shall continue until the redemption price is paid, dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the Holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the Holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares. Shares of outstanding Series G Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock, shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series.

Section 8. Mandatory Conversion. Effective as of the close of business on the Mandatory Conversion Date with respect to the shares of Series G Preferred Stock of a Holder, all such Holder's shares of Series G Preferred Stock shall automatically convert into shares of Non-Voting Common Stock as set forth below. The number of shares of Non-Voting Common Stock into which a share of Series G Preferred Stock shall be convertible shall be determined by dividing (i) the Liquidation Preference by (ii) the Applicable Conversion Price (subject to the conversion procedures of Section 9 hereof); provided, that the Series G Preferred Stock shall not convert into Non-Voting Common Stock unless and until all accrued and unpaid dividends, whether or not declared, with respect to any Dividend Period completed prior to the Mandatory Conversion Date (but not with respect to the Dividend Period in which the Mandatory Conversion Date occurs) have been paid in cash to the Holders. Upon conversion, Holders shall receive cash in lieu of fractional shares in accordance with Section 13 hereof.

Section 9. Conversion Procedures.

(a) Each Holder shall, promptly upon receipt of each Regulatory Approval applicable to such Holder, if any, provide written notice to the Corporation of such receipt. At least one Business Day prior to the Mandatory Conversion Date with respect to shares of any Holder, the Corporation shall provide notice of such conversion to such Holder (such notice a "Notice of Mandatory Conversion"). In addition to any information required by applicable law or regulation, the Notice of Mandatory Conversion with respect to such Holder shall state, as appropriate:

(i) the Mandatory Conversion Date;

(ii) the Applicable Conversion Price;

(iii) the number of shares of Non-Voting Common Stock to be issued upon conversion of each share of Series G Preferred Stock held of record by such Holder and subject to such mandatory conversion;

(iv) if certificates are to be issued, the place or places where certificates for shares of Series G Preferred Stock held of record by such Holder are to be surrendered for issuance of certificates representing shares of Non-Voting Common Stock; and

(v) the amount of accrued and unpaid dividends to be paid in cash on each share of Series G Preferred Stock held of record by such Holder prior to such mandatory conversion.

(b) Effective immediately prior to the close of business on the Mandatory Conversion Date with respect to any shares of Series G Preferred Stock dividends shall no longer be declared on any such shares of Series G Preferred Stock and such shares of Series G Preferred Stock shall cease to be outstanding, in each case, subject to the right of the Holder to receive (i) shares of Non-Voting Common Stock issuable upon such mandatory conversion, (ii) any declared and unpaid dividends on such share to the extent provided in Section 4(g) and (iii) any other payments to which such Holder is otherwise entitled pursuant to Section 5, Section 7, Section 8, Section 11 or Section 13 hereof, as applicable.

(c) No allowance or adjustment, except pursuant to Section 4 or Section 10, shall be made in respect of dividends payable to holders of the Non-Voting Common Stock of record as of any date prior to the close of business on the Mandatory Conversion Date with respect to any share of Series G Preferred Stock. Prior to the close of business on the Mandatory Conversion Date with respect to any share of Series G Preferred Stock, shares of Non-Voting Common Stock issuable upon conversion thereof, or other securities issuable upon conversion of, such share of Series G Preferred Stock shall not be deemed outstanding for any purpose, and the Holder thereof shall have no rights with respect to the Non-Voting Common Stock or

other securities issuable upon conversion (including voting rights, rights to respond to tender offers for the Non-Voting Common Stock or other securities issuable upon conversion and rights to receive any dividends or other distributions on the Non-Voting Common Stock or other securities issuable upon conversion) by virtue of holding such share of Series G Preferred Stock.

(d) Shares of Series G Preferred Stock duly converted in accordance with this Certificate of Designations, or otherwise reacquired by the Corporation, will resume the status of authorized and unissued preferred stock, undesignated as to series and available for future issuance. The Corporation may from time-to-time take such appropriate action as may be necessary to reduce the authorized number of shares of Series G Preferred Stock; *provided, however*, that the Corporation shall not take any such action if such action would reduce the authorized number of shares of Series G Preferred Stock below the number of shares of Series G Preferred Stock then outstanding.

(e) The Person or Persons entitled to receive the Non-Voting Common Stock and/or cash, securities or other property issuable upon conversion of Series G Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Non-Voting Common Stock and/or securities as of the close of business on the Mandatory Conversion Date with respect thereto. In the event that a Holder shall not by written notice designate the name in which shares of Non-Voting Common Stock and/or cash, securities or other property (including payments of cash in lieu of fractional shares) to be issued or paid upon conversion of shares of Series G Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payment, in the name of the Holder and in the manner shown on the records of the Corporation.

(f) On the Mandatory Conversion Date with respect to any share of Series G Preferred Stock, certificates representing shares of Non-Voting Common Stock shall be issued and delivered to the Holder thereof or such Holder's designee (or, at the Corporation's option such shares shall be registered in book-entry form) upon presentation and surrender of the certificate evidencing the Series G Preferred Stock to the Corporation and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes.

Section 10. Anti-Dilution Adjustments.

(a) The Conversion Price shall be subject to the following adjustments:

(i) Stock Dividends and Distributions. If the Corporation pays dividends or other distributions on the Company Common Stock in shares of Company Common Stock, then the Conversion Price in effect immediately prior to the Ex-Date for such dividend or distribution will be multiplied by the following fraction:

OS0

OS1

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to Ex-Date for such dividend or distribution.

OS1 = the sum of the number of shares of Company Common Stock outstanding immediately prior to the Ex-Date for such dividend or distribution plus the total number of shares of Company Common Stock constituting such dividend or distribution.

For the purposes of this clause (i), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. If any dividend or distribution described in this clause (i) is declared but not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such dividend or distribution, to such Conversion Price that would be in effect if such dividend or distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock)

(ii) Subdivisions, Splits and Combination of the Company Common Stock. If the Corporation subdivides, splits or combines the shares of Company Common Stock, then the Conversion Price in effect immediately prior to the effective date of such share subdivision, split or combination will be multiplied by the following fraction:

OS0

OS1

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to the effective date of such share subdivision, split or combination.

OS1 = the number of shares of Company Common Stock outstanding immediately after the opening of business on the effective date of such share subdivision, split or combination.

For the purposes of this clause (ii), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. If any subdivision, split or combination described in this clause (ii) is announced but the outstanding shares of Company Common Stock are not subdivided, split or combined, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to subdivide, split or combine the outstanding shares of Company Common Stock, to such Conversion Price that would be in effect if such subdivision, split or combination had not been announced (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock).

(iii) Issuance of Stock Purchase Rights. If the Corporation issues to all or substantially all holders of the shares of Company Common Stock rights or warrants (other than rights or warrants issued pursuant to a stockholders' rights plan, a dividend reinvestment plan or share purchase plan or other similar plans, including that certain Tax Benefits Preservation Plan, dated February 22, 2011, between the Corporation and Illinois Stock Transfer Company) entitling them to subscribe for or purchase the shares of Company Common Stock at less than the Current Market Price on the date fixed for the determination of stockholders entitled to receive such rights or warrants, then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{OS0 + Y}{OS0 + X}$$

$$OS0 + X$$

Where,

OS0 = the number of shares of Company Common Stock outstanding immediately prior to the Ex-Date for such distribution.

X = the total number of shares of Company Common Stock issuable pursuant to such rights or warrants.

Y = the number of shares of Company Common Stock equal to the aggregate price payable to exercise such rights or warrants divided by the Current Market Price on the date fixed for the determination of stockholders entitled to receive such rights or warrants.

For the purposes of this clause (iii), the number of shares of Company Common Stock at the time outstanding shall not include shares acquired by the Corporation. The Corporation shall not issue any such rights or warrants in respect of shares of the Company Common Stock acquired by the Corporation. In the event that such rights or warrants described in this clause (iii) are not so issued, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to issue such rights or warrants, to the Conversion Price that would then be in effect if such issuance had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock). To the extent that such rights or warrants are not exercised prior to their expiration or shares of Company Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Price shall be readjusted to such Conversion Price that would then be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Company Common Stock actually delivered (but giving effect to any intervening adjustments that may have been made with respect to the Series F Preferred Stock). In determining the aggregate offering price payable for such shares of Company Common Stock, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined in a reasonable manner by the Board of Directors).

(iv) Debt or Asset Distributions. If the Corporation distributes to all or substantially all holders of shares of Company Common Stock evidences of indebtedness, shares of capital stock, securities, cash or other assets (excluding any dividend or distribution referred to in clause (i) above, any rights or warrants referred to in clause (iii) above, any dividend or distribution paid exclusively in cash, any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its applicable subsidiaries, and any dividend of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit in the case of certain spin-off transactions as described below) (such evidences of indebtedness, shares of capital stock, securities, cash or other assets, the "Distributed Property"), then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

SP0 – FMV

SP0

Where,

SP0 = the Current Market Price per share of Common Stock on such date.

FMV = the fair market value of the portion of the distribution applicable to one share of Common Stock on such date as determined in good faith by the Board of Directors.

In a “spin-off”, where the Corporation makes a distribution to all holders of shares of Company Common Stock consisting of capital stock of any class or series, or similar equity interests of, or relating to, a subsidiary or other business unit, the Conversion Price will be adjusted on the fifteenth Trading Day after the effective date of the distribution by multiplying such Conversion Price in effect immediately prior to such fifteenth Trading Day by the following fraction:

MPO

MPO+ MPs

Where,

MPO = the average of the Closing Prices of the Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution.

MPs = the average of the Closing Prices of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution, or, if not traded on a national or regional securities exchange or over-the-counter market, the fair market value of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock on such date as determined by the Board of Directors.

In the event that such distribution described in this clause (iv) is not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Price that would then be in effect if such dividend or distribution had not been declared (but after giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock).

(v) Cash Distributions. If the Corporation makes a distribution consisting exclusively of cash to all holders of the Company Common Stock, excluding (a) any cash dividend on the Company Common Stock to the extent a corresponding cash dividend pursuant to Section 4 is paid on the Series G Preferred Stock, (b) any cash that is distributed in a Reorganization Event or as part of a “spin-off” referred to in clause (iv) above, (c) any dividend or distribution in connection with the Corporation’s liquidation, dissolution or winding up, and (d) any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its subsidiaries, then in each event, the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

SP0 – DIV

SP0

Where,

SP0 = the Closing Price per share of Common Stock on the Trading Day immediately preceding the Ex-Date.

DIV = the amount per share of Common Stock of the cash distribution, as determined pursuant to the introduction to this paragraph (v).

In the event that any distribution described in this clause (v) is not so made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such distribution, to the Conversion Price which would then be in effect if such distribution had not been declared (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock).

(vi) Self Tender Offers and Exchange Offers. If the Corporation or any of its subsidiaries successfully completes a tender or exchange offer for the Company Common Stock where the cash and the value of any other consideration included in the payment per share of the Common Stock exceeds the Closing Price per share of the Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer, then the Conversion Price in effect at the close of business on such immediately succeeding Trading Day will be multiplied by the following fraction:

$$\frac{OS0 \times SP0}{AC + (SP0 \times OS1)}$$

Where,

SP0 = the Closing Price per share of Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer.

OS0 = the number of shares of Common Stock outstanding immediately prior to the expiration of the tender or exchange offer, including any shares validly tendered and not withdrawn.

OS1 = the number of shares of Common Stock outstanding immediately after the expiration of the tender or exchange offer, giving effect to consummation of the acquisition of all shares validly tendered or exchanged (and not withdrawn) in connection with such tender or exchange.

AC = the aggregate cash and fair market value of the other consideration payable in the tender or exchange offer, as determined by the Board of Directors.

In the event that the Corporation, or one of its subsidiaries, is obligated to purchase shares of Company Common Stock pursuant to any such tender offer or exchange offer, but the Corporation, or such subsidiary, is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Price shall be readjusted to be such Conversion Price that would then be in effect if such tender offer or exchange offer had not been made (but giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock). Except as set forth in the preceding sentence, if the application of this clause (vi) to any tender offer or exchange offer would result in an increase in the Conversion Price, no adjustment shall be made for such tender offer or exchange offer under this clause (vi).

(vii) Rights Plans. To the extent that the Corporation has a rights plan in effect with respect to the Company Common Stock on the Mandatory Conversion Date, upon conversion of any shares of the Series G Preferred Stock, Holders will receive, in addition to the shares of Non-Voting Common Stock, the rights under the rights plan, unless, prior to the Mandatory Conversion Date, the rights have separated from the shares of Non-Voting Common Stock, in which case the Conversion Price will be adjusted at the time of separation as if the Corporation had made a distribution to all holders of the Non-Voting Common Stock as described in clause (iii) above, subject to readjustment in the event of the expiration, termination or redemption of such rights (but after giving effect to any intervening adjustments that may have been made with respect to the Series G Preferred Stock).

(b) The Corporation may make such decreases in the Conversion Price, in addition to any other decreases required by this Section 10, if the Board of Directors deems it advisable, to avoid or diminish any income tax to holders of the Company Common Stock resulting from any dividend or distribution of shares of Company Common Stock (or issuance of rights or warrants to acquire shares of Company Common Stock) or from any event treated as such for income tax purposes or for any other reason.

(c) (i) All adjustments to the Conversion Price shall be calculated to the nearest 1/10 of a cent. No adjustment in the Conversion Price shall be required if such adjustment would be less than \$0.01; *provided*, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment; *provided further* that on the Mandatory Conversion Date adjustments to the Conversion Price will be made with respect to any such adjustment carried forward and which has not been taken into account before such date.

(ii) No adjustment to the Conversion Price shall be made if Holders may participate in the transaction that would otherwise give rise to an adjustment, as a result of holding the Series G Preferred Stock (including without limitation pursuant to Section 4 hereof), without having to convert the Series G Preferred Stock, as if they held the full number of shares of Non-Voting Common Stock into which a share of the Series G Preferred Stock may then be converted.

(iii) The Applicable Conversion Price shall not be adjusted:

(A) upon the issuance of any shares of Company Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Corporation's securities and the investment of additional optional amounts in shares of Company Common Stock under any such plan;

(B) upon the issuance of any shares of Company Common Stock or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Corporation or any of its subsidiaries;

(C) upon the issuance of any shares of Company Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date shares of the Series G Preferred Stock were first issued and not substantially amended thereafter;

(D) for a change in the par value or no par value of Company Common Stock; or

(E) for accrued and unpaid dividends on the Series G Preferred Stock.

(d) Whenever the Conversion Price is to be adjusted in accordance with Section 10(a) or Section 10(b), the Corporation shall: (i) compute the Conversion Price in accordance with Section 10(a) or Section 10(b), taking into account the \$0.01 threshold set forth in Section 10(c) hereof; (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Price pursuant to Section 10(a) or Section 10(b), taking into account the one percent threshold set forth in Section 10(c) hereof (or if the Corporation is not aware of such occurrence, as soon as practicable after becoming so aware), provide, or cause to be provided, a written notice to the Holders of the occurrence of such event; and (iii) as soon as practicable following the determination of the revised Conversion Price in accordance with Section 10(a) or Section 10(b) hereof, provide, or cause to be provided, a written notice to the Holders setting forth in reasonable detail the method by which the adjustment to the Conversion Price was determined and setting forth the revised Conversion Price.

Section 11. Reorganization Events. (a) In the event that, for so long as any shares of Series F Preferred Stock have not been converted and remain outstanding, there occurs:

(i) any consolidation, merger or other similar business combination of the Corporation with or into another Person, in each case pursuant to which the Non-Voting Common Stock will be converted into cash, securities or other property of the Corporation or another Person;

(ii) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation, in each case pursuant to which the Non-Voting Common Stock will be converted into cash, securities or other property of the Corporation or another Person;

(iii) any reclassification of the Non-Voting Common Stock into securities including securities other than the Non-Voting Common Stock; or

(iv) any statutory exchange of the outstanding shares of Non-Voting Common Stock for securities of another Person (other than in connection with a merger or acquisition);

(any such event specified in this Section 10(a), a "Reorganization Event"); then each share of such Holder's Series G Preferred Stock outstanding immediately prior to such Reorganization Event shall remain outstanding but shall automatically convert, effective as of the close of business on the Mandatory Conversion Date with respect to the shares of Series G Preferred Stock of such Holder (with the term "Regulatory Approval" applied for such purpose, as applicable, to the surviving entity in such Reorganization Event and its securities included in the Exchange Property (as defined below)), into the type and amount of securities, cash and other property receivable in such Reorganization Event by the holder (excluding the counterparty to the Reorganization Event or an Affiliate of such counterparty) of the greater of (i) the number of shares of Non-Voting Common Stock into which one share of Series G Preferred Stock would then be convertible assuming the receipt of the Stockholder Approvals and the Regulatory Approval and (ii) the number of shares of Non-Voting Common Stock that, if one share of Series G Preferred Stock were converted into such number of shares, would result in the fair market value of the securities, cash and other property receivable in such Reorganization Event by a Holder of such number of shares equaling the Liquidation Preference plus, in each case of clause (i) and (ii) above, all accrued and unpaid dividends, whether or not declared, up to, but excluding such date (such securities, cash and other property, the "Exchange Property"). In the event that a Reorganization Event referenced in Section 11(a) involves common stock as all or part of the consideration being offered in a fixed exchange ratio transaction, the fair market value per share of such common stock shall be determined by reference to the average of the closing prices of such common stock for the ten Trading Day period ending immediately prior to the consummation of such Reorganization Event.

(b) In the event that holders of the shares of Non-Voting Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the Holders shall likewise be allowed to make such an election.

(c) The above provisions of this Section 11 shall similarly apply to successive Reorganization Events and the provisions of Section 10 shall apply to any shares of capital stock of the Corporation (or any successor) received by the holders of the Company Common Stock in any such Reorganization Event.

(d) The Corporation (or any successor) shall, within seven days of the consummation of any Reorganization Event, provide written notice to the Holders of such consummation of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 11.

(e) The Corporation shall not enter into any agreement for a transaction constituting a Reorganization Event unless such agreement provides for or does not interfere with or prevent (as applicable) conversion of the Series G Preferred Stock into the Exchange Property in a manner that is consistent with and gives effect to this Section 11.

Section 12. Voting Rights. (a) Holders will not have any voting rights, including the right to elect any directors, except (i) voting rights, if any, required by law, and (ii) voting rights, if any, described in this Section 12.

(b) So long as any shares of Series G Preferred Stock are outstanding, the vote or consent of the Holders of a majority of the shares of Series G Preferred Stock at the time outstanding, voting as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating any of the following actions, whether or not such approval is required by Georgia law;

(i) any amendment, alteration or repeal (including by means of a merger, consolidation or otherwise) of any provision of the Articles of Incorporation (including this Certificate of Designations) or the Corporation's bylaws that would alter or change the rights, preferences or privileges of the Series G Preferred Stock so as to affect them adversely; or

(ii) any amendment or alteration (including by means of a merger, consolidation or otherwise) of the Corporation's Articles of Incorporation to authorize, or create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking equally with or senior to the Series G Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

provided, however, that the creation and issuance, or an increase in the authorized or issued amount, of any series of preferred stock or any securities convertible into preferred stock ranking junior to the Series G Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon the Corporation's liquidation, dissolution or winding up will not, in and of itself, be deemed to adversely affect rights, preferences or privileges of the Series G Preferred Stock and, notwithstanding any provision of Georgia law, Holders will have no right to vote solely by reason of such an increase, creation or issuance.

(c) Notwithstanding the foregoing, Holders shall not have any voting rights if, at or prior to the effective time of the act with respect to which such vote would otherwise be required, all outstanding shares of Series G Preferred Stock shall have been converted into shares of Non-Voting Common Stock.

Section 13. Fractional Shares.

(a) No fractional shares of Non-Voting Common Stock will be issued as a result of any conversion of shares of Series G Preferred Stock.

(b) In lieu of any fractional share of Non-Voting Common Stock otherwise issuable in respect of any mandatory conversion pursuant to Section 8 hereof, the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the Mandatory Conversion Date.

(c) If more than one share of the Series G Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of full shares of Non-Voting Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series G Preferred Stock so surrendered.

Section 14. Reservation of Non-Voting Common Stock.

(a) Following the receipt of the Stockholder Approvals, the Corporation shall at all times reserve and keep available out of its authorized and unissued Non-Voting Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Series G Preferred Stock as provided in this Certificate of Designations free from any preemptive or other similar rights, such number of shares of Non-Voting Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series G Preferred Stock then outstanding. For purposes of this Section 14(a), the number of shares of Non-Voting Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series G Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder. Following the receipt of the Stockholder Approvals, the Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock or shares acquired by the Corporation, solely for issuance upon the conversion of shares of Non-Voting Common Stock issued upon conversion of the Series G Preferred Stock free from any preemptive or other similar rights, the same number of shares of Common Stock as the number of shares of Non-Voting Common Stock reserved pursuant to the first sentence of this Section 14(a).

(b) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series G Preferred Stock, as herein provided, shares of Non-Voting Common Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Non-Voting Common Stock), so long as any such acquired shares are free and clear of all liens, charges, security interests or encumbrances.

(c) All shares of Non-Voting Common Stock delivered upon conversion of the Series G Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances.

(d) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series G Preferred Stock, the Corporation shall use its reasonable best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(e) The Corporation hereby covenants and agrees that, if at any time the Non-Voting Common Stock shall be listed on The NASDAQ Global Select Market or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Non-Voting Common Stock shall be so listed on such exchange or automated quotation system, all the Non-Voting Common Stock issuable upon conversion of the Series G Preferred Stock.

Section 15. Replacement Certificates.

(a) The Corporation shall replace any mutilated certificate at the Holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Corporation of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be required by the Corporation.

(b) The Corporation shall not be required to issue any certificates representing the Series G Preferred Stock on or after the Mandatory Conversion Date. In place of the delivery of a replacement certificate following the Mandatory Conversion Date, the Corporation, upon delivery of the evidence and indemnity described in clause (a) above, shall deliver the shares of Non-Voting Common Stock pursuant to the terms of the Series G Preferred Stock formerly evidenced by the certificate.

Section 16. Miscellaneous.

(a) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Certificate of Designations) with postage prepaid, addressed: (i) if to the Corporation, to its office at 125 Highway 515 East, Blairsville, Georgia 30512 or (ii) if to any Holder, to such Holder at the address of such Holder as listed in the stock record books of the Corporation, or (iii) to such other address as the Corporation or any such Holder, as the case may be, shall have designated by notice similarly given.

(b) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series G Preferred Stock or shares of Non-Voting Common Stock or other securities issued on account of Series G Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Series G Preferred Stock or Non-Voting Common Stock or other securities in a name other

than that in which the shares of Series G Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any Person other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the Person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(c) All payments on the shares of Series G Preferred Stock shall be subject to withholding and backup withholding of tax to the extent required by applicable law, subject to applicable exemptions, and amounts withheld, if any, shall be treated as received by the holders thereof.

(d) No share of Series G Preferred Stock shall have any rights of preemption whatsoever under this Certificate of Designations as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated issued or granted.

(e) The shares of Series G Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law.

(f) The Corporation covenants (1) not to treat the Series G Preferred Stock as preferred stock for purposes of Section 305 of the Internal Revenue Code of 1986, as amended, except as otherwise required by applicable law.

**DESIGNATIONS, POWERS, PREFERENCES,
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS
OF
JUNIOR PARTICIPATING PREFERRED STOCK, SERIES E
OF
UNITED COMMUNITY BANKS, INC.**

Section 1. Designation And Amount. The shares of such series shall be designated as “Junior Participating Preferred Stock, Series E,” \$1.00 par value per share (the “*Series E Preferred Stock*”), and the number of shares constituting the Series E Preferred Stock shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series E Preferred stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights, or warrants or upon the conversion of any outstanding securities issued by the Company convertible into Series E Preferred Stock.

Section 2. Dividends And Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series E Preferred Stock with respect to dividends, the holders of shares of Series E Preferred Stock shall be entitled to receive, when, as, and if declared by the Board of Directors out of funds legally available for the purpose, dividends in an amount per share (rounded to the nearest cent) equal to 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series E Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Dividends paid on the shares of Series E Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series E Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. In addition to any other voting rights required by law, the holders of shares of Series E Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series E Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Company. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series E Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar Stock, or by law, the holders of shares of Series E Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Company having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Company.

(c) Except as set forth herein, or as otherwise provided by law, holders of Series E Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Recquired Shares. Any shares of Series E Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of the Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Articles, or in any other Certificate of Designation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 5. Liquidation, Dissolution Or Winding Up. Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made (a) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series E Preferred Stock unless, prior thereto, the holders of shares of Series E Preferred Stock shall have received \$100 per share, and any such additional amount such that the holders of shares of Series E Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (b) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series E Preferred Stock, except distributions made ratable on the Series E Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series E Preferred Stock were entitled immediately prior to such event under the proviso in clause (a) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

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Section 6. Consolidation, Merger, Etc. In case the Company shall enter into any consolidation, merger, combination, or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash, and/or any other property, then in any such case each share of Series E Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash, and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series E Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. No Redemption. The shares of Series E Preferred Stock shall not be redeemable.

Section 8. Rank. The Series E Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Company's Preferred Stock and shall rank senior to the Common Stock as to such matters.

Section 9. Amendment. The Articles shall not be amended in any manner which would materially alter or change the powers, preferences, or special rights of the Series E Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least a majority of the outstanding shares of Series E Preferred Stock, voting together as a single class.

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**DESIGNATIONS, POWERS, PREFERENCES,
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS
OF
CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES D
OF
UNITED COMMUNITY BANKS, INC.**

Pursuant to the authority vested in the board of directors (the "Board of Directors") by the Restated Articles of Incorporation of United Community Banks, Inc. (the "Corporation"), as amended (the "Articles of Incorporation"), the Board of Directors does hereby designate, create, authorize and provide for the issue of a series of preferred stock, which shall be designated as Cumulative Perpetual Preferred Stock, Series D (the "Series D Preferred Stock"), consisting of 25,000 shares having the following powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations:

Section 1. General Matters. Each share of the Series D Preferred Stock shall be identical in all respects to every other share of the Series D Preferred Stock. The Series D Preferred Stock shall be perpetual, subject to the provisions of Section 5 of this Certificate of Designation. The Series D Preferred Stock shall rank at least equally with all Parity Stock outstanding as of the date hereof (except for any senior series that may be issued following the date hereof with the requisite consent of the holders of the Series D Preferred Stock and any other class or series whose vote is required) and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation.

Section 2. Definitions.

- (a) "Applicable Dividend Rate" means a rate per annum equal to (i) the sum of 10.00% minus the three-month United States Dollar London Interbank Offered Rate, ("LIBOR"), as announced and published on February 22, 2011 in *The Wall Street Journal* plus (ii) the most recently published LIBOR, as announced and published from time to time in *The Wall Street Journal*, and in effect on the last day of the month preceding the applicable Dividend Period; *provided, however*, that the initial Applicable Dividend Rate shall be 10.00% and shall continue in effect until May 15, 2011. In the event that more than one LIBOR is published in *The Wall Street Journal* as of the last day of the month preceding any Dividend Period, the highest LIBOR published will be used.
- (b) "Articles of Incorporation" has the meaning set forth in the preamble.
- (c) "Business Day" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.
- (d) "Bylaws" means the Amended and Restated Bylaws of the Corporation, as they may be further amended from time to time.
- (e) "Certificate of Designation" means this Certificate of Designation or comparable instrument relating to the Series D Preferred Stock, as it may be amended from time to time.
- (f) "Closing Date" means the date on which the closing of the issuances occurs.
- (g) "Common Stock" means the common stock, \$1.00 par value per share, of the Corporation.
- (h) "Corporation" has the meaning set forth in the preamble.
- (i) "Dividend Payment Date" means February 15, May 15, August 15 and November 15 of each year.
- (j) "Dividend Period" has the meaning set forth in Section 3(a).
- (k) "Dividend Record Date" has the meaning set forth in Section 3(a).

(l) “Junior Stock” means Common Stock and any other class or series of stock of the Corporation the terms of which expressly provide that it ranks junior to the Series D Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Corporation.

(m) “Liquidation Amount” means \$1,000.00 per share of the Series D Preferred Stock.

(n) “Liquidation Preference” has the meaning set forth in Section 4(a).

(o) “Parity Stock” means any class of capital stock or series of stock of the Corporation (other than the Series D Preferred Stock) the terms of which expressly provide that such class or series will rank on senior or junior to the Series D Preferred Stock as to dividend rights and/or as to rights upon the liquidation, dissolution or winding up of the Corporation (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).

(p) “Preferred Stock” means any and all series of preferred stock of the Corporation, including the Series D Preferred Stock.

(q) “Share Dilution Amount” has the meaning set forth in Section 3(b).

Section 3. Dividends.

(a) Rate. Holders of the Series D Preferred Stock shall be entitled to receive, on each share of the Series D Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at the Applicable Dividend Rate on (i) the Liquidation Amount per share of the Series D Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of the Series D Preferred Stock, if any. Dividends shall begin to accrue and be cumulative from the Closing Date and shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date), in each case whether or not declared, and shall be payable quarterly in arrears on each Dividend Payment Date, commencing May 15, 2011. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a “Dividend Period,” provided that the initial Dividend Period shall be the period from and including the Closing Date to, but excluding, May 15, 2011.

Dividends that are payable on the Series D Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on the Series D Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on the Series D Preferred Stock on any Dividend Payment Date will be payable to holders of record of the Series D Preferred Stock as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of the Series D Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series D Preferred Stock as specified in this Section 3 (subject to the other provisions of this Certificate of Designation).

(b) Priority of Dividends. So long as any share of the Series D Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Corporation or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of the Series D Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of the Series D Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business (including purchases to offset the Share Dilution Amount (as defined below) pursuant to a publicly announced repurchase plan) and consistent with past practice, *provided* that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount; (ii) purchases or other acquisitions by a broker-dealer

subsidiary of the Corporation solely for the purpose of market-making, stabilization or customer facilitation transactions in Junior Stock or Parity Stock in the ordinary course of its business; (iii) purchases by a broker-dealer subsidiary of the Corporation of capital stock of the Corporation for resale pursuant to an offering by the Corporation of such capital stock underwritten by such broker-dealer subsidiary; (iv) any dividends or distributions of rights or Junior Stock in connection with a stockholders' rights plan or any redemption or repurchase of rights pursuant to any stockholders' rights plan; (v) the acquisition by the Corporation or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Corporation or any of its subsidiaries), including as trustees or custodians; and (vi) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Closing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock. "Share Dilution Amount" means the increase in the number of diluted shares outstanding (determined in accordance with generally accepted accounting principles in the United States, and as measured from the date of the Corporation's consolidated financial statements most recently filed with the Securities and Exchange Commission prior to the Closing Date) resulting from the grant, vesting or exercise of equity-based compensation to employees and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon the Series D Preferred Stock and any shares of Parity Stock, all dividends declared on the Series D Preferred Stock and/or all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of the Series D Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of the Series D Preferred Stock shall not be entitled to participate in any such dividends.

Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of the Series D Preferred Stock shall be entitled to receive for each share of the Series D Preferred Stock, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, subject to the rights of any creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series D Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the "Liquidation Preference").

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of the Series D Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with the Series D Preferred Stock as to such distribution, holders of the Series D Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of the Series D Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with the Series D Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of the Series D Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation, but only to the extent that the holders of the Series D Preferred Stock receive in such transaction an amount equal to at least the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount).

Section 5. Redemption.

(a) Optional Redemption. The Series D Preferred Stock may not be redeemed prior to either (i) the third anniversary of the Closing Date or (ii) September 30, 2014, as determined by the Board of Directors in its sole discretion (the "Optional Redemption Date"). On or after the Optional Redemption Date, the Corporation, at its option may redeem, in whole but not in part, at any time, out of funds legally available therefor, shares of the Series D Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether dividends are actually declared) to, but excluding, the date fixed for redemption.

The redemption price for any shares of the Series D Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent, or for uncertificated shares that are issued in book-entry form on the books of the Corporation, against surrender on the books of the Corporation in accordance with the Corporation's applicable direct registration system. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Series D Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of the Series D Preferred Stock will have no right to require redemption or repurchase of any shares of the Series D Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of the Series D Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of the Series D Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of the Series D Preferred Stock. Notwithstanding the foregoing, if shares of the Series D Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of the Series D Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of the Series D Preferred Stock to be redeemed; (3) the redemption price; and (4) the place or places where certificates for any such shares issued in certificated form are to be surrendered for payment of the redemption price.

(d) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Corporation, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

(e) Status of Redeemed Shares. Shares of the Series D Preferred Stock that are redeemed, repurchased or otherwise acquired by the Corporation shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of the Series D Preferred Stock may be reissued only as shares of any series of Preferred Stock other than the Series D Preferred Stock).

Section 6. Conversion. Holders of the Series D Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of the Series D Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law. In exercising the voting rights set forth below, each holder shall be entitled to one vote for each share of the Series D Preferred Stock held by such holder.

(b) Class Voting Rights as to Particular Matters. So long as any shares of the Series D Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Articles of Incorporation, the vote or consent of the holders of at least a majority of the shares of the Series D Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designation for the Series D Preferred Stock or the Articles of Incorporation to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Corporation ranking senior to the Series D Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) Amendment of the Series D Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Series D Preferred Stock or the Articles of Incorporation (including, unless no vote on such merger or consolidation is required by Section 7(b)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to materially and adversely affect the rights, preferences, privileges or voting powers of the Series D Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Series D Preferred Stock, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of the Series D Preferred Stock remain outstanding (and there shall not have been any adverse effect to the rights, privileges, preferences or otherwise of such Series D Preferred Stock) or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, are securities in an issuer with a credit rating of at least as high a quality as the credit rating of the Corporation on the date immediately prior to the consummation of such transaction and further have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are at least as favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series D Preferred Stock immediately prior to such consummation, taken as a whole;

provided, however, that for all purposes of this Section 7(b), any increase in the amount of the authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to the Series D Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Series D Preferred Stock.

(c) Changes after Provision for Redemption. No vote or consent of the holders of the Series D Preferred Stock shall be required pursuant to Section 7(b) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Series D Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(d) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of the Series D Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the

Articles of Incorporation, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which the Series D Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series D Preferred Stock may deem and treat the record holder of any share of the Series D Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of the Series D Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or recognized courier service, if given by electronic mail or if given in such other manner as may be permitted in this Certificate of Designations, in the Articles of Incorporation or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of the Series D Preferred Stock are issued in book-entry form through The Depository Trust Corporation or any similar facility, such notices may be given to the holders of the Series D Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of the Series D Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Corporation shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Corporation of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Corporation.

Section 12. Other Rights. The shares of the Series D Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law.

CERTIFICATE OF RIGHTS AND PREFERENCES

OF

SERIES C CONVERTIBLE PREFERRED STOCK

OF

UNITED COMMUNITY BANKS, INC.

April 1, 2010

Pursuant to Section 14-2-602 of the Georgia Business Corporation Code and Article V of the Restated Articles of Incorporation, as amended, of United Community Banks, Inc., a corporation organized and existing under the laws of the State of Georgia (the "Company"), hereby certifies that the following resolution was duly adopted by the Board of Directors of the Company effective as of March 26, 2010 pursuant to authority conferred upon the Board of Directors by the Restated Articles of Incorporation of the Company, as amended, which authorize the issuance of up to Ten Million (10,000,000) shares of preferred stock, par value \$1.00 per share.

RESOLVED, that pursuant to authority expressly granted to and vested in the Board of Directors of the Company and pursuant to the provisions of the Articles of Incorporation, the Board of Directors hereby creates a series of preferred stock, herein designated and authorized as the Series C Convertible Preferred Stock, par value \$1.00 per share, which shall consist of Sixty-Five Thousand (65,000) of the shares of preferred stock which the Company now has authority to issue, and the Board of Directors hereby fixes the powers, designations and preferences and the relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations and restrictions thereof as follows:

1. Number. The number of shares constituting the Series C Convertible Preferred Stock shall be Sixty-Five Thousand (65,000), all of which are issuable solely under the Agreement.

2. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meaning indicated.

"Acquiring Person" has the meaning set forth in the Agreement.

"Acquisition Consideration" is defined in Section 6(f)(iii)(C).

"Agreement" means the Securities Purchase Agreement dated as of April 1, 2010, by and between the Company and Fletcher pursuant to which Sixty-Five Thousand (65,000) shares of Series C Preferred Stock and a warrant are to be issued by the Company, including all schedules, annexes and exhibits thereto, and as such agreement may be amended from time to time.

"Articles of Incorporation" means the Restated Articles of Incorporation of the Company, as amended.

"Board" means the Board of Directors of the Company.

"Business Day" means any day on which the Common Stock may be traded on the Nasdaq, or if not admitted for trading on the Nasdaq, on any day other than a Saturday, Sunday or holiday on which banks in New York City are required or permitted to be closed.

"Capital Stock" means (i) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated) of capital or capital stock of such Person and (ii) with respect to any Person that is not a corporation, any and all partnership, limited partnership, limited liability company or other equity interests of such Person.

"Certificate of Rights and Preferences" means this Certificate of Rights and Preferences of the Series C Preferred Stock.

"Change of Control" has the meaning set forth in the Agreement.

"Change of Control Notice" is defined in Section 6(f)(i).

“Common Stock Equivalent Junior Preferred Stock” means the Company’s Common Stock Equivalent Junior Preferred Stock, par value \$1.00 per share, issuable pursuant to Section 6 of the Agreement, and any Capital Stock for or into which such Common Stock Equivalent Junior Preferred Stock hereafter is exchanged, converted, reclassified or recapitalized by the Company or pursuant to a Change of Control (or, at the election of the Holder, the Capital Stock of any Acquiring Person from and after the consummation of a Change of Control).

“Common Stock” means the Company’s common stock, par value \$1.00 per share, and any Capital Stock for or into which such common stock hereafter is exchanged, converted, reclassified or recapitalized by the Company or pursuant to a Change of Control (or, at the election of the Holder, the Capital Stock of any Acquiring Person from and after the consummation of a Change of Control).

“Company” means United Community Banks, Inc., a Georgia corporation (or any Acquiring Person from and after the consummation of a Change of Control).

“Contingent Notice” is defined in Section 6(f)(iii).

“Conversion Closing Date” is defined in Section 6(a)(i).

“Conversion Notice” is defined in Section 6(a)(i).

“Conversion Notice Date” is defined in Section 6(a)(i).

“Conversion Price” means Six Dollars and Two Cents (\$6.02), subject to adjustment as set forth herein.

“Conversion Stock Amount” is defined in Section 6(a)(ii).

“Daily Market Price” has the meaning set forth in the Agreement.

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“Dividend Payment Date” is defined in Section 3(a).

“Dividend Period” is defined in Section 3(a).

“Dividend Rate” means (i) prior to receipt of the Stockholder Consent, a rate equal to One Thousand Dollars (\$1,000) per share multiplied by the lesser of (a) twelve percent (12%) per annum and (b) the sum of the three (3)-month London Interbank Offer Rate (LIBOR) determined as of the first day of the Dividend Period (or if the first day of the Dividend Period is not a Business Day, then the first Business Day after the first day of the Dividend Period) plus eight percent (8%) per annum, subject to Section 3(c); and (ii) after receipt of the Stockholder Consent, a rate equal to One Thousand Dollars (\$1,000) per share multiplied by the lesser of (a) eight percent (8%) per annum and (b) the sum of the three (3)-month London Interbank Offer Rate (LIBOR) determined as of the first day of the Dividend Period (or if the first day of the Dividend Period is not a Business Day, then the first Business Day after the first day of the Dividend Period) plus four percent (4%) per annum, subject to Section 3(c).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fletcher” means Fletcher International, Ltd. a company domiciled in Bermuda, together with its successors.

“Holder” shall mean Fletcher and any one or more Persons to whom Fletcher sells, exchanges, transfers, assigns, gives, pledges, encumbers, hypothecates, alienates or distributes, whether directly or indirectly, any or all the Series C Preferred Stock or all or any portion of the right to purchase the Series C Preferred Stock under the Agreement.

“Investment Period” has the meaning set forth in the Agreement.

“Issue Date” means with respect to any shares of Series C Preferred Stock the original date of issuance of such shares of Series C Preferred Stock.

“Junior Securities” means Capital Stock that, with respect to dividends and distributions upon Liquidation, ranks junior to the Series C Preferred Stock, including but not limited to Common Stock, Common Stock Equivalent Junior Preferred Stock and

any other class or series of Capital Stock issued by the Company or any Subsidiary of the Company on or after the date of the Agreement, but excluding any Parity Securities and Senior Securities issued (i) to Fletcher or its authorized assignees under the Agreement, (ii) with the approval of the Holders of a Majority of the Series C Preferred Stock or (iii) upon the conversion, redemption or exercise of securities described in clause (i) or (ii) in accordance with the terms thereof.

“Liquidation” means the voluntary or involuntary liquidation, dissolution or winding up of the Company; provided, however, that a consolidation, merger or share exchange shall not be deemed a Liquidation, nor shall a sale, assignment, conveyance, transfer, lease or other disposition by the Company of all or substantially all of its assets, which does not involve a distribution by the Company of cash or other property to the holders of Common Stock and Common Stock Equivalent Junior Preferred Stock, be deemed to be a Liquidation.

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“Liquidation Preference” is defined in Section 4.

“Majority of the Series C Preferred Stock” means more than fifty percent (50%) of the then outstanding shares of Series C Preferred Stock.

“Maximum Number” has the meaning set forth in the Agreement.

“Nasdaq” has the meaning set forth in the Agreement.

“Ordinary Cash Dividend” means all quarterly cash dividends out of capital surplus or retained earnings legally available therefore (determined in accordance with generally accepted accounting principles, consistently applied), in an amount and frequency consistent with past practice.

“Parent” means, as to any Acquiring Person, any Person that (i) controls the Acquiring Person directly or indirectly through one or more intermediaries, (ii) is required to include the Acquiring Person in the consolidated financial statements contained in such Parent’s Annual Report on Form 10-K (if the Parent is required to file such a report) or would be required to so include the Acquiring Person in such Parent’s consolidated financial statements if they were prepared in accordance with U.S. generally accepted accounting principles and (iii) is not itself included in the consolidated financial statements of any other Person (other than its consolidated subsidiaries).

“Parity Securities” means any class or series of Capital Stock that, with respect to dividends or distributions upon Liquidation, is *pari passu* with the Series C Preferred Stock.

“Person” means an individual or a corporation, partnership, trust, incorporated or unincorporated association, limited liability company, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

“Preferred Stock” means the Company’s preferred stock authorized pursuant to the provisions of the Articles of Incorporation.

“Prevailing Market Price” means, with respect to any reference date, the average of the Daily Market Prices of the Common Stock (or, for purposes of determining the Prevailing Market Price of the common stock of an Acquiring Person or its Parent under Section 6(f), the common stock of such Acquiring Person or such Parent) for the twenty-five (25) Business Days ending on and including the third (3rd) Business Day before such reference date.

“Redemption Closing Date” is defined in Section 6(b)(i).

“Redemption Notice” is defined in Section 6(b)(i).

“Redemption Price” means Five Dollars and Twenty-Five Cents (\$5.25), subject to adjustment as set forth herein.

“Redemption Stock Amount” is defined in Section 6(b)(ii).

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“Restatement” has the meaning set forth in the Agreement.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“Senior Securities” means any class or series of Capital Stock that, with respect to dividends or distributions upon Liquidation, ranks senior to the Series C Preferred Stock.

“Series C Preferred Stock” means the Series C Convertible Preferred Stock of the Company or successor as contemplated by Section 6(f).

“Stated Value” is an amount equal to One Thousand Dollars (\$1,000) per share of Series C Preferred Stock plus (x) any unpaid dividends on the Series C Preferred Stock (as of the date of determination, which for purposes of Sections 6(a) and 6(b) shall be the Conversion Closing Date and Redemption Closing Date, respectively), whether or not declared and whether or not earnings are available in respect of such dividends (i.e., the Stated Value shall increase in each Dividend Period by the Dividend Rate if and to the extent that dividends for such Dividend Period are not declared and paid by the respective Dividend Payment Date) and (y) any unpaid dividends declared on the Common Stock and Common Stock Equivalent Junior Preferred Stock in an amount equal to the product of (A) the per-share dividend other than the Ordinary Cash Dividend paid on Common Stock and Common Stock Equivalent Junior Preferred Stock multiplied by (B) the number of shares of Common Stock and/or the number of one-hundredths of a share of Common Stock Equivalent Junior Preferred Stock issuable upon redemption or conversion (whichever number of shares is greater) of a share of Series C Preferred Stock on the date such dividend is declared on the Common Stock and Common Stock Equivalent Junior Preferred Stock. In the event the Company shall declare a distribution on the Common Stock and Common Stock Equivalent Junior Preferred Stock payable in securities or property other than cash, the value of such securities or property will be the fair market value. Any securities shall be valued as follows: (i) if traded on a national securities exchange (as defined in the Exchange Act), the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the twenty-five (25) Business Day period ending three (3) calendar days prior to such declaration; (ii) if actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the twenty-five (25) Business Day period ending three (3) calendar days prior to such declaration; and (iii) if there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board.

“Stockholder Consent” has the meaning set forth in the Agreement.

“Stockholder Consent Date” has the meaning set forth in the Agreement.

“Subsidiary” of a Person means (i) a corporation, a majority of whose stock with voting power, under ordinary circumstances, to elect directors is at the time of determination, directly or indirectly, owned by such Person or by one or more Subsidiaries of such Person, or (ii) any other entity (other than a corporation) in which such Person or one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof has a least a majority ownership interest.

The foregoing definitions will be equally applicable to both the singular and plural forms of the defined terms.

3. Dividends and Distributions.

(a) Holders shall be entitled to receive out of the assets of the Company legally available for that purpose, cash dividends at the Dividend Rate to be paid in accordance with the terms of this Section 3. In addition, Holders for each share of Series C Preferred Stock then owned by such Holder shall be entitled to receive out of the assets of the Company legally available for that purpose, dividends or other distributions declared on the Common Stock and Common Stock Equivalent Junior Preferred Stock in the same form as such dividends or distributions in an amount equal to the product of (x) the amount of any per-share dividend or distribution other than the Ordinary Cash Dividends paid on the Common Stock and Common Stock Equivalent Junior Preferred Stock multiplied by (y) the number of shares of Common Stock and/or the number of one-hundredths of a share of Common Stock Equivalent Junior Preferred Stock issuable upon redemption or conversion (whichever number of

shares is greater) of a share of the Series C Preferred Shares on the date such dividend is declared, to be paid in accordance with the terms of this Section 3. Such dividends shall be payable quarterly in arrears, when and as declared by the Board (or a duly appointed committee of directors), on April 15, July 15, October 15 and January 15 of each year commencing on April 15, 2010 and, in the case of dividends resulting from dividends or distributions declared on Common Stock and Common Stock Equivalent Junior Preferred Stock, no later than the date on which such dividends or distributions are paid to holders of the Common Stock and Common Stock Equivalent Junior Preferred Stock (each such date being herein referred to as a “Dividend Payment Date”). The period from the Issue Date to March 31, 2010, and each quarterly period between consecutive Dividend Payment Dates shall hereinafter be referred to as a “Dividend Period.” The dividend for any Dividend Period for any share of Series C Preferred Stock that is not outstanding on every calendar day of the Dividend Period shall be prorated based on the number of calendar days such share was outstanding during the period. Each such dividend shall be paid to the Holders of record of the Series C Preferred Stock as their names appear on the share register of the Company on the Dividend Payment Date. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any Dividend Payment Date (including, without limitation, for purposes of computing the Stated Value of any shares of Series C Preferred Stock in connection with the conversion or redemption thereof or any Liquidation of the Company), to Holders of record on a date designated by the Board, not exceeding thirty (30) calendar days preceding the payment date thereof, as may be fixed by the Board. For purposes of determining the amount of dividends accrued as of the first Dividend Payment Date and as of any date that is not a Dividend Payment Date, such amount shall be calculated on the basis of the Dividend Rate for the actual number of calendar days elapsed from and including the Issue Date (in case of the first Dividend Payment Date and any date prior to the first Dividend Payment Date) or the last preceding Dividend Payment Date (in case of any other date) to the date as of which such determination is to be made, based on a three hundred sixty five (365) day year.

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(b) So long as any shares of the Series C Preferred Stock shall be outstanding, (i) the Company shall not and shall not allow its Subsidiaries (other than direct or indirect wholly-owned Subsidiaries) to declare or pay any dividend whatsoever, whether in cash, property or otherwise, set aside any cash or property for the payment of any dividends, or make any other distribution on any Junior Securities or Parity Securities and (ii) the Company shall not and shall not allow its Subsidiaries to repurchase, redeem or otherwise acquire for value or set aside any cash or property for the repurchase or redemption of any Junior Securities or Parity Securities, unless in each such case all dividends to which the Holders of the Series C Preferred Stock shall have been entitled to receive for all previous Dividend Periods shall have been paid and dividends on the Series C Preferred Stock for the subsequent four Dividend Periods shall have been designated and set aside in cash.

(c) Notwithstanding anything herein to the contrary, whenever, at any time or times after the Company has obtained the approval of the stockholders of the Company to increase the authorized number of shares of Common Stock, the Company shall fail to redeem any Series C Preferred Stock by the date it is obligated to do so under Section 6(b) hereof and such failure is ongoing, then (x) the Dividend Rate with respect to such Series C Preferred Stock that is subject to such redemption shall mean a rate equal to twenty two percent (22%) per annum times the Stated Value until such date that the failure to redeem no longer exists.

(d) The Company shall be entitled to deduct and withhold from any dividend on the Series C Preferred Stock such amounts as the Company is required to deduct and withhold with respect to such dividend under the Internal Revenue Code of 1986, as amended, or any other provision of state, local or foreign tax law.

4. Liquidation Preference. In the event of any Liquidation, after payment or provision for payment by the Company of the debts and other liabilities of the Company and the liquidation preference of any Senior Securities that rank senior to the Series C Preferred Stock with respect to distributions upon Liquidation, each Holder shall be entitled to receive an amount in cash for each share of the then outstanding Series C Preferred Stock held by such Holder equal to the greater of (a) the Stated Value per share to and including the date full payment is tendered to the Holders with respect to such Liquidation and (b) the amount the Holders would have received if the Holders had converted all outstanding shares of Series C Preferred Stock into Common Stock and/or Common Stock Equivalent Junior Preferred Stock in accordance with the provisions of Section 6(a) hereof or redeemed all outstanding shares of Series C Preferred Stock into Common Stock and/or Common Stock Equivalent Junior Preferred Stock under Section 6(b) hereof (whichever is

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greater), in each case as of the Business Day immediately preceding the date of such Liquidation (such greater amount being referred to herein as the “Liquidation Preference”), before any distribution shall be made to the holders of any Junior Securities (and any Senior Securities or Parity Securities that, with respect to distributions upon Liquidation, rank junior to the Series C Preferred Stock) upon the Liquidation of the Company. In case the assets of the Company available for payment to the Holders are insufficient to pay the full Liquidation Preference on all outstanding shares of the Series C Preferred Stock and all outstanding shares of Parity Securities and Senior Securities that, with respect to distributions upon Liquidation, are *pari passu* with the Series C Preferred Stock in the amounts to which the holders of such shares are entitled, then the entire assets of the Company available for payment to the Holders and to the holders of such Parity Securities and Senior Securities shall be distributed ratably among the Holders of the Series C Preferred Stock and the holders of such Parity Securities and Senior Securities, based upon the aggregate amount due on such shares upon Liquidation. Written notice of any Liquidation of the Company, stating a payment date and the place where the distributable amounts shall be payable, shall be given by facsimile and overnight delivery not less than ten (10) calendar days prior to the payment date stated therein, to the Holders of record of the Series C Preferred Stock, if any, at their respective addresses as the same shall appear on the books of the Company.

5. Voting Rights. The Holders shall have the following voting rights with respect to the Series C Preferred Stock:

(a) Each share of Series C Preferred Stock shall entitle the holder thereof to the voting rights specified in Section 5(b) and no other voting rights except as required by law.

(b) The consent of the Holders of at least a Majority of the Series C Preferred Stock, voting separately as a single class with one vote per share, in person or by proxy, either in writing without a meeting or at an annual or a special meeting of such Holders called for the purpose, shall be necessary to amend, alter or repeal, by way of merger or otherwise, any of the provisions of the Articles of Incorporation, including the Certificate of Rights and Preferences, or Bylaws of the Company so as to significantly and adversely affect any of the rights or preferences of the Holders of the Series C Preferred Stock. Without limiting the generality of the preceding sentence, such change includes any action that would:

(i) Reduce the Dividend Rate on the Series C Preferred Stock or defer the date from which dividends will accrue, or cancel accrued and unpaid dividends, or change the relative seniority rights of the holders of Series C Preferred Stock as to the payment of dividends in relation to the holders of any other Capital Stock of the Company;

(ii) Reduce the amount payable to the holders of the Series C Preferred Stock upon the voluntary or involuntary liquidation, dissolution, or winding up of the Company, or change the relative seniority of the liquidation preferences of the holders of the Series C Preferred Stock to the rights upon liquidation of the holders of any other Capital Stock of the Company;

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(iii) Make the Series C Preferred Stock redeemable at the option of the Company;

(iv) Authorize, create or issue any shares of Senior Securities (or amend the provisions of any existing class of Capital Stock to make such class of Capital Stock a class of Senior Securities); or

(v) Decrease (other than by redemption or conversion) the total number of authorized shares of Series C Preferred Stock.

6. Conversion and Redemption.

(a) Procedure for Conversion at the Option of the Company.

(i) General. Subject to Section 6(c) hereof, on or after the three year anniversary of the Stockholder Consent Date, on any date on which the Prevailing Market Price exceeds the Conversion Price by one hundred and fifty percent (150%) or more, the Company shall have the option to convert all, but not less than all, of the then outstanding shares of Series C Preferred Stock by delivering a duly executed written Preferred Stock conversion notice, substantially in the form attached as Annex F to the Agreement (the “Conversion Notice” and the date such notice is deemed delivered hereunder, the “Conversion Notice Date”), by facsimile, mail or overnight courier delivery, to the Holder. The closing of such conversion shall take place, subject to the satisfaction or waiver of the conditions set forth in Section 6(a)(iii), (a) on the twentieth (20th) Business Day following and excluding the Conversion Notice Date or (b) any other date upon which the exercising Holder and the Company mutually agree (the “Conversion Closing Date”). The Conversion Notice shall apply only to shares of Series C Preferred Stock for which no

Redemption Notice has been tendered to the Company before the twentieth (20th) Business Day after the Conversion Notice Date, regardless of when the applicable redemption is consummated.

(ii) Conversion for stock. Subject to Section 6(c) hereof, such shares of stock shall be converted into that number of shares of Common Stock and/or number of one-hundredths (1/100th) of a share of Common Stock Equivalent Junior Preferred Stock equal to (a) the aggregate Stated Value of such shares divided by (b) the Conversion Price (the "Conversion Stock Amount"). On the Conversion Closing Date, the Holder shall surrender the certificate representing the shares of Series C Preferred Stock to be converted to the Company at the address set forth for notices to the Company specified in Section 18 of the Agreement, and the Company shall deliver to such Holder as specified in the Conversion Notice the Conversion Stock Amount of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock and/or Common Stock Equivalent Junior Preferred Stock.

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(iii) Closing conditions. It shall be a condition of the converting Holder's obligation to close that each of the following is satisfied, unless expressly waived by such Holder in writing (which Holder may do or refrain from doing in its sole discretion):

(A) (w) the representations and warranties made by the Company in the Agreement shall be true and correct as of the Conversion Closing Date, except those representations and warranties that address matters only as of a particular date, which shall be true and correct as of such date; (x) the Company shall have complied fully with all of the covenants and agreements in the Agreement; (y) all shares of Common Stock to be issued upon such conversion shall be duly listed and admitted to trading on the Nasdaq Global Select Market, the Nasdaq Global Market or the New York Stock Exchange; and (z) such Holder shall have received a certificate of the Chief Executive Officer and the Chief Financial Officer of the Company dated such date and to the effect of clauses (x), (y) and (z).

(B) On the Conversion Closing Date, the Company shall have delivered to the Holder (x) a Conversion Notice, substantially in the form attached as Annex G to the Agreement and (y) the legal opinion described in Section 12(b) of the Agreement.

(C) If the issuance of Common Stock or Common Stock Equivalent Junior Preferred Stock would cause the number of shares of Common Stock and Common Stock Equivalent Junior Preferred Stock held by any Holder to exceed the Maximum Number then delivery of such shares of Common Stock or Common Stock Equivalent Junior Preferred Stock shall be deferred pursuant to Section 6(d) of the Agreement. Notwithstanding anything herein to the contrary, in such event, the Company shall no longer be obligated to pay any dividend on the Series C Preferred Stock or provide or recognize any other preferences, limitations, powers or other rights provided by this Certificate of Rights and Preferences to the extent that, if the Series C Preferred Stock would have been converted, the Holder would beneficially own Common Stock and Common Stock Equivalent Junior Preferred Securities that would exceed the Maximum Number.

The Company shall use its best efforts to cause each of the foregoing conditions to be satisfied at the earliest practicable date after a Conversion Notice. If such conditions are not satisfied or waived prior to the twentieth (20th) Business Day following and excluding the date the Conversion Notice is delivered, then the Company may, at its sole option, and at any time, withdraw the Conversion Notice by written notice to the Holder regardless of whether such conditions have been satisfied or waived as of the withdrawal date and, after such withdrawal, shall have no further obligations with respect to such Conversion Notice and may submit a Conversion Notice with respect to the shares referenced in the withdrawn Conversion Notice pursuant to Section 6(a)(i) hereof, subject to the closing conditions in this Section 6(a)(iii).

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(iv) Holder of record. Each conversion of Series C Preferred Stock shall be deemed to have been effected immediately before the close of business on the Business Day on which the Conversion Notice is delivered (except, that, for purposes of calculation of the Stated Value, dividends shall accrue until and including the Conversion Closing Date), and at such time the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock or Common Stock Equivalent Junior Preferred Securities shall be issuable upon such conversion as provided in Section 6(a)(ii) shall be deemed to have become the holder or holders of record thereof.

(b) Procedure for Redemption at the Option of the Holder.

(i) General. Subject to Section 6(c) hereof, at any time after the Company has obtained the approval of the stockholders of the Company to increase the authorized number of shares of Common Stock, a Holder of Series C Preferred Stock may at the option of the Holder require the Company to redeem any or all shares of Series C Preferred Stock held by such Holder for Common Stock and/or Common Stock Equivalent Junior Preferred Stock on one or more occasions by delivering an optional redemption notice (a "Redemption Notice") to the Company substantially in the form attached as Annex H to the Agreement; provided, however, that until the Company has obtained the approval of the stockholders of the Company to increase the authorized number of shares of Common Stock, a Holder of Series C Preferred Stock may require the Company to redeem any or all of such shares of Series C Preferred Stock for Common Stock Equivalent Junior Preferred Stock. The closing of such redemption shall take place, subject to the satisfaction or waiver of the conditions set forth in Section 6(b)(iii) (a) on the second (2nd) Business Day, or if the Holder so elects, the third (3rd) Business Day, following and excluding the date the Redemption Notice is delivered or (b) any other date upon which the exercising Holder and the Company mutually agree (the "Redemption Closing Date").

(ii) Redemption for stock. Subject to Section 6(c) hereof, such shares of Series C Preferred Stock shall be redeemed into that number of shares of Common Stock and/or number of one-hundredths (1/100th) of a share of Common Stock Equivalent Junior Preferred Stock equal to (a) the aggregate Stated Value of such shares divided by (b) the Redemption Price (the "Redemption Stock Amount"). On the Redemption Closing Date, the Holder shall surrender the certificate representing the shares of Series C Preferred Stock to be redeemed to the Company at the address set forth for notices to the Company specified in Section 18 of the Agreement and the Company shall deliver to such Holder as specified in the Redemption Notice the Redemption Stock Amount of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock and/or Common Stock Equivalent Junior Preferred Stock.

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(iii) Closing conditions. It shall be a condition of the redeeming Holder's obligation to close that each of the following is satisfied, unless expressly waived by such Holder in writing:

(A) (w) the representations and warranties made by the Company in the Agreement shall be true and correct as of the Redemption Closing Date, except those representations and warranties that address matters only as of a particular date, which shall be true and correct as of such date; (x) the Company shall have complied fully with all of the covenants and agreements in the Agreement; (y) all shares of Common Stock to be issued upon such redemption shall be duly listed and admitted to trading on the Nasdaq Global Select Market, the Nasdaq Global Market or the New York Stock Exchange; and such Holder shall have received a certificate of the Chief Executive Officer and (z) the Chief Financial Officer of the Company dated such date and to the effect of clauses (w), (x) and (y).

(B) On the Redemption Closing Date, the Company shall have delivered to the Holder (x) a Preferred Stock redemption delivery notice, substantially in the form attached as Annex I to the Agreement and (y) the legal opinion described in Section 12(b) of the Agreement.

(C) As of the Redemption Closing Date, the Company shall have notified the Holder of all Restatements.

(D) If the issuance of Common Stock or Common Stock Equivalent Junior Preferred Stock would cause the number of shares of Common Stock and Common Stock Equivalent Junior Preferred Stock held by any Holder to exceed the Maximum Number then delivery of such shares of Common Stock or Common Stock Equivalent Junior Preferred Stock shall be deferred pursuant to Section 6(d) of the Agreement. Notwithstanding anything herein to the contrary, in such event, the Company shall no longer be obligated to pay any dividend on the Preferred Stock or provide or recognize any other preferences, limitations, powers or other rights provided by this Certificate of Rights and Preferences to the extent that, if the Series C Preferred Stock would have been redeemed, the Holder would beneficially own Common Stock and Common Stock Equivalent Junior Preferred Securities that would exceed the Maximum Number.

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(iv) Holder of record. Each redemption of Series C Preferred Stock shall be deemed to have been effected immediately before the close of business on the Business Day on which the Redemption Notice is delivered (except, that, for the purposes of calculation of the Stated Value, dividends shall accrue until and including the Redemption Closing Date), and at such time the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock (or Other Securities) shall be issuable upon such redemption as provided in Section 6(b)(ii) shall be deemed to have become the holder or holders of record thereof. The foregoing notwithstanding, such redemption shall not be deemed effective if and as of the date that the Holder delivers written notice of withdrawal to the Company as set forth in Section 6(b)(v) below.

(v) Withdrawal of Redemption Notice. If the conditions set forth in Section 6(b)(iii) are not satisfied or waived on or prior to the Redemption Closing Date or if the Company fails to perform its obligations on any Redemption Closing Date (including delivery of all shares of Series C Preferred Stock issuable on such date), then in addition to all remedies available to Holder at law or in equity, Holder may, at its sole option, and at any time, withdraw the Redemption Notice by written notice to the Company regardless of whether such conditions have been satisfied or waived as of the withdrawal date and, after such withdrawal, shall have no further obligations with respect to such Redemption Notice and may submit a Redemption Notice on any future date with respect to such Series C Preferred Stock and the Redemption Price for such subsequent Redemption Notice shall be the lesser of (x) the Redemption Price in the withdrawn Redemption Notice and (y) the Redemption Price in effect as of the date of the subsequent Redemption Notice. If the Company fails to deliver (A) shares of Common Stock as provided in Section 6(b) on or before the later of the twentieth (20th) Business Day following and excluding (1) the Redemption Closing Date or (2) three (3) Business Days after the Stockholder Consent Date (if and to the extent such approval is required to issue such shares of Common Stock) or (B) shares of Common Stock Equivalent Junior Preferred Stock on or before the twentieth (20th) Business Day following and excluding the Redemption Closing Date, then the Redemption Price shall equal the lesser of Four Dollars and Forty-One Cents (\$4.41) and the Redemption Price in effect immediately before such date.

(vi) Partial redemption. If any redemption is for only part of the shares represented by the certificate surrendered, the Company shall deliver on the Redemption Closing Date a new Series C Preferred Stock certificate of like tenor, calling in the aggregate on the face or faces thereof for the number of shares of Series C Preferred Stock in the name and to an address specified by the Holder.

(c) Maximum Voting Stock Amount. The Company shall not effect any conversion or redemption of the Series C Preferred Stock, and the Holders shall not have the right to convert or redeem any portion of the Series C Preferred Stock, into Common Stock to the extent such conversion, redemption or exercise would result in aggregate issuances upon conversion or redemption of the Series C Preferred Stock in excess of nine and seventy-five one hundredths percent (9.75%) (the "Maximum Voting Stock Amount") of the number of shares of Common Stock that would be outstanding after giving effect to such conversion or redemption. Holders of a Majority of the Series C Preferred Stock shall have the right to permanently reduce the percentage used in the determination of the Maximum Voting Stock Amount to four and seventy-five one hundredths percent (4.75%) at any time, effective upon delivery of written notice of such election to the Company. In the event that the Company cannot effect a conversion or redemption of the Series C Preferred Stock into Common Stock pursuant to the terms of this Section 6(c), the conversion or redemption shall be effected into an equal number of shares of Common Stock Equivalent Junior Preferred Stock of the Company.

(d) The Company shall at all times reserve for issuance such number of its shares of Common Stock and Common Stock Equivalent Junior Preferred Stock as shall be required under the Agreement. The Company will procure, at its sole expense, the listing of the Common Stock issuable upon conversion or redemption of the Series C Preferred Stock (including upon the conversion of Common Stock Equivalent Junior Preferred Stock issuable upon the conversion or redemption of the Series C Preferred Stock) and shares issuable as dividends hereunder, subject to issuance or notice of issuance, on all stock exchanges and quotation systems on which the Common Stock is then listed or quoted, no later than the date on which such Series C Preferred Stock is issued to the Holder and thereafter shall use its best efforts to prevent delisting or removal from quotation of such shares. The Company will pay any and all documentary stamp or similar issue or transfer taxes that may be payable in respect of the issuance or delivery of shares of Common Stock and/or Common Stock Equivalent Junior Preferred Stock on conversion or redemption of shares of the Series C Preferred Stock. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involving the issue and delivery of shares of Common Stock and/or Common Stock Equivalent Junior Preferred Stock in a name other than that in which the shares of Series C Preferred Stock so

converted or redeemed were registered, and no such issue and delivery shall be made unless and until the person requesting such issue has paid to the Company the amount of any such tax, or has established, to the reasonable satisfaction of the Company, that such tax has been paid.

(e) No fractional shares or scrip representing fractional shares of Common Stock or, other than fractional shares in increments of one-hundredth (1/100th) of a share, of Common Stock Equivalent Junior Preferred Stock shall be issued upon the conversion or redemption of the Series C Preferred Stock. If any such conversion or redemption would otherwise require the issuance of a fractional share of Common Stock or, other than fractional shares in increments of one-hundredth (1/100th) of a share, of Common Stock Equivalent Junior Preferred Stock, an amount equal to such fraction multiplied by the current Daily Market Price per share of Common Stock on the date of conversion or redemption shall be paid to the Holder in cash by the Company. If more than one share of Series C Preferred Stock shall be surrendered for conversion or redemption at one time by or for the same Holder, the number of shares of Common Stock and/or Common Stock Equivalent Junior Preferred Stock issuable upon conversion or redemption thereof shall be computed on the basis of the aggregate number of shares of Series C Preferred Stock so surrendered.

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(f) Change of Control.

(i) If the Company on or after the date of the Agreement is party to any Change of Control, proper provision shall be made so that, upon the basis and the terms and in the manner provided herein, the Holder of each unconverted and unredeemed share of Series C Preferred Stock, upon conversion or redemption thereof at any time after the consummation of such Change of Control, shall be entitled to, and appropriate adjustments will be made to ensure that the Holder will receive, equivalent rights as those provided in this Certificate of Rights and Preferences, including, without limitation, the voting, dividend, conversion, redemption and liquidation rights contained herein with respect to the Acquiring Person. The Company shall, prior to the consummation of any Change of Control, provide that each Person (other than the Company) that may be required to deliver any stock, securities, cash or property upon conversion of Series C Preferred Stock as provided herein shall assume, by written instrument delivered to, and reasonably satisfactory to, the Holders of a Majority of the Series C Preferred Stock, (a) the obligations of the Company under this Certificate of Rights and Preferences (and if the Company shall survive the consummation of such transaction, such assumption shall be in addition to, and shall not release the Company from, any continuing obligations of the Company under this Certificate of Rights and Preferences) and (b) the obligation to deliver to the Holders of Series C Preferred Stock such shares of stock, securities, cash or property as, in accordance with the provisions of this Certificate of Rights and Preferences, such Holders may be entitled to receive, and such Person shall have similarly delivered to such Holders an opinion of counsel for such Person, which counsel shall be reasonably satisfactory to Holders of a Majority of the Series C Preferred Stock, stating that the rights of such Holders under this Certificate of Rights and Preferences shall thereafter continue in full force and effect with respect to such Acquiring Person in accordance with the terms hereof.

(ii) In the event of a Change of Control, all references to the Conversion Price or the Redemption Price herein shall be references to the Stock Adjustment Measuring Price. "Stock Adjustment Measuring Price" means an amount equal to the Conversion Price or the Redemption Price, as applicable, multiplied by a fraction,

(A) the numerator of which is the Daily Market Price of the securities for Common Stock is exchanged in the Change of Control (or if none, the most widely-held class of voting securities of the Acquiring Person) determined as of the Business Day immediately preceding and excluding the date on which the Change of Control is consummated; and

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(B) the denominator of which is the Daily Market Price of the Common Stock of the Company determined as of the Business Day immediately preceding and excluding the date on which the Change of Control is consummated.

(iii) Prior to the effective date of a Change of Control, the Company shall continue to have the right to submit to each Holder Conversion Notices and each Holder shall continue to have the right to submit to the Company Redemption Notices and consummate closings of any such conversions or redemptions, in each party's sole discretion, in accordance with the terms and conditions of this Certificate of Rights and Preferences. In addition, the Holder at its sole option may elect to submit to the

Company a special notice (a “Contingent Notice”) to redeem the Series C Preferred Stock (including any Series C Preferred Stock issued pursuant to a Contingent Investment Notice (as defined in the Agreement) under the Agreement) in whole or in part in connection with such Change of Control; in which case, notwithstanding anything to the contrary herein:

(A) the effectiveness of such contingent redemption shall be conditional upon the effectiveness of the Change of Control;

(B) until the effective date of such Change of Control, the Holder shall have the right to deliver a notice to withdraw such Contingent Notice; and

(C) if such Contingent Notice shall not have been withdrawn, then on the effective date of such Change of Control, such Holder shall receive the same consideration, in the form of cash, securities or other assets (the “Acquisition Consideration”) per share of Common Stock and Common Stock Equivalent Junior Preferred Stock issuable to any other holder of shares of Common Stock and Common Stock Equivalent Junior Preferred Stock in connection with such Change of Control based upon the number of shares of Common Stock and Common Stock Equivalent Junior Preferred Stock which the Holder would have held if the Holder had consummated such redemption on the Business Day immediately preceding the date on which such Change of Control occurs.

7. Status of Converted and Redeemed Shares; Limitations on Series C Preferred Stock. The Company shall return to the status of unauthorized and undesignated shares of Preferred Stock each share of Series C Preferred Stock which shall be converted, redeemed or for any other reason acquired by the Company, and such shares thereafter may have such characteristics and designations as the Board may determine (subject to Section 5 hereof), provided, however, that no share of Series C Preferred Stock which shall be converted, redeemed or otherwise acquired by the Company shall thereafter be reissued, sold or transferred by the Company as Series C Preferred Stock. The Company will not issue any further shares of Series C Preferred Stock.

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8. Subdivision of Common Stock. Notwithstanding anything herein to the contrary, if the Company at any time subdivides (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock and/or Common Stock Equivalent Junior Preferred Stock into a greater number of shares, then, after the date of record for effecting each such subdivision, all measurements and references herein related to share prices for such securities will be proportionately decreased and all references to share numbers for such securities herein will be proportionately increased.

9. Nonperformance. If the Company, shall (i) at any time fail to deliver the shares of Common Stock Equivalent Junior Preferred Stock required to be delivered to the Holder pursuant hereto or (ii) at any time after the Company has obtained the approval of the stockholders of the Company to increase the authorized number of shares of Common Stock, fail to deliver the shares of Common Stock or required to be delivered to the Holder pursuant hereto, for any reason other than the failure of any condition precedent to the Company’s obligations hereunder or the failure by the Holder to comply with its obligations hereunder, then the Company shall (without limitation to the Holder’s other remedies at law or in equity): (i) indemnify and hold the Holder harmless against any loss, claim or damage arising from or as a result of such failure by the Company (regardless of whether any of the foregoing results from a third-party claim or otherwise) and (ii) reimburse the Holder for all of its reasonable out-of-pocket expenses (which includes fees and expenses of its counsel) incurred by the Holder in connection herewith and the transactions contemplated herein (regardless of whether any of the foregoing results from a third-party claim or otherwise).

10. Assignment. The Holder may, in its sole discretion, freely assign, pledge, hypothecate or transfer all shares of Series C Preferred Stock.

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IN WITNESS WHEREOF, this Certificate of Rights and Preferences has been signed on behalf of the Company by its Chief Financial Officer and attested to by its Corporate Secretary, all as of the date first set forth above.

UNITED COMMUNITY BANKS, INC.

/s/ Rex S. Schuette

Name: Rex S. Schuette
Title: Chief Financial Officer

/s/ Lori McKay

Name: Lori McKay
Title: Corporate Secretary

[Signature Page to Certificate of Rights and Preferences]

CERTIFICATE OF DESIGNATION

OF

COMMON STOCK EQUIVALENT JUNIOR PREFERRED STOCK

OF

UNITED COMMUNITY BANKS, INC.

Pursuant to Section 14-2-602 of the

Georgia Business Corporation Code

United Community Banks, Inc., a corporation organized under the laws of the State of Georgia (the "Corporation"), does hereby certify that:

1. At a meeting duly convened and held on March 26, 2010, the Board of Directors of the Corporation (the "Board") duly adopted the following resolutions authorizing the issuance and sale by the Corporation of a series of the Corporation's preferred stock, \$1.00 par value per share, to be known as the Common Stock Equivalent Junior Preferred Stock:

"**RESOLVED**, that the powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations of the Corporation's Common Stock Equivalent Junior Preferred Stock, including those established by the Board and the number of authorized shares thereof, are authorized and approved as set forth in the Certificate of Designation attached hereto as Exhibit A, which is incorporated herein and made a part of these resolutions by reference."

2. Attached hereto, and thereby made a part hereof, is such Exhibit A from the Board's resolution designating the Common Stock Equivalent Junior Preferred Stock.

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation by its duly authorized officer this 31st day of March, 2010.

UNITED COMMUNITY BANKS, INC.

By: /s/ Rex S. Schuette

Name: Rex S. Schuette

Title: Executive Vice President & CFO

CERTIFICATE OF DESIGNATION

OF

COMMON STOCK EQUIVALENT

JUNIOR PREFERRED STOCK

OF

UNITED COMMUNITY BANKS, INC.

Pursuant to the authority vested in the Board of Directors (the “Board”) by the Restated Articles of Incorporation of United Community Banks, Inc. (the “Corporation”), as amended (the “Articles of Incorporation”), the Board does hereby designate, create, authorize and provide for the issue of a series of preferred stock, \$1.00 par value per share, which shall be designated as “Common Stock Equivalent Junior Preferred Stock” (the “Junior Preferred Stock”), consisting of 1,000,000 shares having the following powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations:

Section I. Definitions

“Acquiring Person” has the meaning specified in Section VI(c).

“Applicable Conversion Rate” means the Initial Conversion Rate, subject to adjustment pursuant to Section II(b), as applicable, for any such event occurring subsequent to the initial determination of such rate.

“Board” has the meaning specified in the preamble.

“Articles of Incorporation” has the meaning specified in the preamble.

“Capacity Amendment” means an amendment to the Articles of Incorporation increasing the number of shares of Common Stock that the Corporation is authorized to issue to more than 100,000,000.

“Change of Control” has the meaning specified in Section VI(b).

“Common Dividend Equivalent Amount” has the meaning specified in Section III(a).

“Common Stock” means the Common Stock, \$1.00 par value per share, of the Corporation.

“Conversion Date” means, with respect to a share of Junior Preferred Stock, the date on which such share is converted into Common Stock.

“Convertible Holder” means a Holder, other than the initial Holder or an affiliate thereof, who acquires one or more shares of Junior Preferred Stock following a Permitted Transfer.

“Conversion Notice” shall mean the notice given by a Convertible Holder to the Corporation, specifying the number of shares of Junior Preferred Stock to be converted into Common Stock and certifying that such Person is a Convertible Holder.

“Corporation” has the meaning specified in the preamble.

“Exchange Property” has the meaning specified in Section VI(a).

“Holder” means a Person in whose name any shares of Junior Preferred Stock are registered, which may be treated by the Corporation as the absolute owner of such shares for all purposes.

“Initial Conversion Rate” means, for each share of Junior Preferred Stock, one hundred (100) shares of Common Stock.

“Issue Date” means the date that the Junior Preferred Stock is first issued.

“Junior Preferred Stock” has the meaning specified in the preamble.

“Junior Stock” shall mean any class of capital stock or series of Preferred Stock of the Corporation established by the Board after the Issue Date, the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Junior Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Corporation.

“Liquidation Event” has the meaning specified in Section V(a).

“Parity Stock” shall mean any class of capital stock or series of Preferred Stock established by the Board after the Issue Date, the terms of which expressly provide that such class or series will rank on parity with the Junior Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Corporation.

“Permitted Transfer” means a sale or other transfer (i) to an affiliate of the initial Holder or to the Corporation; (ii) in a widespread public distribution; (iii) in transfer in which no transferee (or group of associated transferees) would receive 2 percent or more of any class of voting securities of the Corporation; or (iv) to a transferee that would control more than 50 percent of the voting securities of the Corporation without any transfer from the initial Holder.

“Person” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.

“Record Date” means, with respect to any dividend, distribution or other transaction or event in which the holders of the Common Stock (or other applicable security) have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of the Common Stock (or other applicable security) entitled to receive such cash, securities or other property (whether such date is fixed by the Board or a duly authorized committee of the Board or by statute, contract or otherwise).

“Senior Stock” shall mean each class of capital stock or series of Preferred Stock established by the Board after the Issue Date, the terms of which expressly provide that such class or series will rank senior to the Junior Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Corporation.

“Stockholder Approval” means the requisite approval by the stockholders of the Corporation of the Capacity Amendment.

“Transfer Agent” shall mean the Corporation’s duly appointed transfer agent, registrar, redemption, conversion and dividend disbursing agent for the Junior Preferred Stock and transfer agent and registrar for any Common Stock issued upon conversion of the Junior Preferred Stock, or any successor duly appointed by the Corporation.

Section II. Conversion

(a) No share of Junior Preferred Stock (or fraction thereof) may be converted into Common Stock unless held by a Convertible Holder. Each share of Junior Preferred Stock (or fraction thereof) held by a Convertible Holder shall be convertible at any time following the Stockholder Approval into a number of shares of Common Stock equal to the product of (i) the fraction of a share of Junior Preferred Stock converted and (ii) the Applicable Conversion Rate in effect on the Conversion Date, plus cash in lieu of any fractional shares of Common Stock pursuant to Section II(c)(iv). For all purposes with respect to the conversion of Junior Preferred Stock, references herein to “Common Stock” shall include and mean any cash, securities or

other property (including payments of cash in lieu of fractional shares of Common Stock) that may be due upon such conversion and references to “Junior Preferred Stock” shall include and mean any fractional shares thereof.

(b) Adjustments to Conversion Rate. If, at any time while Junior Preferred Stock remains outstanding, (i) the Corporation issues to holders of the Common Stock as a class shares of Common Stock or other securities of the Corporation as a dividend or distribution on the Common Stock, or (ii) the Corporation effects a share split or share combination of the Common Stock, (each, an “Adjustment Event”), then the Corporation shall adjust the Initial Conversion Rate or Applicable Conversion Rate, as applicable, or other terms of the Junior Preferred Stock in effect immediately prior to such event so that each Holder of shares of Junior Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock that such Holder would have owned or would have been entitled to receive upon or by reason of any of the events described above, had such shares of the Junior Preferred Stock been converted into shares of Common Stock immediately prior to the occurrence of such event. An adjustment made pursuant to this Section II(b) shall become effective retroactively (x) in the case of any such dividend or distribution, to the day immediately following the close of business on the Record Date for the determination of holders of Common Stock entitled to receive such dividend or distribution or (y) in the case of any such subdivision, split, combination or reclassification, to the close of business on the day upon which such corporate action becomes effective.

(c) Shares of Junior Preferred Stock shall be converted into shares of Common Stock in accordance with the following procedures:

(i) At all times after the Stockholder Approval, a Convertible Holder may exercise a conversion right by the delivery of a Conversion Notice to the office of the Transfer Agent during normal business hours and (if so required by the Corporation or the Transfer Agent) an instrument of transfer, in form satisfactory to the Corporation and to the Transfer Agent, duly executed by such Convertible Holder or his duly authorized attorney, and funds in the amount of any applicable transfer tax (unless provision satisfactory to the Corporation is otherwise made therefor), if required pursuant to Section II(c)(iii).

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(ii) As promptly as practicable after the delivery of a Conversion Notice and the payment in cash of any amount required by the provisions of Sections 2(c)(i) and 2(c)(iii), the Corporation will deliver or cause to be delivered at the office of the Transfer Agent to or upon the written order of the Convertible Holder, certificates or a confirmation of book-entry transfer of shares representing the number of fully paid and non-assessable shares of Common Stock issuable upon such conversion, issued in such name or names as the Convertible Holder may direct. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the delivery of the Conversion Notice, and all rights of the Convertible Holder shall cease with respect to such shares of Junior Preferred Stock at such time and the Person or Persons in whose name or names the shares of Common Stock issued upon conversion are to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Common Stock at such time; provided, however, that any delivery of a Conversion Notice and payment on any date when the stock transfer books of the Corporation shall be closed shall constitute the Person or Persons in whose name or names the shares of Common Stock are to be issued as the record holder or holders thereof for all purposes immediately prior to the close of business on the next succeeding day on which such stock transfer books are open.

(iii) The issuance of shares of Common Stock upon conversion of shares of Junior Preferred Stock shall be made without charge for any stamp or other similar tax in respect of such issuance. However, if any such shares to be issued upon conversion are to be issued in a name other than that of the Holder of the share or shares of Junior Preferred Stock converted, the person or persons requesting the issuance thereof shall pay to the Corporation the amount of any tax which may be payable in respect of any transfer involved in such issuance, or shall establish to the satisfaction of the Corporation that such tax has been paid.

(iv) No fractional shares of Common Stock or scrip shall be issued upon conversion of shares of Junior Preferred Stock. If more than one share of Junior Preferred Stock shall be surrendered for conversion at any one time by the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Junior Preferred Stock so surrendered. Instead of any fractional shares of Common Stock that would otherwise be issuable upon conversion of any shares of Junior Preferred Stock, the Corporation shall pay to the Holder an amount in cash in respect of such fractional interest equal to the value of such fractional interest based on the closing sales price of the Common Stock on such national securities exchange or automated quotation system on which the Common Stock is then listed or authorized for quotation or, if the Common Stock is not so listed or authorized for quotation, an amount determined in good faith by the Board to be the fair value of the Common Stock at the close of business on the business day immediately preceding the applicable Conversion Date.

(v) At all times after the Stockholder Approval, the Corporation shall be required to reserve or keep available, out of its authorized but unissued Common Stock, or have sufficient authorized Common Stock to cover, the shares of Common Stock deliverable upon the conversion of the Junior Preferred Stock. The Corporation shall take all action necessary so that all shares of Common Stock that may be issued upon conversion of shares of Junior Preferred Stock will upon issue be validly issued, fully paid and nonassessable, and free from all liens and charges in respect of the issuance or delivery thereof.

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(d) From and after a Conversion Date, dividends hereunder shall no longer accrue with respect to shares of Junior Preferred Stock converted on such date, and such converted shares of Junior Preferred Stock shall cease to be outstanding, subject to the rights of Holders of such Junior Preferred Stock to receive any previously accrued and unpaid dividends on such shares and any other payments to which they are otherwise entitled pursuant to Section III or Section VI.

Section III. Dividend Rights

(a) From and after the Issue Date, (i) Holders shall be entitled to receive, when, as and if declared by the Board or any duly authorized committee of the Board, but only out of assets legally available therefor, all dividends or other distributions in the form of cash or assets (other than shares of Common Stock) declared and paid or made in respect of the shares of Common Stock, at the same time and on the same terms as holders of Common Stock, in an amount per one-hundredth of a share of Junior Preferred Stock equal to the product of (A) the Applicable Conversion Rate then in effect and (B) any per share dividend or other distribution in the form of cash or assets (other than shares of Common Stock) declared and paid or made in respect of each share of Common Stock (the "Common Equivalent Dividend Amount"), and (ii) no cash dividend or other cash distribution shall be declared and paid or made in respect of Common Stock unless the Board or any duly authorized committee of the Board declares and pays to Holders of the Junior Preferred Stock, at the same time and on the same terms as holders of Common Stock, the Common Equivalent Dividend Amount per one-hundredth of a share of Junior Preferred Stock. Notwithstanding any provision in this Section III(a) to the contrary, Holders of the Junior Preferred Stock shall not be entitled to receive any dividend or other distribution in the form of cash or assets (other than shares of Common Stock) paid or made with respect to the Common Stock after the Issue Date (x) if the Record Date for determination of holders of Common Stock entitled to receive such dividend or distribution occurs prior to the Issue Date, or (y) with respect to shares of Junior Preferred Stock converted on or prior to such Record Date.

(b) Each dividend or other distribution pursuant to Section III(a) above will be payable to Holders of record of Junior Preferred Stock as they appear in the records of the Corporation at the close of business on the Record Date for the corresponding dividend or distribution to the holders of shares of Common Stock.

(c) To the extent the Corporation declares dividends on the Junior Preferred Stock and Common Stock but does not make full payment of such declared dividends, the Corporation will allocate the dividend payments on a pro rata basis among the holders of shares of Junior Preferred Stock and the holders of Common Stock so that the amount of dividends actually paid per share on the Junior Preferred Stock and Common Stock shall in all cases bear to each other the same ratio as the then Applicable Conversion Rate. The foregoing right shall not be cumulative and shall not in any way create any claim or right in favor of Holders in the event that dividends have not been declared or paid in respect of any prior calendar quarter.

(d) Holders of Junior Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, on the Junior Preferred Stock other than dividends (if any) declared and payable on Junior Preferred Stock as specified in this Section III and dividends of Common Stock or other securities of the Corporation pursuant to Section II(b).

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(e) Notwithstanding any provision in this Certificate of Designation to the contrary, Holders of Junior Preferred Stock shall not be entitled to receive any dividends with respect to any such shares converted into Common Stock, except to the extent that any such dividends have been declared by the Board or any duly authorized committee of the Board (and the Record Date for such dividend occurs) after the Issue Date and prior to the applicable Conversion Date of such shares.

Section IV. Voting

(a) Shares of Junior Preferred Stock shall have no voting rights except as set forth in Section IV(b) or as otherwise required by Georgia law from time to time. In exercising the voting rights set forth in Section IV(b), each Holder shall be entitled to one vote for each share of Junior Preferred Stock held by such Holder.

(b) So long as any shares of Junior Preferred Stock remain outstanding, unless a greater percentage shall then be required by law, the Corporation shall not, without the affirmative vote or written consent of the Holders (voting or consenting separately as one class) of at least a majority of the outstanding shares of Junior Preferred Stock, amend, alter or repeal or otherwise change (including in connection with any merger, consolidation or other similar transaction) any provision of the Articles of Incorporation, including this Certificate of Designation, if the amendment, authorization or repeal would significantly and adversely affect the rights or preferences of the Junior Preferred Stock. Notwithstanding the foregoing, except as otherwise required by law, the Corporation may, without the consent of any Holder, authorize, increase the authorized amount of, or issue shares of Senior Stock or Parity Stock, and in taking such actions, the Corporation shall not be deemed to have significantly adversely affected the existing terms of the Junior Preferred Stock.

Section V. Liquidation

(a) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, which occurs while any Junior Preferred Stock remains outstanding (each a "Liquidation Event"), Holders of shares of Junior Preferred Stock shall, subject to the prior rights of any holders of Senior Stock, be entitled to receive and be paid out of the assets of the Corporation available for distribution to its stockholders, for each such share (or fraction thereof), a liquidating distribution in an amount equal to that received by holders of the Common Stock for each share of Common Stock into which such share of Junior Preferred Stock (or fraction thereof) was convertible at the Applicable Conversion Rate immediately prior to such Liquidation Event.

(b) If, in any distribution described in Section V(a) above, the assets of the Corporation or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Junior Preferred Stock and the corresponding amounts payable with respect to the Common Stock or any other Parity Stock as to such distribution, Holders of Junior Preferred Stock and the holders of Common Stock or any other Parity Stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) For purposes of this Section V, neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation (other than in connection with the voluntary or involuntary liquidation, winding up or dissolution of the Corporation) nor the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or Person shall be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

(d) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the Corporation shall, within ten (10) days after the date the Board approves such action, or at least twenty (20) days prior to any stockholder's meeting called to approve such action, if applicable, or within twenty (20) days after the commencement of any involuntary proceeding, whichever is earlier, give each Holder initial written notice of the proposed action. Such initial written notice shall describe the material terms and conditions of such proposed action.

Section VI. Adjustments for Change of Control

(a) Upon the occurrence of a Change of Control (as defined herein) while any shares of Junior Preferred Stock remain outstanding, each share of Junior Preferred Stock (or fraction thereof) outstanding immediately prior to such Change of Control shall, without the consent of Holders, become convertible into the types and amounts of securities, cash, and other property that is or was receivable in such Change of Control by a holder of the number of shares of Common Stock into which such share of Junior Preferred Stock (or fraction thereof) was convertible immediately prior to such Change of Control (such securities, cash, and other property, the "Exchange Property"); provided, however, that if receipt of the Exchange Property would cause the Holder to the Holder to acquire control of a bank, as "control" is defined in Section 2(a)(2) of the Bank Holding Company Act of 1956, as amended, and the implementing regulations of the Board of Governors of the Federal Reserve System, require the Holder to file a Change in Bank Control Act notice or require the Holder to make any similar regulatory filing, proper provision

shall be made for such Holder to receive shares of non-voting securities in lieu of any voting securities included in the Exchange Property, the terms of which non-voting securities shall be as nearly equivalent as practicable to those of the Junior Preferred Stock.

(b) A “Change of Control” shall mean:

(i) an acquisition of more than fifty percent (50%) of the equity securities of the Corporation (measured by vote or value) by means of merger or other form of corporate reorganization in which outstanding shares of the Corporation are exchanged for securities or other consideration issued, or caused to be issued, by the Acquiring Person (as defined below) or its Parent, Subsidiary or Affiliate (each as defined in Rule 12b-2 of the Exchange Act);

(ii) a sale or other disposition of all or substantially all of the assets of the Corporation (on a consolidated basis) in a single transaction or series of related transactions;

(iii) any tender offer, exchange offer, stock purchase or other transaction or event or series of related transactions or events by or involving the Corporation in which a single entity or group becomes the direct or indirect owner of more than fifty percent (50%) of the equity securities of the Corporation (measured by vote or value);

(iv) a capital reorganization or reclassification of the Common Stock or other securities.

Notwithstanding anything contained herein to the contrary, a change in the state of incorporation of the Corporation shall not in and of itself constitute a Change of Control.

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(c) “Acquiring Person” means, in connection with any Change of Control any of the following, at the Holder’s election, (i) the continuing or surviving Person of a consolidation or merger with the Corporation (if other than the Corporation), (ii) the transferee of all or substantially all of the properties or assets of the Corporation, (iii) the corporation consolidating with or merging into the Corporation in a consolidation or merger in connection with which the Common Stock is changed into or exchanged for stock or other securities of any other Person or cash or any other property, (iv) the entity or group acting in concert acquiring or possessing the power to cast the majority of the eligible votes at a meeting of the Corporation’s stockholders at which directors are elected, or, (v) in the case of a capital reorganization or reclassification, the Corporation, or (vi) at the Holder’s election, any Person that (x) controls the Acquiring Person directly or indirectly through one or more intermediaries, (y) is required to include the Acquiring Person in the consolidated financial statements contained in such Person’s Annual Report on Form 10 K (if such Person is required to file such a report) or would be required to so include the Acquiring Person in such Person’s consolidated financial statements if they were prepared in accordance with U.S. generally accepted accounting principles and (z) is not itself included in the consolidated financial statements of any other Person (other than its consolidated subsidiaries).

(d) If holders of shares of Common Stock have the opportunity to elect the form of consideration to be received in a Change of Control, the Holders of Junior Preferred Stock shall be entitled to receive the same election.

(e) The Corporation (or any successor) shall, within 20 days of the occurrence of any Change of Control or, if earlier, the date on which similar notice is given to holders of Common Stock, provide written notice to the Holders of such occurrence and of the type and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section VI.

Section VII. Reports as to Adjustments

Whenever the number of shares of Common Stock into which the shares of Junior Preferred Stock are convertible is adjusted as provided in Section II(b), the Corporation shall, as soon as is reasonable practicable, compute such adjustment and furnish to the Holders a certificate of the Corporation, setting forth the number of shares of Common Stock into which each share of Junior Preferred Stock (or fraction thereof) is convertible as a result of such adjustment, a brief statement of the facts requiring such adjustment, the computation thereof and when such adjustment will become effective.

Section VIII. Transfer Restrictions

Shares of Junior Preferred Stock may not be transferred to any Person other than pursuant to a Permitted Transfer, and any attempt to transfer one or more shares of Junior Preferred Stock (or fraction thereof) to a Person other than pursuant to a Permitted Transfer shall be void and of no effect.

Section IX. Exclusion of Other Rights

Except as may otherwise be required by law, shares of Junior Preferred Stock shall not have any powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations, other than those specifically set forth herein (as this Certificate of Designation may be amended from time to time) and in the Articles of Incorporation. The shares of Junior Preferred Stock shall have no preemptive or subscription rights.

Section X. Severability of Provisions

If any powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations of the Junior Preferred Stock set forth in this Certificate of Designation (as this Certificate of Designation may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations of the Junior Preferred Stock set forth in this Certificate of Designation (as so amended) which can be given effect without the invalid, unlawful or unenforceable powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations of the Junior Preferred Stock shall, nevertheless, remain in full force and effect, and no powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations of the Junior Preferred Stock herein set forth shall be deemed dependent upon any other such powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations of the Junior Preferred Stock unless so expressed herein.

Section XI. Rank

Notwithstanding anything set forth in the Articles of Incorporation or this Certificate of Designation to the contrary, the Board or any authorized committee of the Board, without the vote of Holders of the Junior Preferred Stock, may authorize and issue additional shares of stock ranking junior or senior to, or on parity with, the Junior Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation or any other powers, preferences, participation and other special rights, qualifications, limitations, restrictions and other designations.

Section XII. No Redemption

The Corporation may not, at any time, redeem the outstanding shares of the Junior Preferred Stock, except upon the unanimous consent of the Holders of all outstanding shares of Junior Preferred Stock.

Section XIII. Repurchases

Subject to the limitations imposed herein, the Corporation may purchase and sell shares of Junior Preferred Stock (or fraction thereof) from time to time to such extent, in such manner, and upon such terms as the Board or any duly authorized committee of the Board may determine.

Section XIV. No Sinking Fund

Shares of Junior Preferred Stock are not subject to the operation of a sinking fund or any similar provisions.

Section XV. Notices

All notices, requests and other communications to a Holder of Junior Preferred Stock shall be in writing (including facsimile transmission) and shall be given at the address of such Holder as shown on the books of the Corporation. A Holder of Junior Preferred Stock may waive any notice required hereunder by a writing signed before or after the time required for notice or the

action in question. Notice shall be deemed given on the earlier of the date received or three business days after the date such notice is mailed by first-class mail, postage prepaid.

ARTICLES OF AMENDMENT
OF
UNITED COMMUNITY BANKS, INC.

1.

The name of the corporation is United Community Banks, Inc.

2.

The Restated Articles of Incorporation of the corporation are amended by striking the first paragraph of Article V thereof and inserting the following:

“The corporation shall have authority to issue 200,000,000 shares of common stock, \$1.00 par value (the “Common Stock”) and 10,000,000 shares of preferred stock, \$1.00 par value (the “Preferred Stock”). Subject to the provisions of any applicable law or the Bylaws of the corporation (as from time to time amended) with respect to fixing the record date for the determination of shareholders entitled to vote, and except as otherwise provided by any applicable law or the by the resolution or resolutions of the board of directors providing for the issue of any series of Preferred Stock, the holders of the Common Stock shall have and possess exclusive voting power and rights for the election of directors and for all other purposes, with each share being entitled to one vote.”

3.

The Restated Articles of Incorporation of the corporation are further amended by striking Article XI in its entirety and insert in lieu the following:

“Except as otherwise provided by law, any amendment or repeal of any provision of the Articles of Incorporation or Article II (Stockholders’ Meetings) or III (Board of Directors) of the Bylaws of the corporation requires the affirmative vote of holders of a majority of the shares of capital stock of the corporation then issued and outstanding and entitled to vote on such matters.”

4.

This amendment to the Restated Articles of Incorporation was adopted on February 10, 2010, and was duly approved by the shareholders entitled to vote thereon in accordance with the provisions of Section 14-2-1003 of the Georgia Business Corporation Code.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Restated Articles of Incorporation of United Community Banks, Inc. this 27th day of May, 2010.

UNITED COMMUNITY BANKS, INC.

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

ARTICLES OF AMENDMENT
OF
UNITED COMMUNITY BANKS, INC.

1.

The name of the corporation is United Community Banks, Inc.

2.

The Restated Articles of Incorporation, as amended, of the corporation are amended by adding the powers, rights, and preferences, and the qualifications, limitations, and restrictions thereof, of the Fixed Rate Cumulative Perpetual Preferred Stock, Series B as set forth in Exhibit A attached hereto.

3.

The amendment was adopted by the board of directors of the corporation at a meeting held on October 23, 2008. Pursuant to O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation, as amended, of the corporation, shareholder consent was not required.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Restated Articles of Incorporation, as amended, of United Community Bank, Inc. this 4th day of December, 2008.

UNITED COMMUNITY BANK, INC.

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

**DESIGNATIONS, POWERS, PREFERENCES,
LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS
OF
FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES B
OF
UNITED COMMUNITY BANKS, INC.**

Part 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Corporation a series of preferred stock designated as the "Fixed Rate Cumulative Perpetual Preferred Stock, Series B" (the "Designated Preferred Stock"). The authorized number of shares of Designated Preferred Stock shall be 180,000.

Part 2. Standard Provisions. The Standard Provisions contained in Annex A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this Certificate of Designations to the same extent as if such provisions had been set forth in full herein.

Part 3. Definitions. The following terms are used in this Certificate of Designations (including the Standard Provisions in Annex A hereto) as defined below:

- (a) "Common Stock" means the common stock, par value \$1.00 per share, of the Corporation.
- (b) "Dividend Payment Date" means February 15, May 15, August 15 and November 15 of each year.
- (c) "Junior Stock" means the Common Stock and any other class or series of stock of the Corporation the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Corporation.
- (d) "Liquidation Amount" means \$1,000.00 per share of Designated Preferred Stock.
- (e) "Minimum Amount" means \$45,000,000.
- (f) "Parity Stock" means any class or series of stock of the Corporation (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Corporation (in each case without regard to whether dividends accrue cumulatively or non-cumulatively). Without limiting the foregoing, Parity Stock shall include the Corporation's Series A Non-Cumulative Preferred Stock.
- (g) "Signing Date" means the Original Issue Date.

Part 4. Certain Voting Matters. Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred Stock are entitled to vote, including any action by written consent.

STANDARD PROVISIONS

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designations. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Corporation.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) “Applicable Dividend Rate” means (i) during the period from the Original Issue Date to, but excluding, the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 5% per annum and (ii) from and after the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 9% per annum.

(b) “Appropriate Federal Banking Agency” means the “appropriate Federal banking agency” with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(c) “Business Combination” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Corporation’s stockholders.

(d) “Business Day” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(e) “Bylaws” means the bylaws of the Corporation, as they may be amended from time to time.

(f) “Certificate of Designations” means the Certificate of Designations or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(g) “Charter” means the Corporation’s certificate or articles of incorporation, articles of association, or similar organizational document.

(h) “Dividend Period” has the meaning set forth in Section 3(a).

(i) “Dividend Record Date” has the meaning set forth in Section 3(a).

(j) “Liquidation Preference” has the meaning set forth in Section 4(a).

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(k) “Original Issue Date” means the date on which shares of Designated Preferred Stock are first issued.

(l) “Preferred Director” has the meaning set forth in Section 7(b).

(m) “Preferred Stock” means any and all series of preferred stock of the Corporation, including the Designated Preferred Stock.

(n) “Qualified Equity Offering” means the sale and issuance for cash by the Corporation to persons other than the Corporation or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Corporation at the time of issuance under the applicable risk-based capital guidelines of the Corporation’s Appropriate Federal Banking Agency (other

than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to October 13, 2008).

(o) “Share Dilution Amount” has the meaning set forth in Section 3(b).

(p) “Standard Provisions” mean these Standard Provisions that form a part of the Certificate of Designations relating to the Designated Preferred Stock.

(q) “Successor Preferred Stock” has the meaning set forth in Section 5(a).

(r) “Voting Parity Stock” means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of these Standard Provisions that form a part of the Certificate of Designations, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 3. Dividends.

(a) Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at a rate per annum equal to the Applicable Dividend Rate on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a “Dividend Period,” provided that the initial Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date.

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Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designations).

(b) Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock,

and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Corporation or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business (including purchases to offset the Share Dilution Amount (as defined below) pursuant to a publicly announced repurchase plan) and consistent with past practice, *provided* that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount; (ii) purchases or other acquisitions by a broker-dealer subsidiary of the Corporation solely for the purpose of market-making, stabilization or customer facilitation transactions in Junior Stock or Parity Stock in the ordinary course of its business; (iii) purchases by a broker-dealer subsidiary of the Corporation of capital stock of the Corporation for resale pursuant to an offering by the Corporation of such capital stock underwritten by such broker-dealer subsidiary; (iv) any dividends or distributions of rights or Junior Stock in connection with a stockholders' rights plan or any redemption or repurchase of rights pursuant to any stockholders' rights plan; (v) the acquisition by the Corporation or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Corporation or any of its subsidiaries), including as trustees or custodians; and (vi) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock. "Share Dilution Amount" means the increase in the number of diluted shares outstanding (determined in accordance with generally accepted accounting principles in the United States, and as measured from the date of the Corporation's consolidated financial statements most recently filed with the Securities and Exchange Commission prior to the Original Issue Date) resulting from the grant, vesting or exercise of equity-based compensation to employees and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

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When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Corporation will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

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Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, subject to the rights of any creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the "Liquidation Preference").

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with Designated Preferred Stock as to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with Designated Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 5. Redemption.

(a) Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; *provided* that (x) the Corporation (or any successor by Business Combination) has received

aggregate gross proceeds of not less than the Minimum Amount (plus the “Minimum Amount” as defined in the relevant certificate of designations for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the “Successor Preferred Stock”) in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Corporation (or any successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor).

The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Corporation or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

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(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Corporation, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least \$500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Corporation shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

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(b) Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the authorized number of directors of the Corporation shall automatically be increased by two and the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the "Preferred Directors" and each a "Preferred Director") to fill such newly created directorships at the Corporation's next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to reversion in the event of each and every subsequent default of the character above mentioned; *provided* that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Corporation to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Corporation may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the holders of at least 66 2/3% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designations for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Corporation ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

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(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole;

provided, however, that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Corporation to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

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Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Corporation or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Corporation shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Corporation of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Corporation.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

ARTICLES OF AMENDMENT
OF
UNITED COMMUNITY BANKS, INC.

1.

The name of the corporation is United Community Banks, Inc.

2.

The Restated Articles of Incorporation of the corporation are amended by striking the first paragraph of Article V thereof and inserting the following:

“V.

“The corporation shall have authority to issue 100,000,000 shares of common stock, \$1.00 par value (the “Common Stock”) and 10,000,000 shares of preferred stock, \$1.00 par value (the “Preferred Stock”). Subject to the provisions of any applicable law or the Bylaws of the corporation (as from time to time amended) with respect to fixing the record date for the determination of shareholders entitled to vote, and except as otherwise provided by any applicable law or the by the resolution or resolutions of the board of directors providing for the issue of any series of Preferred Stock, the holders of the Common Stock shall have and possess exclusive voting power and rights for the election of directors and for all other purposes, with each share being entitled to one vote.”

3.

The amendment was adopted by the board of directors of the corporation at a meeting held on March 5, 2004 and by the shareholders of the corporation at a meeting held on April 28, 2004.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment to the Articles of Incorporation of United Community Bank, Inc. this 28th day of April, 2004.

UNITED COMMUNITY BANK, INC.

By: /s/ JIMMY C. TALLENT
 Jimmy C. Tallent
 President and Chief Executive Officer

RESTATED ARTICLES OF INCORPORATION

OF

UNITED COMMUNITY BANKS, INC.

I.

The name of the corporation is United Community Banks, Inc.

II.

The corporation is organized pursuant to the provisions of the Georgia Business Corporation Code.

III.

The corporation shall have perpetual duration.

IV.

The corporation is a corporation for profit and is organized for the following general purposes: to be a bank holding company; to carry on any lawful businesses or activities relating thereto; and to engage in any lawful act or activity for which corporations may be organized under the Georgia Business Corporation Code.

V.

The corporation shall have authority to issue 50,000,000 shares of common stock, \$1.00 par value (the "Common Stock") and 10,000,000 shares of preferred stock, \$1.00 par value (the "Preferred Stock"). Subject to the provisions of any applicable law or the Bylaws of the corporation (as from time to time amended) with respect to fixing the record date for the determination of shareholders entitled to vote, and except as otherwise provided by any applicable law or by resolution or resolutions of the Board of Directors providing for the issue of any series of Preferred Stock, the holders of the Common Stock shall have and possess exclusive voting power and rights for the election of directors and for all other purposes, with each share being entitled to one vote.

The Board of Directors is hereby expressly authorized to issue, at any time and from time to time, shares of Preferred Stock in one or more series. The number of shares within such series shall be designated by the Board of Directors in one or more resolutions, and the shares of each series so designated shall have such preferences with respect to Common Stock and other series of Preferred Stock, and such other rights, restrictions or limitations with respect to voting, dividends, conversion, exchange, redemption and any other matters, as may be set forth in one or more resolutions adopted by the Board of Directors. To the extent required by law, Articles of Amendment setting forth any such designations, preferences, rights, restrictions or limitations shall be filed with the Georgia Secretary of State prior to the issuance of any shares of such series.

The authority of the Board of Directors with respect to the establishment of each series of Preferred Stock shall include, without limiting the generality of the foregoing, determination of the following matters which may vary between series:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payments of dividends on shares of that series;
- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;
- (e) Whether the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding-up of the corporation, and the relative rights of priority, if any, of payment of shares of that series; and

(h) Any other relative preferences, rights, restrictions or limitations of that series, including but not limited to any obligations of the corporation to repurchase shares of that series upon the occurrence of specified events.

Of the 10,000,000 shares of authorized Preferred Stock, 287,411 shares shall be designated Series A Non-Cumulative Preferred Stock and shall have the preferences, limitations and relative rights set forth below:

1. Designation and Number of Shares. The series will be known as the "Series A Non-Cumulative Preferred Stock" (the "Series A Preferred Stock"), and will be a series consisting of 287,411 shares of the authorized but unissued preferred stock of the corporation. The Series A Preferred Stock shall have a par value of \$1.00 per share and a stated value of \$10 per share (the "Stated Value").

2. Dividends. The corporation is under no obligation to pay dividends on the Series A Preferred Stock. Provided, however, no dividend shall be paid on the Common Stock until dividends have been declared and are payable to the holders of record of the Series A Preferred Stock from the date of issuance of such stock at the Dividend Rate for each of the Quarterly Dividend Periods which shall commence on October 1, January 1, April 1, and July 1, in each year and shall end on and include the day next preceding the first day of the next Quarterly Dividend Period. Each such dividend shall be paid to the holders of record of shares of Series A Preferred Stock as they appear on the stock register of the corporation on such record date. The amount of dividends per share payable for each Quarterly Dividend Period shall be computed by dividing the Dividend Rate by four and applying such rate against the Stated Value per share of the Series A Preferred Stock. Dividends payable on the Series A Preferred Stock for any period less than a full Quarterly Dividend Period and for any portion of the initial dividend period between issuance and the day next preceding the first October 1, January 1, April 1 or July 1 following such issuance shall be computed on the basis of a 360-day year of four 90-day quarters and the actual number of days elapsed in the period for which they are payable. The dividend rate shall be 6% per annum (the "Dividend Rate").

3. Liquidation Preference.

(a) Preference.

(i) In the event of any liquidation, dissolution, or winding up of the corporation, either voluntarily or involuntarily, the holders of the Series A Preferred Stock shall be entitled to receive prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of Common Stock, an amount equal to (A) the Stated Value per share, plus (B) a further amount equal to any dividends accrued but unpaid on such shares. If, upon such liquidation, dissolution, or winding up of the corporation, the assets of the corporation available for distribution to the shareholders of the corporation are insufficient to provide for the payment of the full aforesaid preferential amount, such assets as are so available shall be distributed among the holders of the Series A Preferred Stock pro rata in accordance with the number of shares of Series A Preferred Stock held by them. The consolidation or merger of the corporation with or into another corporation, or a sale, whether for cash, shares of stock, securities or properties, of all or substantially all of the assets of the corporation (a "Reorganization"), shall not be deemed or construed to be a liquidation, dissolution or winding up of the corporation within the meaning of this Paragraph. In the case of any Reorganization, the corporation shall enter into an agreement with such other entity for the benefit of the holders of Series A Preferred Stock that shall contain such provisions to protect the interests of such holders as the Board of Directors of the corporation shall reasonably consider necessary.

(ii) After the payment or the setting apart for payment to the holders of the Series A Preferred Stock of the preferential amounts so payable to them, if assets remain in the corporation, the holders of the Common Stock of the corporation shall receive all of the remaining assets of the corporation pro rata in accordance with the number of shares of Common Stock held by them.

(b) Noncash Distributions. If any of the assets of the corporation are to be distributed other than in cash under this paragraph 3 or for any purpose, then the Board of Directors of the corporation shall promptly engage independent competent appraisers to determine the value of the assets to be distributed to the holders of Preferred Stock or Common Stock. The corporation shall, upon receipt of such appraiser's valuation, give prompt written notice to each holder of shares of Series A Preferred Stock or Common Stock of the appraiser's valuation.

4. Voting Rights. Series A Preferred Stock has no voting rights except as required by the Georgia Business Corporation Code.

5. Conversion. The Series A Preferred Stock is not convertible into Common Stock.

6. Optional Redemption of Series A Preferred Stock.

(a) Subject to the following limitations, the corporation, at its sole option and upon the approval of the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of Atlanta as its designee, may redeem the whole or any part of the then outstanding Series A Preferred Stock by paying in cash for each share redeemed an amount equal to the Stated Value of each share redeemed plus the full dividends accrued but unpaid on each such share (whether or not declared) through the redemption date (the "Redemption Price").

(b) If less than all of the Series A Preferred Stock at any time outstanding shall be called for redemption hereunder, the shares to be redeemed shall be selected on a pro rata basis (with rounding to the nearest whole share) and upon such terms and conditions as the Board of Directors may determine (subject to the limitations and provisions contained herein). The corporation, at its option, may nonetheless redeem all of the shares of Series A Preferred Stock of any Record Holder if, as a result of a straight pro rata redemption, that Record Holder would then hold less than 1000 shares.

(c) Notice of redemption shall be mailed, certified mail, postage prepaid, not less than 10 days nor more than 60 days prior to the redemption date specified in that notice, to each Record Holder of the shares to be redeemed at the address appearing on the corporation's stock records of the Series A Preferred Stock. Neither failure to mail such notice to one or more of such holders nor any defect in such notice shall affect the sufficiency of the proceedings of redemption as to other holders. Each such notice shall state: (A) the redemption date; (B) the applicable Redemption Price; (C) the number of shares of Series A Preferred Stock to be redeemed and, if less than all the outstanding shares of Series A Preferred Stock are to be redeemed, the basis upon which the corporation proposes to determine such lesser number of shares to be redeemed and the number of shares of such Record Holders that would be redeemed on such basis if such Record Holder continued to hold all of its shares on the Partial Redemption Determination Date (as defined below); (D) the place or places at which the certificates representing such shares are to be surrendered for payment of the Redemption Price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date.

(d) In case of a redemption of less than all the outstanding shares of Series A Preferred Stock, the corporation's final determination of the number of shares of each Record Holder to be redeemed shall be made with respect to Record Holders of Series A Preferred Stock as of the close of business five business days immediately preceding the redemption date (the "Partial Redemption Determination Date"). The transfer of shares of Series A Preferred Stock so determined for redemption shall not be permitted after the Partial Redemption Determination Date. The corporation may require that any transfer of shares of Series A Preferred Stock permitted by it between the date of the above notice to Record Holders and the partial Redemption Determination Date refer to the corporation's notice of redemption and otherwise reflect that the transferor will acquire such shares subject to possible redemption as stated in such notice.

(e) If notice of redemption has been given pursuant to clause (c) above and if, on or before the redemption date specified in such notice, the funds necessary for such redemption have been irrevocably tendered by the corporation to the Record Holders of the shares being redeemed, or otherwise irrevocably designated or set aside in trust for the pro rata benefit of the holders of the shares so called for redemption in a manner permitted by the Georgia Business Corporation Code, then from and after the redemption date, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation or that any such shares may have been transferred (whether with or without the corporation's permission), (A) all of the shares so called for redemption (as finally determined on the Partial Redemption Determination Date in case of a partial redemption) shall no longer be deemed outstanding, (B) all dividends shall cease to accrue thereon, and (C) all voting and other rights with respect to such shares shall cease and terminate (except the rights to receive the Redemption Price upon a surrender of certificate(s) representing such shares). Upon surrender, in accordance with said notice, of the certificates for any shares so called for redemption, properly endorsed, such shares shall be redeemed by the corporation at the Redemption Price. If fewer than all the shares represented by any such certificate are redeemed, a new certificate representing the unredeemed shares shall be issued without cost to the Record Holder thereof.

(f) On or before the redemption date, the corporation, in lieu of tendering the Redemption Price directly to the respective Record Holders, may deposit with an agent that is a bank or a trust company (the "Paying Agent"), or otherwise designate or set aside as provided in clause (e) above, funds sufficient to pay the Redemption Price for all shares of Series A Preferred Stock to be redeemed on the redemption date, other than any such shares that may have been previously delivered for other consideration in a transaction otherwise permitted by this Designation. Any interest earned on funds so designated, set aside, or deposited with a Paying Agent shall be retainable by or payable to the corporation, and holders of shares of Series A Preferred Stock shall have no rights with respect thereto. Any funds so deposited with a Paying Agent that shall remain unclaimed by the Record Holders of redeemed shares at the end of six months after the redemption date, together with any previously unpaid interest earned thereon, shall be released or repaid by the Paying Agent to the corporation, and thereafter such Record Holders shall look only to the corporation for payment of the Redemption Price.

7. Certain General Matters.

(a) The corporation shall have the rights, in connection with any issuance or transfer of a share of Series A Preferred Stock, to establish by contract with the proposed holder thereof any lawful restriction or limitation respecting the transfer or other disposition of, or any exercise of right appurtenant to, such share with which such proposed holder shall agree.

(b) In any case where any redemption date shall not be a business day, then notwithstanding any other provision hereof, payment of a redemption price need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the redemption day; provided, that for purposes of computing such payment, no interest shall accrue for the period from and after such redemption date, as the case may be.

VI.

No holder of any of the shares of any class of the corporation shall be entitled as of right to subscribe for, purchase or otherwise acquire any shares of any class of the corporation which the corporation proposes to issue or any rights or options which the corporation proposes to grant for the purchase of shares of any class of the corporation or for the purchase of any shares, bonds, securities, or obligations of the corporation which are convertible into or exchangeable for, or which carry any rights, to subscribe for, purchase, or otherwise acquire shares of any class of the corporation and any and all of such shares, bonds, securities, or obligations of the corporation, whether now or hereafter authorized or created, may be issued, or may be reissued if the same have been reacquired and if their reissue is not prohibited, and any and all of such rights and options may be granted by the Board of Directors to such individuals and entities, and for such lawful consideration, and on such terms, as the Board of Directors in its discretion may determine, without first offering the same, or any thereof, to any said holder.

VII.

The corporation shall not commence business until it shall have received at least \$500.00 in payment for the issuance of shares of its stock.

VIII.

In addition to, but not in limitation of, the general powers conferred by law, the corporation shall have the power to make distributions to its shareholders out of its capital surplus, to purchase its own shares out of its unreserved and unrestricted capital surplus available therefor and to carry on any lawful business.

IX.

In discharging the duties of their respective positions and in determining what is believed to be in the best interests of the corporation, the Board of Directors of the corporation, committees of the Board of Directors, and individual directors, in addition to considering the effects of any action on the corporation or its shareholders, may consider interests of the employees, customers, suppliers, and creditors of the corporation and its subsidiaries, the communities in which offices or other establishments of the corporation and its subsidiaries are located, and all other factors such directors consider pertinent; provided, however, that such consideration shall be deemed solely to grant discretionary authority to the directors and shall not be deemed to provide to any constituency any right to be considered.

X.

No director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for breach of his duty of care or other duty as a director, provided, that this provision shall eliminate or limit the liability of a director only to the extent permitted from time to time by the Georgia Business Corporation Code or any successor laws or laws.

XI.

Except as otherwise provided by law, any amendment or repeal of any provision of the Articles of Incorporation or the Bylaws of the corporation requires the affirmative vote of holders of two-thirds of the shares of capital stock of the corporation then issued and outstanding and entitled to vote on such matters. Notwithstanding anything herein to the contrary, the number of authorized shares of any class of capital stock of the corporation may be increased by the affirmative vote of holders of a simple majority of the shares of capital stock of the corporation then issued and outstanding and entitled to vote on such matters.

XII.

I. (A) In addition to any affirmative vote required by law, and subject to the provisions of any series of Preferred Stock which may at the time be outstanding, the affirmative vote of the holders of not less than 75% of the outstanding shares of Common Stock of the corporation and the affirmative vote of the holders of not less than 75% of the outstanding shares of Common Stock of the corporation other than those beneficially owned (as defined below) by an Interested Shareholder (as defined below) (the “two-tier requirement”), shall be required for the approval or authorization of any Business Combination (as defined below) of the corporation with such Interested Shareholder; provided that the two-tier voting requirement shall not be applicable if the Business Combination was approved by three-fourths of all Directors.

(B) The term “Business Combination” as used in this Article XII shall mean:

(i) any merger or consolidation of the corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Shareholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Shareholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of \$1,000,000 or more; or

(iii) the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$1,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger or consolidation of the corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the corporation or any Subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate of any Interested Shareholder.

II. For purposes of this Article XII:

(A) A “person” shall mean any individual, firm, corporation or other entity.

(B) “Interested Shareholder” shall mean any person (other than the corporation, any Subsidiary or either the corporation or any Subsidiary acting as Trustee or in a similar fiduciary capacity) who or which:

(i) is the beneficial owner of more than 10% of the outstanding Common Stock; or

(ii) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of then outstanding Common Stock; or

(iii) acquired any shares of Common Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such acquisition shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(C) A person shall be a “beneficial owner” of any Common Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has, directly or indirectly, (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Common Stock.

(D) For the purposes of determining whether a person is an Interested Shareholder pursuant to paragraph B of this Section II, the number of shares of Common Stock deemed to be outstanding shall include shares deemed owned through application of paragraph C(ii)(a) of this Section II but shall not include any other shares of Common Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(E) (i) An "Affiliate" of a specified person is a person that directly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(ii) The term "Associate" used to indicate a relationship with any person means (1) any firm, corporation or other entity (other than the corporation or any Subsidiary) of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities, (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (3) any relative or spouse or such person, or any relative of such spouse who has the same home as such person.

(F) "Subsidiary" means any corporation of which a majority of any class of equity securities is owned, directly or indirectly, by the corporation unless owned solely as trustee or other similar fiduciary capacity.

(G) "Fair Market value" means:

(i) in the case of stock, the closing sales price of a share of such stock on the Composite Tape on the New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the closing sales price or the sales price or the average of the bid and asked prices reported with respect to a share of such stock on the National Association of Securities Dealers, Inc. Automated Quotation System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith; and

(ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

(H) The term "acquire" or "acquired" means the acquisition of beneficial ownership.

(I) The Board of Directors of the corporation shall have the power and duty to determine for the purposes of this Article XII, on the basis of information known to them after reasonable inquiry,

(i) whether a person is an Interested Shareholder,

(ii) the number of shares of Common Stock beneficially owned by any person,

(iii) whether a person is an Affiliate or Associate or another, and

(iv) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$1,000,000 or more.

(J) Nothing contained in this Article XII shall be construed to relieve any Interested Shareholder or any of its Affiliates or Associates from any fiduciary obligation imposed by law.

XIII.

A director of the corporation may be removed only for cause and upon the affirmative vote of the holders of two-thirds of the issued and outstanding shares entitled to vote on such matter.

I, H. Lynn Harton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2020

/s/ H. Lynn Harton

H. Lynn Harton

President and Chief Executive Officer of the Registrant

I, Jefferson L. Harralson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2020

/s/ Jefferson L. Harralson

Jefferson L. Harralson

Executive Vice President and Chief Financial Officer of the Registrant

CERTIFICATIONS PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of United Community Banks, Inc. ("United") on Form 10-Q for the period ending June 30, 2020 filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of United certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of United.

/s/ H. Lynn Harton

Name: H. Lynn Harton
Title: President and Chief Executive Officer
Date: August 6, 2020

/s/ Jefferson L. Harralson

Name: Jefferson L. Harralson
Title: Executive Vice President and Chief Financial Officer
Date: August 6, 2020