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

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): July 24, 2008**

# United Community Banks, Inc.

(Exact name of registrant as specified in its charter)

| **Georgia** | **No. 0-21656** | **No. 58-180-7304** |
|---|---|---|
| (State or other Jurisdiction of Incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| **63 Highway 515, P.O. Box 398**<br>**Blairsville, Georgia** | **30512** |
|---|---|
| (Address of Principal Executive Offices) | (Zip Code) |

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

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

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

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02 Results of Operation and Financial Condition**

On July 24, 2008, United Community Banks, Inc. (the "Registrant") issued a news release announcing its financial results for the quarter ended June 30, 2008 (the "News Release"). The News Release, including financial schedules, is attached as Exhibit 99.1 to this report. In connection with issuing the News Release, on July 24, 2008 at 11:00 a.m. EST, the Registrant intends to hold a conference call/webcast to discuss the News Release.

The presentation of the Registrant's financial results included operating performance measures, which are measures of performance determined by methods other than in accordance with generally accepted accounting principles, or GAAP. Management included non-GAAP operating performance measures because it believes it is useful for evaluating the Registrant's operations and performance over periods of time, and uses operating performance measures in managing and evaluating the Registrant's business and intends to use it in discussions about the Registrant's operations and performance. Operating performance measures exclude the effects of a special $15 million fraud related provision for loan losses recorded in the second quarter of 2007, an additional $3 million provision for loan losses recorded in the fourth quarter of 2007, and $18 million in fraud related charge offs recorded in the fourth quarter of 2007 because management feels that the events leading to the taking of the special provisions and charge offs were isolated, non-recurring events and do not reflect overall trends in the Registrant's earnings. Management believes these non-GAAP performance measures may provide users of the Registrant's financial information with a meaningful measure for assessing the Registrant's financial results and comparing those financial results to prior periods.

Operating performance measures should be viewed in addition to, and not as an alternative or substitute for, the Registrant's performance measures determined in accordance with GAAP, and is not necessarily comparable to non-GAAP performance measures that may be presented by other companies.

**Item 9.01 Financial Statements and Exhibits**

(a) Financial statements: None
(b) Pro forma financial information: None
(c) Exhibits:
99.1 Press Release, dated July 24, 2008

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

| | |
|---|---|
| | ***/s/ Rex S. Schuette*** |
| | Rex S. Schuette |
| | Executive Vice President and |
| July 24, 2008 | Chief Financial Officer |

EXHIBIT INDEX

| Exhibit No. | Description |
| --- | --- |
| 99.1 | Press Release, dated July 24, 2008 |

Exhibit 99.1

*For Immediate Release*

*For more information:*
Rex S. Schuette
Chief Financial Officer
(706) 781-2266
Rex_Schuette@ucbi.com

**UNITED COMMUNITY BANKS, INC. REPORTS DILUTED EARNINGS PER SHARE OF 15 CENTS FOR SECOND QUARTER 2008**

BLAIRSVILLE, GA — July 24, 2008 — United Community Banks, Inc. (NASDAQ: UCBI) today announced diluted operating earnings per share of 15 cents for the second quarter of 2008, compared to 46 cents per share for the second quarter of 2007. Total operating revenue on a taxable equivalent basis was $61.4 million for the quarter, compared to $80.8 million for the second quarter of 2007. Net operating income was $7.1 million, compared to $21.1 million in the second quarter of 2007. Operating return on tangible equity was 5.86 percent and return on assets was .34 percent for the second quarter of 2008, compared to 17.52 percent and 1.12 percent a year ago, respectively. Second quarter 2007 financial results included a $15 million special provision for fraud-related loan losses resulting from a failed real estate development near Spruce Pine, North Carolina. Because this was a fraud-related matter and an isolated and non-recurring event, the company has shown the special provision separate from the regular provision for loan losses and has highlighted operating earnings measures, which excluded this provision, to provide a better understanding of our underlying earnings and credit trends.

“While our operating environment continued to be very challenging in the second quarter, our solid earnings base, supported by experienced management and locations in growing markets, continues to sustain our company and keep it positioned to manage through this cycle. Despite this, we were able to cover our credit losses and strengthen our capital ratios,” stated Jimmy Tallent, president and chief executive officer. “We continued to actively manage our loan portfolio, quickly identifying problem loans and aggressively taking action to move these loans and assets off our books.”

Loans were down $66 million to $5.93 billion from the second quarter of 2007, and down $35 million on a linked quarter basis as the company continued to reduce its exposure to the residential construction and housing markets. At June 30, 2008, residential construction loans were $1.75 billion, or 29 percent of total loans, a decrease of $268 million from a year ago and $46 million from last quarter.

“Total loans declined from last quarter and a year ago, primarily due to a decrease in residential construction loans and we expect that trend to continue,” Tallent said. “However, we did see solid growth in both commercial and residential mortgage loans of 6 percent and we expect to see slow loan growth for several more quarters. At the same time, we are very pleased with our continued progress in reducing exposure to residential construction and creating a more balanced risk portfolio.”

Total customer deposits increased $148 million, or 2 percent, over second quarter 2007 and increased $417 million, or 29 percent on an annualized basis, over the prior quarter. “We ran a very successful program this quarter to increase liquidity through the promotion of customer time deposits that added $407 million to our liquidity during the second quarter,” stated Tallent. “The time deposit promotion did not erode core deposits, which grew by a modest amount.”

Taxable equivalent net interest revenue of $61.8 million reflected a decrease of $6.2 million from the second quarter of 2007. Taxable equivalent net interest margin was 3.32 percent, compared with 3.55 percent for the first quarter of 2008 and 3.94 percent for the second quarter of 2007. “We continued to see margin compression in the second quarter,” Tallent said. “Continued competitive deposit pricing, coupled with the full quarter impact of declining rates and a higher level of non-performing assets were key contributors.”

The second quarter provision for loan losses was $15.5 million. Net charge-offs for the second quarter were $14.3 million compared with $7.1 million for the first quarter of 2008 and $2.1 million for the second quarter of 2007. Annualized net charge-offs to average loans was 97 basis points for the second quarter of 2008 compared to 48 basis points for the first quarter of 2008 and 15 basis points for the second quarter of 2007.

“Net charge-offs increased this quarter as we moved problem credits off our books,” said Tallent. “With the higher level of non-performing loans we expect foreclosure activity will rise for the next two quarters as we move non-performing loans through the collection process. We expect charge-offs to increase as a result.”

At quarter-end, non-performing assets totaled $152.2 million, compared with $89.9 million at March 31, 2008 and $43.6 million at June 30, 2007. The ratio of non-performing assets to total assets at the end of each quarter was 1.84, 1.07 and .54 percent, respectively.

“The significant rise in non-performing assets this quarter is coming from the loan migration process,” stated Tallent. “While non-performing assets were up sharply, most loans were already classified in the prior quarter and moved to non-performing status this quarter. Total classified loans were flat compared to the first quarter. We now are seeing the migration of these problem assets through the collection process.

“A positive development in credit quality this quarter was a decrease in loans past due more than 30 days to 1.10 percent of loans from 1.39 percent in the first quarter,” added Tallent. “Although this was good to see, we know that the uncertainties in the economy will continue and we expect to see further increases in non-performing assets and credit costs this year.”

Fee revenue of $15.1 million was down $1.4 million from the second quarter of 2007 and increased $900,000 from last quarter. Service charges and fees on deposit accounts of $8.0 million were up slightly from last quarter and flat with the second quarter of 2007. Mortgage fees were up $239,000 from last quarter, mostly seasonal, but down $274,000 from last year due to the slowdown in the housing market. Brokerage fees were down $378,000 from last year due to market conditions. Other fee revenue of $1.5 million was down $925,000 from last year primarily due to gains realized last year from the sale of foreclosed properties and a lower level of earnings on bank-owned life insurance and deferred compensation plan assets.

Operating expenses of $49.8 million reflected an increase of $2.1 million, or 4 percent, from the second quarter of 2007. Salaries and employee benefit costs of $28.8 million declined $1.3 million, or 4 percent, from last year due to lower incentive accruals. Other expenses of $7.6 million were $3.5 million higher than a year ago due to additional write-downs and related costs on foreclosed properties of $2.5 million and an increase in FDIC insurance premiums of $900,000. “We have continued to manage our salary costs, and have held staff levels flat year over year,” Tallent stated. “Most of the operating expense categories were flat or down compared to last year as we focused on reducing discretionary spending.”

“All of our regulatory capital ratios continue to be very strong,” Tallent continued. “At June 30, 2008 our estimated Tier I Risk-Based Capital ratio was 9.17 percent, Leverage was 7.03 percent and Total Risk-Based was 11.40 percent. Also, our tangible equity-to-asset ratio was 6.77 percent. We have modeled our capital requirements under a number of loss scenarios and believe we have a strong capital position as well as a solid base of core earnings and allowance to work through this credit cycle without issuing common stock.”

“This quarter has been challenging, and we’ve seen increases in non-performing assets and related credit costs,” commented Tallent. “We have made progress getting our arms around these issues and remain intently focused on credit quality, capital and liquidity levels. While we were certainly challenged this quarter, our solid earnings base continues to sustain the company and keep it positioned to grow our business when things improve.”

Conference Call

United Community Banks will hold a conference call on Thursday, July 24, 2008, at 11 a.m. ET to discuss the contents of this news release, as well as share business highlights for the quarter. The telephone number for the conference call is (877) 419-6598 and the pass code is “UCBI.” The conference call will also be available by web cast within the Investor Relations section of the company’s web site at www.ucbi.com.

About United Community Banks, Inc.
Headquartered in Blairsville, United Community Banks is the third-largest bank holding company in Georgia. United Community Banks has assets of $8.3 billion and operates 27 community banks with 108 banking offices located throughout north Georgia, the Atlanta region, coastal Georgia, western North Carolina and east Tennessee. The company specializes in providing personalized community banking services to individuals and small to mid-size businesses. United Community Banks also offers the convenience of 24-hour access through a network of ATMs, telephone and on-line banking. United Community Banks common stock is listed on the Nasdaq Global Select Market under the symbol UCBI. Additional information may be found at the company's web site at www.ucbi.com.

Safe Harbor
*This news release contains forward-looking statements, as defined by Federal Securities Laws, including statements about financial outlook and business environment. These statements are provided to assist in the understanding of future financial performance and such performance involves risks and uncertainties that may cause actual results to differ materially from those in such statements. Any such statements are based on current expectations and involve a number of risks and uncertainties. For a discussion of some factors that may cause such forward-looking statements to differ materially from actual results, please refer to the section entitled "Forward-Looking Statements" on page 4 of United Community Banks, Inc.'s annual report filed on Form 10-K with the Securities and Exchange Commission.*

# # #

(Tables Follow)

## UNITED COMMUNITY BANKS, INC.
## Financial Highlights
## Selected Financial Information

| *(in thousands, except per share data; taxable equivalent)* | 2008 Second Quarter | 2008 First Quarter | 2007 Fourth Quarter | 2007 Third Quarter | 2007 Second Quarter | Second Quarter 2008-2007 Change | For the Six Months Ended 2008 | For the Six Months Ended 2007 | YTD 2008-2007 Change |
|---|---|---|---|---|---|---|---|---|---|
| **INCOME SUMMARY** | | | | | | | | | |
| Interest revenue | $ 116,984 | $ 129,041 | $ 140,768 | $ 144,884 | $ 136,237 | | $ 246,025 | $ 265,265 | |
| Interest expense | 55,231 | 62,754 | 71,038 | 73,203 | 68,270 | | 117,985 | 132,193 | |
| Net interest revenue | 61,753 | 66,287 | 69,730 | 71,681 | 67,967 | (9)% | 128,040 | 133,072 | (4)% |
| Provision for loan losses (1) | 15,500 | 7,500 | 26,500 | 3,700 | 3,700 | | 23,000 | 7,400 | |
| Fee revenue | 15,105 | 14,197 | 16,100 | 15,615 | 16,554 | (9) | 29,302 | 30,936 | (5) |
| **Total operating revenue** | 61,358 | 72,984 | 59,330 | 83,596 | 80,821 | (24) | 134,342 | 156,608 | (14) |
| Operating expenses | 49,761 | 47,529 | 49,336 | 48,182 | 47,702 | 4 | 97,290 | 92,543 | 5 |
| Income before taxes | 11,597 | 25,455 | 9,994 | 35,414 | 33,119 | (65) | 37,052 | 64,065 | (42) |
| Income taxes | 4,504 | 9,377 | 3,960 | 12,878 | 12,043 | | 13,881 | 23,644 | |
| **Net operating income** | 7,093 | 16,078 | 6,034 | 22,536 | 21,076 | (66) | 23,171 | 40,421 | (43) |
| Fraud loss provision, net of tax (1) | — | — | 1,833 | — | 9,165 | | — | 9,165 | |
| **Net income** | $ 7,093 | $ 16,078 | $ 4,201 | $ 22,536 | $ 11,911 | (40) | $ 23,171 | $ 31,256 | (26) |
| | | | | | | | | | |
| **OPERATING PERFORMANCE** (1) | | | | | | | | | |
| Earnings per common share: | | | | | | | | | |
| Basic | $ .15 | $ .34 | $ .13 | $ .47 | $ .47 | (68) | $ .49 | $ .92 | (47) |
| Diluted | .15 | .34 | .13 | .46 | .46 | (67) | .49 | .90 | (46) |
| Return on equity (2) | 3.41% | 7.85% | 2.89% | 10.66% | 12.47% | | 5.61% | 9.64% | |
| Return on tangible equity (2)(3)(4) | 5.86 | 13.16 | 5.06 | 17.54 | 17.52 | | 9.46 | 17.36 | |
| Return on assets (4) | .34 | .78 | .29 | 1.11 | 1.12 | | .56 | 1.12 | |
| Dividend payout ratio | 60.00 | 26.47 | 69.23 | 19.15 | 19.15 | | 36.73 | 19.57 | |
| | | | | | | | | | |
| **GAAP PERFORMANCE MEASURES** | | | | | | | | | |
| Per common share: | | | | | | | | | |
| Basic earnings | $ .15 | $ .34 | $ .09 | $ .47 | $ .26 | (42) | $ .49 | $ .71 | (31) |
| Diluted earnings | .15 | .34 | .09 | .46 | .26 | (42) | .49 | .70 | (30) |
| Cash dividends declared | .09 | .09 | .09 | .09 | .09 | — | .18 | .18 | — |
| Book value | 17.75 | 18.50 | 17.70 | 17.51 | 16.96 | 5 | 17.75 | 16.96 | 5 |
| Tangible book value (3) | 11.03 | 11.76 | 10.92 | 10.81 | 10.43 | 6 | 11.03 | 10.43 | 6 |
| | | | | | | | | | |
| Key performance ratios: | | | | | | | | | |
| Return on equity (2)(4) | 3.41% | 7.85% | 2.01% | 10.66% | 7.05% | | 5.61% | 9.64% | |
| Return on assets | .34 | .78 | .20 | 1.11 | .64 | | .56 | .86 | |
| Net interest margin (4) | 3.32 | 3.55 | 3.73 | 3.89 | 3.94 | | 3.43 | 3.96 | |
| Efficiency Ratio | 65.05 | 59.05 | 57.67 | 55.34 | 56.59 | | 61.97 | 56.57 | |
| Dividend payout ratio | 60.00 | 26.47 | 100.00 | 19.15 | 34.62 | | 36.73 | 25.35 | |
| Equity to assets | 10.33 | 10.30 | 10.20 | 10.32 | 8.94 | | 10.31 | 8.87 | |
| Tangible equity to assets (3) | 6.77 | 6.73 | 6.58 | 6.65 | 6.65 | | 6.75 | 6.65 | |
| | | | | | | | | | |
| **ASSET QUALITY** | | | | | | | | | |
| Allowance for loan losses | $ 91,035 | $ 89,848 | $ 89,423 | $ 90,935 | $ 92,471 | | $ 91,035 | $ 92,471 | |
| Net charge-offs (1) | 14,313 | 7,075 | 13,012 | 5,236 | 2,124 | | 21,388 | 3,586 | |
| Non-performing loans | 123,786 | 67,728 | 28,219 | 46,783 | 30,849 | | 123,786 | 30,849 | |
| OREO | 28,378 | 22,136 | 18,039 | 16,554 | 12,752 | | 28,378 | 12,752 | |
| Total non-performing assets | 152,164 | 89,864 | 46,258 | 63,337 | 43,601 | | 152,164 | 43,601 | |
| Allowance for loan losses to loans (1) | 1.53% | 1.51% | 1.51% | 1.28% | 1.29% | | 1.53% | 1.29% | |
| Net charge-offs to average loans (1)(4) | .97 | .48 | .87 | .35 | .15 | | .72 | .13 | |
| Non-performing assets to loans and OREO | 2.55 | 1.50 | .78 | 1.06 | .73 | | 2.55 | .73 | |
| Non-performing assets to total assets | 1.84 | 1.07 | .56 | .77 | .54 | | 1.84 | .54 | |
| | | | | | | | | | |
| **AVERAGE BALANCES** | | | | | | | | | |
| Loans | $ 5,933,143 | $ 5,958,296 | $ 5,940,230 | $ 5,966,933 | $ 5,619,950 | 6 | $ 5,945,720 | $ 5,512,005 | 8 |
| Investment securities | 1,507,240 | 1,485,515 | 1,404,796 | 1,308,192 | 1,242,448 | 21 | 1,496,377 | 1,198,075 | 25 |
| Earning assets | 7,478,018 | 7,491,480 | 7,424,992 | 7,332,492 | 6,915,134 | 8 | 7,484,749 | 6,757,959 | 11 |
| Total assets | 8,295,748 | 8,305,621 | 8,210,120 | 8,083,739 | 7,519,392 | 10 | 8,300,686 | 7,307,231 | 14 |
| Deposits | 6,461,361 | 6,051,069 | 6,151,476 | 6,246,319 | 5,945,633 | 9 | 6,256,217 | 5,855,530 | 7 |
| Shareholders' equity | 856,727 | 855,659 | 837,195 | 834,094 | 672,348 | 27 | 856,193 | 648,358 | 32 |
| Common shares — basic | 47,060 | 46,966 | 47,203 | 48,348 | 44,949 | | 47,013 | 43,980 | |
| Common shares — diluted | 47,249 | 47,272 | 47,652 | 48,977 | 45,761 | | 47,260 | 44,842 | |
| | | | | | | | | | |
| **AT PERIOD END** | | | | | | | | | |
| Loans | $ 5,933,141 | $ 5,967,839 | $ 5,929,263 | $ 5,952,749 | $ 5,999,093 | (1) | $ 5,933,141 | $ 5,999,093 | (1) |
| Investment securities | 1,430,588 | 1,508,402 | 1,356,846 | 1,296,826 | 1,213,659 | 18 | 1,430,588 | 1,213,659 | 18 |
| Total assets | 8,264,051 | 8,386,255 | 8,207,302 | 8,180,600 | 8,087,667 | 2 | 8,264,051 | 8,087,667 | 2 |
| Deposits | 6,696,456 | 6,175,769 | 6,075,951 | 6,154,308 | 6,361,269 | 5 | 6,696,456 | 6,361,269 | 5 |
| Shareholders' equity | 837,890 | 871,452 | 831,902 | 833,761 | 828,731 | 1 | 837,890 | 828,731 | 1 |
| Common shares outstanding | 47,096 | 47,004 | 46,903 | 47,542 | 48,781 | | 47,096 | 48,781 | |

(1) Excludes effect of special $15 million fraud related provision for loan losses recorded in the second quarter of 2007, an additional $3 million provision in the fourth quarter of 2007, and $18 million of related loan charge-offs recorded in the fourth quarter of 2007.

(2) Net income available to common shareholders, which excludes preferred stock dividends, 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.**
**Financial Highlights**
**Loan Portfolio Composition at Period-End**

| | 2008 | | 2007 | | | | |
|---|---|---|---|---|---|---|---|
| *(in millions)* | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | Linked Quarter Change(1) | Year over Year Change |
| **LOANS BY CATEGORY** | | | | | | | |
| Commercial (sec. by RE) | $ 1,584 | $ 1,526 | $ 1,476 | $ 1,441 | $ 1,461 | 15% | 8% |
| Commercial construction | 522 | 548 | 527 | 527 | 509 | (19) | 3 |
| Commercial & industrial | 417 | 437 | 418 | 408 | 421 | (18) | (1) |
| Total commercial | 2,523 | 2,511 | 2,421 | 2,376 | 2,391 | 2 | 6 |
| Residential construction | 1,745 | 1,791 | 1,830 | 1,939 | 2,013 | (10) | (13) |
| Residential mortgage | 1,494 | 1,491 | 1,502 | 1,459 | 1,413 | 1 | 6 |
| Consumer / installment | 171 | 175 | 176 | 179 | 182 | (9) | (6) |
| **Total loans** | $ 5,933 | $ 5,968 | $ 5,929 | $ 5,953 | $ 5,999 | (2) | (1) |
| | | | | | | | |
| **LOANS BY MARKET** | | | | | | | |
| Atlanta MSA | $ 1,934 | $ 1,978 | $ 2,002 | $ 2,057 | $ 2,134 | (9)% | (9)% |
| Gainesville MSA | 422 | 415 | 400 | 394 | 384 | 7 | 10 |
| North Georgia | 2,065 | 2,071 | 2,060 | 2,026 | 2,032 | (1) | 2 |
| Western North Carolina | 819 | 816 | 806 | 834 | 816 | 1 | — |
| Coastal Georgia | 436 | 439 | 416 | 402 | 396 | (3) | 10 |
| East Tennessee | 257 | 249 | 245 | 240 | 237 | 13 | 8 |
| **Total loans** | $ 5,933 | $ 5,968 | $ 5,929 | $ 5,953 | $ 5,999 | (2) | (1) |
| | | | | | | | |
| **RESIDENTIAL CONSTRUCTION** | | | | | | | |
| Dirt loans | | | | | | | |
| Acquisition & development | $ 569 | $ 583 | $ 593 | $ 596 | $ 602 | (10)% | (5)% |
| Land loans | 139 | 130 | 126 | 125 | 113 | 28 | 23 |
| Lot loans | 401 | 406 | 407 | 403 | 393 | (5) | 2 |
| Total | 1,109 | 1,119 | 1,126 | 1,124 | 1,108 | (4) | — |
| | | | | | | | |
| House loans | | | | | | | |
| Spec | 450 | 460 | 473 | 539 | 596 | (9)% | (24)% |
| Sold | 186 | 212 | 231 | 276 | 309 | (49) | (40) |
| Total | 636 | 672 | 704 | 815 | 905 | (21) | (30) |
| **Total residential construction** | $ 1,745 | $ 1,791 | $ 1,830 | $ 1,939 | $ 2,013 | (10) | (13) |
| | | | | | | | |
| **RESIDENTIAL CONSTRUCTION — ATLANTA MSA** | | | | | | | |
| Dirt loans | | | | | | | |
| Acquisition & development | $ 232 | $ 252 | $ 258 | $ 268 | $ 278 | (32)% | (17)% |
| Land loans | 50 | 50 | 52 | 50 | 49 | — | 2 |
| Lot loans | 117 | 117 | 117 | 123 | 136 | — | (14) |
| Total | 399 | 419 | 427 | 441 | 463 | (19) | (14) |
| | | | | | | | |
| House loans | | | | | | | |
| Spec | 271 | 271 | 280 | 322 | 371 | —% | (27)% |
| Sold | 58 | 71 | 77 | 104 | 132 | (73) | (56) |
| Total | 329 | 342 | 357 | 426 | 503 | (15) | (35) |
| **Total residential construction** | $ 728 | $ 761 | $ 784 | $ 867 | $ 966 | (17) | (25) |

(1) Annualized.

# UNITED COMMUNITY BANKS, INC.
## Financial Highlights
## Credit Quality

| (in thousands) | Second Quarter 2008 Nonaccrual Loans | Second Quarter 2008 OREO | Second Quarter 2008 Total NPAs | First Quarter 2008 Nonaccrual Loans | First Quarter 2008 OREO | First Quarter 2008 Total NPAs | Fourth Quarter 2007 Nonaccrual Loans | Fourth Quarter 2007 OREO | Fourth Quarter 2007 Total NPAs |
|---|---|---|---|---|---|---|---|---|---|
| **NPAs BY CATEGORY** | | | | | | | | | |
| Commercial (sec. by RE) | $ 4,610 | $ 593 | $ 5,203 | $ 4,070 | $ 653 | $ 4,723 | $ — | $ 68 | $ 68 |
| Commercial construction | 3,027 | 1,859 | 4,886 | 1,514 | 961 | 2,475 | — | 507 | 507 |
| Commercial & industrial | 2,950 | — | 2,950 | 1,936 | — | 1,936 | 3,366 | — | 3,366 |
| Total commercial | 10,587 | 2,452 | 13,039 | 7,520 | 1,614 | 9,134 | 3,366 | 575 | 3,941 |
| Residential construction | 90,283 | 22,075 | 112,358 | 42,249 | 16,486 | 58,735 | 11,544 | 14,987 | 26,531 |
| Residential mortgage | 21,792 | 3,851 | 25,643 | 16,965 | 4,036 | 21,001 | 12,479 | 2,477 | 14,956 |
| Consumer / installment | 1,124 | — | 1,124 | 994 | — | 994 | 830 | — | 830 |
| **Total NPAs** | $ 123,786 | $ 28,378 | $ 152,164 | $ 67,728 | $ 22,136 | $ 89,864 | $ 28,219 | $ 18,039 | $ 46,258 |
| | | | | | | | | | |
| **NPAs BY MARKET** | | | | | | | | | |
| Atlanta MSA | $ 89,327 | $ 15,196 | $ 104,523 | $ 37,442 | $ 16,121 | $ 53,563 | $ 11,548 | $ 13,019 | $ 24,567 |
| Gainesville MSA | 4,885 | 12 | 4,897 | 4,584 | 909 | 5,493 | 1,544 | — | 1,544 |
| North Georgia | 16,117 | 8,277 | 24,394 | 11,969 | 3,385 | 15,354 | 5,469 | 3,469 | 8,938 |
| Western North Carolina | 9,838 | 990 | 10,828 | 7,775 | 1,405 | 9,180 | 7,455 | 1,178 | 8,633 |
| Coastal Georgia | 1,575 | 3,871 | 5,446 | 5,266 | 95 | 5,361 | 691 | 95 | 786 |
| East Tennessee | 2,044 | 32 | 2,076 | 692 | 221 | 913 | 1,512 | 278 | 1,790 |
| **Total NPAs** | $ 123,786 | $ 28,378 | $ 152,164 | $ 67,728 | $ 22,136 | $ 89,864 | $ 28,219 | $ 18,039 | $ 46,258 |

| (in thousands) | Second Quarter 2008 Net Charge-Offs | Second Quarter 2008 Net Charge-Offs to Average Loans (2) | First Quarter 2008 Net Charge-Offs | First Quarter 2008 Net Charge-Offs to Average Loans (2) | Fourth Quarter 2007 (1) Net Charge-Offs | Fourth Quarter 2007 (1) Net Charge-Offs to Average Loans (2) |
|---|---|---|---|---|---|---|
| **NET CHARGE-OFFS BY CATEGORY** | | | | | | |
| Commercial (sec. by RE) | $ 424 | .11% | $ 630 | .17% | $ 167 | .05% |
| Commercial construction | 125 | .09 | — | — | — | — |
| Commercial & industrial | 398 | .38 | 304 | .29 | 507 | .49 |
| Total commercial | 947 | .15 | 934 | .15 | 674 | .11 |
| Residential construction | 10,343 | 2.36 | 4,665 | 1.03 | 10,109 | 2.13 |
| Residential mortgage | 2,576 | .70 | 1,011 | .27 | 1,671 | .45 |
| Consumer / installment | 447 | 1.05 | 465 | 1.06 | 559 | 1.25 |
| **Total NPAs** | $ 14,313 | .97 | $ 7,075 | .48 | $ 13,013 | .87 |
| | | | | | | |
| **NET CHARGE-OFFS BY MARKET** | | | | | | |
| Atlanta MSA | $ 10,682 | 2.22% | $ 4,647 | .94% | $ 8,740 | 1.72% |
| Gainesville MSA | 360 | .34 | 323 | .32 | 231 | .23 |
| North Georgia | 1,829 | .36 | 1,280 | .25 | 2,071 | .40 |
| Western North Carolina | 279 | .14 | 57 | .03 | 285 | .14 |
| Coastal Georgia | 980 | .90 | 42 | .04 | (10) | (.01) |
| East Tennessee | 183 | .29 | 726 | 1.18 | 1,696 | 2.76 |
| **Total NPAs** | $ 14,313 | .97 | $ 7,075 | .48 | $ 13,013 | .87 |

(1) Fourth quarter residential construction charge offs exclude $18 million in fraud related charge offs resulting from the failed real estate development near Spruce Pine, North Carolina.

(2) Annualized.

# UNITED COMMUNITY BANKS, INC.
## Operating Earnings to GAAP Earnings Reconciliation
*(in thousands, except per share data)*

| | 2008 | | 2007 | | | For the Six Months Ended June 30 | |
|---|---|---|---|---|---|---|---|
| | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | 2008 | 2007 |
| Special provision for fraud related loan losses | $ — | $ — | $ 3,000 | $ — | $ 15,000 | $ — | $ 15,000 |
| Income tax effect of special provision | — | — | 1,167 | — | 5,835 | — | 5,835 |
| After-tax effect of special provision | $ — | $ — | $ 1,833 | $ — | $ 9,165 | $ — | $ 9,165 |
| **Net Income Reconciliation** | | | | | | | |
| Operating net income | $ 7,093 | $ 16,078 | $ 6,034 | $ 22,536 | $ 21,076 | $ 23,171 | $ 41,421 |
| After-tax effect of special provision and merger-related charges | — | — | (1,833) | — | (9,165) | — | (9,165) |
| Net income (GAAP) | $ 7,093 | $ 16,078 | $ 4,201 | $ 22,536 | $ 11,911 | $ 23,171 | $ 32,256 |
| **Basic Earnings Per Share Reconciliation** | | | | | | | |
| Basic operating earnings per share | $ .15 | $ .34 | $ .13 | $ .47 | $ .47 | $ .49 | $ .92 |
| Per share effect of special provision and merger-related charges | — | — | (.04) | — | (.21) | — | (.21) |
| Basic earnings per share (GAAP) | $ .15 | $ .34 | $ .09 | $ .47 | $ .26 | $ .49 | $ .71 |
| **Diluted Earnings Per Share Reconciliation** | | | | | | | |
| Diluted operating earnings per share | $ .15 | $ .34 | $ .13 | $ .46 | $ .46 | $ .49 | $ .90 |
| Per share effect of special provision and merger-related charges | — | — | (.04) | — | (.20) | — | (.20) |
| Diluted earnings per share (GAAP) | $ .15 | $ .34 | $ .09 | $ .46 | $ .26 | $ .49 | $ .70 |
| **Provision for Loan Losses Reconciliation** | | | | | | | |
| Operating provision for loan losses | $ 15,500 | $ 7,500 | $ 26,500 | $ 3,700 | $ 3,700 | $ 23,000 | $ 7,400 |
| Special provision for fraud related loan losses | — | — | 3,000 | — | 15,000 | — | 15,000 |
| Provision for loan losses (GAAP) | $ 15,500 | $ 7,500 | $ 29,500 | $ 3,700 | $ 18,700 | $ 23,000 | $ 22,400 |
| **Nonperforming Assets Reconciliation** | | | | | | | |
| Nonperforming assets excluding fraud-related assets | $ 148,219 | $ 85,182 | $ 40,956 | $ 39,761 | $ 19,968 | $ 148,218 | $ 19,968 |
| Fraud-related loans and OREO included in nonperforming assets | 3,945 | 4,682 | 5,302 | 23,576 | 23,633 | 3,945 | 23,633 |
| Nonperforming assets (GAAP) | $ 152,164 | $ 89,864 | $ 46,258 | $ 63,337 | $ 43,601 | $ 152,163 | $ 43,601 |
| **Allowance for Loan Losses Reconciliation** | | | | | | | |
| Allowance for loan losses excluding special fraud-related allowance | $ 91,035 | $ 89,848 | $ 89,423 | $ 75,935 | $ 77,471 | $ 91,035 | $ 77,471 |
| Fraud-related allowance for loan losses | — | — | — | 15,000 | 15,000 | — | 15,000 |
| Allowance for loan losses (GAAP) | $ 91,035 | $ 89,848 | $ 89,423 | $ 90,935 | $ 92,471 | $ 91,035 | $ 92,471 |
| **Net Charge Offs Reconciliation** | | | | | | | |
| Net charge offs excluding charge off of fraud-related loans | $ 14,313 | $ 7,075 | $ 13,012 | $ 5,236 | $ 2,124 | $ 21,388 | $ 3,586 |
| Fraud-related loans charged off | — | — | 18,000 | — | — | — | — |
| Net charge offs (GAAP) | $ 14,313 | $ 7,075 | $ 31,012 | $ 5,236 | $ 2,124 | $ 21,388 | $ 3,586 |
| **Allowance for Loan Losses to Loans Ratio Reconciliation** | | | | | | | |
| Allowance for loan losses to loans ratio excluding fraud-related allowance | 1.53% | 1.51% | 1.51% | 1.28% | 1.29% | 1.53% | 1.29% |
| Portion of allowance assigned to fraud-related loans | — | — | — | .25 | .25 | — | .25 |
| Allowance for loan losses to loans ratio (GAAP) | 1.53% | 1.51% | 1.51% | 1.53% | 1.54% | 1.53% | 1.54% |
| **Nonperforming Assets to Total Assets Ratio Reconciliation** | | | | | | | |
| Nonperforming assets to total assets ratio excluding fraud-related assets | 1.79% | 1.02% | .50% | .49% | .25% | 1.79% | .25% |
| Fraud-related nonperforming assets | .05 | .05 | .06 | .28 | .29 | .05 | .29 |
| Nonperforming assets to total assets ratio (GAAP) | 1.84% | 1.07% | .56% | .77% | .54% | 1.84% | .54% |
| **Net Charge Offs to Average Loans Ratio Reconciliation** | | | | | | | |
| Net charge offs to average loans ratio excluding fraud-related loans | .97% | .48% | .87% | .35% | .15% | .97% | .13% |
| Charge offs of fraud-related loans | — | — | 1.20 | — | — | — | — |
| Net charge offs to average loans ratio (GAAP) | .97% | .48% | 2.07% | .35% | .15% | .97% | .13% |

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

| *(in thousands, except per share data)* | Three Months Ended June 30, 2008 | Three Months Ended June 30, 2007 | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2007 |
|---|---|---|---|---|
| **Interest revenue:** | | | | |
| Loans, including fees | $ 97,051 | $ 119,799 | $ 206,317 | $ 233,872 |
| Investment securities: | | | | |
| Taxable | 18,879 | 15,476 | 37,507 | 29,444 |
| Tax exempt | 398 | 438 | 792 | 885 |
| Federal funds sold and deposits in banks | 50 | 80 | 272 | 138 |
| Total interest revenue | 116,378 | 135,793 | 244,888 | 264,339 |
| **Interest expense:** | | | | |
| Deposits: | | | | |
| NOW | 7,216 | 11,470 | 15,803 | 22,097 |
| Money market | 2,310 | 3,540 | 5,223 | 6,080 |
| Savings | 180 | 374 | 407 | 683 |
| Time | 38,828 | 41,979 | 77,712 | 83,604 |
| Total deposit interest expense | 48,534 | 57,363 | 99,145 | 112,464 |
| Federal funds purchased, repurchase agreements, & other short-term borrowings | 1,820 | 3,671 | 6,138 | 5,488 |
| Federal Home Loan Bank advances | 2,818 | 5,035 | 8,563 | 9,836 |
| Long-term debt | 2,059 | 2,201 | 4,139 | 4,405 |
| Total interest expense | 55,231 | 68,270 | 117,985 | 132,193 |
| Net interest revenue | 61,147 | 67,523 | 126,903 | 132,146 |
| Provision for loan losses | 15,500 | 18,700 | 23,000 | 22,400 |
| Net interest revenue after provision for loan losses | 45,647 | 48,823 | 103,903 | 109,746 |
| **Fee revenue:** | | | | |
| Service charges and fees | 7,957 | 7,975 | 15,770 | 15,228 |
| Mortgage loan and other related fees | 2,202 | 2,476 | 4,165 | 4,699 |
| Consulting fees | 2,252 | 2,241 | 4,059 | 3,988 |
| Brokerage fees | 814 | 1,192 | 1,907 | 2,136 |
| Securities gains, net | 357 | 1,386 | 357 | 1,593 |
| Losses on prepayment of borrowings | — | (1,164) | — | (1,164) |
| Other | 1,523 | 2,448 | 3,044 | 4,456 |
| Total fee revenue | 15,105 | 16,554 | 29,302 | 30,936 |
| **Total revenue** | 60,752 | 65,377 | 133,205 | 140,682 |
| **Operating expenses:** | | | | |
| Salaries and employee benefits | 28,753 | 30,022 | 57,507 | 58,339 |
| Communications and equipment | 3,852 | 3,845 | 7,684 | 7,657 |
| Occupancy | 3,704 | 3,316 | 7,420 | 6,507 |
| Advertising and public relations | 2,009 | 2,098 | 3,360 | 4,114 |
| Postage, printing and supplies | 1,448 | 1,680 | 3,040 | 3,340 |
| Professional fees | 1,679 | 2,010 | 3,600 | 3,489 |
| Amortization of intangibles | 745 | 633 | 1,512 | 1,197 |
| Other | 7,571 | 4,098 | 13,167 | 7,900 |
| Total operating expenses | 49,761 | 47,702 | 97,290 | 92,543 |
| Income before income taxes | 10,991 | 17,675 | 35,915 | 48,139 |
| Income taxes | 3,898 | 5,764 | 12,744 | 16,883 |
| **Net income** | $ 7,093 | $ 11,911 | $ 23,171 | $ 31,256 |
| Net income available to common shareholders | $ 7,089 | $ 11,906 | $ 23,163 | $ 31,246 |
| Earnings per common share: | | | | |
| Basic | $ .15 | $ .26 | $ .49 | $ .71 |
| Diluted | .15 | .26 | .49 | .70 |
| Dividends per common share | .09 | .09 | .18 | .18 |
| Weighted average common shares outstanding: | | | | |
| Basic | 47,060 | 44,949 | 47,013 | 43,980 |
| Diluted | 47,249 | 45,761 | 47,260 | 44,842 |

**UNITED COMMUNITY BANKS, INC.**
**Consolidated Balance Sheet**

| *(in thousands, except share and per share data)* | June 30, 2008 *(unaudited)* | December 31, 2007 *(audited)* | June 30, 2007 *(unaudited)* |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and due from banks | $ 176,240 | $ 157,549 | $ 171,095 |
| Interest-bearing deposits in banks | 12,455 | 62,074 | 23,146 |
| Cash and cash equivalents | 188,695 | 219,623 | 194,241 |
| Securities available for sale | 1,430,588 | 1,356,846 | 1,213,659 |
| Mortgage loans held for sale | 27,094 | 28,004 | 30,615 |
| Loans, net of unearned income | 5,933,141 | 5,929,263 | 5,999,093 |
| Less allowance for loan losses | 91,035 | 89,423 | 92,471 |
| Loans, net | 5,842,106 | 5,839,840 | 5,906,622 |
| Premises and equipment, net | 181,395 | 180,088 | 171,327 |
| Accrued interest receivable | 50,399 | 62,828 | 64,538 |
| Goodwill and other intangible assets | 323,296 | 325,305 | 326,467 |
| Other assets | 220,478 | 194,768 | 180,198 |
| **Total assets** | $ 8,264,051 | $ 8,207,302 | $ 8,087,667 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Liabilities: | | | |
| Deposits: | | | |
| Demand | $ 696,575 | $ 700,941 | $ 773,435 |
| NOW | 1,541,609 | 1,474,818 | 1,447,789 |
| Money market | 418,935 | 452,917 | 504,730 |
| Savings | 187,088 | 186,392 | 207,468 |
| Time: | | | |
| Less than $100,000 | 1,744,217 | 1,573,604 | 1,651,486 |
| Greater than $100,000 | 1,573,078 | 1,364,763 | 1,428,841 |
| Brokered | 534,954 | 322,516 | 347,520 |
| Total deposits | 6,696,456 | 6,075,951 | 6,361,269 |
| Federal funds purchased, repurchase agreements, and other short-term borrowings | 288,650 | 638,462 | 238,429 |
| Federal Home Loan Bank advances | 285,807 | 519,782 | 499,060 |
| Long-term debt | 107,996 | 107,996 | 113,151 |
| Accrued expenses and other liabilities | 47,252 | 33,209 | 47,027 |
| **Total liabilities** | 7,426,161 | 7,375,400 | 7,258,936 |
| Shareholders' equity: | | | |
| Preferred stock, $1 par value; $10 stated value; 10,000,000 shares authorized; 25,800, 25,800 and 32,200 shares issued and outstanding | 258 | 258 | 322 |
| Common stock, $1 par value; 100,000,000 shares authorized; 48,809,301, 48,809,301 and 48,781,351 shares issued | 48,809 | 48,809 | 48,781 |
| Common stock issuable; 105,579, 73,250 and 60,761 shares | 2,696 | 2,100 | 1,816 |
| Capital surplus | 462,939 | 462,881 | 461,226 |
| Retained earnings | 362,089 | 347,391 | 329,229 |
| Treasury stock; 1,713,310 and 1,905,921 shares, at cost | (39,222) | (43,798) | — |
| Accumulated other comprehensive income (loss) | 321 | 14,261 | (12,643) |
| **Total shareholders' equity** | 837,890 | 831,902 | 828,731 |
| **Total liabilities and shareholders' equity** | $ 8,264,051 | $ 8,207,302 | $ 8,087,667 |

**UNITED COMMUNITY BANKS, INC.**
**Average Consolidated Balance Sheets and Net Interest Analysis**
For the Three Months Ended June 30,

| *(dollars in thousands, taxable equivalent)* | 2008 Average Balance | 2008 Interest | 2008 Avg. Rate | 2007 Average Balance | 2007 Interest | 2007 Avg. Rate |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans, net of unearned income (1)(2) | $5,933,143 | $ 97,080 | 6.58% | $5,619,950 | $ 119,569 | 8.53% |
| Taxable securities (3) | 1,471,958 | 18,879 | 5.13 | 1,200,268 | 15,476 | 5.16 |
| Tax-exempt securities (1)(3) | 35,282 | 655 | 7.43 | 42,180 | 721 | 6.83 |
| Federal funds sold and other interest-earning assets | 37,635 | 370 | 3.93 | 52,736 | 471 | 3.57 |
| **Total interest-earning assets** | 7,478,018 | 116,984 | 6.29 | 6,915,134 | 136,237 | 7.90 |
| Non-interest-earning assets: | | | | | | |
| Allowance for loan losses | (93,776) | | | (73,323) | | |
| Cash and due from banks | 144,589 | | | 130,046 | | |
| Premises and equipment | 181,454 | | | 158,290 | | |
| Other assets (3) | 585,463 | | | 389,245 | | |
| **Total assets** | $8,295,748 | | | $7,519,392 | | |
| **Liabilities and Shareholders' Equity:** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing deposits: | | | | | | |
| NOW | $1,505,280 | $ 7,216 | 1.93 | $1,379,423 | $ 11,470 | 3.34 |
| Money market | 422,419 | 2,310 | 2.20 | 354,815 | 3,540 | 4.00 |
| Savings | 186,826 | 180 | .39 | 186,490 | 374 | .80 |
| Time less than $100,000 | 1,642,677 | 17,285 | 4.23 | 1,627,708 | 19,978 | 4.92 |
| Time greater than $100,000 | 1,484,032 | 16,135 | 4.37 | 1,372,410 | 17,892 | 5.23 |
| Brokered | 535,898 | 5,408 | 4.06 | 332,857 | 4,109 | 4.95 |
| Total interest-bearing deposits | 5,777,132 | 48,534 | 3.38 | 5,253,703 | 57,363 | 4.38 |
| Federal funds purchased and other borrowings | 383,378 | 1,820 | 1.91 | 275,319 | 3,671 | 5.35 |
| Federal Home Loan Bank advances | 412,268 | 2,818 | 2.75 | 419,287 | 5,035 | 4.82 |
| Long-term debt | 107,996 | 2,059 | 7.67 | 113,270 | 2,201 | 7.79 |
| Total borrowed funds | 903,642 | 6,697 | 2.98 | 807,876 | 10,907 | 5.42 |
| **Total interest-bearing liabilities** | 6,680,774 | 55,231 | 3.33 | 6,061,579 | 68,270 | 4.52 |
| Non-interest-bearing liabilities: | | | | | | |
| Non-interest-bearing deposits | 684,229 | | | 691,930 | | |
| Other liabilities | 74,018 | | | 93,535 | | |
| Total liabilities | 7,439,021 | | | 6,847,044 | | |
| Shareholders' equity | 856,727 | | | 672,348 | | |
| **Total liabilities and shareholders' equity** | $8,295,748 | | | $7,519,392 | | |
| **Net interest revenue** | | $ 61,753 | | | $ 67,967 | |
| Net interest-rate spread | | | 2.96% | | | 3.38% |
| **Net interest margin** (4) | | | 3.32% | | | 3.94% |

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

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

(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of $13.0 million in 2008 and pretax unrealized losses of $7.8 million in 2007 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.

**UNITED COMMUNITY BANKS, INC.**
**Average Consolidated Balance Sheets and Net Interest Analysis**
For the Six Months Ended June 30,

| *(dollars in thousands, taxable equivalent)* | 2008 Average Balance | 2008 Interest | 2008 Avg. Rate | 2007 Average Balance | 2007 Interest | 2007 Avg. Rate |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans, net of unearned income (1)(2) | $5,945,720 | $ 206,332 | 6.98% | $5,512,005 | $ 233,437 | 8.54% |
| Taxable securities (3) | 1,460,090 | 37,507 | 5.14 | 1,155,308 | 29,444 | 5.10 |
| Tax-exempt securities (1)(3) | 36,287 | 1,303 | 7.18 | 42,767 | 1,456 | 6.81 |
| Federal funds sold and other interest-earning assets | 42,652 | 883 | 4.14 | 47,879 | 928 | 3.88 |
| **Total interest-earning assets** | 7,484,749 | 246,025 | 6.60 | 6,757,959 | 265,265 | 7.91 |
| Non-interest-earning assets: | | | | | | |
| Allowance for loan losses | (92,901) | | | (70,769) | | |
| Cash and due from banks | 149,648 | | | 125,367 | | |
| Premises and equipment | 181,405 | | | 152,593 | | |
| Other assets (3) | 577,785 | | | 342,081 | | |
| **Total assets** | $8,300,686 | | | $7,307,231 | | |
| **Liabilities and Shareholders' Equity:** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing deposits: | | | | | | |
| NOW | $1,483,699 | $ 15,803 | 2.14 | $1,351,277 | $ 22,097 | 3.30 |
| Money market | 430,734 | 5,223 | 2.44 | 308,541 | 6,080 | 3.97 |
| Savings | 185,819 | 407 | .44 | 180,913 | 683 | .76 |
| Time less than $100,000 | 1,597,995 | 35,508 | 4.47 | 1,634,569 | 39,774 | 4.91 |
| Time greater than $100,000 | 1,424,670 | 32,505 | 4.59 | 1,378,870 | 35,808 | 5.24 |
| Brokered | 455,150 | 9,699 | 4.29 | 333,800 | 8,022 | 4.85 |
| Total interest-bearing deposits | 5,578,067 | 99,145 | 3.57 | 5,187,970 | 112,464 | 4.37 |
| Federal funds purchased and other borrowings | 467,596 | 6,138 | 2.64 | 207,663 | 5,488 | 5.33 |
| Federal Home Loan Bank advances | 536,883 | 8,563 | 3.21 | 407,583 | 9,836 | 4.87 |
| Long-term debt | 107,995 | 4,139 | 7.71 | 113,251 | 4,405 | 7.84 |
| Total borrowed funds | 1,112,474 | 18,840 | 3.41 | 728,497 | 19,729 | 5.46 |
| **Total interest-bearing liabilities** | 6,690,541 | 117,985 | 3.55 | 5,916,467 | 132,193 | 4.51 |
| Non-interest-bearing liabilities: | | | | | | |
| Non-interest-bearing deposits | 678,150 | | | 667,560 | | |
| Other liabilities | 75,802 | | | 74,846 | | |
| Total liabilities | 7,444,493 | | | 6,658,873 | | |
| Shareholders' equity | 856,193 | | | 648,358 | | |
| **Total liabilities and shareholders' equity** | $8,300,686 | | | $7,307,231 | | |
| **Net interest revenue** | | $ 128,040 | | | $ 133,072 | |
| Net interest-rate spread | | | 3.05% | | | 3.40% |
| **Net interest margin** (4) | | | 3.43% | | | 3.96% |

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

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

(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of $14.5 million in 2008 and pretax unrealized losses of $8.9 million in 2007 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.