SERVICE STRENGTH RESILIENCE

United Community Banks, Inc. | 2008 Annual Report

“We are stewards of your investment and take that responsibility very seriously.” — Jimmy Tallent

Financial Highlights

(in thousands, except per share data)	2008	2007
Operating Performance*		
Net interest revenue	$ 238,704	$ 274,483
Provision for loan losses	184,000	37,600
Fee revenue	53,141	62,651
Total operating revenue	107,845	299,534
Operating expenses	206,699	190,061
Income tax (benefit) expense	(35,404)	40,482
Net operating (loss) income	$ (63,450)	$ 68,991
Operating (loss) earnings per diluted common share	$ (1.35)	$ 1.48
Return on tangible equity	(12.37)%	14.23%
Return on assets	(.76)	.89
Efficiency ratio	70.49	56.53
GAAP Performance		
Net (loss) income	$ (63,450)	$ 57,993
Per common share:		
Diluted (loss) earnings	(1.35)	1.24
Cash dividends declared	.18	.36
Stock dividends declared	.18	-
Book value	16.95	17.70
Tangible book value	10.39	10.94
Key Performance Ratios		
Allowance for loan losses to loans	2.14 %	1.51%
Net interest margin	3.18	3.88
Tangible equity to assets (year-end)	8.21	6.51
Tangible common equity to assets (year-end)	6.10	6.51
Tier I risk-based capital	11.21	8.63
As of Year-End		
Loans	$ 5,704,861	$ 5,929,263
Investment securities	1,617,187	1,356,846
Total assets	8,520,765	8,207,302
Deposits	7,003,624	6,075,951
Shareholders' equity	989,382	831,902
Common shares outstanding (thousands)	48,009	46,903
Shareholders	15,100	15,200
Employees	1,994	2,028
Banking offices	107	111

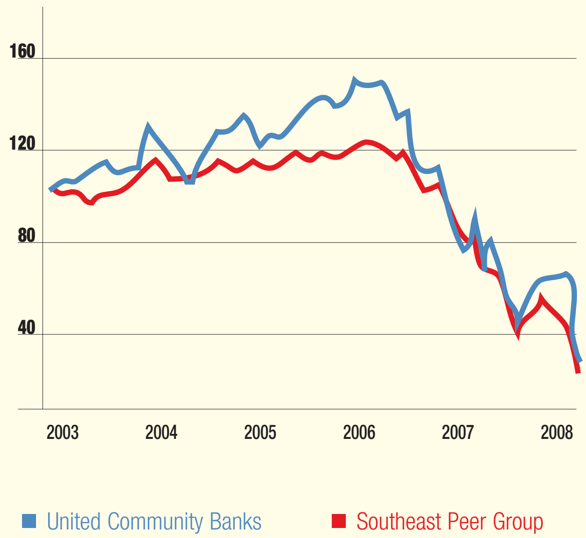
*Amounts and ratios are prepared on a fully taxable equivalent and operating basis, which excludes the special fraud-related loan loss provision in 2007.

Of the 25 annual letters I have written to you, this one is by far the most difficult to write. Our 2008 operating loss, which is the first in United's history, is most disappointing to me and I know it is to you. Equally disappointing has been our stock performance. We are stewards of your investment and take that responsibility very seriously. My objective here is to provide you with a clear and concise assessment of the events of 2008 and how those events affected us.

Without a doubt, the recession has had a significant impact on our customers and our business results. That impact was greater than it should have been due to our concentration of residential construction loans, which I will explain in a moment. Like many banks in our markets, we saw great opportunity in the demand for housing, so we pursued that demand as part of our growth strategy. However, the operating environment changed almost overnight and accelerated the challenges for United and our industry. This is not an excuse; these are the facts.

My fellow shareholders, 2008 was a year like most of us have not seen in our lifetimes. While I refuse to lay blame for the disappointing results outside our doors, it is a simple fact that many of our challenges were products of the rapidly changing and vastly unpredictable environment.

Stock Price Comparison Value of $100 invested in UCBI compared to $100 invested in Southeast Peer Group.



Southeast Peer Group

BB&T, Colonial BancGroup, Regions, South Financial Group, SunTrust, Synovus, United Community Banks

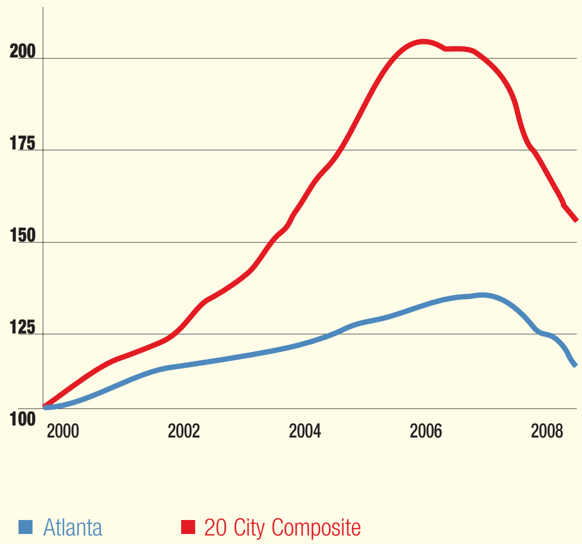
Housing and Residential Construction

For decades and through early 2007, our markets enjoyed a rapidly increasing population that created a dream scenario for developers, builders, homebuyers and banks. We made a substantial number of loans to well-qualified developers and contractors who were developing lots and building homes to meet the demand. We monitored trends and took comfort that housing prices within our markets were not experiencing the sharp increases of other U.S. boom regions. The delicate balance between supply and demand appeared to be in near-perfect equilibrium.

We did not make, and have never made, sub-prime mortgage loans. However, many of our customers sold their properties to people who received sub-prime loans from other institutions. These loans were attractive to, and initially affordable for, first-time and lower-income homebuyers who could not qualify for more traditional mortgage products. But, as the introductory 'teaser' rates on these sub-prime loans expired and rates began to rise, tens of thousands of borrowers across the country, including those in our markets, became unable to fulfill their monthly obligations.

Mortgage lenders began to adopt more conservative credit standards in this environment, making new mortgage loans more difficult to obtain. Large numbers of would-be homebuyers were no longer able to obtain mortgages and, with the equilibrium suddenly out of balance, sales and prices of residential real estate dropped dramatically.

Home Price Valuation Value of $100 invested in Atlanta homes compared to $100 invested in homes within 20 metropolitan cities in the US.



Source: Case-Shiller Housing Index

The dominoes continued to fall as fewer home sales meant fewer new construction projects. With prices declining and a more limited number of qualified buyers, many developers, despite sincere intentions to repay their loans, simply could not survive the drought. The results for their banks, including United, were higher levels of foreclosed homes and increased inventories of vacant developed lots.

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Jimmy Tallent | President | Chief Executive Officer

David P. Shearrow | Executive Vice President | Chief Risk Officer

Managing Credit Challenges

Working successfully through our credit challenges is one of United's primary areas of focus in 2009. Our goal is early identification of potential problems, quick and thorough development of resolution strategies, intense execution of our strategy, and ultimately, providing the best economic outcome for United. Our entire senior management team is engaged in this process, and we remain committed to working through this credit cycle as efficiently and expediently as possible.

In terms of early identification, we continuously review our loan portfolio, carefully assessing all the different categories and segments within it. We assess – in detail – the status of each credit, economic and industry trends, market dynamics and ownership capacity, with an intense focus on early identification of excessive risk. In the course of this continuous review process, if we determine that a customer is struggling or potentially having difficulty repaying a loan, we reach out to them. For those committed to meeting their obligations, we work closely with them to find creative solutions that enable them to continue making payments and return to a more stable financial position while protecting the bank's interests.

Unfortunately, in today's economic environment, many times a creative workout plan is not possible which often leads to foreclosure and guarantor recourse. The complexities of foreclosure, bankruptcy and asset disposition require technical expertise and savvy. Recognizing this, we have built an experienced team, comprising seasoned bankers and real estate professionals, who can quickly and wisely determine how best to handle each one. By utilizing a team with multiple areas of expertise, we are able to make well-educated decisions, so that at all times, we can attain the best economic result for our company.

Before we proceed with the foreclosure process, we complete an extensive market analysis to develop a disposition strategy tailored to each lot, house or land development. For example, we may write down and hold select properties in historically desirable areas, as we anticipate that they will regain value more quickly when the market improves. In most instances, we will choose to aggressively sell, recognize any loss and redeploy the capital in new loan opportunities as soon as possible.

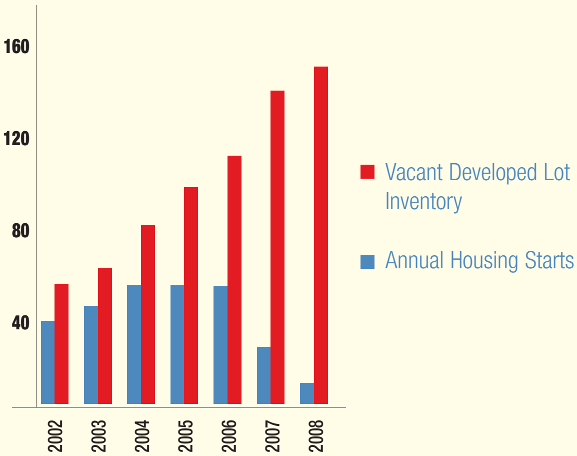
Once we have determined a course of action on a credit and move to the disposition phase, our highly focused sales management process takes over. We use multiple channels to market our properties, including direct outreach to potential investors, a website featuring bank-owned properties, a network of local realtors and employee referrals. By using multiple sales channels, we believe we have often been able to get better pricing than current market averages for various types of properties.

Although we have seen a rise in our total amount of bank-owned real estate, we continue to make very good progress in real estate sales while maximizing the economic returns to the company. There will certainly be ongoing credit challenges through 2009, but we remain committed to aggressively taking actions that will help United be among the first to get through this difficult credit cycle.

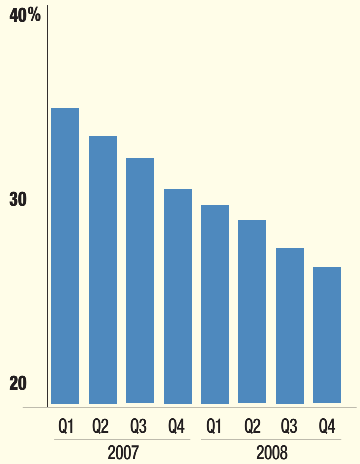
> "We remain committed to working through this credit cycle as efficiently and expediently as possible."
>
> — **David Shearrow**

RESILIENCE

Atlanta Vacant Developed Lot Inventory and Housing Starts
(in thousands)



Loan Portfolio Concentration Residential Construction
As percentage of total loans



I mentioned earlier that our 2008 results were partly due to outside forces – but not entirely. The collapse of the housing and residential construction market was a broad external event; however, United had a heavy concentration in residential construction and development lending that made the impact greater than it otherwise would have been. We had been participating in a housing boom driven by years of strong population growth, especially in the Atlanta region. In late 2006, we recognized this growing exposure and began working to correct the imbalance in our loan portfolio. Over the past two years, we reduced our concentration of residential construction loans from 35 percent of outstanding loans to 26 percent. Better, but still a larger number than we would have liked.

Aggressive Response

In the wake of these events our strategy has been, and continues to be, twofold: recognize losses and work problem assets off the books quickly, while evaluating each situation carefully and attaining the best possible outcome. We have a strong management team with the experience and skill to make sound economic decisions for the company, both wisely and quickly.

Margin

While credit issues were a major contributor to our disappointing financial performance, another significant factor was the compression of our margin – the difference between what we earn from making loans and what we pay for deposits.

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Rex S. Schuette | Executive Vice President | Chief Financial Officer

Building Liquidity and Capital

While a bank must always maintain appropriate levels of liquidity and capital, it was critically important in 2008 for United to bolster these resources. Strong liquidity and capital levels are vital for meeting the challenges that affected our company and the banking industry as a whole. In fact, the lack of liquidity was a determining factor in most of the bank failures in 2008. While capital is very important, liquidity is essential as it is our source of funds for meeting customer needs.

In the second half of 2008, a number of events occurred that caused financial markets to become very fragile and disrupted, and also caused customers to be concerned about the safety of their bank accounts. Prominent among these events were investment bank failures – Bear Stearns and Lehman Brothers – as well as the collapse of large financial institutions – Wachovia Bank, National City Bank and Washington Mutual – and other smaller bank failures, several of them in the Southeast. With the sub-prime and credit crises worsening, not only were bank customers concerned but banks themselves were worried about lending to each other – what we commonly refer to as wholesale borrowings. The ability to borrow from, and place short-term funds with, other banks is imperative to fulfilling a bank's liquidity needs. This source of liquidity virtually came to a standstill during the third quarter of 2008.

As these sources of liquidity vanished and an increasing number of United customers inquired about the safety of their deposit balances, we knew that the lack of liquidity could be a threat to our company. We immediately developed a strategy to significantly build up liquidity, though we knew in the short-term it would result in a lower margin and reduce net interest revenue. Net interest revenue and margin, in simple terms, are driven by the interest we earn on our loans and investments, less the interest we pay on our deposits and borrowings.

Given the market conditions and customer concerns that were threatening the sources of liquidity and all of the uncertainties ahead of us, we believed that the decision to build liquidity was a prudent one. We looked at several alternatives. Typically the primary source of liquidity for a bank is customer deposits with supplemental funding available from several other sources including brokered deposits, interbank borrowings, Federal Reserve Bank, and the Federal Home Loan Bank. We knew that deposit customers and inter-bank borrowing sources were not readily available, so the only true incremental source of liquidity was brokered deposits.

From late August to early October, we added $525 million of brokered deposits. In addition, to ensure we would retain our customer deposits, we did not lower our deposit rates in October when the Federal Reserve lowered rates by 100 basis points. To the contrary, in early October we actually increased rates on money market accounts by 125 basis points to remain competitive with other banks in our markets.

These actions put us in an excellent position to ride out the limited supplies of liquidity through the end of the year; however, they severely reduced our margin. Nonetheless, we had prepared for a possible collapse in the liquidity market by building up over $2.3 billion of unused funding capacity.

Later in the fourth quarter, the government made a series of announcements that significantly eased liquidity in the marketplace. By late December, liquidity became more accessible and the potential threat to both our liquidity, and that of banking in general, decreased considerably. However, at the time of our earlier decisions, we were unsure of the government's actions, so we acted decisively to eliminate what we saw as a risk to our company's stability.

Now that liquidity pressures have receded, we are able to focus on restoring those lost earnings. We implemented three key actions that already have increased our margin and will continue to have a positive impact throughout 2009:

- increase loan pricing by negotiating higher credit spreads and minimum rates (floors);
- lower deposit rates while retaining customers, a vital balance; and
- decrease the level of brokered deposits, which lowered the overall cost of funds.

Capital was another critical issue we addressed in 2008. During the summer, we began evaluating ways to further boost our regulatory capital, which we historically managed to be at least 100 basis points above what our regulators deem 'well-capitalized.' Adding capital would strengthen our ability to continue to aggressively move problem credits off our books and pursue sales that made the most business sense, even if they caused a higher level of credit losses. Further, with additional capital we could absorb those credit losses with little impact on our overall financial stability. A strong capital position is, and continues to be, the key to our company being one of the first to emerge from this difficult credit cycle.

We accomplished our goal of adding capital in three separate transactions. In August, we issued $30 million of subordinated debt. In October, we privately placed $13 million of trust preferred securities. Then in December, we completed the sale of $180 million of preferred stock to the U.S. Treasury through its Capital Purchase Program. In total, we added about $225 million in capital, which significantly increased all of our regulatory capital ratios. At year-end, our Tier I Risk-Based Capital ratio was 11.2 percent, more than 5 percent above the regulatory well-capitalized level. We are entering 2009 with a solid capital position to help us weather what lies ahead. We will be vigilant in how we preserve capital and will remain alert for cost-effective opportunities to further build our capital levels.

Raising liquidity and capital were the right things to do, though they came at a price to our short-term profitability. Our team remains prepared to make the right business decisions for the long-term interests of our shareholders.

RENGTH

"While a bank must always maintain appropriate levels of liquidity and capital, it was critically important in 2008 for United to bolster these resources."

— **Rex Schuette**

Throughout the year our margin was squeezed on both ends. To preserve liquidity, we paid more interest on deposits so we would retain our customers' money market deposit accounts and certificates of deposit. At the same time, we earned less on our loans because the Federal Reserve repeatedly lowered interest rates during the year to unprecedented levels. High deposit pricing in a low loan interest environment – something I had never seen in my entire banking career – accounted for United's shrinking margin.

To give you a better sense of what this meant to our business results, over the course of 2008 our margin shrank 70 basis points. Currently, a single basis point represents $750,000 in pre-tax earnings. That means we would have had $53 million more in pre-tax earnings for 2008 had we been able to maintain our margin during the year at the same level as 2007.

"Although we knew that building liquidity would cause further margin compression, there were many pressing reasons to do so, not the least of which was a fragile and uncertain banking environment."

Liquidity

Insufficient liquidity is an even greater and more immediate threat to a bank's health than inadequate capital or increased credit losses. Although we knew that building liquidity would cause further margin compression, there were many pressing reasons to do so, not the least of which was a fragile and uncertain banking environment.

Investment and commercial banks began to fail in the third quarter, and banks became reluctant to lend to each other. Interbank, or 'overnight,' lending is normally a regular source of funding. By mid-September, we had reduced our overnight borrowings position to almost zero. At the same time, our overall core deposit levels began to fall as bank failures fed customer concern about the safety of deposits.

To bolster our liquidity position, we added over a half billion dollars in brokered deposits which replaced our overnight funds and wholesale borrowings. This provided a more reliable funding source and made collateral available for future wholesale borrowings as a source of contingent liquidity. These efforts to build liquidity followed a successful CD-gathering program that generated $400 million in new deposits during the second quarter.

In October, the FDIC raised its insurance coverage from $100,000 to $250,000, which helped restore confidence in the banking industry. Our core deposits stabilized, reducing both the urgency to add liquidity and the need for wholesale borrowing. At year-end, United had substantial liquidity with $2.3 billion of wholesale funding capacity. We are continuing to manage liquidity closely through 2009.

Capital

I am pleased to report that United's capital position remained strong through 2008. We replaced our cash dividend with a stock dividend in the third and fourth quarters – a difficult decision but one that enabled us to retain more than $4 million in capital each quarter.

During the second half of the year United received capital in other forms, including the issuance of $30 million in subordinated debt and $13 million in trust preferred securities. It is worth noting that these transactions were completed at a stressful time in our industry when such sources of regulatory capital were available only to very few banks. In the fourth quarter, the U.S. Treasury introduced its Capital Purchase Program (CPP) to inject capital quickly into selected banks across the country. United issued $180 million of preferred stock to the U.S. Treasury under this program.

Among the 8,500 banks and thrifts in the U.S., some 660 directly or as a member of a holding company, issued preferred stock under the CPP. A few banks chose not to participate. After much study and consideration, our Board unanimously approved participation in the CPP. Our decision was based on the fact that we are in the most uncertain economic environment since the Great Depression and a time when a financial company cannot have too much capital. Let me add that this capital is not free: It will cost our company $10.2 million each year until it is retired, and we plan to retire it within five years. But, without question, this is the most efficient and effective way to strengthen our capital position as we work through this recession.

Overall, during the second half of 2008 we were able to raise nearly $225 million of capital. This additional capital is allowing us to continue lending in our communities while at the same time aggressively disposing of foreclosed properties.

Earnings

Our net loss of $63.5 million for 2008 can be attributed primarily to higher credit costs and margin compression.

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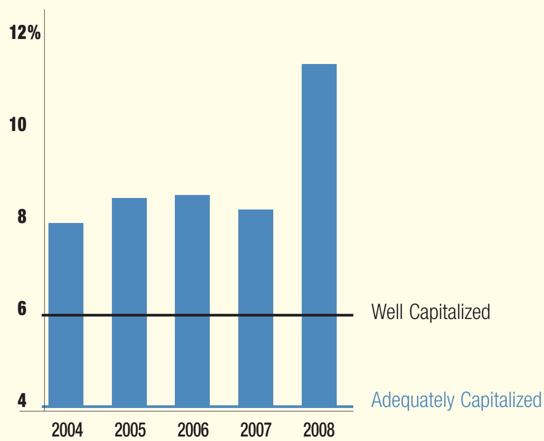
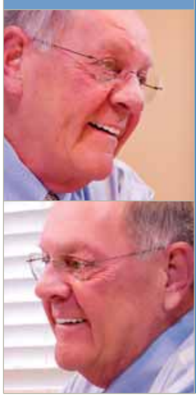
Tier I Risk-Based Capital Ratio
At Year-End



Guy W. Freeman | Executive Vice President | Chief Operating Officer



New Opportunities for Success

The recipe for a successful business – both in good times and bad – is to boost revenue, reduce costs, attract and retain customers, strengthen customer relationships and make sure you have the people and processes in place to prosper and grow. Regardless of the business environment, there are always positive opportunities if you look for them. The current situation provides these types of opportunities.

Through two initiatives, ‘We Are United’ and ‘United Express,’ as well as important changes in our Atlanta Region, United Community Bank is making great strides in not only shoring up today’s business, but also preparing for a swift and strong recovery. We fully intend to, and will, take advantage of the current opportunities.

A logical starting place for United has been to do some self-examination to ensure that our company is operating in the most cost-efficient way possible. With ‘We Are United,’ each United Community Bank employee has been charged with examining their own jobs, their processes, individual departments, banks and the overall company in an effort to enhance revenues and reduce expenses.

Slicing an organization is easy. Taking a thoughtful look at how we can improve efficiencies and reduce costs with *no* negative impact on our culture or customer service is another story altogether. That’s why employees throughout the company have made great efforts since October to deliver improvement suggestions. With this initiative nearly complete, we expect to capture significant cost savings and efficiency improvements as well as revenue enhancements.

Among ideas that have been implemented thus far, we have:

- installed remote branch capture technology in our banks that benefits our customers with end-of-day processing and reduces the need for courier routes;
- sub-leased excess office space;
- renegotiated our debit card processing contract, adding the additional convenience of hundreds of PRESTO® ATMs in Publix® supermarkets throughout the Southeast as a free service for our customers, while saving money at the same time; and
- consolidated much of our outside legal costs and increased use of inside counsel.

‘We Are United’ has been a comprehensive and detailed activity with no part of the company or its processes left unexamined. The result will be a real, tangible increase in pre-tax, pre-provision earnings. As our credit costs decrease – and they *will* over time – United will be a very profitable company positioned for substantial growth.

> "United Community Bank is making great strides in not only shoring up today's business, but also preparing for a swift and strong recovery."
>
> — **Guy Freeman**

A second initiative, 'United Express,' is aggressively addressing the need to secure new core deposits and to expand our relationship with existing customers – the lifeblood of any bank. Some banks have been built on a sales culture, with employees being only as valuable as the new business they bring in the door. With United Express, we have shifted that paradigm, creating a sense of excitement around core deposits and providing incentives for employees to not only attract new customers but help them deepen their relationships with the bank.

In my 42-year banking career, I have never seen so much excitement around growing our business as we have with this initiative. And this excitement has translated into results. For example, our North Carolina banks set a 2009 goal of $27 million in new core deposit accounts. As of March 1, they had already achieved $10 million. Incredible! And it doesn't stop in North Carolina … I've seen it in every bank and in all parts of the company. We are actually adding net new deposit accounts in the toughest economy we've ever seen – a remarkable achievement. This is yet another example that there are still many opportunities out there for us.

Additionally, the opportunity for growth also lies with our existing customers. For example, we currently have almost 11,000 loan customers who have a single service relationships with United, and another 16,000 customers who have only CDs. As a part of the 'United Express' program we have established teams who are focused on expanding our customer relationship by providing needs-based solutions tailored to each customer.

That's why we now refer to our lenders as 'Relationship Managers.' Attracting new business plus growing and strengthening our relationships with existing customers are among the most important things we can do. I am so proud of the progress we're making and of our people for their commitment to each other, our shareholders and our customers. This is a winning combination.

In metro Atlanta, where we operate seven distinct and locally-focused community banks, we have refined our approach based on input from our business customers. Our customers have told us that they prefer our business model of community-centric banks with strong leadership and local decision making. They also told us that as they grow and expand across the metro area themselves, they want to take their primary relationship manager with them. Therefore, we have enhanced our business banking model to include a line-of-business banking concept.

Think of them as resource managers who have expertise in their customers' business and the ability to bring all of United's resources together to provide the utmost in banking solutions. We believe this new approach better aligns the needs of the customer with the solutions we provide under the leadership of the best expert for each business. With this line-of-business structure, we will provide expertise in commercial and industrial lending, commercial real estate, business banking and retail consumer banking - all working together across metro Atlanta and providing the best customer experience possible.

Jimmy speaks often about the importance of United being among the first banks to emerge from today's economic slump. With actions such as 'We Are United,' 'United Express' and our customer focused line-of-business enhancement in Atlanta, I am confident that not only will United Community Bank be first out of the gate, we will hit the ground running.

While I am disappointed to report a loss, rest assured we are doing everything we can to return to profitability. I will describe some of these activities in a moment.

Operating expenses were flat during 2008, and I am confident they will decrease even further in 2009. A company-wide initiative, 'We Are United,' was launched in September to identify opportunities for cost savings and revenue enhancement. We are already seeing results. This is a very exciting project, not only because of its large scope and great promise, but also because of its source: United bankers throughout our communities. I am very proud that our employees, most of whom are shareholders, are taking ownership in this important effort. Once again, they are showing why they are our organization's most precious asset.

Looking Forward

The economic challenges facing our country are as serious as they have been in 70 years, and they are expected to be with us through 2009. Unemployment is high, real estate values continue to decline and many people are struggling to make ends meet. Without a doubt, the financial services industry will feel the ongoing impact of these unusual circumstances.

As we enter 2009, we are sharply focused on the challenges ahead – and we are taking action. While we will continue to work through problem assets decisively, we are pursuing a number of strategic initiatives that we expect to significantly strengthen our earnings and position us to emerge quickly from this economic environment.

"As 2009 unfolds, and we move toward 2010, a small handful of banks will have opportunities for growth and success, and I firmly believe that we will be one of those banks."

Restoring our net interest margin is critical to improving earnings, and we are seeing progress toward that end. Liquidity is no longer an immediate threat and deposit pricing pressures are easing. Also, our bankers have renewed their focus on loan pricing to ensure that we are properly compensated for the credit risk we take.

Growing core deposits is another sure way to improve our net interest margin by providing a stable and low-cost source of funds. In early 2009, we kicked off 'United Express,' a program designed to add new checking and savings accounts through employee referrals. Within six weeks of kick-off, 500 employees brought in more than 1,500 new checking accounts – no small feat in this tough environment. I cannot overstate how much I appreciate their tremendous efforts.

As part of our company-wide mission to return to strong financial performance, we are finding ways to operate more efficiently. I am thrilled by the number of outstanding ideas identified by our employees in the 'We Are United' project, and we are implementing many of their creative recommendations. Expense savings and revenue enhancement opportunities identified to date total more than $5 million – with the promise of more to come.

Recently, we began to restructure our metro Atlanta banking operations to better meet the needs of our small business customers. We have talented and experienced people in the right places to execute this plan, which is significant to our future in this dynamic market. We expect the new structure, in combination with an aggressive calling program, will grow relationships with small businesses and other commercial companies. These relationships will, in turn, further diversify our loan portfolio and create an enormous opportunity to build core deposits.

I know it's been frustrating to look for a glimpse of blue sky and find nothing but stubborn dark clouds. But friends, this will end, and when it does our company will be in position to grow and thrive once again. We have a proven community-based business model. We are in markets that are ranked among the best anywhere for future growth. We have outstanding customer satisfaction – that's not just our opinion; it's well documented. And, most important, we have truly outstanding people. No matter what else changes in our environment, these things stay the same.

I don't want to end this letter without recognizing Charles Hill, who has retired from our board of directors after 35 years, dating back to our days as Union County Bank. We are deeply grateful to Charles and wish him all the best in his retirement.

As 2009 unfolds, and we move toward 2010, a small handful of banks will have opportunities for growth and success, and I firmly believe that we will be one of those banks. This confidence is based on the reality that we are a service leader in a service business; one that is positioned in markets that are struggling now but that will return to form. We will not rest until this recession tires and plays itself out, as it inevitably will. After taking many of its best shots, we are still standing and more determined than ever to continue the fight until these markets, and this bank, are whole again.

Resilience describes the spirit of United bankers working together with care and passion. The story of United Community Banks is long and impressive, and without minimizing the current state of affairs, the experience of today is just one chapter. It requires perseverance, and we will persevere. It requires patience: it has ours and we thank you for yours. As fellow shareholders and stewards of your investment, we will not rest until we put this chapter behind us and return to our customary winning path.

Jimmy Tallent
President and Chief Executive Officer

Consolidated Statement of Income

For the Years Ended December 31, 2008, 2007 and 2006 (in thousands, except per share data)	2008	2007	2006
Net Interest Revenue			
Interest revenue	$ 464,708	$ 549,036	$ 444,827
Interest expense	228,265	276,434	208,815
Net interest revenue	236,443	272,602	236,012
Provision for loan losses	184,000	55,600	14,600
Fee Revenue			
Service charges and fees	31,683	31,433	27,159
Mortgage loan and other related fees	7,103	8,537	7,303
Consulting fees	7,046	8,946	7,291
Brokerage fees	3,457	4,095	3,083
Securities gains (losses), net	1,315	3,182	(643)
Losses on prepayment of borrowings	(2,714)	(2,242)	(636)
Other	5,251	8,700	5,538
Total fee revenue	53,141	62,651	49,095
Total revenue	105,584	279,653	270,507
Operating Expenses			
Salaries and employee benefits	110,574	115,153	100,964
Communications and equipment	15,490	15,483	15,071
Occupancy	14,988	13,613	11,632
Advertising and public relations	6,117	7,524	7,623
Postage, printing and supplies	6,296	6,365	5,748
Professional fees	7,509	7,218	4,442
Foreclosed property	19,110	4,980	1,021
FDIC assessments and other regulatory charges	6,020	2,780	1,130
Amortization of intangibles	3,009	2,739	2,032
Other	17,586	14,206	12,407
Total operating expenses	206,699	190,061	162,070
(Loss) income before income taxes	(101,115)	89,592	108,437
Income tax (benefit) expense	(37,665)	31,599	39,622
Net (loss) income	(63,450)	57,993	68,815
Preferred stock dividends	724	18	19
Net (loss) income applicable to common shareholders	$ (64,174)	$ 57,975	$ 68,796
(Loss) Earnings Per Common Share			
Basic	$ (1.35)	$ 1.26	$ 1.70
Diluted	(1.35)	1.24	1.66
Cash dividends per common share	.18	.36	.32
Stock dividends per common share	.18	-	-
Weighted average common shares outstanding (in thousands)			
Basic	47,369	45,948	40,413
Diluted	47,369	46,593	41,575

Consolidated Balance Sheet

As of December 31, 2008 and 2007 (in thousands, except per share data)	2008	2007
Assets		
Cash and due from banks	$ 116,395	$ 157,549
Interest-bearing deposits in banks	8,417	62,074
Commercial paper and short-term investments	368,609	-
Cash and cash equivalents	493,421	219,623
Securities available for sale	1,617,187	1,356,846
Mortgage loans held for sale	20,334	28,004
Loans, net of unearned income	5,704,861	5,929,263
Less allowance for loan losses	122,271	89,423
Loans, net	5,582,590	5,839,840
Premises and equipment, net	179,160	180,088
Accrued interest receivable	46,088	62,828
Goodwill and other intangible assets	321,798	325,305
Other assets	260,187	194,768
Total assets	$ 8,520,765	$ 8,207,302
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Demand	$ 654,036	$ 700,941
NOW	1,543,385	1,474,818
Money market	466,750	452,917
Savings	170,275	186,392
Time:		
Less than $100,000	1,953,235	1,573,604
Greater than $100,000	1,422,974	1,364,763
Brokered	792,969	322,516
Total deposits	7,003,624	6,075,951
Federal funds purchased, repurchase agreements and other short-term borrowings	108,411	638,462
Federal Home Loan Bank advances	235,321	519,782
Long-term debt	150,986	107,996
Accrued expenses and other liabilities	33,041	33,209
Total liabilities	7,531,383	7,375,400
Shareholders' equity:		
Preferred stock, 10,000,000 shares authorized;		
Series A, $10 stated value; 25,800 and 25,800 shares issued and outstanding	258	258
Series B, $1,000 stated value; 180,000 shares issued and outstanding	173,180	-
Common stock, $1 par value; 100,000,000 shares authorized; 48,809,301 and 48,809,301 shares issued	48,809	48,809
Common stock issuable; 129,304 and 73,250 shares	2,908	2,100
Capital surplus	460,708	462,881
Retained earnings	265,405	347,391
Treasury stock; 799,892 and 1,905,921 shares, at cost	(16,465)	(43,798)
Accumulated other comprehensive income	54,579	14,261
Total shareholders' equity	989,382	831,902
Total liabilities and shareholders' equity	$ 8,520,765	$ 8,207,302

Selected Financial Information

For the Years Ended December 31 (in thousands, except per share data; taxable equivalent)	2008	2007
Operating Income Summary		
Net interest revenue	$ 238,704	$ 274,483
Provision for loan losses	184,000	37,600[1]
Fee revenue	53,141	62,651
Total revenue	107,845	299,534
Operating expenses	206,699	190,061
(Loss) income before taxes	(98,854)	109,473
Income taxes	(35,404)	40,482
Net operating (loss) income	(63,450)	68,991
Fraud-related loss provision, net of tax	-	10,998[1]
Merger-related charges, net of tax	-	-
Net (loss) income	$ (63,450)	$ 57,993
Net (loss) income applicable to common shareholders	$ (64,174)	$ 57,975
Operating Income [1]		
Basic (loss) earnings per common share	$ (1.35)	$ 1.50
Diluted (loss) earnings per common share	(1.35)	1.48
Return on tangible equity [2][3]	(12.37)%	14.23%
Efficiency ratio	70.49	56.53
GAAP Performance		
Per common share:		
Basic (loss) earnings	$ (1.35)	$ 1.26
Diluted (loss) earnings	(1.35)	1.24
Cash dividends declared	.18	.36
Stock dividends declared	.18	-
Book value	16.95	17.73
Tangible book value [3]	10.39	10.94
Key performance ratios:		
Return on equity [2]	(7.82) %	7.79 %
Return on assets	(.76)	.75
Net interest margin	3.18	3.88
Equity to assets	10.25	9.61
Tangible equity to assets [3]	6.69	6.63
Tangible common equity to assets [3]	6.59	6.63
Asset Quality		
Allowance for loan losses	$ 122,271	$ 89,423
Net charge-offs	151,152	21,834[1]
Non-performing loans	190,723	28,219
Foreclosed property	59,768	18,039
Total non-performing assets (NPAs)	250,491	46,258
Allowance for loan losses to loans	2.14 %	1.51 %
Net charge-offs to average loans	2.57	.38[1]
NPAs to loans and foreclosed property	4.35	.78
NPAs to total assets	2.94	.56
At Year End		
Loans	$ 5,704,861	$ 5,929,263
Investment securities	1,617,187	1,356,846
Total assets	8,520,765	8,207,302
Deposits	7,003,624	6,075,951
Shareholders' equity	989,382	831,902
Common shares outstanding	48,009	46,903

(1) Excludes provision for fraud-related loan losses and charge-offs of $18 million, or $.24 per diluted common share recorded in 2007; pre-tax merger-related charges totaling $.9 million, or $.02 per diluted common share recorded in 2004; and $2.1 million, or $.04 per diluted common share recorded in 2003.

2006	2005	2004	2003
$ 237,880	$ 196,799	$ 152,998	$ 128,089
14,600	12,100	7,600	6,300
49,095	46,148	39,539	38,184
272,375	230,847	184,937	159,973
162,070	140,808	110,974 [1]	97,251 [1]
110,305	90,039	73,963	62,722
41,490	33,297	26,807	23,247
68,815	56,742	47,156	39,475
-	-	-	-
-	-	565 [1]	1,357 [1]
$ 68,815	$ 56,742	$ 46,591	$ 38,118
$ 68,796	$ 56,719	$ 46,582	$ 38,052
$ 1.70	$ 1.47	$ 1.31	$ 1.15
1.66	1.43	1.27	1.12
17.52 %	18.99 %	19.74 %	19.24 %
56.35	57.77	57.65	58.39
$ 1.70	$ 1.47	$ 1.29	$ 1.11
1.66	1.43	1.25	1.08
.32	.28	.24	.20
-	-	-	-
14.37	11.80	10.39	8.47
10.57	8.94	7.34	6.52
13.28 %	13.46 %	14.39 %	14.79 %
1.09	1.04	1.05	1.02
4.05	3.85	3.71	3.68
8.06	7.63	7.45	7.21
6.32	5.64	5.78	6.02
6.32	5.64	5.78	6.02
$ 66,566	$ 53,595	$ 47,196	$ 38,655
5,524	5,701	3,617	4,097
12,458	11,997	8,031	6,627
1,196	998	694	962
13,654	12,995	8,725	7,589
1.24 %	1.22 %	1.26 %	1.28 %
.12	.14	.11	.15
.25	.30	.23	.25
.19	.22	.17	.19
$ 5,376,538	$ 4,398,286	$ 3,734,905	$ 3,015,997
1,107,153	990,687	879,978	659,891
7,101,249	5,865,756	5,087,702	4,068,834
5,772,886	4,477,600	3,680,516	2,857,449
616,767	472,686	397,088	299,373
42,891	40,020	38,168	35,289

(2) Net income available to common shareholders divided by average realized common equity which excludes accumulated other comprehensive income (loss).
(3) Excludes effect of acquisition-related intangibles and associated amortization.

DIRECTORS, CORPORATE OFFICERS AND AFFILIATE BOARDS

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Partner, Bennett, Davidson & Associates, LLP

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Blalock Insurance Agency, Inc.

Cathy Cox
President, Young Harris College

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Executive Vice President
Chief Operating Officer

Hoyt O. Holloway
Owner, H and H Farms

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Director Emeritus
Retired U.S. Senator

John D. Stephens
Partner, Stephens MDS, LP

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President and Chief Executive Officer, Wallis Printing Company

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Chief Operating Officer

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Chief Financial Officer

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Chief Risk Officer

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Retail Banking

Glenn S. White
President
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Community Banking

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General Auditor

Kurtis Underwood
Management Reporting and Analysis

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Dr. Robert M. Miller
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Sylvester Formey
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T.L. (Chip) Smallwood, III, Executive Vice President

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Christopher M. McCurry
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A. McKoy Rose, Jr.
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Douglas Fields
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Nina Ray
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Howard (Bud) Turner, Jr.
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Glenn S. White

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Doyle Johnson
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Randall W. Pierce
Wayne T. Sikes
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Glenn S. White

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L. Wayne Lowrey
William A. Moye
James William Strickland
Marcia Garrison Taylor
Andrew J. Welch, III
Steven W. Williams

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Julia W. Morgan, Vice Chairman
C. Dean Alford
William L. Daniel
Hazel E. Durden
John A. Fountain
Frances G. Jones
R. Flynn Nance
Steven W. Williams

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J. Wayne Garner
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Joe Stone
M. S. (Buck) Swindle
Glenn S. White

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Greg Hining, Chairman
John D. Goins, President
Dale Cable, Regional Manager
Bob Moore, Regional Manager

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Larry Clark
Billy M. Decker
Lloyd G. Fisher
J. Phillip Jerome
Larry Kernea
Jimmy Ray
R. Maurice Sherrill
Jimmy C. Tallent

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Gary Kimsey, Vice Chairman
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Bill M. Gilbert
Bryan Jackson
Bruce Martin
R. Knick Myers
Peter Stimpson, MD
Ted Wampler, Jr.
James W. Wilburn, III

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Mickey Torbett, President and Chairman

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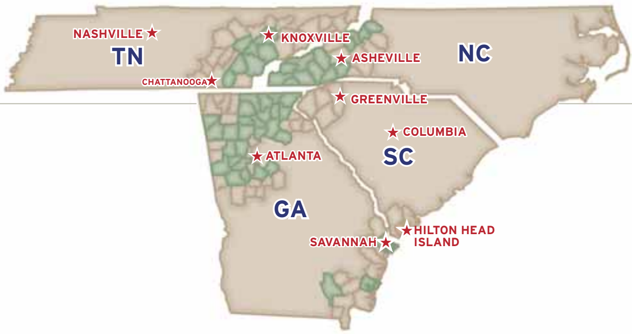
Joseph (Joe) E. Cate
Chad Eslinger
Bill M. Gilbert
DeWayne Morrow
W. Jerry Stout

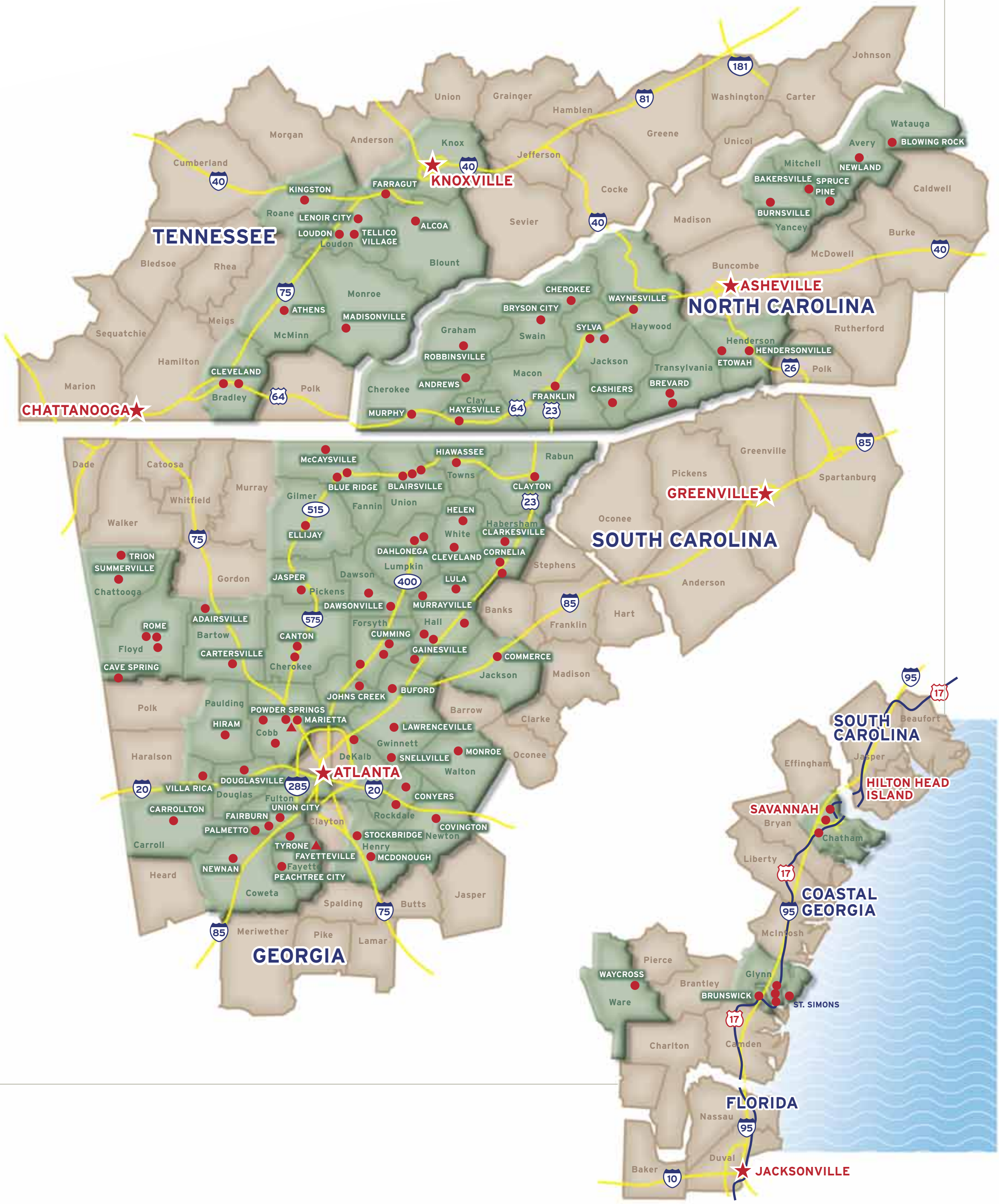
Brintech, Inc.
Hal Oswalt, President

Board
Rex S. Schuette, Chairman
Sean Clark
Larry Echelmeyer
Geri Forehand
John Matheny
Craig Metz
Ken Proctor

Locations

- ● Banking Office
- ▲ Commercial Loan Office





Corporate Information

Corporate Headquarters
United Community Banks, Inc.
63 Highway 515
Blairsville, Georgia 30512
(706) 781-2265
(866) 270-7200
ucbi.com

Financial Information
Analysts and investors seeking financial information about United Community Banks, should contact:
Rex S. Schuette
Executive Vice President and
Chief Financial Officer
(706) 781-2265
rex_schuette@ucbi.com

Copies of the Annual Report filed with the Securities and Exchange Commission on Form 10-K and supplemental quarterly information are available at no cost on United's website at ucbi.com or by contacting: Lois Rich, Shareholder Relations Officer, at (866) 270-5900 or investor_relations@ucbi.com.

This Annual Report contains forward-looking statements that involve risk and uncertainty and actual results could differ materially from the anticipated results or other expectations expressed in the forward-looking statements. A discussion of factors that could cause actual results to differ materially from those expressed in the forward-looking statements is included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Dividend Payment Dates
Subject to the approval of the Board of Directors, quarterly stock or cash dividend payments are made on the first business day of January, April, July and October.

Stock Price

United Community Banks, Inc.'s common stock is traded on the Nasdaq Global Select Market under the symbol UCBI. Quarterly stock prices for 2008 and 2007 are provided in the following table.

	2008				2007			
Quarter	High	Low	Close	Average Daily Volume	High	Low	Close	Average Daily Volume
1st	$20.80	$13.38	$16.98	441,659	$34.98	$30.81	$32.79	232,269
2nd	18.51	8.51	8.53	464,566	33.03	25.80	25.89	266,682
3rd	19.05	7.58	13.26	359,971	27.50	22.16	24.52	346,596
4th	15.82	9.25	13.58	319,534	25.73	15.13	15.80	421,910

Share Purchase Plan
Shareholders can purchase shares directly from United without commissions or fees through United's Share Purchase Plan. To find out more about how to participate or to obtain a prospectus, contact Shareholder Relations at (866) 270-5900 or investor_relations@ucbi.com.

Account Consolidation and Elimination of Duplicate Mailings
If you receive duplicate quarterly statements from United and wish to discontinue such mailings, or would like to consolidate your accounts, contact Shareholder Relations. This will enable United to avoid unnecessary cost for duplication and mailing.

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

Annual Meeting
Annual Meeting of Shareholders
will be held:
Wednesday, April 29, 2009, 2:00 p.m.
Brasstown Valley Resort
Young Harris, Georgia

Transfer Agent and Registrar
Illinois Stock Transfer Company
209 West Jackson Blvd.
Suite 903
Chicago, Illinois 60606
(800) 757-5755

Independent Registered Public Accountants
Porter Keadle Moore, LLP
Atlanta, Georgia

Legal Counsel
Kilpatrick Stockton, LLP
Atlanta, Georgia

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

United
Community Bank®

The Bank That SERVICE Built.℠