Invesco Trust for Investment Grade New York Municipals
Form N-Q
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS

OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-06537

Invesco Trust for Investment Grade New York Municipals

(Exact name of registrant as specified in charter)

1555 Peachtree Street, N.E., Atlanta, Georgia 30309

(Address of principal executive offices) (Zip code)

Colin Meadows 1555 Peachtree Street, N.E., Atlanta, Georgia 30309

(Name and address of agent for service)

Registrant s telephone number, including area code: (713) 626-1919

Date of fiscal year end: 2/28

Date of reporting period: 05/31/13

Item 1. Schedule of Investments.

Invesco Trust for Investment Grade

New York Municipals

Quarterly Schedule of Portfolio Holdings

May 31, 2013

VK-CE-IGNYM-QTR-1
invesco.com/us 05/13 Invesco Advisers, Inc.

Schedule of Investments

May 31, 2013

(Unaudited)

	Interest Rate	Maturity Date	Principal Amount (000)	Value
Municipal Obligations 157.92%*				
New York 145.89%				
Albany (City of) Industrial Development Agency (St. Peter s Hospital); Series 2008 D, Civic Facility RB	5.75%	11/15/27	$ 1,000	$ 1,122,640
Albany (County of) Airport Authority; Series 2010 A, Ref. RB (INS-AGM) [(a)]	5.00%	12/15/25	500	559,885
Albany Capital Resource Corp. (St. Peter s Hospital); Series 2011, RB	6.25%	11/15/38	2,360	2,778,381
Battery Park City Authority; Series 2009 B, Sr. RB	5.00%	11/01/34	3,700	4,322,784
Brooklyn Arena Local Development Corp. (Barclays Center);				
Series 2009, PILOT CAB RB [(b)]	0.00%	07/15/34	8,315	3,068,900
Series 2009, PILOT RB	6.25%	07/15/40	1,025	1,192,905
Series 2009, PILOT RB	6.38%	07/15/43	1,025	1,197,795
Build NYC Resource Corp. (Bronx Charter School for Excellence); Series 2013 A, RB	5.50%	04/01/43	1,260	1,365,399
Build NYC Resource Corp. (YMCA of Greater New York);				
Series 2012, RB	5.00%	08/01/32	650	710,132
Series 2012, RB	5.00%	08/01/42	1,250	1,364,625
Chautauqua (County of) Industrial Development Agency (NRG Energy, Inc. - Dunkirk Power LLC); Series 2009, Exempt Facility RB	5.88%	04/01/42	2,990	3,324,282
Dutchess (County of) Industrial Development Agency (Elant at Fishkill, Inc.); Series 2007 A, Civic Facility RB	5.25%	01/01/37	920	880,983
East Rochester (Village of) Housing Authority (Woodland Village, Inc.); Series 2006, Ref. Senior Living RB	5.50%	08/01/33	2,400	2,424,504
Erie (County of) Industrial Development Agency (City of Buffalo School District);				
Series 2011 A, School Facility RB [(c)]	5.25%	05/01/28	2,500	2,875,650
Series 2011 A, School Facility RB [(c)]	5.25%	05/01/30	2,710	3,088,614
Series 2011 A, School Facility RB [(c)]	5.25%	05/01/31	1,000	1,135,230
Essex (County of) Industrial Development Agency (International Paper); Series 2005 A, Ref. Solid Waste Disposal RB [(d)]	5.20%	12/01/23	2,650	2,857,813
Hempstead Town Local Development Corp. (Molloy College); Series 2009, RB	5.75%	07/01/39	3,115	3,475,156

Hudson Yards Infrastructure Corp.; Series 2011 A, RB	5.75%	02/15/47	3,160	3,650,748
Long Island Power Authority;				
Series 2006 E, Electric System General RB	5.00%	12/01/17	1,975	2,231,849
Series 2009 A, Electric System General RB	5.75%	04/01/39	635	730,828
Series 2009 A, Electric System General RB	6.25%	04/01/33	1,860	2,252,627
Madison (County of) Industrial Development Agency (Morrisville State College Foundation); Series 2005 A, Civic Facility RB (INS-CIFG) [(a)]	5.00%	06/01/28	1,000	1,022,050
Madison (County of) Industrial Development Agency (Oneida Health Systems, Inc.); Series 2007, Civic Facility RB	5.50%	02/01/32	1,000	1,019,340
Metropolitan Transportation Authority;				
Series 2005 B, RB (INS-BHAC) [(a)(c)]	5.00%	11/15/31	10,000	10,810,500
Series 2009 B, Dedicated Tax Fund RB	5.00%	11/15/34	500	551,955
Series 2009 B, Dedicated Tax Fund RB	5.25%	11/15/27	1,535	1,783,302
Series 2012 D, Ref. RB	5.00%	11/15/32	315	351,275
Subseries 2011 B-2, Dedicated Tax Fund RB	5.00%	11/15/32	1,360	1,550,346
Monroe County Industrial Development Corp. (Nazareth College of Rochester); Series 2011, RB	5.50%	10/01/41	880	954,853
Monroe County Industrial Development Corp. (Rochester General Hospital); Series 2013 A, Ref. RB	5.00%	12/01/42	1,890	2,048,269
Monroe County Industrial Development Corp. (University of Rochester); Series 2011 A, RB	5.00%	07/01/36	2,030	2,247,981
Montgomery (County of) Industrial Development Agency (Hamilton Fulton Montgomery Board of Cooperative Educational Services); Series 2005 A, Lease RB (INS-SGI) [(a)]	5.00%	07/01/34	1,000	1,006,080
Nassau (County of) Industrial Development Agency (Amsterdam at Harborside); Series 2007 A, Continuing Care Retirement Community RB	6.70%	01/01/43	560	318,091
Nassau County Local Economic Assistance Corp. (South Nassau Communities); Series 2012, Ref. RB	5.00%	07/01/27	2,070	2,297,017
Nassau County Local Economic Assistance Corp. (Winthrop University Hospital Association); Series 2012, Ref. RB	5.00%	07/01/37	2,250	2,394,315
Nassau County Tobacco Settlement Corp.; Series 2006 A-2, Sr. Asset-Backed RB	5.25%	06/01/26	1,000	982,910

See accompanying notes which are an integral part of this schedule.

Invesco Trust for Investment Grade New York Municipals

	Interest Rate	Maturity Date	Principal Amount (000)	Value
New York (continued)				
New York & New Jersey (States of) Port Authority (JFK International Air Terminal LLC);				
Series 1997, Special Obligation RB (INS-NATL) [(a)(d)]	5.75%	12/01/22	$ 2,000	$ 2,047,440
Series 1997 6, Special Obligation RB (INS-NATL) [(a)(d)]	5.75%	12/01/25	2,500	2,559,300
Series 2010, Special Obligation RB	6.00%	12/01/42	1,930	2,246,829
New York & New Jersey (States of) Port Authority;				
One Hundred Fifty-Second Series 2008, Consolidated RB [(c)(d)]	5.00%	11/01/25	10,000	11,103,700
One Hundred Forty-Fourth Series 2006, Consolidated RB [(c)]	5.00%	10/01/35	10,000	11,088,000
New York (City of) Industrial Development Agency (IAC/InterActive Corp.); Series 2005, Liberty RB	5.00%	09/01/35	3,985	4,104,231
New York (City of) Industrial Development Agency (New York Stock Exchange); Series 2009 A, Ref. Special Facility RB	5.00%	05/01/21	2,445	2,810,430
New York (City of) Industrial Development Agency (Polytechnic University); Series 2007, Ref. Civic Facility RB (INS-ACA) [(a)]	5.25%	11/01/37	3,700	3,953,376
New York (City of) Industrial Development Agency (Terminal One Group Association, L.P.);				
Series 2005, Special Facility RB [(d)(e)]	5.50%	01/01/16	3,710	4,081,111
Series 2005, Special Facility RB [(d)(e)]	5.50%	01/01/16	3,000	3,300,090
Series 2005, Special Facility RB [(d)(e)]	5.50%	01/01/16	4,000	4,398,000
Series 2005, Special Facility RB [(d)(e)]	5.50%	01/01/16	2,000	2,191,520
New York (City of) Municipal Water Finance Authority;				
Series 2005 C, Water & Sewer System RB [(c)]	5.00%	06/15/31	10,000	10,709,400
Series 2005 D, Water & Sewer System RB [(c)]	5.00%	06/15/37	12,000	12,831,240
Series 2009 FF-2, Water & Sewer System RB	5.50%	06/15/40	3,000	3,508,770
Series 2010 FF, Second General Resolution Water & Sewer System RB	5.00%	06/15/31	600	675,102
New York (City of) Transitional Finance Authority;				
Series 2004, Future Tax Sec. RB [(e)(f)]	5.00%	02/01/14	500	515,900
Series 2008 S-1, Building Aid RB	5.50%	07/15/38	2,950	3,395,627
Series 2008 S-2, Building Aid RB	6.00%	07/15/33	1,650	1,942,331
Series 2009 S-3, Building Aid RB [(c)]	5.25%	01/15/27	4,500	5,254,380
Series 2009 S-3, Building Aid RB [(c)]	5.25%	01/15/39	2,500	2,861,550
Subseries 2009 A-1, Future Tax Sec. RB [(c)]	5.00%	05/01/28	625	729,388
Subseries 2009 A-1, Future Tax Sec. RB [(c)]	5.00%	05/01/29	500	587,660
Subseries 2009 A-1, Future Tax Sec. RB [(c)]	5.00%	05/01/30	500	574,120
Subseries 2011 D-1, Future Tax Sec. RB [(c)]	5.00%	11/01/33	13,500	15,317,505
Subseries 2011 E, Future Tax Sec. RB	5.00%	11/01/24	1,135	1,340,900
New York (City of) Trust for Cultural Resources (American Museum of Natural History); Series 2004 A, Ref. RB (INS-NATL) [(a)(c)]	5.00%	07/01/44	10,890	11,260,369
	5.00%	12/01/39	1,880	2,061,570

New York (City of) Trust for Cultural Resources (Carnegie Hall); Series 2009 A, RB				
New York (City of) Trust for Cultural Resources (The Museum of Modern Art);				
Series 2008 1A, Ref. RB [(c)]	5.00%	04/01/28	2,250	2,609,258
Series 2008 1A, Ref. RB	5.00%	04/01/31	1,550	1,783,027
New York (City of) Trust for Cultural Resources (Wildlife Conservation Society);				
Series 2004, RB [(e)(f)]	5.00%	02/01/14	1,000	1,031,590
Series 2013 A, RB	5.00%	08/01/33	2,000	2,316,840
New York (City of);				
Subseries 1993 E-2, VRD Unlimited Tax GO Bonds (LOC-JPMorgan Chase Bank, N.A.) [(g)(h)]	0.07%	08/01/20	3,000	3,000,000
Subseries 2008 A-1, Unlimited Tax GO Bonds [(c)]	5.25%	08/15/27	1,140	1,332,341
Subseries 2008 A-1, Unlimited Tax GO Bonds [(c)]	5.25%	08/15/28	1,140	1,329,878
Subseries 2008 F-1, Unlimited Tax GO Bonds	5.50%	11/15/28	4,050	4,816,341
Subseries 2008 G-1, Unlimited Tax GO Bonds	6.25%	12/15/35	400	481,892
Subseries 2008 I-1, Unlimited Tax GO Bonds [(c)]	5.00%	02/01/26	10,000	11,451,500
Subseries 2008 L-1, Unlimited Tax GO Bonds [(c)]	5.00%	04/01/27	10,000	11,486,000
Subseries 2009 I-1, Unlimited Tax GO Bonds	5.25%	04/01/32	3,500	4,090,695
New York (State of) Dormitory Authority (Brooklyn Law School);				
Series 2003 B, RB [(e)(f)]	5.38%	07/01/13	340	341,448
Series 2009, RB	5.75%	07/01/33	540	608,402
Series 2012 A, RB	5.00%	07/01/28	2,000	2,240,740
Series 2012 A, RB	5.00%	07/01/29	1,000	1,117,060

See accompanying notes which are an integral part of this schedule.

Invesco Trust for Investment Grade New York Municipals

	Interest Rate	Maturity Date	Principal Amount (000)	Value
New York (continued)				
New York (State of) Dormitory Authority (Catholic Health Services of Long Island - St. Francis Hospital); Series 2004, RB	5.00%	07/01/27	$ 1,200	$ 1,225,176
New York (State of) Dormitory Authority (City of New York);				
Series 2005 A, Court Facilities Lease RB (INS-AMBAC) [(a)]	5.50%	05/15/27	700	883,470
Series 2005 A, Court Facilities Lease RB (INS-AMBAC) [(a)]	5.50%	05/15/30	1,750	2,248,190
Series 2005 A, Court Facilities Lease RB (INS-AMBAC) [(a)]	5.50%	05/15/31	445	572,955
New York (State of) Dormitory Authority (Convent of The Sacred Heart); Series 2011, RB (INS-AGM) [(a)]	5.75%	11/01/40	1,255	1,441,719
New York (State of) Dormitory Authority (Cornell University);				
Series 2006 A, RB [(c)]	5.00%	07/01/35	3,990	4,393,988
Series 2010 A, RB	5.00%	07/01/40	1,000	1,122,340
New York (State of) Dormitory Authority (Education); Series 2008 B, State Personal Income Tax RB	5.75%	03/15/36	2,150	2,563,294
New York (State of) Dormitory Authority (Fashion Institute of Technology Student Housing Corp.); Series 2007, RB (INS-NATL) [(a)]	5.25%	07/01/28	2,065	2,366,531
New York (State of) Dormitory Authority (Fordham University);				
Series 2008 B, RB (INS-AGC) [(a)]	5.00%	07/01/33	1,415	1,565,188
Series 2011 A, RB	5.13%	07/01/29	500	569,020
New York (State of) Dormitory Authority (General Purpose);				
Series 2010 E, State Personal Income Tax RB	5.00%	02/15/40	500	554,380
Series 2011 A, State Personal Income Tax RB [(c)]	5.00%	03/15/30	3,000	3,399,390
New York (State of) Dormitory Authority (Maimonides Medical Center); Series 2004, Mortgage Hospital RB [(e)(f)]	5.00%	08/01/14	1,950	2,056,841
New York (State of) Dormitory Authority (Manhattan College); Series 2007 A, RB (INS-Radian) [(a)]	5.00%	07/01/41	2,715	2,779,264
New York (State of) Dormitory Authority (Memorial Sloan-Kettering Cancer Center); Series 1998, RB (INS-NATL) [(a)]	5.50%	07/01/23	3,750	4,730,025
New York (State of) Dormitory Authority (Montefiore Medical Center); Series 2004, Hospital RB (INS-NATL) [(a)]	5.00%	08/01/29	1,000	1,051,970
New York (State of) Dormitory Authority (Mount Sinai Hospital Obligated Group); Series 2011 A, RB	5.00%	07/01/31	2,125	2,318,757
New York (State of) Dormitory Authority (Mount Sinai School of Medicine of New York University); Series	5.13%	07/01/39	1,750	1,894,095

2009, RB				
New York (State of) Dormitory Authority (New York University Hospitals Center); Series 2011 A, RB	6.00%	07/01/40	500	578,990
New York (State of) Dormitory Authority (New York University);				
Series 2001 1, RB (INS-AMBAC) (a)	5.50%	07/01/31	2,500	3,152,175
Series 2001 1, RB (INS-BHAC) (a)	5.50%	07/01/31	1,115	1,401,232
New York (State of) Dormitory Authority (North Shore - Long Island Jewish Obligated Group);				
Series 2009 A, RB	5.50%	05/01/37	1,250	1,397,038
Series 2011 A, RB	5.00%	05/01/32	500	552,000
Series 2011 A, RB	5.00%	05/01/41	1,000	1,085,980
Subseries 2005 A, RB	5.00%	11/01/26	2,125	2,242,980
New York (State of) Dormitory Authority (Orange Regional Medical Center); Series 2008, RB	6.50%	12/01/21	3,000	3,464,580
New York (State of) Dormitory Authority (Pace University);				
Series 2013 A, RB	5.00%	05/01/28	1,000	1,103,130
Series 2013 A, RB	5.00%	05/01/29	1,000	1,094,450
Series 2013 A, RB	5.00%	05/01/38	500	529,865
New York (State of) Dormitory Authority (Pratt Institution); Series 2009 C, RB (INS-AGC) (a)	5.13%	07/01/39	1,000	1,095,490
New York (State of) Dormitory Authority (Rochester Institute of Technology); Series 2010, RB	5.00%	07/01/40	1,750	1,905,925
New York (State of) Dormitory Authority (Rockefeller University); Series 2010 A, RB	5.00%	07/01/41	1,870	2,091,202
New York (State of) Dormitory Authority (School Districts Financing Program);				
Series 2008 D, RB (INS-AGC) (a)	5.75%	10/01/24	2,500	2,999,775
Series 2009 C, RB (INS-AGC) (a)	5.00%	10/01/24	500	572,700
Series 2011 A, RB	5.00%	10/01/25	1,195	1,376,198
New York (State of) Dormitory Authority (St. John s University); Series 2012 B, RB	5.00%	07/01/30	2,780	3,154,077

See accompanying notes which are an integral part of this schedule.

Invesco Trust for Investment Grade New York Municipals

	Interest Rate	Maturity Date	Principal Amount (000)	Value
New York (continued)				
New York (State of) Dormitory Authority (St. Joseph s College); Series 2010, RB	5.25%	07/01/35	$ 1,500	$ 1,648,080
New York (State of) Dormitory Authority (State University Dormitory Facilities); Series 2012 A, RB	5.00%	07/01/42	2,000	2,235,780
New York (State of) Dormitory Authority (State University Educational Facilities);				
Series 1993 A, RB (INS-NATL) [(a)]	5.25%	05/15/15	3,600	3,807,072
Series 1993 B, RB	5.25%	05/15/19	5,010	5,621,971
New York (State of) Dormitory Authority (The New School);				
Series 2010, RB	5.50%	07/01/40	2,755	3,095,187
Series 2011, Ref. RB	5.00%	07/01/31	1,750	1,936,620
New York (State of) Dormitory Authority (Vassar College); Series 2007, RB	5.00%	07/01/46	2,075	2,260,401
New York (State of) Dormitory Authority (Winthrop South Nassau University Health System Obligated Group); Series 2003 B, RB [(e)(f)]	5.50%	07/01/13	750	753,278
New York (State of) Dormitory Authority;				
Series 1993 A, Second General City University System Consolidated RB	5.75%	07/01/13	675	678,085
Series 1995 A, City University System Consolidated RB	5.63%	07/01/16	2,980	3,291,410
Series 2007 A, Mental Health Services Facilities Improvement RB (INS-AGM) [(a)]	5.00%	02/15/27	2,500	2,791,675
Series 2008 C, Mental Health Services Facilities Improvement RB (INS-AGM) [(a)(d)]	5.25%	02/15/28	2,000	2,196,380
New York (State of) Energy Research & Development Authority; Series 1993, Regular Residual Interest RB [(i)]	12.33%	04/01/20	1,500	1,504,470
New York (State of) Mortgage Agency; Series 2007 145, Homeowner Mortgage RB [(d)]	5.05%	10/01/29	1,555	1,618,444

New York (State of) Power Authority; Series 2011 A, RB	5.00%	11/15/38	1,770	1,993,887
New York (State of) Thruway Authority (Transportation); Series 2009 A, Personal Income Tax RB	5.00%	03/15/25	410	482,660
New York (State of) Thruway Authority;				
Series 2008 B, Second General Highway & Bridge Trust Fund RB	5.00%	04/01/27	1,000	1,130,630
Series 2012 I, General RB	5.00%	01/01/42	2,390	2,602,877
New York City Health & Hospital Corp.; Series 2010 A, Health System RB	5.00%	02/15/30	2,780	3,080,601
New York Liberty Development Corp. (4 World Trade Center); Series 2011, Ref. Liberty RB	5.00%	11/15/31	2,125	2,380,467
New York Liberty Development Corp. (7 World Trade Center);				
Series 2012, Class 1, Ref. Liberty RB [(c)]	5.00%	09/15/40	14,445	16,111,953
Series 2012, Class 2, Ref. Liberty RB	5.00%	09/15/43	1,125	1,208,036
New York Liberty Development Corp. (Bank of America Tower at One Bryant Park); Series 2010, Ref. Second Priority Liberty RB	6.38%	07/15/49	2,785	3,305,154
New York Liberty Development Corp. (Goldman Sachs Headquarters); Series 2005, RB	5.25%	10/01/35	2,400	2,799,144
New York Local Government Assistance Corp.; Series 1993 C, Ref. RB	5.50%	04/01/17	2,000	2,265,960
New York State Environmental Facilities Corp. (2010 Master Financing Program); Series 2010 C, RB	5.00%	10/15/39	1,905	2,126,799
New York State Environmental Facilities Corp. (Municipal Water Finance Authority); Series 2011 B, State Clean Water & Drinking Water Revolving Funds RB	5.00%	06/15/31	1,570	1,805,500
New York State Urban Development Corp.;				
Series 1993 A, Ref. Correctional Facilities RB	5.50%	01/01/14	975	1,005,371
Series 2008 B, Ref. Service Contract RB	5.25%	01/01/24	750	869,783
Series 2008 B, Ref. Service Contract RB	5.25%	01/01/25	2,000	2,312,080
Niagara Falls (City of) Public Water Authority; Series 2005,	5.00%	07/15/26	1,000	1,034,510

Water & Sewer System RB (INS-SGI) [(a)]				
Niagara Frontier Transportation Authority (Buffalo Niagara International Airport); Series 1999 A, Airport RB (INS-NATL) [(a)(d)]	5.63%	04/01/29	3,570	3,610,091
North Syracuse Central School District; Series 2007, Ref. Unlimited Tax GO Bonds (INS-NATL) [(a)]	5.00%	06/15/23	940	1,125,218
Oneida (County of) Industrial Development Agency (St. Elizabeth Medical Center Facility);				
Series 1999 A, Civic Facility RB	5.88%	12/01/29	475	475,632
Series 1999 B, Civic Facility RB	6.00%	12/01/19	730	731,562
Onondaga Civic Development Corp. (Le Moyne College); Series 2010, RB	5.38%	07/01/40	2,435	2,638,883
Orange County Funding Corp. (Mount Saint Mary College); Series 2012 A, RB	5.00%	07/01/42	1,000	1,071,170
Rockland (County of) Solid Waste Management Authority; Series 2003 B, RB (INS-AMBAC) [(a)(d)]	5.13%	1,345	3	26,339

Mortgage-backed securities [(1)]	1,576,064	33,988	143	1,609,909
Corporate bonds	119,110		11,432	107,678
Other	2,371			2,371
Total	$ 1,766,134	$ 35,491	$ 11,578	$ 1,790,047
As of March 31, 2011				
U.S. Government agencies	$ 94,966	$ 16	$ 1,204	$ 93,778
State and political subdivisions	26,870	983	20	27,833
Mortgage-backed securities [(1)]	1,388,702	27,617	1,474	1,414,845
Corporate bonds	100,956	150	1,520	99,586
Other	2,452			2,452
Total	$ 1,613,946	$ 28,766	$ 4,218	$ 1,638,494

(1) All are residential type mortgage-backed securities

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

There were no held to maturity securities in an unrealized loss position at March 31, 2012. The following table summarizes held to maturity securities in an unrealized loss position as of December 31, 2011 and March 31, 2011 *(in thousands)*.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of December 31, 2011						
State and political subdivisions	$	$	$ 363	$ 13	$ 363	$ 13
Mortgage-backed securities	10,967	342			10,967	342
Total unrealized loss position	$ 10,967	$ 342	$ 363	$ 13	$ 11,330	$ 355
As of March 31, 2011						
State and political subdivisions	$ 21,313	$ 731	$	$	$ 21,313	$ 731
Mortgage-backed securities	1,942	7			1,942	7
Total unrealized loss position	$ 23,255	$ 738	$	$	$ 23,255	$ 738

The following table summarizes available for sale securities in an unrealized loss position as of March 31, 2012, December 31, 2011 and March 31, 2011 *(in thousands)*.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of March 31, 2012						
U.S. Government agencies	$ 9,905	$ 90	$	$	$ 9,905	$ 90
State and political subdivisions			11	3	11	3
Mortgage-backed securities	405,039	574	21,067	16	426,106	590
Corporate bonds	35,306	2,872	69,230	11,696	104,536	14,568
Total unrealized loss position	$ 450,250	$ 3,536	$ 90,308	$ 11,715	$ 540,558	$ 15,251
As of December 31, 2011						
State and political subdivisions	$	$	$ 11	$ 3	$ 11	$ 3
Mortgage-backed securities	98,687	110	22,719	33	121,406	143
Corporate bonds	42,864	5,197	64,765	6,235	107,629	11,432
Total unrealized loss position	$ 141,551	$ 5,307	$ 87,495	$ 6,271	$ 229,046	$ 11,578
As of March 31, 2011						
U.S. Government agencies	$ 73,763	$ 1,204	$	$	$ 73,763	$ 1,204
State and political subdivisions	1,098	15	11	5	1,109	20
Mortgage-backed securities	292,379	1,474			292,379	1,474
Corporate bonds	79,386	1,520			79,386	1,520

Total unrealized loss position	$ 446,626	$ 4,213	$ 11	$ 5	$ 446,637	$ 4,218

At March 31, 2012, there were 53 available for sale securities and no held to maturity securities that were in an unrealized loss position. United does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of its amortized cost basis. Unrealized losses at March 31, 2012 are primarily related to changes in interest rates, however the unrealized losses in corporate bonds also reflect downgrades in the underlying securities ratings. The bonds remain above investment grade and United does not consider them to be impaired. Unrealized losses at March 31, 2011 were primarily attributable to changes in interest rates.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer s financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analyst s reports. No impairment charges were recognized during the first quarter of 2012 or 2011.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

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The amortized cost and fair value of available for sale and held to maturity securities at March 31, 2012, by contractual maturity, are presented in the following table *(in thousands)*.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Government agencies:				
5 to 10 years	$ 34,995	$ 35,153	$	$
More than 10 years	8,598	8,636		
	43,593	43,789		
State and political subdivisions:				
Within 1 year	1,600	1,608		
1 to 5 years	14,121	14,966	4,813	5,132
5 to 10 years	4,921	5,317	23,667	25,896
More than 10 years	848	917	23,413	25,278
	21,490	22,808	51,893	56,306
Corporate bonds:				
1 to 5 years	18,594	17,668		
5 to 10 years	99,560	86,618		
More than 10 years	1,000	300		
	119,154	104,586		
Other:				
More than 10 years	2,564	2,564		
	2,564	2,564		
Total securities other than mortgage-backed securities:				
Within 1 year	1,600	1,608		
1 to 5 years	32,715	32,634	4,813	5,132
5 to 10 years	139,476	127,088	23,667	25,896
More than 10 years	13,010	12,417	23,413	25,278
Mortgage-backed securities	1,692,446	1,725,068	251,743	262,184
	$ 1,879,247	$ 1,898,815	$ 303,636	$ 318,490

Maturities of mortgage-backed securities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

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Note 6 Loans and Allowance for Loan Losses

Major classifications of loans as of March 31, 2012, December 31, 2011 and March 31, 2011, are summarized as follows *(in thousands)*.

	March 31, 2012	December 31, 2011	March 31, 2011
Commercial (secured by real estate)	$ 1,843,207	$ 1,821,414	$ 1,692,154
Commercial & industrial	439,496	428,249	431,473
Commercial construction	167,122	164,155	213,177
Total commercial	2,449,825	2,413,818	2,336,804
Residential mortgage	1,131,248	1,134,902	1,186,531
Residential construction	435,375	448,391	549,618
Consumer installment	111,118	112,503	121,419
Total loans	4,127,566	4,109,614	4,194,372
Less allowance for loan losses	113,601	114,468	133,121
Loans, net	$ 4,013,965	$ 3,995,146	$ 4,061,251

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

Changes in the allowance for loan losses for the three months ended March 31, 2012 and 2011 are summarized as follows *(in thousands)*.

	Three Months Ended March 31,	
	2012	2011
Balance beginning of period	$ 114,468	$ 174,695
Provision for loan losses	15,000	190,000
Charge-offs:		
Commercial (secured by real estate)	3,928	48,707
Commercial & industrial	756	4,362
Commercial construction	364	49,715
Residential mortgage	5,767	36,676
Residential construction	5,629	92,255
Consumer installment	753	1,096
Total loans charged-off	17,197	232,811
Recoveries:		
Commercial (secured by real estate)	231	100
Commercial & industrial	87	322

Commercial construction	30	
Residential mortgage	392	293
Residential construction	315	117
Consumer installment	275	405
Total recoveries	1,330	1,237
Net charge-offs	15,867	231,574
Balance end of period	$ 113,601	$ 133,121

At March 31, 2012, December 31, 2011 and March 31, 2011, loans with a carrying value of $1.58 billion, $1.52 billion and $857 million were pledged as collateral to secure FHLB advances and other contingent funding sources.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table presents the balance and activity in the allowance for loan losses by portfolio segment and the recorded investment in loans by portfolio segment based on impairment method as of March 31, 2012, December 31, 2011 and March 31, 2011 (*in thousands*).

	Commercial (Secured by Real Estate)	Commercial & Industrial	Commercial Construction	Residential Mortgage	Residential Construction	Consumer Installment	Unallocated	Total
Three Months Ended March 31, 2012								
Allowance for loan losses:								
Beginning balance	$ 31,644	$ 5,681	$ 6,097	$ 29,076	$ 30,379	$ 2,124	$ 9,467	$ 114,468
Charge-offs	(3,928)	(756)	(364)	(5,767)	(5,629)	(753)		(17,197)
Recoveries	231	87	30	392	315	275		1,330
Provision	2,667	460	3,820	3,655	4,408	252	(262)	15,000
Ending balance	$ 30,614	$ 5,472	$ 9,583	$ 27,356	$ 29,473	$ 1,898	$ 9,205	$ 113,601
Ending allowance attributable to loans:								
Individually evaluated for impairment	$ 7,654	$ 1,122	$ 1,920	$ 2,254	$ 3,236	$ 63	$	$ 16,249
Collectively evaluated for impairment	22,960	4,350	7,663	25,102	26,237	1,835	9,205	97,352
Total ending allowance balance	$ 30,614	$ 5,472	$ 9,583	$ 27,356	$ 29,473	$ 1,898	$ 9,205	$ 113,601
Loans:								
Individually evaluated for impairment	$ 117,999	$ 60,568	$ 46,549	$ 21,525	$ 47,048	$ 331	$	$ 294,020
Collectively evaluated for impairment	1,725,208	378,928	120,573	1,109,723	388,327	110,787		3,833,546
Total loans	$ 1,843,207	$ 439,496	$ 167,122	$ 1,131,248	$ 435,375	$ 111,118	$	$ 4,127,566
December 31, 2011								
Allowance for loan losses:								
Ending allowance attributable to loans:								
Individually evaluated for impairment	$ 7,491	$ 1,117	$ 236	$ 2,234	$ 3,731	$ 16	$	$ 14,825
Collectively evaluated for impairment	24,153	4,564	5,861	26,842	26,648	2,108	9,467	99,643
Total ending allowance balance	$ 31,644	$ 5,681	$ 6,097	$ 29,076	$ 30,379	$ 2,124	$ 9,467	$ 114,468
Loans:								
Individually evaluated for impairment	$ 107,831	$ 57,828	$ 26,245	$ 18,376	$ 46,687	$ 292	$	$ 257,259
Collectively evaluated for impairment	1,713,583	370,421	137,910	1,116,526	401,704	112,211		3,852,355
Total loans	$ 1,821,414	$ 428,249	$ 164,155	$ 1,134,902	$ 448,391	$ 112,503	$	$ 4,109,614
Three Months Ended March 31, 2011								
Allowance for loan losses:								
Beginning balance	$ 31,191	$ 7,580	$ 6,780	$ 22,305	$ 92,571	$ 3,030	$ 11,238	$ 174,695
Charge-offs	(48,707)	(4,362)	(49,715)	(36,676)	(92,255)	(1,096)		(232,811)
Recoveries	100	322		293	117	405		1,237
Provision	37,675	4,047	48,916	39,207	62,087	217	(2,149)	190,000
Ending balance	$ 20,259	$ 7,587	$ 5,981	$ 25,129	$ 62,520	$ 2,556	$ 9,089	$ 133,121

Ending allowance attributable to loans:								
Individually evaluated for impairment	$	$	$	$	$	$	$	$
Collectively evaluated for impairment	20,259	7,587	5,981	25,129	62,520	2,556	9,089	133,121
Total ending allowance balance	$ 20,259	$ 7,587	$ 5,981	$ 25,129	$ 62,520	$ 2,556	$ 9,089	$ 133,121
Loans:								
Individually evaluated for impairment	$ 17,154	$	$ 3,624	$ 5,157	$ 22,667	$	$	$ 48,602
Collectively evaluated for impairment	1,675,000	431,473	209,553	1,181,374	526,951	121,419		4,145,770
Total loans	$ 1,692,154	$ 431,473	$ 213,177	$ 1,186,531	$ 549,618	$ 121,419	$	$ 4,194,372

United reviews all loans that are on nonaccrual with a balance of $500,000 or greater for impairment as well as accruing substandard relationships greater than $2 million and all troubled debt restructurings (TDRs). A loan is considered impaired when, based on current events and circumstances, it is probable that all amounts due, according to the contractual terms of the loan, will not be collected. All troubled debt restructurings are considered impaired regardless of accrual status. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan s effective interest rate, at the loan s observable market price, or the fair value of the collateral if the loan is collateral dependent. Interest payments received on impaired loans that are on nonaccrual status are applied as a reduction of the outstanding principal balance. For impaired loans not on nonaccrual status, interest is accrued according to the terms of the loan agreement. Impairment amounts are recorded quarterly and specific reserves are recorded in the allowance for loan losses.

In the first quarter of 2011, United s Board of Directors adopted an accelerated problem asset disposition plan which included the bulk sale of $267 million in classified loans. Those loans were classified as held for sale at the end of the first quarter and were written down to the expected proceeds from the sale. The charge-offs on the loans transferred to held for sale in anticipation of the bulk loan sale, which closed on April 18, 2011, increased first quarter 2011 loan charge-offs by $186 million. The actual loss on the bulk loan sale at closing was less than the amount charged-off in the first quarter, resulting in a $7.27 million reduction of second quarter 2011 charge-offs.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

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The recorded investments in individually evaluated impaired loans at March 31, 2012, December 31, 2011 and March 31, 2011 were as follows *(in thousands)*.

	March 31, 2012	December 31, 2011	March 31, 2011
Period-end loans with no allocated allowance for loan losses	$ 208,302	$ 188,509	$ 48,602
Period-end loans with allocated allowance for loan losses	85,718	68,750	
Total	$ 294,020	$ 257,259	$ 48,602
Amount of allowance for loan losses allocated	$ 16,249	$ 14,825	$

The increase in the amount of impaired loans is due to an increase in the number and balance of TDRs. The average balances of impaired loans and income recognized on impaired loans while they were considered impaired is presented below for the three months ended March 31, 2012 and March 31, 2011 *(in thousands)*.

	Three Months Ended March 31, 2012	2011
Average balance of individually evaluated impaired loans during period	$ 280,626	$ 95,163
Interest income recognized during impairment	2,267	
Cash-basis interest income recognized	3,192	

The following table presents loans individually evaluated for impairment by class of loans as of March 31, 2012, December 31, 2011 and March 31, 2011 *(in thousands)*.

	March 31, 2012			December 31, 2011			March 31, 2011		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded:									
Commercial (secured by real estate)	$ 91,399	$ 82,593	$	$ 82,887	$ 76,215	$	$ 27,811	$ 17,154	$
Commercial & industrial	81,896	56,896		77,628	52,628				
Commercial construction	30,188	27,295		24,927	23,609		4,360	3,624	
Total commercial	203,483	166,784		185,442	152,452		32,171	20,778	
Residential mortgage	15,375	13,041		13,845	10,804		8,801	5,157	
Residential construction	44,018	28,477		38,955	25,190		49,205	22,667	
Consumer installment				63	63				
Total with no related allowance recorded	262,876	208,302		238,305	188,509		90,177	48,602	
With an allowance recorded:									
Commercial (secured by real estate)	36,536	35,406	7,654	31,806	31,616	7,491			
Commercial & industrial	3,672	3,672	1,122	5,200	5,200	1,117			

Commercial construction	20,056	19,254	1,920	2,636	2,636	236			
Total commercial	60,264	58,332	10,696	39,642	39,452	8,844			
Residential mortgage	9,255	8,484	2,254	7,642	7,572	2,234			
Residential construction	19,235	18,571	3,236	21,629	21,497	3,731			
Consumer installment	340	331	63	235	229	16			
Total with an allowance recorded	89,094	85,718	16,249	69,148	68,750	14,825			
Total	$ 351,970	$ 294,020	$ 16,249	$ 307,453	$ 257,259	$ 14,825	$ 90,177	$ 48,602	$

There were no loans more than 90 days past due and still accruing interest at March 31, 2012, December 31, 2011 or March 31, 2011. Nonaccrual loans at March 31, 2012, December 31, 2011 and March 31, 2011 were $130 million, $127 million and $83.8, respectively. Nonaccrual loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually evaluated impaired loans with larger balances.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

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The following table presents the recorded investment (unpaid principal less amounts charged-off) in nonaccrual loans by loan class as of March 31, 2012, December 31, 2011 and March 31, 2011 *(in thousands)*.

		Nonaccrual Loans	
	March 31, 2012	December 31, 2011	March 31, 2011
Commercial (secured by real estate)	$ 26,081	$ 27,322	$ 20,648
Commercial & industrial	36,314	34,613	2,198
Commercial construction	23,319	16,655	3,701
Total commercial	85,714	78,590	26,547
Residential mortgage	18,741	22,358	23,711
Residential construction	24,341	25,523	32,038
Consumer installment	908	1,008	1,473
Total	$ 129,704	$ 127,479	$ 83,769
Balance as a percentage of unpaid principal	70.6%	71.3%	57.3%

The following table presents the aging of the recorded investment in past due loans as of March 31, 2012, December 31, 2011 and March 31, 2011 by class of loans *(in thousands)*.

		Loans Past Due			Loans Not	
	30 - 59 Days	60 - 89 Days	> 90 Days	Total	Past Due	Total
As of March 31, 2012						
Commercial (secured by real estate)	$ 6,777	$ 3,219	$ 14,461	$ 24,457	$ 1,818,750	$ 1,843,207
Commercial & industrial	1,930	244	2,905	5,079	434,417	439,496
Commercial construction	256	55	8,620	8,931	158,191	167,122
Total commercial	8,963	3,518	25,986	38,467	2,411,358	2,449,825
Residential mortgage	14,540	5,223	9,103	28,866	1,102,382	1,131,248
Residential construction	7,462	1,584	11,201	20,247	415,128	435,375
Consumer installment	961	248	346	1,555	109,563	111,118
Total loans	$ 31,926	$ 10,573	$ 46,636	$ 89,135	$ 4,038,431	$ 4,127,566
As of December 31, 2011						
Commercial (secured by real estate)	$ 8,036	$ 4,182	$ 10,614	$ 22,832	$ 1,798,582	$ 1,821,414
Commercial & industrial	3,869	411	407	4,687	423,562	428,249
Commercial construction	166		1,128	1,294	162,861	164,155
Total commercial	12,071	4,593	12,149	28,813	2,385,005	2,413,818
Residential mortgage	15,185	4,617	9,071	28,873	1,106,029	1,134,902
Residential construction	3,940	2,636	10,270	16,846	431,545	448,391
Consumer installment	1,534	308	430	2,272	110,231	112,503

Total loans	$ 32,730	$ 12,154	$ 31,920	$ 76,804	$ 4,032,810	$ 4,109,614
As of March 31, 2011						
Commercial (secured by real estate)	$ 11,522	$ 9,244	$ 9,659	$ 30,425	$ 1,661,729	$ 1,692,154
Commercial & industrial	1,485	854	876	3,215	428,258	431,473
Commercial construction	5,458	1,880	1,237	8,575	204,602	213,177
Total commercial	18,465	11,978	11,772	42,215	2,294,589	2,336,804
Residential mortgage	16,439	6,658	10,789	33,886	1,152,645	1,186,531
Residential construction	13,349	9,514	13,405	36,268	513,350	549,618
Consumer installment	1,705	346	573	2,624	118,795	121,419
Total loans	$ 49,958	$ 28,496	$ 36,539	$ 114,993	$ 4,079,379	$ 4,194,372

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

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As of March 31, 2012 and December 31, 2011, United has allocated $12.2 million and $8.65 million, respectively, of specific reserves to customers whose loan terms have been modified in troubled debt restructurings. There were no specific reserves established for loans considered to be troubled debt restructurings at March 31, 2011. United committed to lend additional amounts totaling up to $891,000, $1.12 million and $519,000 as of March 31, 2012, December 31, 2011 and March 31, 2011, respectively, to customers with outstanding loans that are classified as TDRs.

The modification of the terms of troubled debt restructurings included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date or an extension of the amortization period at a stated rate lower than the current market rate for new debt with similar risk; or a permanent reduction of the principal amount.

The following table presents additional information on troubled debt restructurings including the number of loan contracts restructured and the pre and post modification recorded investment *(dollars in thousands)*.

	March 31, 2012			December 31, 2011			March 31, 2011		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial (sec by RE)	92	$ 83,230	$ 79,844	74	$ 70,380	$ 69,054	29	$ 25,094	$ 22,211
Commercial & industrial	26	3,487	3,487	18	806	806	5	155	155
Commercial construction	16	35,184	34,066	11	18,053	18,053	6	9,622	9,622
Total commercial	134	121,901	117,397	103	89,239	87,913	40	34,871	31,988
Residential mortgage	99	15,718	14,832	80	11,943	11,379	32	4,013	3,882
Residential construction	63	27,128	25,948	54	24,921	24,145	54	14,582	13,759
Consumer installment	40	340	330	34	298	293	7	122	117
Total loans	336	$ 165,087	$ 158,507	271	$ 126,401	$ 123,730	133	$ 53,588	$ 49,746

The following table presents new troubled debt restructurings during the three months ended March 31, 2012 and those troubled debt restructurings that have subsequently defaulted, which we define as 90 days or more past due *(dollars in thousands)*.

				Troubled Debt Restructurings Modified Within the Previous Twelve Months that Have Subsequently Defaulted During the Three Months Ended March 31, 2012	
New Troubled Debt Restructurings for the Three Months Ended March 31, 2012	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Recorded Investment

Commercial (secured by real estate)	24	$	15,099	$	13,741	$	$	
Commercial & industrial	10		2,724		2,724	1		43
Commercial construction	7		20,781		20,781	2		4,174
Total commercial	41		38,604		37,246	3		4,217
Residential mortgage	24		5,279		5,273	3		373
Residential construction	14		3,751		3,189	3		1,476
Consumer installment	7		60		55			
Total loans	86	$	47,694	$	45,763	9	$	6,066

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Risk Ratings

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

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

Substandard. These loans are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged. Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. There is the distinct possibility that the Company will sustain some loss if deficiencies are not corrected. Immediate corrective action is necessary.

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

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are generally deposit account overdrafts or new loans that have not yet been assigned a grade.

As of March 31, 2012, December 31, 2011 and March 31, 2011, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows *(in thousands)*.

	Pass	Watch	Substandard	Doubtful / Loss	Not Rated	Total
As of March 31, 2012						
Commercial (secured by real estate)	$ 1,586,934	$ 96,352	$ 159,921	$	$	$ 1,843,207
Commercial & industrial	381,097	4,126	53,532		741	439,496
Commercial construction	99,825	20,722	46,575			167,122
Total commercial	2,067,856	121,200	260,028		741	2,449,825
Residential mortgage	995,982	40,790	94,476			1,131,248
Residential construction	298,592	48,168	88,615			435,375
Consumer installment	106,124	1,476	3,518			111,118
Total loans	$ 3,468,554	$ 211,634	$ 446,637	$	$ 741	$ 4,127,566
As of December 31, 2011						
Commercial (secured by real estate)	$ 1,561,204	$ 89,830	$ 170,380	$	$	$ 1,821,414
Commercial & industrial	369,343	7,630	50,366		910	428,249
Commercial construction	114,817	14,173	35,165			164,155

Total commercial	2,045,364	111,633	255,911		910	2,413,818
Residential mortgage	993,779	42,323	98,800			1,134,902
Residential construction	312,527	38,386	97,478			448,391
Consumer installment	107,333	1,411	3,759			112,503
Total loans	$ 3,459,003	$ 193,753	$ 455,948	$	$ 910	$ 4,109,614
As of March 31, 2011						
Commercial (secured by real estate)	$ 1,469,140	$ 82,715	$ 140,299	$	$	$ 1,692,154
Commercial & industrial	405,059	6,824	18,608		982	431,473
Commercial construction	166,386	8,205	38,586			213,177
Total commercial	2,040,585	97,744	197,493		982	2,336,804
Residential mortgage	1,052,909	40,779	92,843			1,186,531
Residential construction	376,583	60,463	112,572			549,618
Consumer installment	116,964	626	3,829			121,419
Total loans	$ 3,587,041	$ 199,612	$ 406,737	$	$ 982	$ 4,194,372

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 7 Foreclosed Property

Major classifications of foreclosed properties at March 31, 2012, December 31, 2011 and March 31, 2011 are summarized as follows *(in thousands)*.

	March 31, 2012	December 31, 2011	March 31, 2011
Commercial real estate	$ 11,463	$ 10,866	$ 15,500
Commercial construction	3,266	3,336	11,568
Total commercial	14,729	14,202	27,068
Residential mortgage	6,757	7,840	12,927
Residential construction	28,147	29,799	67,406
Total foreclosed property	49,633	51,841	107,401
Less valuation allowance	17,746	18,982	53,023
Foreclosed property, net	$ 31,887	$ 32,859	$ 54,378
Balance as a percentage of original loan unpaid principal	36.1%	35.9%	30.3%

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

	Three Months Ended March 31,	
	2012	2011
Balance at beginning of year	$ 18,982	$ 16,565
Additions charged to expense	2,111	48,585
Direct write downs	(3,347)	(12,127)
Balance at end of period	$ 17,746	$ 53,023

Expenses related to foreclosed assets include *(in thousands)*.

	Three Months Ended March 31,	
	2012	2011
Net loss on sales	$ 93	$ 12,020
Provision for unrealized losses	2,111	48,585
Operating expenses, net of rental income	1,621	4,294
Total foreclosed property expense	$ 3,825	$ 64,899

Note 8 Earnings Per Share

United is required to report on the face of the statement of operations, earnings (loss) per common share with and without the dilutive effects of potential common stock issuances from instruments such as options, convertible securities and warrants. Basic earnings (loss) per common share is based on the weighted average number of common shares outstanding during the period while the effects of potential common shares outstanding during the period are included in diluted earnings (loss) per common share.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

During the three months ended March 31, 2012 and 2011, United accrued dividends on preferred stock, including accretion of discounts, as shown in the following table (*in thousands)*.

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Series A 6% fixed	$ 3	$ 3
Series B 5% fixed until December 6, 2013, 9% thereafter	2,608	2,602
Series D LIBOR plus 9.6875%, resets quarterly	419	173
Total preferred stock dividends	$ 3,030	$ 2,778

All preferred stock dividends are payable quarterly.

Series B preferred stock was issued at a discount. Dividend amounts shown include discount accretion for each period.

The preferred stock dividends were subtracted from net income (loss) in order to arrive at net income (loss) available to common shareholders. There is no dilution from dilutive securities for the three months ended March 31, 2011, due to the antidilutive effect of the net loss for that period.

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the three months ended March 31, 2012 and 2011 *(in thousands, except per share data)*.

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net income (loss) available to common shareholders	$ 8,498	$ (240,114)
Weighted average shares outstanding:		
Basic	57,764	18,466
Effect of dilutive securities		
Convertible securities		
Stock options		
Warrants		
Diluted	57,764	18,466
Earnings (loss) per common share:		
Basic	$ .15	$ (13.00)
Diluted	$ .15	$ (13.00)

At March 31, 2012, United had the following potentially dilutive stock options and warrants outstanding: a warrant to purchase 219,908.49 common shares at $61.39 per share issued to the U.S. Treasury in conjunction with the issuance of United s fixed rate cumulative perpetual preferred stock, Series B; 129,670 common shares issuable upon exercise of warrants attached to trust preferred securities with an exercise price of $100 per share; 514,068 common shares issuable upon exercise of stock options granted to employees with a weighted average exercise price of $98.22; 404,281 common shares issuable upon completion of vesting of restricted stock awards; 1,411,765 common shares issuable upon exercise of warrants exercisable at a price equivalent to $21.25 per share granted to Fletcher International Ltd. (Fletcher) in connection with a 2010 asset purchase and sale agreement; 2,476,191 common shares issuable upon conversion of preferred stock if Fletcher exercises its option to purchase $65 million in convertible preferred stock, convertible at $26.25 per share; 1,162,791 common shares issuable upon exercise of warrants exercisable at a price equivalent to $30.10 per share to be granted to Fletcher upon exercise of its option to acquire preferred stock; and 1,551,126 common shares issuable upon exercise of warrants owned by Elm Ridge Offshore Master Fund, Ltd. and Elm Ridge Value Partners, L.P. (collectively, the Elm Ridge Parties), exercisable at $12.50 per share.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9 Derivatives and Hedging Activity

Risk Management Objective of Using Derivatives

United is exposed to certain risks arising from both its business operations and economic conditions. United principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. United manages interest rate risk primarily by managing the amount, sources, and duration of its investment securities portfolio and debt funding and through the use of derivative financial instruments. Specifically, United enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. United s derivative financial instruments are used to manage differences in the amount, timing, and duration of United s known or expected cash receipts and its known or expected cash payments principally related to United s loans and wholesale borrowings.

The table below presents the fair value of United s derivative financial instruments as well as their classification on the consolidated balance sheet as of March 31, 2012, December 31, 2011 and March 31, 2011 *(in thousands)*.

Derivatives accounted for as hedges under ASC 815

Interest Rate Products	Balance Sheet Location	Fair Value March 31, 2012	Fair Value December 31, 2011	Fair Value March 31, 2011
Liability derivatives	Other liabilities	$ 2,526	$ 422	$

Derivatives not accounted for as hedges under ASC 815

Interest Rate Products	Balance Sheet Location	Fair Value March 31, 2012	Fair Value December 31, 2011	Fair Value March 31, 2011
Asset derivatives	Other assets	$ 73	$	$
Liability derivatives	Other liabilities	$ 73	$	$

Derivative contracts that are not accounted for as hedges under ASC 815 are between United and certain commercial loan customers with offsetting positions to dealers under a back-to-back swap program.

Cash Flow Hedges of Interest Rate Risk

United s objectives in using interest rate derivatives are to add stability to net interest revenue and to manage its exposure to interest rate movements. To accomplish this objective, United primarily uses interest rate swaps as part of its interest rate risk management strategy. For United s variable-rate loans, interest rate swaps designated as cash flow hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate floors designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if the designated rate index falls below the strike rate on the contract. United pays an up front premium for this interest rate protection. United had no active derivative contracts outstanding at March 31, 2012, December 31, 2011 or March 31, 2011 that were designated as cash flow hedges of interest rate risk.

The effective portion of changes in the fair value of derivatives designated, and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest revenue as interest payments are received on United s prime-based, variable-rate loans. At March 31, 2012, the amount included in other comprehensive income represents deferred gains from terminated cash flow hedges where the forecasted hedging transaction is expected to remain effective over the remaining unexpired term of the original contract. Such gains are being deferred and recognized over the remaining life of the original derivative contract. For terminated swap contracts, the gains are recognized over the original life of the contract on a straight line basis. For terminated floors, the gains are recognized over the original term based on the original floorlet schedule. During the three months ended March 31, 2012 and 2011, United accelerated the reclassification of $81,000 and $1.30 million, respectively, in gains from terminated positions as a result of the forecasted transactions becoming probable not to occur. During the next twelve months, United estimates that an additional $2.60 million of the deferred gains on terminated cash flow hedging positions will be reclassified as an increase to interest revenue.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Fair Value Hedges of Interest Rate Risk

United is exposed to changes in the fair value of certain of its fixed rate obligations due to changes in LIBOR, a benchmark interest rate. United uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the benchmark interest rate. Interest rate swaps designated as fair value hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreements without the exchange of the underlying notional amount. At March 31, 2012, United had four interest rate swaps with an aggregate notional amount of $64.5 million that were designated as fair value hedges of interest rate risk. At March 31, 2011, United had no active derivative contracts outstanding that were designated as fair value hedges.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. United includes the gain or loss on the hedged items in the same financial statement line item as the offsetting loss or gain on the related derivatives. During the three months ended March 31, 2012, United recognized net gains/(losses) of $34,000 related to ineffectiveness of the fair value hedging relationships. United also recognized a net reduction of interest expense of $278,000 for the three months ended March 31, 2012, related to United s fair value hedges, which includes net settlements on the derivatives. There were no active fair value hedges during the first quarter of 2011.

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

The tables below present the effect of United s derivative financial instruments on the consolidated statement of operations for the three months ended March 31, 2012 and 2011.

Derivatives in Fair Value Hedging Relationships *(in thousands)*:

Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative 2012	2011	Amount of Gain (Loss) Recognized in Income on Hedged Item 2012	2011
Three Months Ended March 31,				
Other fee revenue	$ (1,264)	$	$ 1,298	$

Derivatives in Cash Flow Hedging Relationships *(in thousands)*:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion) 2012	2011	Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion) Location	2012	2011
Three Months Ended March 31,					
			Interest revenue	$ 1,519	$ 2,923
			Other income	81	1,303
Interest rate products	$	$	Total	$ 1,600	$ 4,226

Credit-risk-related Contingent Features

United manages its credit exposure on derivatives transactions by entering into a bi-lateral credit support agreement with each counterparty. The credit support agreements require collateralization of exposures beyond specified minimum threshold amounts. The details of these agreements, including the minimum thresholds, vary by counterparty.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

United s agreements with each of its derivative counterparties contain a provision where if either party defaults on any of its indebtedness, then it could also be declared in default on its derivative obligations. The agreements with derivatives counterparties also include provisions that if not met, could result in United being declared in default. United has agreements with certain of its derivative counterparties that contain a provision where if United fails to maintain its status as a well-capitalized institution or is subject to a prompt corrective action directive, the counterparty could terminate the derivative positions and United would be required to settle its obligations under the agreements.

Note 10 Stock Based Compensation

United has an equity compensation plan that allows for grants of incentive stock options, nonqualified stock options, restricted stock awards (also referred to as nonvested stock awards), stock awards, performance share awards or stock appreciation rights. Options granted under the plan can have an exercise price no less than the fair market value of the underlying stock at the date of grant. The general terms of the plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain option and restricted stock awards provide for accelerated vesting if there is a change in control (as defined in the plan). As of March 31, 2012, no additional awards could be granted under the plan. Through March 31, 2012, incentive stock options, nonqualified stock options, restricted stock awards and units and base salary stock grants had been granted under the plan.

The following table shows stock option activity for the first three months of 2012.

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinisic Value ($000)
Outstanding at December 31, 2011	583,647	$ 94.48		
Forfeited	(1,203)	48.85		
Expired	(68,376)	67.19		
Outstanding at March 31, 2012	514,068	98.22	4.3	$
Exercisable at March 31, 2012	450,507	105.70	3.9	

The fair value of each option is estimated on the date of grant using the Black-Scholes model. No stock options were granted during the three month periods ended March 31, 2012 or 2011.

Compensation expense relating to options of $180,000 and $441,000, respectively, was included in earnings for the three months ended March 31, 2012 and 2011. The amount of compensation expense for all periods was determined based on the fair value of options at the time of grant, multiplied by the number of options granted that were expected to vest, which was then amortized over the vesting period. The forfeiture rate for options is estimated to be approximately 3% per year. There were no options exercised during the three months ended March 31, 2012 or 2011.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The table below presents the activity in restricted stock awards for the first three months of 2012.

Restricted Stock	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2011	414,644	$ 12.19
Granted	4,734	8.43
Excercised	(8,497)	19.87
Cancelled	(6,600)	10.25
Outstanding at March 31, 2012	404,281	12.69
Vested at March 31, 2012	15,490	35.62

Compensation expense for restricted stock is based on the fair value of restricted stock awards at the time of grant, which is equal to the value of United s common stock on the date of grant. The value of restricted stock grants that are expected to vest is amortized into expense over the vesting period. For the three months ended March 31, 2012 and 2011, compensation expense of $405,000 and $107,000, respectively, was recognized related to restricted stock awards. The total intrinsic value of restricted stock at March 31, 2012 was approximately $3.94 million.

As of March 31, 2012, there was $3.41 million of unrecognized compensation cost related to nonvested stock options and restricted stock awards granted under the plan. The cost is expected to be recognized over a weighted-average period of 2.1 years. The aggregate grant date fair value of options and restricted stock that vested during the three months ended March 31, 2012 was $329,000.

Note 11 Common and Preferred Stock Issued / Common Stock Issuable

United sponsors a Dividend Reinvestment and Stock Purchase Plan (DRIP) that allows participants who already own United s common stock to purchase additional shares directly from the company. The DRIP also allows participants to automatically reinvest their quarterly dividends in additional shares of common stock without a commission. The DRIP is currently suspended. United s 401(k) retirement plan regularly purchases shares of United s common stock directly from United. In addition, United has an Employee Stock Purchase Program that allows eligible employees to purchase shares of common stock at a 5% discount, with no commission charges. During the three months ended March 31, 2012 and 2011, United issued, 35,648 shares and 46,019 shares, respectively, and increased capital by $278,000 and $375,000, respectively through these programs.

United offers its common stock as an investment option in its deferred compensation plan. The common stock component is accounted for as an equity instrument and is reflected in the consolidated balance sheet as common stock issuable. The deferred compensation plan does not allow for diversification once an election is made to invest in United stock and settlement must be accomplished in shares at the time the deferral period is completed. At March 31, 2012 and 2011, United had 90,126 shares and 79,428 shares, respectively, of its common stock that was issuable under the deferred compensation plan.

On February 22, 2011, United entered into a Share Exchange Agreement with the Elm Ridge Parties. Under the Share Exchange Agreement, the Elm Ridge Parties agreed to transfer to the Company 1,551,126 shares of the Company s common stock in exchange for 16,613 shares of the Company s cumulative perpetual preferred stock, Series D, and warrants to purchase 1,551,126 common shares with an exercise price of $12.50 per share that expire on August 22, 2013. This exchange transaction did not result in a net increase or decrease to total shareholders equity for the year ended December 31, 2011.

Note 12 Reclassifications and Reverse Stock Split

Certain 2011 amounts have been reclassified to conform to the 2012 presentation. On June 17, 2011, United completed a 1-for-5 reverse stock split, whereby each 5 shares of United s common stock was reclassified into one share of common stock, and each 5 shares of United s non-voting common stock was reclassified into one share of non-voting common stock. All share and per share amounts for all periods presented have been adjusted to reflect the reverse split as though it had occurred prior to the earliest period presented.

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 13 Assets and Liabilities Measured at Fair Value

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents United s assets and liabilities measured at fair value on a recurring basis as of March 31, 2012, December 31, 2011 and March 31, 2011, aggregated by the level in the fair value hierarchy within with those measurements fall *(in thousands).*

March 31, 2012	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale:				
U.S. Government agencies	$	$ 43,789	$	$ 43,789
State and political subdivisions		22,808		22,808
Mortgage-backed securities		1,725,068		1,725,068
Corporate bonds		104,236	350	104,586
Other		2,564		2,564
Deferred compensation plan assets	2,973			2,973
Derivative financial instruments		73		73
Total	$ 2,973	$ 1,898,538	$ 350	$ 1,901,861
Liabilities				
Deferred compensation plan liability	$ 2,973	$	$	$ 2,973
Brokered certificates of deposit		61,069		61,069
Derivative financial instruments		2,599		2,599
Total liabilities	$ 2,973	$ 63,668	$	$ 66,641

December 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale:				
U.S. Government agencies	$	$ 43,750	$	$ 43,750
State and political subdivisions		26,339		26,339
Mortgage-backed securities		1,609,909		1,609,909
Corporate bonds		107,328	350	107,678
Other		2,371		2,371
Deferred compensation plan assets	2,859			2,859
Total	$ 2,859	$ 1,789,697	$ 350	$ 1,792,906
Liabilities				
Deferred compensation plan liability	$ 2,859	$	$	$ 2,859
Brokered certificates of deposit		13,107		13,107
Derivative financial instruments		422		422
Total liabilities	$ 2,859	$ 13,529	$	$ 16,388

March 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale:				
U.S. Government agencies	$	$ 93,778	$	$ 93,778
State and political subdivisions		27,833		27,833
Mortgage-backed securities		1,410,411	4,434	1,414,845
Corporate bonds		99,236	350	99,586
Other		2,452		2,452
Deferred compensation plan assets	3,107			3,107
Total	$ 3,107	$ 1,633,710	$ 4,784	$ 1,641,601
Liabilities				
Deferred compensation plan liability	$ 3,107	$	$	$ 3,107
Total liabilities	$ 3,107	$	$	$ 3,107

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	Securities Available for Sale Three Months Ended March 31, 2012	2011
Balance at beginning of period	$ 350	$ 5,284
Amounts included in earnings		(8)
Paydowns		(492)
Balance at end of period	$ 350	$ 4,784

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

United may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The table below presents United s assets and liabilities measured at fair value on a nonrecurring basis as of March 31, 2012, December 31, 2011 and March 31, 2011, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands).*

	Level 1	Level 2	Level 3	Total
March 31, 2012				
Assets				
Loans	$	$	$ 176,632	$ 176,632
Foreclosed properties			27,675	27,675
Total	$	$	$ 204,307	$ 204,307
December 31, 2011				
Assets				
Loans	$	$	$ 133,828	$ 133,828
Foreclosed properties			29,102	29,102
Total	$	$	$ 162,930	$ 162,930
March 31, 2011				
Assets				
Loans	$	$	$ 32,241	$ 32,241
Loans held for sale			80,629	80,629
Foreclosed properties			53,102	53,102
Total	$	$	$ 165,972	$ 165,972

Assets and Liabilities Not Measured at Fair Value

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

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The short maturity of United s assets and liabilities results in having a significant number of financial instruments whose fair value equals or closely approximates carrying value. Such financial instruments are reported in the following balance sheet captions: cash and cash equivalents, mortgage loans held for sale, federal funds purchased, repurchase agreements and other short-term borrowings. The fair value of securities available for sale equals the balance sheet value.

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

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

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

The carrying amount and fair values for other financial instruments included in United s balance sheet at March 31, 2012, December 31, 2011 and March 31, 2011 were as follows *(in thousands)*.

	March 31, 2012				
	Carrying	Fair Value Level			
	Amount	Level 1	Level 2	Level 3	Total
Assets:					
Securities held to maturity	$ 303,636	$	$ 318,490	$	$ 318,490
Loans, net	4,013,965			3,825,482	3,825,482
Liabilities:					
Deposits	6,000,539		5,986,925		5,986,925
Federal Home Loan Bank advances	215,125		217,033		217,033
Long-term debt	120,245			113,891	113,891

	December 31, 2011		March 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Securities held to maturity	$ 330,203	$ 343,531	$ 245,430	$ 248,361
Loans, net	3,995,146	3,800,343	4,061,251	3,933,549
Liabilities:				
Deposits	6,097,983	6,093,772	6,597,748	6,588,398
Federal Home Loan Bank advances	40,625	43,236	55,125	58,965
Long-term debt	120,225	115,327	150,166	124,603

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

Forward-looking Statements

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended, (the Exchange Act), about United and its subsidiaries. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, and can be identified by the use of forward-looking terminology such as believes , expects , may , will , could , should , projects , plans , goal , targets , potential , seeks , intends , or anticipates or the negative thereof or comparable terminology. Forward-looking statements include discussions of strategy, financial projections, guidance and estimates (including their underlying assumptions), statements regarding plans, objectives, expectations or consequences of various transactions, and statements about the future performance, operations, products and services of United and its subsidiaries. We caution our shareholders and other readers not to place undue reliance on such statements.

Our businesses and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experiences may differ materially from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2011, as well as the following factors:

our ability to maintain profitability;

our ability to fully realize our deferred tax asset balances, including net operating loss carry-forwards;

the condition of the banking system and financial markets;

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

our ability to raise capital as may be necessary;

our ability to maintain liquidity or access other sources of funding;

changes in the cost and availability of funding;

the success of the local economies in which we operate;

our concentrations of residential and commercial construction and development loans and commercial real estate loans are subject to unique risks that could adversely affect our earnings;

changes in prevailing interest rates may negatively affect our net income and the value of our assets;

the accounting and reporting policies of United;

if our allowance for loan losses is not sufficient to cover actual loan losses;

we may be subject to losses due to fraudulent and negligent conduct of our loan customers, third party service providers or employees;

competition from financial institutions and other financial service providers;

the U.S. Treasury may change the terms of our fixed rate cumulative perpetual preferred stock, Series B (the Series B preferred stock);

risks with respect to future expansion and acquisitions;

if the conditions in the stock market, the public debt market and other capital markets deteriorate;

the impact of the Dodd-Frank Wall Street Reform Act of 2010 and related regulations and other changes in financial services laws and regulations;

the failure of other financial institutions;

a special assessment that may be imposed by the Federal Deposit Insurance Corporation (the FDIC) on all FDIC-insured institutions in the future, similar to the assessment in 2009 that decreased our earnings; and

regulatory or judicial proceedings, board resolutions, informal memorandums of understanding or formal enforcement actions imposed by regulators that may occur, or any such proceedings or enforcement actions that is more severe than we anticipate.

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

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Overview

The following discussion is intended to provide insight into the results of operations and financial condition of United Community Banks, Inc. (United) and its subsidiaries and should be read in conjunction with the consolidated financial statements and accompanying notes.

United is a bank holding company registered with the Board of Governors of the Federal Reserve (the Federal Reserve Board) under the Bank Holding Company Act of 1956 that was incorporated under the laws of the state of Georgia in 1987 and commenced operations in 1988. At March 31, 2012, United had total consolidated assets of $7.17 billion, total loans of $4.13 billion, excluding the loans acquired from Southern Community Bank (SCB) that are covered by loss sharing agreements and therefore have a different risk profile. United also had total deposits of $6.00 billion and shareholders equity of $580 million.

United s activities are primarily conducted through its wholly-owned Georgia banking subsidiary, United Community Bank (the Bank), which operates under a community bank model that is organized as 27 community banks with local bank presidents and boards in north Georgia, the Atlanta, Georgia metropolitan statistical area (the Atlanta MSA), the Gainesville, Georgia metropolitan statistical area (the Gainesville MSA), coastal Georgia, western North Carolina, and east Tennessee.

Included in management s discussion and analysis are certain non-GAAP (accounting principles generally accepted in the United States of America (GAAP)) performance measures. United s management believes that non-GAAP performance measures are useful in analyzing United s financial performance trends and therefore this section will refer to non-GAAP performance measures. A reconciliation of these non-GAAP performance measures to GAAP performance measures is included in the table on page 32.

United reported net income of $11.5 million for the first quarter of 2012, compared to a net loss of $237 million for the first quarter of 2011. Diluted earnings per common share was $.15 for the first quarter of 2012, compared to a diluted loss per common share of $13.00 for the first quarter of 2011. The first quarter of 2011 operating loss reflects United s Board of Directors decision to adopt a problem asset disposition plan to quickly dispose of problem assets (the Problem Asset Disposition Plan) following United s successful private placement in the first quarter of 2011 that raised $380 million in new capital (the Private Placement).

United s provision for loan losses was $15.0 million for the three months ended March 31, 2012, compared to $190 million for the same period in 2011. During the first quarter of 2011, performing substandard loans with a pre-charge down carrying amount of $166 million and nonperforming loans with a pre-charge down carrying amount of $101 million were collectively written down to the expected sales proceeds of $80.6 million in conjunction with the a bulk loan sale that was part of the Problem Asset Disposition Plan (the Bulk Loan Sale). Net charge-offs for the first quarter of 2012 were $15.9 million compared to $232 million for the first quarter of 2011, which were elevated due to the Problem Asset Disposition Plan. As of March 31, 2012, United s allowance for loan losses was $114 million, or 2.75% of loans, compared to $133 million, or 3.17% of loans, at March 31, 2011. Nonperforming assets of $162 million, which excludes assets of SCB that are covered by loss sharing agreements with the FDIC, were 2.25% of total assets at March 31, 2012, compared to 2.30% as of December 31, 2011 and 1.79% as of March 31, 2011. United did not see a downward movement in the balance of nonperforming assets from the previous quarter, due to the winter months, which are typically slow for foreclosed property sales. However, during the first quarter of 2012, the inflow of new nonperforming loans slowed to $32.4 million compared with $45.7 million in the fourth quarter of 2011 and $54.7 million in the first quarter of 2011.

Taxable equivalent net interest revenue was $58.9 million for the first quarter of 2012, compared to $56.4 million for the same period of 2011. The slight increase in net interest revenue was primarily the result of the $2.0 million reversal of accrued interest in the prior year on performing loans included in the Bulk Loan Sale and the 23 basis point improvement in net interest margin that was substantially offset by average loans declining $431 million from the preceding year. Net interest margin increased from 3.30% for the three months ended March 31, 2011 to 3.53% for the same period in 2012. Interest reversals on nonperforming loans that were moved to held for sale in the first quarter of 2011 reduced the first quarter 2011 net interest margin by 11 basis points. Over the past year, United has maintained above normal levels of liquidity. The level of excess liquidity lowered the margin by 53 basis points in the first quarter of 2012, compared to 49 basis points in the first quarter of 2011.

Fee revenue increased $3.54 million, or 30%, from the first quarter of 2011. The increase was due to an increase in service charges and fees, mortgage fees as well as other fee revenue, which included $1.1 million in interest for a 2008 federal tax refund.

For the first quarter of 2012, operating expenses of $47.0 million were down $68.3 million from the first quarter of 2011. The decrease was primarily due to an elevated level of foreclosed property costs in 2011 in anticipation of the Problem Asset Disposition Plan. Foreclosed property costs were down $61.1 million from the first quarter of 2011. Professional fees were $1.36 million lower in the first quarter of 2012 compared to the same period last year, primarily due to fees related to the Private Placement and Bulk Loan Sale. In addition, FDIC assessments and other regulatory charges were down $2.90 million.

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Critical Accounting Policies

The accounting and reporting policies of United are in accordance with GAAP and conform to general practices within the banking industry. The more critical accounting and reporting policies include United s accounting for the allowance for loan losses, fair value measurements, and income taxes. In particular, United s accounting policies related to allowance for loan losses, fair value measurements and income taxes involve the use of estimates and require significant judgment to be made by management. Different assumptions in the application of these policies could result in material changes in United s consolidated financial position or consolidated results of operations. See Asset Quality and Risk Elements herein for additional discussion of United s accounting methodologies related to the allowance for loan losses.

GAAP Reconciliation and Explanation

This Form 10-Q contains non-GAAP financial measures, which are performance measures determined by methods other than in accordance with GAAP. Such non-GAAP financial measures include, among others the following: taxable equivalent interest revenue, taxable equivalent net interest revenue, tangible book value per share, tangible equity to assets, tangible common equity to assets, and tangible common equity to risk-weighted assets. Management uses these non-GAAP financial measures because it believes they are useful for evaluating our operations and performance over periods of time, as well as in managing and evaluating our business and in discussions about our operations and performance. Management believes these non-GAAP financial measures provide users of our financial information with a meaningful measure for assessing our financial results and credit trends, as well as comparison to financial results for prior periods. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled financial measures used by other companies. A reconciliation of these operating performance measures to GAAP performance measures is included in the table on page 32.

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Table 1 Financial Highlights

Selected Financial Information

(in thousands, except per share data; taxable equivalent)	2012 First Quarter	2011 Fourth Quarter	2011 Third Quarter	2011 Second Quarter	2011 First Quarter	First Quarter 2012-2011 Change
INCOME SUMMARY						
Interest revenue	$ 70,221	$ 71,905	$ 74,543	$ 76,931	$ 75,965	
Interest expense	11,357	12,855	15,262	17,985	19,573	
Net interest revenue	58,864	59,050	59,281	58,946	56,392	4 %
Provision for loan losses	15,000	14,000	36,000	11,000	190,000	
Fee revenue	15,379	12,667	11,498	13,905	11,838	30
Total revenue	59,243	57,717	34,779	61,851	(121,770)	
Operating expenses	46,955	51,080	46,520	48,728	115,271	(59)
Income (loss) before income taxes	12,288	6,637	(11,741)	13,123	(237,041)	
Income tax expense (benefit)	760	(3,264)	(402)	1,095	295	
Net income (loss)	11,528	9,901	(11,339)	12,028	(237,336)	
Preferred dividends and discount accretion	3,030	3,025	3,019	3,016	2,778	
Net income (loss) available to common shareholders	$ 8,498	$ 6,876	$ (14,358)	$ 9,012	$ (240,114)	
PERFORMANCE MEASURES						
Per common share:						
Diluted income (loss)	$ .15	$ .12	$ (.25)	$ .16	$ (13.00)	
Book value	6.68	6.62	6.77	7.11	2.20	204
Tangible book value (2)	6.54	6.47	6.61	6.94	1.69	287
Key performance ratios:						
Return on equity (1)(3)	8.78%	7.40%	(15.06)%	42.60%	(526.54)%	
Return on assets (3)	.66	.56	(.64)	.66	(13.04)	
Net interest margin (3)	3.53	3.51	3.55	3.41	3.30	
Efficiency ratio	63.31	71.23	65.73	66.88	169.08	
Equity to assets	8.19	8.28	8.55	8.06	6.15	
Tangible equity to assets (2)	8.08	8.16	8.42	7.93	6.01	
Tangible common equity to assets (2)	5.33	5.38	5.65	1.37	2.70	
Tangible common equity to risk-weighted assets (2)	8.21	8.25	8.52	8.69	.75	
ASSET QUALITY *						
Non-performing loans	$ 129,704	$ 127,479	$ 144,484	$ 71,065	$ 83,769	
Foreclosed properties	31,887	32,859	44,263	47,584	54,378	
Total non-performing assets (NPAs)	161,591	160,338	188,747	118,649	138,147	
Allowance for loan losses	113,601	114,468	146,092	127,638	133,121	
Net charge-offs	15,867	45,624	17,546	16,483	231,574	
Allowance for loan losses to loans	2.75%	2.79%	3.55%	3.07%	3.17%	
Net charge-offs to average loans (3)	1.55	4.39	1.68	1.58	20.71	
NPAs to loans and foreclosed properties	3.88	3.87	4.54	2.82	3.25	
NPAs to total assets	2.25	2.30	2.74	1.66	1.79	
AVERAGE BALANCES *($ in millions)*						

Loans	$ 4,168	$ 4,175	$ 4,194	$ 4,266	$ 4,599	(9)
Investment securities	2,153	2,141	2,150	2,074	1,625	32
Earning assets	6,700	6,688	6,630	6,924	6,902	(3)
Total assets	7,045	7,019	7,000	7,363	7,379	(5)
Deposits	6,028	6,115	6,061	6,372	6,560	(8)
Shareholders equity	577	581	598	594	454	27
Common shares basic *(thousands)*	57,764	57,646	57,599	25,427	18,466	
Common shares diluted *(thousands)*	57,764	57,646	57,599	57,543	18,466	
AT PERIOD END *($ in millions)*						
Loans *	$ 4,128	$ 4,110	$ 4,110	$ 4,163	$ 4,194	(2)
Investment securities	2,202	2,120	2,123	2,188	1,884	17
Total assets	7,174	6,983	6,894	7,152	7,709	(7)
Deposits	6,001	6,098	6,005	6,183	6,598	(9)
Shareholders equity	580	575	583	603	586	(1)
Common shares outstanding *(thousands)*	57,603	57,561	57,510	57,469	20,903	

(1) Net loss available to common shareholders, which is net of preferred stock dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss). (2) Excludes effect of acquisition related intangibles and associated amortization. (3) Annualized.

* Excludes loans and foreclosed properties covered by loss sharing agreements with the FDIC.

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Table 1 Continued Non-GAAP Performance Measures Reconciliation

Selected Financial Information

(in thousands, except per share data; taxable equivalent)	**2012 First Quarter**	**2011 Fourth Quarter**	**2011 Third Quarter**	**2011 Second Quarter**	**2011 First Quarter**
Interest revenue reconciliation					
Interest revenue taxable equivalent	$ 70,221	$ 71,905	$ 74,543	$ 76,931	$ 75,965
Taxable equivalent adjustment	(446)	(423)	(420)	(429)	(435)
Interest revenue (GAAP)	$ 69,775	$ 71,482	$ 74,123	$ 76,502	$ 75,530
Net interest revenue reconciliation					
Net interest revenue taxable equivalent	$ 58,864	$ 59,050	$ 59,281	$ 58,946	$ 56,392
Taxable equivalent adjustment	(446)	(423)	(420)	(429)	(435)
Net interest revenue (GAAP)	$ 58,418	$ 58,627	$ 58,861	$ 58,517	$ 55,957
Total revenue reconciliation					
Total operating revenue	$ 59,243	$ 57,717	$ 34,779	$ 61,851	$ (121,770)
Taxable equivalent adjustment	(446)	(423)	(420)	(429)	(435)
Total revenue (GAAP)	$ 58,797	$ 57,294	$ 34,359	$ 61,422	$ (122,205)
Income (loss) before taxes reconciliation					
Income (loss) before taxes	$ 12,288	$ 6,637	$ (11,741)	$ 13,123	$ (237,041)
Taxable equivalent adjustment	(446)	(423)	(420)	(429)	(435)
Income (loss) before taxes (GAAP)	$ 11,842	$ 6,214	$ (12,161)	$ 12,694	$ (237,476)
Income tax (benefit) expense reconciliation					
Income tax (benefit) expense	$ 760	$ (3,264)	$ (402)	$ 1,095	$ 295
Taxable equivalent adjustment	(446)	(423)	(420)	(429)	(435)
Income tax (benefit) expense (GAAP)	$ 314	$ (3,687)	$ (822)	$ 666	$ (140)
Book value per common share reconciliation					
Tangible book value per common share	$ 6.54	$ 6.47	$ 6.61	$ 6.94	$ 1.69
Effect of goodwill and other intangibles	.14	.15	.16	.17	.51
Book value per common share (GAAP)	$ 6.68	$ 6.62	$ 6.77	$ 7.11	$ 2.20
Average equity to assets reconciliation					
Tangible common equity to assets	5.33%	5.38%	5.65%	1.37%	2.70%
Effect of preferred equity	2.75	2.78	2.77	6.56	3.31
Tangible equity to assets	8.08	8.16	8.42	7.93	6.01
Effect of goodwill and other intangibles	.11	.12	.13	.13	.14
Equity to assets (GAAP)	8.19%	8.28%	8.55%	8.06%	6.15%

Tangible common equity to risk-weighted assets reconciliation					
Tangible common equity to risk-weighted assets	8.21%	8.25%	8.52%	8.69%	.75%
Effect of other comprehensive income	.10	(.03)	(.29)	(.42)	(.32)
Effect of trust preferred	1.15	1.18	1.19	1.15	1.13
Effect of preferred equity	4.23	4.29	4.33	4.20	5.87
Tier I capital ratio (Regulatory)	13.69 %	13.69 %	13.75%	13.62 %	7.43%

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Results of Operations

United reported net income of $11.5 million for the first quarter of 2012. This compared to a net loss of $237 million for the same period in 2011. For the first quarter of 2012, diluted earnings per common share was $.15. This compared to diluted loss per common share of $13.00 for the first quarter of 2011. The first quarter of 2011 operating loss reflects the Board of Directors decision to adopt the Problem Asset Disposition Plan to quickly dispose of problem assets following United s successful Private Placement at the end of the first quarter of 2011.

Net Interest Revenue (Taxable Equivalent)

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and borrowed funds) is the single largest component of total revenue. United actively manages this revenue source to provide optimal levels of revenue while balancing interest rate, credit and liquidity risks. Taxable equivalent net interest revenue for the three months ended March 31, 2012 was $58.9 million, up $2.47 million, or 4%, from the first quarter of 2011. The increase in net interest revenue for the first quarter of 2012 compared to the first quarter of 2011 was mostly due to interest reversals on performing substandard loans reclassified as held for sale in anticipation of the second quarter 2011 Bulk Loan Sale and the 23 basis point improvement in net interest margin that was substantially offset by average loans declining $431 million from the preceding year.

Average loans decreased $430 million, or 9%, from the first quarter of last year. The decrease in the average loan portfolio was a result of the Bulk Loan Sale completed in April 2011, where $80.6 million of loans were reclassified as held for sale in the first quarter of 2011. During the first quarter of 2012, United funded $131 million in new loans, compared with $52.6 million during the three months ended March 31, 2011.

Average interest earning assets for the first quarter of 2012 decreased $202 million, or 3%, from the same period in 2011. The decrease of $430 million in average loans and $299 million in federal funds sold and other interest-earning assets was partially offset by increases of $528 million in the average investment securities portfolio. The increase in the securities portfolio was due to purchases of floating rate mortgage-backed securities in an effort to temporarily invest excess liquidity, including the proceeds from the new capital raised at the end of the first quarter of 2011. Average interest-bearing liabilities decreased $677 million, or 11%, from the first quarter of 2011 due to the rolling off of higher-cost brokered deposits and certificates of deposit as funding needs decreased. The average yield on interest earning assets for the three months ended March 31, 2012 was 4.21%, down 24 basis points from 4.45% for the same period of 2011. Interest reversals on performing loans classified as held for sale as part of the Bulk Loan Sale in 2011 reduced the 2011 yield on interest-earning assets by 11 basis points and therefore accounted for 11 basis points of the increase. The yield on the securities portfolio decreased 94 basis points due to the increasing balance of floating rate mortgage-backed securities to temporarily invest excess liquidity and accelerated prepayment of mortgage-backed securities which resulted in accelerated premium amortization and a reinvestment yield that was lower than the securities being replaced.

The average cost of interest bearing liabilities for the first quarter of 2012 was .85% compared to 1.32% for the same period in 2011, reflecting United s concerted efforts to reduce deposit pricing. Also contributing to the overall lower rate on interest bearing liabilities was a shift in the mix of deposits away from more expensive time deposits toward lower-rate transaction deposits.

The banking industry uses two key ratios to measure relative profitability of net interest revenue the net interest spread and the net interest margin. The net interest spread measures the difference between the average yield on interest earning assets and the average rate paid on interest bearing liabilities. The interest rate spread eliminates the effect of non-interest-bearing deposits and other non-interest bearing funding sources and gives a direct perspective on the effect of market interest rate movements. The net interest margin is an indication of the profitability of a company s overall balance sheet management activities and is defined as net interest revenue as a percentage of total average interest earning assets, which takes into consideration the positive effect of funding a portion of interest earning assets with customers non-interest bearing deposits and with shareholders equity.

For the three months ended March 31, 2012 and 2011, United s net interest spread was 3.36% and 3.13%, respectively, while the net interest margin was 3.53% and 3.30%, respectively. Interest reversals on performing loans classified as held for sale as part of the Bulk Loan Sale reduced net interest margin by 11 basis points in 2011. Excess liquidity lowered the net interest margin by 53 basis points in the first quarter of 2012 and 49 basis points in the first quarter of 2011.

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The following table shows the relationship between interest revenue and expense, and the average amounts of interest-earning assets and interest-bearing liabilities for the three months ended March 31, 2012 and 2011.

Table 2 - Average Consolidated Balance Sheets and Net Interest Analysis

For the Three Months Ended March 31,

	2012			2011		
(in thousands, taxable equivalent)	**Average Balance**	**Interest**	**Avg. Rate**	**Average Balance**	**Interest**	**Avg. Rate**
Assets:						
Interest-earning assets:						
Loans, net of unearned income [(1)(2)]	$ 4,168,440	$ 55,842	5.39 %	$ 4,598,860	$ 61,070	5.39 %
Taxable securities [(3)]	2,127,794	12,754	2.40	1,599,481	13,345	3.34
Tax-exempt securities [(1)(3)]	25,438	410	6.45	25,827	424	6.57
Federal funds sold and other interest-earning assets	377,988	1,215	1.29	677,453	1,126	.66
Total interest-earning assets	6,699,660	70,221	4.21	6,901,621	75,965	4.45
Non-interest-earning assets:						
Allowance for loan losses	(117,803)			(169,113)		
Cash and due from banks	54,664			134,341		
Premises and equipment	174,849			179,353		
Other assets [(3)]	233,676			332,827		
Total assets	$ 7,045,046			$ 7,379,029		
Liabilities and Shareholders Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW	$ 1,458,112	637	.18	$ 1,373,142	1,324	.39
Money market	1,069,658	641	.24	928,542	2,028	.89
Savings	205,402	37	.07	187,423	77	.17
Time less than $100,000	1,271,351	3,026	.96	1,540,342	5,451	1.44
Time greater than $100,000	821,164	2,415	1.18	990,881	4,151	1.70
Brokered	161,335	718	1.79	698,288	2,130	1.24
Total interest-bearing deposits	4,987,022	7,474	.60	5,718,618	15,161	1.08
Federal funds purchased and other borrowings	102,258	1,045	4.11	101,097	1,042	4.18
Federal Home Loan Bank advances	138,372	466	1.35	55,125	590	4.34
Long-term debt	120,237	2,372	7.93	150,157	2,780	7.51
Total borrowed funds	360,867	3,883	4.33	306,379	4,412	5.84
Total interest-bearing liabilities	5,347,889	11,357	.85	6,024,997	19,573	1.32
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	1,040,587			841,351		
Other liabilities	79,612			58,634		
Total liabilities	6,468,088			6,924,982		

Shareholders equity	576,958		454,047	
Total liabilities and shareholders equity	$ 7,045,046		$ 7,379,029	
Net interest revenue		$ 58,864		$ 56,392
Net interest-rate spread		3.36 %		3.13 %
Net interest margin [4]		3.53 %		3.30 %

[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 and loans that are held for sale.

[3] Securities available for sale are shown at amortized cost. Pretax unrealized gains of $23.6 million in 2012 and $27.2 million in 2011 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.

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

Table 3 Change in Interest Revenue and Expense on a Taxable Equivalent Basis

(in thousands)

	Three Months Ended March 31, 2012 Compared to 2011 Increase (decrease) Due to Changes in		
	Volume	**Rate**	**Total**
Interest-earning assets:			
Loans	$ (5,762)	$ 534	$ (5,228)
Taxable securities	3,738	(4,329)	(591)
Tax-exempt securities	(6)	(8)	(14)
Federal funds sold and other interest-earning assets	(647)	736	89
Total interest-earning assets	(2,677)	(3,067)	(5,744)
Interest-bearing liabilities:			
NOW accounts	77	(764)	(687)
Money market accounts	269	(1,656)	(1,387)
Savings deposits	6	(46)	(40)
Time deposits less than $100,000	(843)	(1,582)	(2,425)
Time deposits greater than $100,000	(634)	(1,102)	(1,736)
Brokered deposits	(2,109)	697	(1,412)
Total interest-bearing deposits	(3,234)	(4,453)	(7,687)
Federal funds purchased & other borrowings	12	(9)	3
Federal Home Loan Bank advances	471	(595)	(124)
Long-term debt	(581)	173	(408)
Total borrowed funds	(98)	(431)	(529)
Total interest-bearing liabilities	(3,332)	(4,884)	(8,216)
Increase in net interest revenue	$ 655	$ 1,817	$ 2,472

Provision for Loan Losses

The provision for loan losses is based on management s evaluation of losses inherent in the loan portfolio and corresponding analysis of the allowance for loan losses at the end of each reporting period. The provision for loan losses was $15.0 million for the first quarter of 2012, compared with $190 million for the same period in 2011. The decrease in the provision for loan losses compared to a year ago was primarily due to the increased level of charge-offs in the first quarter of 2011 recorded in conjunction with the Problem Asset Disposition Plan and transfer of loans to the held for sale category in anticipation of the Bulk Loan Sale, as well as decreasing risk in the loan portfolio evidenced by a general trend of declining loss rates across the portfolio. The amount of provision recorded in each period was the amount required such that the total allowance for loan losses reflected the appropriate balance, in the estimation of management, and was sufficient to cover inherent losses in the loan portfolio. For the three months ended March 31, 2012 net loan charge-offs to average outstanding loans were 1.55%, compared to 20.71% for the same period in 2011. When charge-offs specifically related to loans transferred to the held for sale classification are excluded, the charge-off rate for the first quarter of 2011 was 4.08%.

As the residential construction and housing markets have struggled, it has been difficult for many builders and developers to obtain cash flow needed to service debt from selling lots and houses. This deterioration of the residential construction and housing market was the primary factor that resulted in higher credit losses and an increase in nonperforming assets over the last four years. Although a majority of the loan charge-offs have been within the residential construction and development portion of the portfolio, credit quality deterioration has migrated to other loan categories as pressure resulting from economic conditions has persisted and unemployment levels have remained high throughout United s markets. Additional discussion on credit quality and the allowance for loan losses is included in the Asset Quality and Risk Elements section of this report on page 39.

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Fee Revenue

Fee revenue for the three months ended March 31, 2012 was $15.4 million, an increase of $3.54 million, or 30%, from the same period of 2011. The following table presents the components of fee revenue for the first quarters of 2012 and 2011.

Table 4 Fee Revenue

(in thousands)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Change Amount	Change Percent
Overdraft fees	$ 3,245	$ 3,510	$ (265)	(8)
Debit card fees	3,102	2,530	572	23
Other service charges and fees	1,436	680	756	111
Service charges and fees	7,783	6,720	1,063	16
Mortgage loan and related fees	2,099	1,494	605	40
Brokerage fees	813	677	136	20
Securities gains, net	557	55	502	
Losses from prepayment of debt	(482)		(482)	
Hedge ineffectiveness	115	1,303	(1,188)	(91)
Other	4,494	1,589	2,905	183
Total fee revenue	$ 15,379	$ 11,838	$ 3,541	30

Service charges and fees of $7.78 million were up $1.06 million, or 16%, from the first quarter of 2011. The increase was primarily due new service fees on deposit accounts that became effective in the first quarter of 2012. A $265,000 decrease in overdraft fees was partially offset by these new fees and by $572,000 in higher debit card interchange revenue.

Mortgage loans and related fees for the first quarter of 2012 were up $605,000, or 40%, from the same period in 2011. In the first quarter of 2012, United closed 517 loans totaling $81.7 million compared with 481 loans totaling $74.5 million in the first quarter of 2011. The comparison to the prior period is largely influenced by the interest rate environment and refinancing activities.

United recognized net securities gains of $557,000 and $55,000, respectively, for the three months ended March 31, 2012 and 2011. United also recognized $482,000 in charges from the prepayment of Federal Home Loan Bank advances in the first quarter of 2012. The prepayment charges were the result of the same balance sheet management activities that resulted in the securities gains. The securities gains and prepayment charges are mostly offsetting and had little net impact on the first quarter of 2012 financial results.

For the three months ended March 31, 2012, United recognized $115,000 in revenue from hedge ineffectiveness compared with $1.30 million in revenue from hedge ineffectiveness in 2011. Most of the hedge ineffectiveness in 2011 and 2012 related to terminated cash flow hedges where the gains realized on the terminated positions are being deferred over the original term of the derivative instrument. The ineffectiveness, which is caused by a decrease in qualifying prime-based loans, results in the accelerated recognition of the deferred gains.

Other fee revenue of $4.49 million for the first quarter of 2012 was up $2.91 million from the three months ended March 31, 2011. During the first quarter of 2012, United recognized $1.10 million in interest on a 2008 federal tax refund. United also recognized a $728,000 gain from the sale of low income housing tax credits and a $300,000 positive mark to market adjustment on mutual fund investments in the first quarter of 2012.

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Operating Expenses

The following table presents the components of operating expenses for the three months ended March 31, 2012 and 2011.

Table 5 Operating Expenses

(in thousands)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Change Amount	Change Percent
Salaries and employee benefits	$ 25,225	$ 24,924	$ 301	1
Communications and equipment	3,155	3,344	(189)	(6)
Occupancy	3,771	4,074	(303)	(7)
Advertising and public relations	846	978	(132)	(13)
Postage, printing and supplies	979	1,118	(139)	(12)
Professional fees	1,975	3,330	(1,355)	(41)
FDIC assessments and other regulatory charges	2,510	5,413	(2,903)	(54)
Amortization of intangibles	732	762	(30)	(4)
Other	3,937	6,429	(2,492)	(39)
Total excluding foreclosed property expenses and loss on NPA sale	43,130	50,372	(7,242)	(14)
Net losses on sales of foreclosed properties	93	12,020	(11,927)	
Foreclosed property write downs	2,111	48,585	(46,474)	
Foreclosed property maintenance expenses	1,621	4,294	(2,673)	(62)
Total operating expenses	$ 46,955	$ 115,271	$ (68,316)	(59)

Operating expenses for the first quarter of 2012 totaled $46.9 million, down $68.3 million, or 59%, from the first quarter of 2011, mostly reflecting a higher level of foreclosed property losses incurred in connection with United s Problem Asset Disposition Plan in the prior year. Excluding foreclosed property costs, total operating expenses were $43.1 million, down $7.24 million, or 14%, from a year ago.

Salaries and employee benefits for the first quarter of 2012 were $25.2 million, up $301,000, or 1%, from the same period of 2011. The increase was primarily due to a lower level of deferred direct loan origination costs and higher incentive compensation. Headcount totaled 1,707 at March 31, 2012, compared to 1,815 at March 31, 2011 and 1,754 at December 31, 2011, reflecting staff reductions in the second half of 2011 and 2012 relating to United s efficiency program.

Occupancy expense of $3.77 million for the first quarter of 2012 was down $303,000, or 7%, compared to the first quarter of 2011. The decrease was due to lower costs for utilities, insurance premiums and depreciation.

Postage, printing and supplies expense for the first quarter of 2012 totaled $979,000, down $139,000, or 12%, from the same period of 2011. The decrease was primarily due to lower outside courier expenses primarily as a result of further use of branch capture and imaging technology.

Professional fees were $1.98 million for the three months ended March 31, 2012, a decrease of $1.36 million, or 41%, from 2011. The decrease was primarily due to professional services costs associated with the Bulk Loan Sale incurred in the first quarter of 2011.

FDIC assessments and other regulatory charges expense for the first quarter of 2012 was $2.51 million, a decrease of $2.90 million from 2011, reflecting a decrease in United s assessment rate and the change from a deposit-based assessment to an asset-based assessment which became effective for all insured depository institutions on April 1, 2011.

Losses on sale of foreclosed property totaled $93,000 for the three months ended March 31, 2012, compared to $12.0 million for the same period in 2011, which were elevated due to the Problem Asset Disposition Plan. Foreclosed property write-downs for the first quarter of 2012 were $2.11 million, a decrease of $46.5 million compared to the prior year, also due to the Problem Asset Disposition Plan. The foreclosure and carrying costs category includes legal fees, property taxes, marketing costs, utility services, maintenance and repair charges. These expenses totaled $1.62 million for the first quarter of 2012, compared to $4.29 million for the same period in 2011.

Other expenses totaled $3.94 million for the three months ended March 31, 2012, a decrease of $2.49 million, or 39%, from the same period of 2011, primarily due to higher property taxes and other loan collateral costs incurred to prepare loans for the Bulk Loan Sale in 2011.

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Income Taxes

Income tax expense was $314,000 in the first quarter of 2011, compared to income tax benefit of $140,000 for the first quarter of 2011, representing an effective tax rate of approximately 2.7% and .1% for each period, respectively. Because of the full valuation allowance on United s net deferred tax asset, United s tax expense on its pre-tax earnings represents adjustments to its reserve for uncertain tax positions and amounts payable under the Federal Alternative Minimum Tax.

At March 31, 2012, United reported no net deferred tax asset due to a full valuation allowance of $274 million. The Financial Accounting Standards Board s Accounting Standards Codification (ASC) 740, *Income Taxes* requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a more likely than not standard. Management considers both positive and negative evidence and analyzes changes in near-term market conditions as well as other factors which may impact future operating results. In making such judgments, significant weight is given to evidence that can be objectively verified. The deferred tax assets are analyzed quarterly for changes affecting realizabilty. Because management has determined that the objective negative evidence outweighs the positive evidence, management has established a full valuation allowance against its net deferred tax asset.

Management will continue to evaluate and weigh the positive and negative evidence going forward and, if the weight of evidence shifts such that the positive evidence outweighs the negative evidence, the valuation allowance will be adjusted or completely reversed as appropriate.

In February 2011, United adopted a tax benefits preservation plan designed to protect its ability to utilize its substantial tax assets. Those tax assets include net operating losses that it could utilize in certain circumstances to offset taxable income and reduce its federal income tax liability and the future tax benefits from potential net unrealized built in losses. United s ability to use its tax benefits would be substantially limited if it were to experience an ownership change as defined under Section 382 of the Internal Revenue Code. In general, an ownership change would occur if United s 5-percent shareholders, as defined under Section 382, collectively increase their ownership in United by more than 50% over a rolling three-year period. The tax benefits preservation plan is designed to reduce the likelihood that United will experience an ownership change by discouraging any person or group from becoming a beneficial owner of 4.99% or more of United s common stock then outstanding.

In connection with the tax benefits preservation plan in February 2011, United entered into a share exchange agreement with the Elm Ridge Offshore Master Fund. Ltd. And Elm Ridge Value Partners, L.P. (collectively, the Elm Ridge Parties) to transfer to the Company 1,551,126 shares of United s common stock in exchange for 16,613 shares of United s cumulative perpetual preferred stock, Series D (the Series D preferred stock) and warrants to purchase 1,551,126 shares of common stock at $12.50 per share. The warrants can be exercised after October 1, 2012 and expire on August 22, 2013. Prior to entering into the share exchange agreement, collectively, the Elm Ridge Parties were United s largest shareholder. By exchanging the Elm Ridge Parties common stock for the Series D preferred stock and warrants, United eliminated its only 5-percent shareholder and, as a result, obtained further protection against an ownership change under Section 382.

Additional information regarding income taxes, including a reconciliation of the differences between the recorded income tax provision and the amount of income tax computed by applying the statutory federal income tax rate to income before income taxes, can be found in Note 15 to the consolidated financial statements filed with United s Annual Report on Form 10-K for the year ended December 31, 2011.

Balance Sheet Review

Total assets at March 31, 2012, December 31, 2011 and March 31, 2011 were $7.17 billion, $6.98 billion, and $7.71 billion, respectively. Average total assets for the first quarter of 2012 were $7.05 billion, down from $7.38 billion in the first quarter of 2011.

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Loans

The following table presents a summary of the loan portfolio.

Table 6 Loans Outstanding (excludes loans covered by loss share agreement)

(in thousands)

	March 31, 2012	December 31, 2011	March 31, 2011
By Loan Type			
Commercial (secured by real estate)	$ 1,843,207	$ 1,821,414	$ 1,692,154
Commercial & industrial	439,496	428,249	431,473
Commercial construction	167,122	164,155	213,177
Total commercial	2,449,825	2,413,818	2,336,804
Residential mortgage	1,131,248	1,134,902	1,186,531
Residential construction	435,375	448,391	549,618
Consumer installment	111,118	112,503	121,419
Total loans	$ 4,127,566	$ 4,109,614	$ 4,194,372
As a percentage of total loans:			
Commercial (secured by real estate)	44%	44%	41%
Commercial & industrial	11	10	10
Commercial construction	4	4	5
Total commercial	59	58	56
Residential mortgage	27	28	28
Residential construction	11	11	13
Consumer installment	3	3	3
Total	100%	100%	100%
By Geographic Location			
North Georgia	$ 1,407,701	$ 1,425,811	$ 1,531,279
Atlanta MSA	1,238,622	1,219,652	1,179,362
North Carolina	587,790	597,446	639,897
Coastal Georgia	365,943	346,189	312,090
Gainesville MSA	262,055	264,567	281,591
East Tennessee	265,455	255,949	250,153
Total loans	$ 4,127,566	$ 4,109,614	$ 4,194,372

Substantially all of United s loans are to customers (including customers who have a seasonal residence in United s market areas) located in the immediate market areas of its community banks in Georgia, North Carolina, and Tennessee, and more than 85% of the loans are secured by real estate. At March 31, 2012, total loans, excluding loans acquired from SCB that are covered by loss sharing agreements with the FDIC and loans classified as held for sale, were $4.13 billion, an increase of $18.0 million from December 31, 2011 and a decrease of $66.8 million, or 2%, from March 31, 2011. The rate of loan growth began to decline in the first quarter of 2007, and the balances have continued to decline through the subsequent years. In the fourth quarter of 2011, the loan portfolio began to stabilize indicating a possible inflection point upon which loan growth is expected to return. The deterioration over the past five years resulted in part from an oversupply of lot inventory, houses and land within United s markets, which further slowed construction activities and acquisition and development projects. The resulting recession that began in the housing market led to high rates of unemployment that resulted in stress in the other segments of United s loan portfolio. Despite the weak economy and lack of loan demand, United continued to pursue lending opportunities which resulted in $131 million in new loans funded during the first quarter of 2012 and net positive loan growth of $18 million in the first quarter of 2012.

Asset Quality and Risk Elements

United manages asset quality and controls credit risk through review and oversight of the loan portfolio as well as adherence to policies designed to promote sound underwriting and loan monitoring practices. United s credit administration function is responsible for monitoring asset quality, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures among all of the community banks. Additional information on United s credit administration function is included in Item 1 under the heading *Loan Review and Nonperforming Assets* in United s Annual Report on Form 10-K for the year ended December 31, 2011.

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United classifies performing loans as substandard when there is a well-defined weakness or weaknesses that jeopardize the repayment by the borrower and there is a distinct possibility that United could sustain some loss if the deficiency is not corrected. The table below presents performing substandard loans for the last five quarters.

Table 7 Performing Substandard Loans

(in thousands)

	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
By Category					
Commercial (sec. by RE)	$ 133,840	$ 143,058	$ 134,356	$ 117,525	$ 119,651
Commercial & industrial	17,217	15,753	24,868	16,645	16,425
Commercial construction	23,256	18,510	26,530	31,347	34,887
Total commercial	174,313	177,321	185,754	165,517	170,963
Residential mortgage	75,736	76,442	76,707	70,396	69,119
Residential construction	64,274	71,955	76,179	74,277	80,534
Consumer installment	2,610	2,751	2,703	2,923	2,352
Total	$ 316,933	$ 328,469	$ 341,343	$ 313,113	$ 322,968
By Market					
North Georgia	$ 131,253	$ 134,945	$ 156,063	$ 140,886	$ 148,228
Atlanta MSA	94,191	99,453	97,906	97,931	100,200
North Carolina	38,792	40,302	36,724	30,202	27,280
Coastal Georgia	19,342	24,985	23,966	22,945	23,104
Gainesville MSA	18,745	17,338	19,615	14,957	17,417
East Tennessee	14,610	11,446	7,069	6,192	6,739
Total loans	$ 316,933	$ 328,469	$ 341,343	$ 313,113	$ 322,968

At March 31, 2012, performing substandard loans totaled $317 million and decreased $6.04 million from a year ago. Most of the decrease occurred in United s Atlanta MSA and north Georgia markets and was primarily in the residential construction category.

Reviews of substandard performing and non-performing loans, troubled debt restructures, past due loans and larger credits, are conducted on a weekly, monthly or quarterly basis with management and are designed to identify risk migration and potential charges to the allowance for loan losses. These reviews are performed by the lending officers and the loan review department, and also consider such factors as the financial strength of borrowers, the value of the applicable collateral, past loan loss experience, anticipated loan losses, changes in risk profile, prevailing economic conditions and other factors. In addition to United s internal loan review, United also uses external loan review to ensure the independence of the loan review process.

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The following table presents a summary of the changes in the allowance for loan losses for the three months ended March 31, 2012 and 2011.

Table 8 Allowance for Loan Losses

(in thousands)

	Three Months Ended March 31,						
	2012	2011					
		Asset Disposition Plan				Other Charge-Offs	
		Bulk Loan Sale (1)		Other Bulk Loan Sales (2)	Foreclosure Charge-Offs (3)		
	Total	Accruing	Nonaccrual			Recoveries	Total
Balance beginning of period	$ 114,468						$ 174,695
Provision for loan losses	15,000						190,000
Charge-offs:							
Commercial (secured by real estate)	3,928	$ 29,451	$ 11,091	$ 3,318	$ 1,905	$ 2,942	48,707
Commercial & industrial	756	365	2,303	859		835	4,362
Commercial construction	364	32,530	15,328	292	419	1,146	49,715
Residential mortgage	5,767	13,917	14,263	1,676	1,538	5,282	36,676
Residential construction	5,629	43,018	23,459	3,325	11,693	10,760	92,255
Consumer installment	753	86	168	30	24	788	1,096
Total loans charged-off	17,197	119,367	66,612	9,500	15,579		