UNITED COMMUNITY BANKS INC
Form 424B3
July 10, 2015
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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-204977
PROXY STATEMENT/PROSPECTUS

MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT

These materials are a proxy statement of Palmetto Bancshares, Inc. ("Palmetto") and a prospectus of United Community Banks, Inc. ("United"). They are furnished to you in connection with the notice of special meeting of Palmetto shareholders to be held on August 12, 2015. At the special meeting of Palmetto shareholders, you will be asked to vote on the merger of Palmetto with and into United described in more detail herein and to approve, on a non-binding advisory basis, the compensation that certain executive officers of Palmetto will receive in connection with the merger pursuant to existing agreements or arrangements with Palmetto.

As of July 8, 2015, the record date for the Palmetto shareholders meeting, there were 12,813,442 shares of common stock outstanding and entitled to vote at that meeting. Approval of the merger agreement requires the affirmative vote of two-thirds of the outstanding shares of Palmetto common stock. Approval of the merger-related compensation proposal requires that the number of votes cast at the special meeting, in person or by proxy, in favor of the proposal exceeds the number of votes cast against the proposal. You will also be asked to vote on a proposal to adjourn or postpone the special meeting, if necessary or appropriate, including to solicit additional proxies to approve the merger agreement, which proposal will be approved if the number of votes cast at the special meeting, in person or by proxy, in favor of the proposal exceeds the number of votes cast against the proposal.

Subject to the election and adjustment procedures described in this document, in connection with the merger if approved and consummated, holders of Palmetto common stock will be entitled to receive, in exchange for each share of Palmetto common stock, consideration equal to either (i) 0.97 shares of United common stock, or (ii) $19.25 in cash, without interest; provided, that the total merger consideration shall be prorated as necessary to ensure that 30% of the total outstanding shares of Palmetto common stock will be exchanged for cash and 70% of the total outstanding shares of Palmetto common stock will be exchanged for shares of United common stock. The completion of the merger is subject to a price floor which, if reached prior to the completion of the merger, could result in more United shares being issued or the merger being terminated. As of July 9, 2015, the most recently practicable date prior to the mailing of these materials, the aggregate merger consideration is approximately $257.5 million.

As a result, a maximum of 8,868,775 shares of United common stock will be issued to Palmetto shareholders if the merger is approved and consummated and there is no adjustment to the stock consideration paid by United. This document is a United prospectus with respect to the offering and issuance of such 8,868,775 shares of United common stock.

United's common stock trades on the NASDAQ Global Select Market under the ticker symbol "UCBI". The closing price of United common stock on July 9, 2015 was $20.68 per share.

The accompanying materials contain information regarding the proposed merger and the companies participating in the merger, and the Agreement and Plan of Merger pursuant to which the merger will be consummated if approved.

We encourage you to read the entire document carefully, including "Risk Factors" section beginning on page 17, for a discussion of the risks related to the proposed merger.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of these materials. Any representation to the contrary is a criminal offense. Shares of common stock of United are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of these materials is July 10, 2015, and they are expected to be first mailed to shareholders on or about July 13, 2015.

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WHERE YOU CAN FIND MORE INFORMATION

Both United and Palmetto are subject to the information requirements of the Securities Exchange Act of 1934, which means that they are both required to file certain reports, proxy statements, and other business and financial information with the Securities and Exchange Commission ("SEC"). You may read and copy any materials that either United or Palmetto files with the SEC at the Public Reference Room of the SEC at 100 F. Street N.E., Washington, D.C. 20549. You may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at http://www.sec.gov where you can access reports, proxy, information and registration statements, and other information regarding registrants that file electronically with the SEC. Such filings are also available free of charge at United's website at http://www.ucbi.com under the "Investor Relations" heading or from Palmetto's website at http://www.palmettobank.com under the "Investor Relations" link at the bottom of the website. Except as specifically incorporated by reference into this document, information on those websites or filed with the SEC is not part of this document.

United has filed a registration statement on Form S-4 of which this document forms a part. As permitted by SEC rules, this document does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and copy the registration statement, including any amendments, schedules and exhibits, at the addresses set forth below. Statements contained in this document as to the contents of any contract or other documents referred to in this document are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the registration statement. This document incorporates by reference documents that United and Palmetto have previously filed, and that they may file through the date of the special meeting of Palmetto shareholders, with the SEC. They contain important information about the companies and their financial condition. For further information, please see the section entitled "Incorporation of Certain Documents by Reference." These documents are available without charge to you upon written or oral request to the applicable company's principal executive offices. The respective addresses and telephone numbers of such principal executive offices are listed below.

United Community Banks, Inc.	Palmetto Bancshares, Inc.
63 Highway 515	306 East North Street
Blairsville, Georgia 30512	Greenville, South Carolina 29601
Attention: Investor Relations	Attention: Investor Relations
(706) 781-2265	(800) 725-2265

To obtain timely delivery of these documents, you must request the information no later than August 5, 2015 in order to receive them before Palmetto's special meeting of shareholders.

United common stock is traded on the NASDAQ Global Select Market under the symbol "UCBI," and Palmetto common stock is traded on the NASDAQ Capital Market under the symbol "PLMT."

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PALMETTO BANCSHARES, INC.
306 East North Street
Greenville, South Carolina 29601

Notice Of Special Meeting Of Shareholders
To Be Held On August 12, 2015

A special meeting of shareholders of Palmetto Bancshares, Inc. will be held on August 12, 2015, at 11:00 a.m., at the main office of The Palmetto Bank, 306 East North Street, Greenville, South Carolina 29601 for the following purposes:

1. To consider and vote on the Agreement and Plan of Merger, under which Palmetto Bancshares, Inc. ("Palmetto") will merge with and into United Community Banks, Inc. ("United"), as more particularly described in the accompanying materials;

2. To cast a non-binding advisory vote to approve the compensation that certain executive officers of Palmetto will receive under existing agreements or arrangements with Palmetto in connection with the merger;

3. To consider and vote upon a proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate, including to solicit additional proxies to approve the merger agreement; and

4. To transact such other business as may properly come before the special meeting or any adjournments of the special meeting.

If Palmetto shareholders approve the merger agreement, Palmetto will be merged with and into United. Unless adjusted pursuant to the terms of the merger agreement, Palmetto shareholders may elect to receive shares of United common stock or cash in exchange for each of their shares of Palmetto common stock in the merger on the following basis:

- 0.97 shares of United common stock for each share of Palmetto common stock; or

- $19.25 in cash, without interest, for each share of Palmetto common stock.

provided, that the total merger consideration shall be prorated as necessary to ensure that 30% of the total outstanding shares of Palmetto common stock will be exchanged for cash and 70% of the total outstanding shares of Palmetto common stock will be exchanged for shares of United common stock. If the aggregate cash elections are greater than the maximum, all such cash elections will be subject to proration, and, if the aggregate stock elections are greater than the maximum, all such stock elections will be subject to proration, all as more fully explained under the heading "Proposal No. 1 — The Merger — The Merger Consideration" (page 48).

Approval of the merger agreement requires the affirmative vote of two-thirds of the outstanding shares of Palmetto common stock entitled to vote at the special meeting. Approval of the merger-related compensation proposal requires that the number of votes cast at the special meeting, in person or by proxy, in favor of the proposal exceeds the number of votes cast against the proposal. Approval of the adjournment proposal requires that the number of votes cast at the special meeting, in person or by proxy, in favor of the proposal exceeds the number of votes cast against the proposal. Only shareholders of record of Palmetto common stock at the close of business on July 8, 2015 will be entitled to vote at the special meeting or any adjournments thereof. Palmetto's Board of Directors has adopted a resolution approving the merger and the merger agreement and unanimously recommends that you vote “FOR” the proposal to approve the merger agreement, “FOR” the merger-related compensation proposal, and “FOR” the adjournment proposal.

Business and financial information about Palmetto is available without charge to you upon written or oral request made to Roy D. Jones, Chief Financial Officer, Palmetto Bancshares, Inc., 306 East North Street, Greenville, South Carolina 29601, telephone number (800) 725-2265. To obtain delivery of such business and financial information before the special meeting, your request must be received no later than August 5, 2015.

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YOUR VOTE IS VERY IMPORTANT. You can vote your shares over the internet or by telephone. If you requested or received a paper proxy card or voting instruction form by mail, you may also vote by signing, dating and returning your proxy card or voting instruction form. If you are the record holder of the shares, you may change your vote by: (1) if you voted over the internet or by telephone, voting again over the internet or by telephone by the applicable deadline described herein; (2) if you previously completed and returned a proxy card, submitting a new proxy card with a later date and returning it to Palmetto prior to the vote at the special meeting; (3) submitting timely written notice of revocation to our Corporate Secretary, Lee Dixon, at Palmetto Bancshares, Inc., 306 East North Street, Greenville, South Carolina 29601, at any time prior to the vote at the special meeting; or (4) attending the special meeting in person and voting your shares at the special meeting. If your shares are held in street name, you may change your vote by submitting new voting instructions to your brokerage firm, bank or other similar entity or, if you have obtained a legal proxy from your brokerage firm, bank, or other similar entity giving you the right to vote your shares, you may change your vote by attending the special meeting and voting in person.

By Order of the Board of Directors,

Samuel L. Erwin, Chairman
July 10, 2015
Greenville, South Carolina

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q:
What am I being asked to approve?

A:
You are being asked to (1) approve the merger agreement between Palmetto and United, pursuant to which Palmetto will be merged with and into United, (2) approve, on a non-binding advisory basis, the compensation that certain executive officers of Palmetto will receive in connection with the merger pursuant to existing agreements or arrangements with Palmetto, and (3) approve a proposal to adjourn or postpone the special meeting, if necessary or appropriate, including to solicit additional proxies to approve the merger agreement. Approval of the merger agreement requires the affirmative vote of two-thirds of the outstanding shares of Palmetto common stock. Approval of the merger-related compensation proposal requires that the number of votes cast at the special meeting, in person or by proxy, in favor of the proposal exceeds the number of votes cast against the proposal. Approval of the adjournment proposal requires that the number of votes cast at the special meeting, in person or by proxy, in favor of the proposal exceeds the number of votes cast against the proposal. The Palmetto Board of Directors has unanimously approved and adopted the merger and recommends voting "FOR" approval of this merger agreement, "FOR" approval of the merger-related compensation proposal, and "FOR" approval of the adjournment proposal.

Q:
When is the merger expected to be completed?

A:
We plan to complete the merger during the third quarter of 2015.

Q:
What will I receive in the merger?

A:
Unless adjusted pursuant to the terms of the merger agreement, you will receive either 0.97 shares of United common stock, or $19.25 in cash, without interest, for each share of Palmetto common stock; provided, that the total merger consideration shall be prorated as necessary to ensure that 30% of the total outstanding shares of Palmetto common stock will be exchanged for cash and 70% of the total outstanding shares of Palmetto common stock will be exchanged for shares of United common stock. United will not issue fractional shares in the merger. Instead, you will receive a cash payment, without interest, for the value of any fraction of a share of United common stock that you would otherwise be entitled to receive in an amount equal to such fractional part of a share of United common stock multiplied by the average of the closing sale prices of United common stock as reported on the NASDAQ Global Select Market during the 20 consecutive full trading days ending at the closing of trading on the trading day immediately prior to the later of (i) the effective date of the last required consent of any regulatory authority having authority over and approving or exempting the merger and (ii) the date of the receipt of the approval of the Palmetto shareholders to the merger.

To review what you will receive in the merger in greater detail, see "Proposal No. 1 — The Merger — The Merger Consideration" beginning on page 48.

Q:
What should I do now?

A:
After you have carefully read this document, vote by proxy over the internet, by telephone or through the mail. If you hold shares of Palmetto common stock in more than one account, you must vote all shares over the internet, by telephone or through the mail. If you vote over the internet or by telephone, you do not need to return any documents

through the mail.

If you vote using one of the methods described below, you will be designating Samuel L. Erwin and Lee S. Dixon as your proxies to vote your shares as you instruct. If you vote over the internet or by telephone or by signing and returning your proxy card without giving specific voting instructions, these individuals will vote your shares by following the recommendations of the Palmetto Board of Directors. If any other business properly comes before the special meeting, these individuals will vote on those matters in a manner they consider appropriate.

Registered Holder: You do not have to attend the special meeting to vote. The Palmetto Board of Directors is soliciting proxies so that you can vote before the special meeting. Even if you currently plan to attend the special meeting, we recommend that you vote by proxy before the special meeting so that

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your vote will be counted if you later decide not to attend. However, if you attend the special meeting and vote your shares by ballot, your vote at the special meeting will revoke any vote you submitted previously by proxy. If you are the record holder of your shares, there are three ways you can vote by proxy:

- By Internet: You may vote over the internet by going to www.proxyvote.com and following the instructions when prompted;

- By Telephone: You may vote by telephone by calling toll free 1-800-690-6903; or

- By Mail: You may vote by completing, signing, dating and returning the enclosed proxy card.

Street Holder: If your shares are held in street name, you may vote your shares before the special meeting by mail, by completing, signing, and returning the voting instruction form you received from your brokerage firm, bank or other similar entity. You should check your voting instruction form to see if any alternative method, such as internet or telephone voting, is available to you.

Q:
How can I elect stock, cash or both?

A:
You may indicate a preference to receive United common stock, cash or a combination of both in the merger by completing the stock/cash election form and letter of transmittal that you will receive under separate cover; provided, that the total merger consideration shall be prorated as necessary to ensure that 30% of the total outstanding shares of Palmetto common stock will be exchanged for cash and 70% of the total outstanding shares of Palmetto common stock will be exchanged for shares of United common stock. Accordingly, if the aggregate cash elections are greater than the cash election maximum, each cash election will be reduced pro rata based on the amount that the aggregate cash elections exceed the cash election maximum. Alternatively, if the aggregate stock elections are greater than the stock election maximum, each stock election will be reduced pro rata based on the amount that the aggregate stock elections exceed the stock election maximum. If the stock/cash election form and letter of transmittal is not received by the exchange agent by August 12, 2015, you will be treated as though you elected to receive all cash unless cash has been fully subscribed by the electing Palmetto shareholders, in which event you will be treated as if you elected all stock. Palmetto's Board of Directors makes no recommendation as to whether you should choose United common stock or cash or a combination of both for your shares of Palmetto common stock. You should consult with your own financial advisor on that decision.

Q:
What information should I consider?

A:
We encourage you to read carefully this entire document and the documents incorporated by reference herein. Among other disclosures, you should review the factors considered by each company's Board of Directors discussed in "Proposal No. 1 — The Merger — Background of the Merger" beginning on page 20 and "Proposal No. 1 — The Merger Reasons for the Merger and Recommendation of the Palmetto Board of Directors" beginning on page 29.

Q:
What are the tax consequences of the merger to me?

A:

We expect that the exchange of shares of Palmetto common stock for United common stock by Palmetto shareholders generally will be tax-free to you for federal income tax purposes. However, you will have to pay taxes at either capital gains or ordinary income rates, depending upon individual circumstances, on cash received in exchange for your shares of Palmetto common stock and in lieu of fractional shares of United common stock. To review the tax consequences to Palmetto shareholders in greater detail, see "Proposal No. 1 — The Merger — Material Federal Income Ta Consequences and Opinion of Tax Counsel" beginning on page 67. Your tax consequences will depend on your personal situation. You should consult your tax adviser for a full understanding of the tax consequences of the merger to you.

Q:
Should I send in my stock certificates now?

A:
Yes. You should complete the letter of transmittal included with the stock/cash election form that you will receive under separate cover to exchange your Palmetto stock certificates for the merger consideration. Please send the stock/cash election form and letter of transmittal and your stock certificates to Continental Stock Transfer and Trust Company, the exchange agent, in the envelope that was provided.

Q:
Who should I call with questions?

A:
You should call Roy D. Jones, Chief Financial Officer, Palmetto Bancshares, Inc., at (800) 725-2265.

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SUMMARY
This summary highlights material information from these materials regarding the proposed merger. For a more complete description of the terms of the proposed merger, you should carefully read this entire document and the documents incorporated by reference into this document. The Agreement and Plan of Merger, which is the legal document that governs the proposed merger, is in Appendix A to these materials. In addition, the sections entitled "Where You Can Find More Information", in the forepart of this document, and "Incorporation of Certain Documents By Reference", on page 78, contain references to additional sources of information about United and Palmetto.

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The Companies (see pages 72 and 76)

United Community Banks, Inc.
63 Highway 515
Blairsville, Georgia 30512
(706) 745-2151

United is the third largest bank holding company headquartered in Georgia. At March 31, 2015, United had total consolidated assets of $7.66 billion, total loans of $4.79 billion, total deposits of $6.44 billion and shareholders' equity of $764 million. United conducts substantially all of its operations through its wholly-owned Georgia bank subsidiary, United Community Bank (the "Bank"), which as of March 31, 2015, operated at 114 locations throughout north Georgia, the Atlanta-Sandy Springs-Roswell, Georgia metropolitan statistical area, the Gainesville, Georgia metropolitan statistical area, coastal Georgia, western North Carolina, east Tennessee and the Greenville-Anderson-Mauldin, South Carolina metropolitan statistical area. In 2012, United expanded into Greenville, South Carolina by opening a loan production office which has subsequently been converted to a full-service branch.

United's community banks offer a full range of retail and corporate banking services, including checking, savings and time deposit accounts, secured and unsecured loans, wire transfers, brokerage services and other financial services, and are led by local bank presidents and management with significant experience in, and ties to, their communities. Each of the local bank presidents has authority, alone or with other local officers, to make most credit decisions.

United also operates United Community Mortgage Services, a full-service retail mortgage lending operation approved as a seller/servicer for Fannie Mae and the Federal Home Mortgage Corporation, as a division of the Bank. The Bank owns an insurance agency, United Community Insurance Services, Inc., known as United Community Advisory Services. United also owns a captive insurance subsidiary, United Community Risk Management Services, Inc., that provides risk management services for United's subsidiaries. Another subsidiary of the Bank, United Community Payment Systems, LLC, provides payment processing services for the Bank's customers. Additionally, United provides retail brokerage services through a third party broker/dealer.

United was incorporated in 1987, as a Georgia corporation. The Bank was organized in 1950. United's principal executive offices are located at 125 Highway 515 East, Blairsville, Georgia 30512, and its telephone number is (706) 781-2265. Its website is http://www.ucbi.com. Information on United's website is not incorporated into this document by reference and is not a part hereof.

For a complete description of United's business, financial condition, results of operations and other important information, please refer to United's filings with the SEC that are incorporated by reference in this document, including its Annual Report on Form 10-K for the year ended December 31, 2014 and its quarterly report on Form 10-Q for the quarter ended March 31, 2015. For instructions on how to find copies of these documents, see "Where You Can Find More Information."

Palmetto Bancshares, Inc.
306 East North Street
Greenville, South Carolina 29601
(800) 725-2265

Palmetto Bancshares, Inc. is a South Carolina bank holding company organized in 1982 and headquartered in Greenville, South Carolina. At March 31, 2015, Palmetto had total consolidated assets of $1.17 billion, total deposits of $967 million and shareholders' equity of $136 million. Palmetto serves as the

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bank holding company for The Palmetto Bank ("Palmetto Bank"), which began operations in 1906. Through its retail, commercial and wealth management businesses, Palmetto Bank specializes in providing financial solutions to consumers and businesses with deposit and cash management products, loans (including consumer, Small Business Administration, commercial, corporate, mortgage, credit card and automobile), lines of credit, trust, brokerage, private banking, financial planning and insurance throughout its primary market area of nine counties located in the Upstate region of South Carolina, which includes the counties of Abbeville, Anderson, Cherokee, Greenville, Greenwood, Laurens, Oconee, Pickens and Spartanburg. Palmetto serves its customers through 25 branch locations primarily along the I-85 corridor. Palmetto also provides 24/7/365 service through various electronic mediums.

Palmetto Bank was organized in Laurens, South Carolina under South Carolina law in 1906 and relocated its headquarters to Greenville, South Carolina in 2009 with its operations center remaining in Laurens. Palmetto owns all of Palmetto Bank's common stock.

For a complete description of Palmetto's business, financial condition, results of operations and other important information, please refer to Palmetto's filings with the SEC that are incorporated by reference in this document, including its Annual Report on Form 10-K for the year ended December 31, 2014 and its quarterly report on Form 10-Q for the quarter ended March 31, 2015. For instructions on how to find copies of these documents, see "Where You Can Find More Information."

- The Merger Agreement (see page 51)

If Palmetto shareholders approve the merger agreement, subject to receipt of the required regulatory approvals and satisfaction of the other closing conditions, Palmetto will be merged with and into United. Unless adjusted pursuant to the terms of the merger agreement, Palmetto shareholders may elect to receive shares of United common stock or cash in exchange for each of their shares of Palmetto common stock in the merger on the following basis:

- 0.97 shares of United common stock for each share of Palmetto common stock; or

- $19.25 in cash, without interest, for each share of Palmetto common stock;

provided, that the total merger consideration shall be prorated as necessary to ensure that 30% of the total outstanding shares of Palmetto common stock will be exchanged for cash and 70% of the total outstanding shares of Palmetto common stock will be exchanged for shares of United common stock. You may elect any combination of stock or cash for all of your Palmetto shares. If the aggregate cash elections are greater than the maximum, all such cash elections will be subject to proration, and, if the aggregate stock elections are greater than the maximum, all such stock elections will be subject to proration.

You will also receive a cash payment, without interest, for the value of any fraction of a share of United common stock that you would otherwise be entitled to receive in an amount equal to such fractional part of a share of United common stock multiplied by the average of the closing sale prices of United common stock as reported on the NASDAQ Global Select Market during the 20 consecutive full trading days ending at the closing of trading on the trading day immediately prior to the later of (i) the effective date of the last required consent of any regulatory authority having authority over and approving or exempting the merger and (ii) the date of the receipt of the approval of the Palmetto shareholders to the merger.

Following the merger, Palmetto's subsidiary, Palmetto Bank, will be merged with and into the Bank, United's wholly-owned Georgia bank subsidiary, and the Bank will be the surviving bank.

Palmeto's Reasons for the Merger and Recomendation of the Palmetto Board of Directors (see page 29)

The Board of Directors of Palmetto supports the merger and believes that it is in the best interests of Palmetto and its shareholders. The Board of Directors of Palmetto believes that the merger will allow Palmetto to better serve its customers and markets and that the merger will permit Palmetto shareholders to have an equity interest in a resulting financial institution with greater financial resources, more significant economies of scale, and a larger shareholder base, which will increase the liquidity of the Palmetto shareholders' common stock. The Board of Directors believes that the terms of the merger are fair to and in the best interest of Palmetto and it shareholders.

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Accounting Treatment (see page 67)

The merger will be accounted for as a purchase of a business for financial reporting and accounting purposes under generally accepted accounting principles in the United States.

Conditions, Termination, and Effective Date (see pages 49, 51, 53 and 67)

The merger will not occur unless certain conditions are met, and United or Palmetto can terminate the merger agreement if specified events occur or fail to occur. Following the merger, Palmetto's subsidiary, The Palmetto Bank, will be merged into United's Georgia bank subsidiary, the Bank.

The merger and the bank merger have been approved by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the South Carolina State Board of Financial Institutions. As a result, we have received all required regulatory approvals other than the approval of the Department of Banking and Finance of the State of Georgia.

The closing of the merger will not occur until after the merger is approved by the Palmetto shareholders, the other conditions to closing have been satisfied and the certificate of merger is filed as required under Georgia law and South Carolina law.

Litigation Related to the Merger (see page 70)

A putative shareholder class action lawsuit, referred to as the merger litigation, was filed in connection with the merger agreement. Underwood v. Erwin et al., Case No. 2015-CP-23-03206, was filed on May 19, 2015 and amended on June 26, 2015, in the Court of Common Pleas of the State of South Carolina. This action generally alleged, among other things, that the members of the Palmetto Board of Directors breached their fiduciary duties to Palmetto shareholders by failing to maximize shareholder value and by failing to disclose certain information with respect to the proposed merger between Palmetto and United. The complaint also alleged claims against United for aiding and abetting these alleged breaches of fiduciary duties. The plaintiff sought injunctive relief prohibiting consummation of the merger and, in the event the merger is consummated, sought rescission and restitution, an accounting, and attorneys' fees and costs. The plaintiff voluntarily dismissed the complaint without prejudice on July 6, 2015. At this stage, it is not possible to predict whether any additional lawsuits will be filed and, if one is, the outcome of any such proceeding or its impact on United, Palmetto or the merger.

Federal Income Tax Consequences (see page 67)

Palmetto's shareholders generally will not recognize gain or loss for federal income tax purposes on the receipt of shares of United common stock in the merger in exchange for the shares of Palmetto common stock surrendered. Palmetto shareholders will be taxed, however, on any cash consideration they receive and any cash they receive instead of any fractional shares of United common stock. United shareholders will have no direct tax consequences as a result of the merger. Tax matters are complicated, and the tax consequences of the merger may vary among Palmetto shareholders. We urge each Palmetto shareholder to contact his or her own tax advisor to fully understand the tax implications of the merger.

Opinion of Palmetto's Financial Advisor (see page 32)

Sandler O'Neill + Partners, L.P. ("Sandler O'Neill") has rendered an opinion to Palmetto that based on and subject to the procedures, matters, and limitations described in its opinion and other matters it considered relevant, as of the date of its opinion, the merger consideration is fair from a financial point of view to the shareholders of Palmetto. A summary of Sandler O'Neill's opinion begins on page 32 and the full opinion is attached as Appendix B to these materials.

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Markets for Common Stock

United's common stock trades on the NASDAQ Global Select Market under the ticker symbol "UCBI". Palmetto's common stock trades on the NASDAQ Capital Market under the ticker symbol "PLMT". The following table sets forth, for the periods indicated, the high, low and closing sales prices per share of United's and Palmetto's common stock as quoted on NASDAQ.

	United Common Stock			Palmetto Common Stock		
	High	Low	Close	High	Low	Close
2015						
Third Quarter (through July 9, 2015)	$ 21.65	$ 20.54	$ 20.68	$ 20.00	$ 19.55	$ 19.68
Second Quarter	21.23	17.91	20.87	20.00	17.80	19.77
First Quarter	19.53	16.48	18.88	19.50	15.83	19.00
2014						
Fourth Quarter	19.50	15.16	18.94	18.77	14.02	16.70
Third Quarter	18.42	15.42	16.46	14.70	12.69	14.14
Second Quarter	19.87	14.86	16.37	14.78	13.27	14.39
First Quarter	20.28	15.74	19.41	14.52	11.92	14.09
2013						
Fourth Quarter	18.56	14.82	17.75	13.71	11.63	12.96
Third Quarter	16.04	12.15	14.99	13.85	11.43	13.04
Second Quarter	12.94	10.15	12.42	15.95	11.74	13.00
First Quarter	11.57	9.59	11.34	11.80	8.10	11.60

The closing sales price of United common stock as of April 21, 2015, the last trading day before the merger agreement was announced, was $18.49. The closing sales price of United common stock as of July 9, 2015, the most recent date feasible for inclusion in these materials, was $20.68. The closing sales price of Palmetto common stock as of April 21, 2015, the last trading day before the merger agreement was announced, was $18.93. The closing sales price of Palmetto common stock as of July 9, 2015, the most recent date feasible for inclusion in these materials, was $19.68. Assuming there is no adjustment in the merger consideration, if the merger had been completed on April 21, 2015, the implied value of one share of Palmetto common stock exchanged for 0.97 of a share of United common stock, would have been $17.94 based on United's closing sales price on that date. If the merger had been completed on July 9, 2015, the most recent date feasible for inclusion in these materials, the implied value of one share of Palmetto common stock exchanged for 0.97 of a share of United common stock, would have been $20.06.

The value of one share of Palmetto common stock exchanged for cash is fixed at $19.25.

There were 1,366 shareholders of record of Palmetto common stock as of July 8, 2015.

Dividends (see page 66)

United declared cash dividends of $0.05 per share of common stock, in the aggregate, in the first quarter of 2015 and $0.11 per share in 2014. No cash dividends were declared on United's common stock in 2013 or 2012. United intends to continue paying cash dividends, but the amount and frequency of cash dividends, if any, will be determined by United's Board of Directors after consideration of certain non-financial and financial factors including earnings, capital requirements, and the financial condition of United, and will depend on cash dividends paid to it by its subsidiary bank. The ability of United's subsidiary bank to pay dividends to it is restricted by certain regulatory requirements.

Palmetto declared cash dividends of $0.08 per share of common stock, in the aggregate, in the first quarter of 2015 and $0.10 per share in 2014. No cash dividends were declared on Palmetto's common stock in 2013 or 2012.

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Differences in Legal Rights between Shareholders of Palmetto and United (see page 63)

Following the merger you will no longer be a Palmetto shareholder and, if you receive shares of United common stock following the merger, your rights as a shareholder will no longer be governed by Palmetto's articles of incorporation and bylaws and the South Carolina Business Corporation Act. You will be a United shareholder, and your rights as a United shareholder will be governed by United's articles of incorporation and bylaws and the Georgia Business Corporation Code. Your former rights as a Palmetto shareholder and your new rights as a United shareholder are different in certain ways, including the following:

- The articles of incorporation of United authorize more shares of capital stock than the articles of incorporation of Palmetto.
- The bylaws of Palmetto set forth different requirements for calling special meetings of shareholders than do the bylaws of United.
- The bylaws of Palmetto set forth different advance notice requirements for shareholders proposals than do the bylaws of United.
- The bylaws of United provide that the number of directors may range between eight to fourteen directors while the bylaws of Palmetto do not limit the ability of its Board of Directors to set the number of directors.
- The articles of incorporation of Palmetto require for a staggered Board of Directors so that approximately one-third of the Board of Directors of Palmetto is elected each year at the annual meeting of shareholders, while the members of the Board of Directors of United are elected annually to serve one-year terms.
- The bylaws of Palmetto set forth different requirements for removal of directors than do the bylaws of United.
- The articles of incorporation of Palmetto require supermajority shareholder approval of certain business transactions while the articles of incorporation and bylaws of United do not provide any supermajority requirement.
- The bylaws of Palmetto permit only unanimous shareholder action taken by written consent while the bylaws of United require only the minimum number of votes necessary to authorize such action for shareholder action by written consent.
- The bylaws of Palmetto provide that the exclusive forum for certain legal proceedings is South Carolina while the bylaws of United provide that the exclusive forum for certain legal proceedings is Georgia.
- The articles of incorporation of Palmetto generally may be amended upon approval by two-thirds of the votes entitled to be cast on the amendment, while the articles of incorporation of United may be amended upon approval by a majority of the votes entitled to be cast on the amendment.

Interests of Directors and Officers of Palmetto and Palmetto Bank in the Merger (see page 59)

The directors and officers of Palmetto have interests in the merger in addition to their interests as shareholders generally, including the following:

- Each Palmetto stock option outstanding under the Palmetto 2011 Stock Incentive Plan, whether or not exercisable, will become vested and exercisable and converted into the right to receive a cash payment equal to the product of (i) the number of shares of Palmetto common stock underlying such Palmetto stock option by (ii) the weighted average merger consideration per Palmetter share (as calculated under the merger agreement) less the exercise price per share under such stock option, subject to any income or employment tax withholding required under the Internal Revenue Code of 1986, as amended.

- Each outstanding share of Palmetto restricted stock will vest at the merger effective time and be converted into the merger consideration.

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- At the closing of the merger, Samuel L. Erwin, Chief Executive Officer of Palmetto, and Lee S. Dixon, Chief Operating and Chief Risk Officer of Palmetto, will continue employment with the Bank.

- Employment agreements between Palmetto and each of Mr. Erwin and Mr. Dixon provide for change in control compensation upon the completion of the merger.

- United will indemnify and provide liability insurance to the present directors and officers of Palmetto and Palmetto Bank for a period of six years following the closing of the merger with respect to acts or omissions occurring prior to merger.

No Dissenters' Rights in the Merger (see page 67)

Palmetto shareholders are not entitled to appraisal or dissenters' rights under South Carolina law in connection with the merger because Palmetto common stock was listed on the NASDAQ Capital Market on the record date for the special meeting.

- Special Shareholders' Meeting

Date, Time, and Place

The special meeting of shareholders of Palmetto will be held on August 12, 2015 at 11:00 a.m., at the main office of Palmetto Bank, 306 East North Street, Greenville, South Carolina 29601. At the special meeting, Palmetto shareholders will be asked to:

- approve the merger agreement and the transactions contemplated by the merger agreement, including the merger;

- approve, on a non-binding advisory basis, the compensation that certain executive officers of Palmetto will receive under existing agreements or arrangements with Palmetto in connection with the merger; and

- approve the adjournment or postponement of the special meeting, if necessary or appropriate, including to solicit additional proxies to approve the merger agreement and the merger.

Record Date and Shares Entitled to Vote

You are entitled to vote at the shareholders' meeting if you owned shares of Palmetto common stock on July 8, 2015. As of this date, 12,813,442 shares of Palmetto common stock were outstanding and entitled to vote at the special meeting.

Support Agreements

All of the directors and 10% or greater shareholders of Palmetto have agreed to vote their shares in favor of the merger agreement; provided that such voting support agreements terminate in the event that the Palmetto Board of Directors withdraws its recommendation in favor of the merger or approves or recommends an acquisition proposal from another party. As of the record date, Palmetto's directors and 10% or greater shareholders owned 8,406,885 shares, or 65.6%, of outstanding Palmetto common stock (excluding shares underlying options).

Vote Required (see page 55)

As of the record date, 12,813,442 shares of Palmetto common stock were issued and outstanding, each of which is entitled to one vote per share.

Approval by holders of two-thirds of the shares of Palmetto common stock outstanding on the record date is required to approve the merger agreement. Your failure to vote your shares (including your failure to instruct your broker to vote your shares) or your abstaining from voting will have the same effect as a vote against the merger agreement. The Palmetto Board of Directors has unanimously adopted and approved the merger agreement and unanimously recommends that Palmetto shareholders vote “FOR” the approval of the merger agreement.

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As referenced above, all of the directors and 10% or greater shareholders of Palmetto have agreed to vote their shares in favor of the merger agreement; provided that such voting support agreements terminate in the event that the Palmetto Board of Directors withdraws its recommendation in favor of the merger or approves or recommends an acquisition proposal from another party. As of the record date, Palmetto's directors and 10% or greater shareholders owned 8,406,885 shares, or 65.6%, of outstanding Palmetto common stock (excluding shares underlying options).

The approval, on a non-binding advisory basis, of the proposal regarding compensation that certain executive officers of Palmetto will receive under existing agreements or arrangements with Palmetto in connection with the merger requires that the number of votes cast at the special meeting, in person or by proxy, in favor of the proposal exceeds the number of votes cast against the proposal. The Palmetto Board of Directors unanimously recommends that Palmetto shareholders vote "FOR" the approval of the compensation payable under existing agreements that certain of its officers will receive from Palmetto in connection with the merger.

Approval of the merger agreement and approval of the compensation payable under existing agreements that certain Palmetto officers will receive in connection with the merger are subject to separate votes of the Palmetto shareholders, and approval of the compensation is not a condition to completion of the merger.

The approval of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, including to solicit additional proxies to approve the merger agreement requires that the number of votes cast at the special meeting, in person or by proxy, in favor of the proposal exceeds the number of votes cast against the proposal. The Palmetto Board of Directors unanimously recommends that shareholders vote "FOR" this proposal.

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF UNITED

We are providing the following information to help you analyze the financial aspects of the merger. The following tables set forth summary historical operations and financial condition data and summary performance, asset quality and other information of United at and for the periods indicated. You should read this data in conjunction with United's Consolidated Financial Statements and notes thereto incorporated herein by reference from United's Annual Report on Form 10-K for the year ended December 31, 2014 and United's quarterly report on Form 10-Q for the quarter ended March 31, 2015. Financial amounts as of and for the three months ended March 31, 2015 and 2014 are unaudited and are not necessarily indicative of the results of operations for the full year or any other interim period, and management of United believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated. You should not assume the results of operations for past years and for the three months ended March 31, 2015 and 2014 indicate results for any future period. United's "net operating income" is determined by methods other than in accordance with generally accepted accounting principles ("GAAP"). Please see the following "GAAP Reconciliation and Explanation" below for a reconciliation of the difference between United's non-GAAP net operating income and its GAAP net income.

	At or for the Three Months Ended March 31,		For the Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
	(in thousands, except per share data; taxable equivalent)						
INCOME SUMMARY							
Net interest revenue	$ 57,617	$ 54,169	$ 224,418	$ 219,641	$ 229,758	$ 238,670	$ 244,637
Operating provision for credit losses(1)	1,800	2,500	8,500	65,500	62,500	251,000	234,750
Operating fee revenue	15,682	12,176	55,554	56,598	56,112	44,907	46,963
Total operating revenue(1)	71,499	63,845	271,472	210,739	223,370	32,577	56,850
Operating expenses(2)	43,061	39,050	162,865	174,304	186,774	261,599	242,952
Loss on sale of nonperforming assets	—	—	—	—	—	—	45,349
Operating income (loss) from continuing operations before taxes	28,438	24,795	108,607	36,435	36,596	(229,022)	(231,451)
Operating income taxes	10,768	9,395	40,987	(236,705)	2,740	(2,276)	73,218
Net operating income (loss) from continuing operations	17,670	15,400	67,620	273,140	33,856	(226,746)	(304,669)

Noncash goodwill impairment charges	—	—	—	—	—	—	(210,590)
Fraud loss provision and subsequent recovery, net of tax benefit	—	—	—	—	—	—	11,750
Net income (loss) from discontinued operations	—	—	—	—	—	—	(101)
Gain from sale of subsidiary, net of income taxes and selling costs	—	—	—	—	—	—	1,266
Net income (loss)	17,670	15,400	67,620	273,140	33,856	(226,746)	(502,344)
Preferred dividends and discount accretion	—	439	439	12,078	12,148	11,838	10,316
Net income (loss) available to common shareholders	$ 17,670	$ 14,961	$ 67,181	$ 261,062	$ 21,708	$ (238,584)	$ (512,660)
PERFORMANCE MEASURES							
Per common share:							
Diluted operating earnings (loss) from continuing operations(1)(2)	.29	.25	$ 1.11	$ 4.44	$ .38	$ (5.97)	$ (16.64)
Diluted earnings (loss) from continuing operations	.29	.25	1.11	4.44	.38	(5.97)	(27.15)
Diluted earnings (loss)	.29	.25	1.11	4.44	.38	(5.97)	(27.09)
Cash dividends declared	.05	—	.11	—	—	—	—
Book value	12.58	11.66	12.20	11.30	6.67	6.62	15.40
Tangible book value(4)	12.53	11.63	12.15	11.26	6.57	6.47	14.80
Key performance ratios:							
Return on common equity(3)	9.34%	8.64%	9.17%	46.72%	5.43%	(93.57)%	(85.08)%

Return on assets	.94	.85	.91	3.86	.49	(3.15)	(6.61)
Dividend payout ratio	17.24	—	9.91	—	—	—	—
Net interest margin	3.31	3.21	3.26	3.30	3.51	3.52	3.59
Operating efficiency ratio from continuing operations(2)	59.15	59.05	58.26	63.14	65.43	92.27	98.98
Average equity to average assets	9.86	9.52	9.69	10.35	8.47	7.75	10.77
Average tangible equity to average assets(4)	9.82	9.50	9.67	10.31	8.38	7.62	8.88

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	At or for the Three Months Ended March 31,		For the Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
	(in thousands, except per share data; taxable equivalent)						
Average tangible common equity to average assets(4)	9.82	9.22	9.60	7.55	5.54	3.74	6.52
Tangible common equity to risk-weighted assets(4)	13.53	13.63	13.82	13.17	8.26	8.25	5.64
ASSET QUALITY*							
Non-performing loans	$ 19,015	$ 25,250	$ 17,881	$ 26,819	$ 109,894	$ 127,479	$ 179,094
Foreclosed properties	1,158	5,594	1,726	4,221	18,264	32,859	142,208
Total non-performing assets (NPAs)	20,173	30,844	19,607	31,040	128,158	160,338	321,302
Allowance for loan losses	70,007	75,223	71,619	76,762	107,137	114,468	174,695
Operating net charge-offs(1)	2,562	4,039	13,879	93,710	69,831	311,227	215,657
Allowance for loan losses to loans	1.46%	1.73%	1.53%	1.77%	2.57%	2.79%	3.79%
Operating net charge-offs to average loans(1)	.22	.38	.31	2.22	1.69	7.33	4.42
NPAs to loans and foreclosed properties	.42	.71	.42	.72	3.06	3.87	6.77
NPAs to total assets	.26	.42	.26	.42	1.88	2.30	4.42
AVERAGE BALANCES ($ in millions)							
Loans	$ 4,725	$ 4,356	$ 4,450	$ 4,254	$ 4,166	$ 4,307	$ 4,961
Investment securities	2,203	2,320	2,274	2,190	2,089	1,999	1,453
Earning assets	7,070	6,827	6,880	6,649	6,547	6,785	6,822

Total assets	7,617	7,384	7,436	7,074	6,865	7,189	7,605
Deposits	6,369	6,197	6,228	6,027	5,885	6,275	6,373
Shareholders' equity	751	703	720	732	582	557	819
Common shares – Basic (thousands)	60,905	60,059	60,588	58,787	57,857	39,943	18,925
Common shares – Diluted (thousands)	60,909	60,061	60,590	58,845	57,857	39,943	18,925
AT PERIOD END ($ in millions)							
Loans*	$ 4,788	$ 4,356	$ 4,672	$ 4,329	$ 4,175	$ 4,110	$ 4,604
Investment securities	2,201	2,302	2,198	2,312	2,079	2,120	1,490
Total assets	7,664	7,398	7,567	7,425	6,802	6,983	7,276
Deposits	6,438	6,248	6,327	6,202	5,952	6,098	6,469
Shareholders' equity	764	704	740	796	581	575	469
Common shares outstanding (thousands)	60,309	60,092	60,259	59,432	57,741	57,561	18,937

(1)
Excludes the subsequent recovery of $11.8 million in previously recognized fraud related loan losses in 2010.

(2)
Excludes goodwill impairment charge of $211 million in 2010.

(3)
Net income (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).

(4)
Excludes effect of acquisition related intangibles and associated amortization.

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

GAAP Reconciliation and Explanation

This document and the documents incorporated by reference into this document include 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, total operating revenue, operating expense, tangible book value per share, 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.

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The following is a reconciliation of these operating performance measures to GAAP performance measures.

	At or for the Three Months Ended March 31,		For the Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
	(in thousands, except per share data)						
Interest revenue reconciliation							
Interest revenue – taxable equivalent	$ 62,909	$ 60,495	$ 249,969	$ 247,323	$ 267,667	$ 304,308	$ 344,493
Taxable equivalent adjustment	(375)	(357)	(1,537)	(1,483)	(1,690)	(1,707)	(2,001)
Interest revenue (GAAP)	$ 62,534	$ 60,138	$ 248,432	$ 245,840	$ 265,977	$ 302,601	$ 342,492
Net interest revenue reconciliation							
Net interest revenue – taxable equivalent	$ 57,617	$ 54,169	$ 224,418	$ 219,641	$ 229,758	$ 238,670	$ 244,637
Taxable equivalent adjustment	(375)	(357)	(1,537)	(1,483)	(1,690)	(1,707)	(2,001)
Net interest revenue (GAAP)	$ 57,242	$ 53,812	$ 222,881	$ 218,158	$ 228,068	$ 236,963	$ 242,636
Provision for credit losses reconciliation							
Operating provision for credit losses	$ 1,800	$ 2,500	$ 8,500	$ 65,500	$ 62,500	$ 251,000	$ 234,750
Partial recovery of special fraud-related loan loss	—	—	—	—	—	—	(11,750)
Provision for credit losses (GAAP)	$ 1,800	$ 2,500	$ 8,500	$ 65,500	$ 62,500	$ 251,000	$ 223,000
Total revenue reconciliation							
	$ 71,499	$ 63,845	$ 271,472	$ 210,739	$ 223,370	$ 32,577	$ 56,850

Total operating revenue							
Taxable equivalent adjustment	(375)	(357)	(1,537)	(1,483)	(1,690)	(1,707)	(2,001)
Partial recovery of special fraud-related loan loss	—	—	—	—	—	—	11,750
Total revenue (GAAP)	$ 71,124	$ 63,488	$ 269,935	$ 209,256	$ 221,680	$ 30,870	$ 66,599
Expense reconciliation							
Operating expense	$ 43,061	$ 39,050	$ 162,865	$ 174,304	$ 186,774	$ 261,599	$ 288,301
Noncash goodwill impairment charge	—	—	—	—	—	—	210,590
Operating expense (GAAP)	$ 43,061	$ 39,050	$ 162,865	$ 174,304	$ 186,774	$ 261,599	$ 498,891
Income before taxes reconciliation							
Income before taxes	$ 28,438	$ 24,795	$ 108,607	$ 36,435	$ 36,596	$ (229,022)	$ (231,451)
Taxable equivalent adjustment	(375)	(357)	(1,537)	(1,483)	(1,690)	(1,707)	(2,001)
Noncash goodwill impairment charge	—	—	—	—	—	—	(210,590)
Partial recovery of special fraud-related loan loss	—	—	—	—	—	—	11,750
Income before taxes (GAAP)	$ 28,063	$ 24,438	$ 107,070	$ 34,952	$ 34,906	$ (230,729)	$ (432,292)
Income tax expense (benefit) reconciliation							
Income tax expense (benefit)	$ 10,768	$ 9,395	$ 40,987	$ (236,705)	$ 2,740	$ (2,276)	$ 73,218

Taxable equivalent adjustment	(375)	(357)	(1,537)	(1,483)	(1,690)	(1,707)	(2,001)
Income tax expense (benefit) (GAAP)	$ 10,393	$ 9,038	$ 39,450	$ (238,188)	$ 1,050	$ (3,983)	$ 71,217
Diluted earnings (loss) from continuing operations per common share reconciliation							
Diluted operating earnings (loss) from continuing operations per common share	$ .29	$ .25	$ 1.11	$ 4.44	$ .38	$ (5.97)	$ (16.64)
Noncash goodwill impairment charge	—	—	—	—	—	—	(11.13)
Partial recovery of special fraud-related loan loss	—	—	—	—	—	—	.62
Diluted earnings (loss) from continuing operations per common share (GAAP)	$ .29	$ .25	$ 1.11	$ 4.44	$ .38	$ (5.97)	$ (27.15)
Book value per common share reconciliation							
Tangible book value per common share	$ 12.53	$ 11.63	$ 12.15	$ 11.26	$ 6.57	$ 6.47	$ 14.80
Effect of goodwill and other intangibles	.05	.03	.05	.04	.10	.15	.60
Book value per common share	$ 12.58	$ 11.66	$ 12.20	$ 11.30	$ 6.67	$ 6.62	$ 15.40

(GAAP)							
Efficiency ratio from continuing operations reconciliation							
Operating efficiency ratio from continuing operations	59.15%	59.05%	58.26%	63.14%	65.43%	92.27%	98.98%
Noncash goodwill impairment charge	—	—	—	—	—	—	72.29
Efficiency ratio from continuing operations (GAAP)	59.15%	59.05%	58.26%	63.14%	65.43%	92.27%	171.27%
Average equity to assets reconciliation							
Tangible common equity to assets	9.82%	9.22%	9.60%	7.55%	5.54%	3.74%	6.52%
Effect of preferred equity	—	.28	.07	2.76	2.84	3.88	2.36
Tangible equity to assets	9.82	9.50	9.67	10.31	8.38	7.62	8.88
Effect of goodwill and other intangibles	.04	.02	.02	.04	.09	.13	1.89
Equity to assets (GAAP)	9.86%	9.52%	9.69%	10.35%	8.47%	7.75%	10.77%

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	At or for the Three Months Ended March 31,		For the Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
	(in thousands, except per share data)						
Tangible common equity to risk-weighted assets reconciliation							
Tangible common equity to risk-weighted assets	13.53%	13.63%	13.82%	13.18%	8.26%	8.25%	5.64%
Effect of other comprehensive income	.19	.36	.35	.39	.51	(.03)	(.42)
Effect of deferred tax limitation	(2.86)	(3.92)	(3.11)	(4.26)	—	—	—
Effect of trust preferred	.67	1.03	1.00	1.04	1.15	1.18	1.06
Effect of preferred equity	—	—	—	2.39	4.24	4.29	3.53
Tier I capital ratio (Regulatory)	11.53%	11.10%	12.06%	12.74%	14.16%	13.69%	9.81%
Net charge-offs reconciliation							
Operating net charge-offs	$ 2,562	$ 4,039	$ 13,878	$ 93,710	$ 69,831	$ 311,227	$ 215,657
Subsequent partial recovery of fraud-related charge-off	—	—	—	—	—	—	(11,750)
Net charge-offs (GAAP)	$ 2,562	$ 4,039	$ 13,878	$ 93,710	$ 69,831	$ 311,227	$ 203,907
Net charge-offs to average loans reconciliation							
Operating net charge-offs to	.22%	.38%	.31%	2.22%	1.69%	7.33%	4.42%

average loans							
Subsequent partial recovery of fraud-related charge-off	—	—	—	—	—	—	(.25)
Net charge-offs to average loans (GAAP)	.22%	.38%	.31%	2.22%	1.69%	7.33%	4.17%

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF PALMETTO

We are providing the following information to help you analyze the financial aspects of the merger. The following tables set forth summary historical operations and financial condition data and summary performance, asset quality and other information of Palmetto at and for the periods indicated. You should read this data in conjunction with Palmetto's Consolidated Financial Statements and notes thereto incorporated herein by reference from Palmetto's Annual Report on Form 10-K for the year ended December 31, 2014 and Palmetto's quarterly report on Form 10-Q for the quarter ended March 31, 2015. Financial amounts as of and for the three months ended March 31, 2015 and 2014 are unaudited and are not necessarily indicative of the results of operations for the full year or any other interim period, and management of Palmetto believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated. You should not assume the results of operations for past years and for the three months ended March 31, 2015 and 2014 indicate results for any future period.

	At and for the Three Months Ended March 31,		At and for the Years Ended December 31,			
	2015	2014	2014	2013	2012	2011
	(in thousands, except per share data)					
STATEMENTS OF INCOME						
Interest income	$ 9,986	$ 10,076	$ 39,650	$ 42,538	$ 45,390	$ 51,818
Interest expense	134	143	523	2,260	5,138	9,426
Net interest income	9,852	9,933	39,127	40,278	40,252	42,392
Provision for loan losses	400	—	(2,300)	3,465	13,075	20,500
Net interest income (loss) after provision for loan losses	9,452	9,933	41,427	36,813	27,177	21,892
Noninterest income	3,541	3,366	13,538	14,836	27,030	15,426
Noninterest expense	8,794	10,089	40,141	42,333	53,350	63,382
Net income (loss) before provision (benefit) for income taxes	4,199	3,210	14,824	9,316	857	(26,064)
Provision (benefit) for income taxes	1,467	1,182	5,469	(18,415)	2,721	(2,664)
Net income (loss)	$ 2,732	$ 2,028	$ 9,355	$ 27,731	$ (1,864)	$ (23,400)

COMMON AND PER SHARE DATA						
Net income (loss) per common share:						
Basic	$ 0.21	$ 0.16	$ 0.73	$ 2.17	$ (0.15)	$ (1.86)
Diluted	0.21	0.16	0.73	2.17	(0.15)	(1.86)
Cash dividends declared per common share	0.08	—	0.10	—	—	—
Book value per common share	10.62	9.92	10.39	9.68	7.71	8.13
Outstanding common shares	12,814,574	12,792,509	12,810,388	12,784,605	12,754,045	12,726,388
Weighted average basic common shares	12,715,972	12,675,257	12,696,777	12,658,752	12,639,379	12,555,247
Weighted average diluted common shares	12,851,076	12,707,444	12,761,885	12,658,752	12,639,379	12,555,247
Dividend payout ratio	37.5%	n/a%	13.67%	n/a%	n/a%	n/a%
PERIOD-END BALANCES						
Total assets	$ 1,173,222	$ 1,099,407	$ 1,118,811	$ 1,090,229	$ 1,145,456	$ 1,203,152
Investment securities available for sale, at fair value	211,968	208,772	211,511	214,383	264,502	260,992
Total loans, including loans held for sale	835,629	758,352	806,184	769,235	745,172	791,384
Deposits and retail repurchase agreements	980,139	945,352	944,241	925,535	1,038,599	1,088,039
Federal Home Loan Bank advances	50,000	20,000	35,000	35,000	—	—
Shareholders' equity	136,028	126,952	133,044	123,817	98,380	103,482

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	At and for the Three Months Ended March 31,		At and for the Years Ended December 31,				
	2015	2014	2014	2013	2012	2011	201
	(in thousands, except per share data)						
AVERAGE BALANCES							
Total assets	$ 1,141,944	$ 1,094,578	$ 1,096,282	$ 1,095,363	$ 1,174,974	$ 1,286,148	$ 1
Interest-earning assets	1,075,115	1,023,513	1,028,853	1,047,513	1,122,935	1,240,264	1
Investment securities available for sale, at fair value	210,892	212,186	210,748	248,698	269,237	265,451	1
Total loans, including loans held for sale	814,489	764,526	761,515	749,138	758,207	826,091	9
Deposits and retail repurchase agreements	952,906	931,828	949,372	979,911	1,064,245	1,160,197	1
Federal Home Loan Bank advances	48,057	31,222	12,205	425	1	2,027	9
Other borrowings	—	54	16	159	30	11	1
Shareholders' equity	134,186	125,664	129,572	106,408	100,018	113,147	8
SELECT PERFORMANCE RATIOS							
Return on average assets	0.97%	0.75%	0.85%	2.53%	(0.16)%	(1.82)%	(
Return on average shareholders' equity	8.26	6.54	7.22	26.06	(1.86)	(20.68)	(
Net interest margin	3.72	3.94	3.80	3.85	3.58	3.42	3
CAPITAL RATIOS							
Average shareholders' equity as a percentage of average assets	11.75%	11.48%	11.82%	9.71%	8.51%	8.80%	6
Shareholders' equity as a	11.59	11.55	11.89	11.36	8.59	8.60	8

percentage of assets							
Tier 1 risk-based capital	14.37	14.82	15.00	14.24	13.16	12.22	1
Total risk-based capital	15.63	16.08	16.26	15.49	14.42	13.49	1
Tier 1 leverage	11.86	11.37	12.15	11.03	9.18	8.59	8
ASSET QUALITY INFORMATION							
Allowance for loan losses	$ 12,914	$ 16,243	$ 12,920	$ 16,485	$ 17,825	$ 25,596	$ 2
Nonaccrual loans	10,362	14,035	12,463	15,108	15,848	53,028	9
Nonperforming assets	16,139	21,538	18,447	22,653	26,840	80,852	1
Loans 90 days past due and still accruing interest	233	—	238	—	—	—	6
Net loans charged-off	406	242	1,265	4,805	20,846	21,838	4
Allowance for loan losses as a percentage of gross loans	1.55%	2.15%	1.60%	2.15%	2.41%	3.31%	3
Nonaccrual loans and loans 90 days past due and still accruing interest as a percentage of gross loans	1.27	1.86	1.58	1.97	2.14	6.73	1
Nonperforming assets and loans 90 days past due and still accruing interest as a percentage of total assets	1.40	1.96	1.67	2.08	2.34	6.72	8
Net loans charged-off as a percentage of average gross loans	0.20	0.13	0.17	0.64	2.80	2.82	4
OTHER DATA							
Number of full-service	25	25	25	25	25	29	2

branches							
Number of full-time equivalent teammates	290.3	305.0	285.8	301.5	322.5	351.5	3

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COMPARATIVE PER COMMON SHARE DATA

The following table shows per common share data regarding basic and diluted earnings, cash dividends and book value for (i) United and Palmetto on a historical basis, (ii) United and Palmetto on a pro forma combined basis, and (iii) Palmetto on a pro forma equivalent basis. The pro forma information has been derived from and should be read in conjunction with United's and Palmetto's audited consolidated financial statements for the year ended December 31, 2014 and quarter ended March 31,2015 incorporated herein by reference. This information is presented for illustrative purposes only. You should not rely on the pro forma combined or pro forma equivalent amounts as they are not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the dates indicated, nor are they necessarily indicative of the future operating results or financial position of the combined company. The pro forma information, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings, opportunities to earn additional revenue, the impact of restructuring and merger-related costs, or other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results.

Unaudited Comparative Per Common Share Data

	United	Palmetto	United Pro Forma Combined	Palmetto Pro Forma Equivalent Per Share(1)
Basic Earnings				
Year ended December 31, 2014	$ 1.11	$ 0.73	$ 1.08	$ 1.05
Three months ended March 31, 2015	$ 0.29	$ 0.21	$ 0.27	$ 0.26
Diluted Earnings				
Year ended December 31, 2014	$ 1.11	$ 0.73	$ 1.08	$ 1.05
Three months ended March 31, 2015	$ 0.29	$ 0.21	$ 0.27	$ 0.26
Cash Dividends Declared(2)				
Year ended December 31, 2014	$ 0.11	$ 0.10	$ 0.11	$ 0.11
Three months ended March 31, 2015	$ 0.05	$ 0.08	$ 0.05	$ 0.05
Book Value				
December 31, 2014	$ 12.20	$ 10.39	$ 11.52	$ 11.18
March 31, 2015	$ 12.58	$ 10.62	$ 11.90	$ 11.54

(1)
Computed by multiplying the United pro forma combined amounts by the exchange ratio of 0.97.

(2)
United pro forma combined cash dividends paid are based only upon United's historical amounts.

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RISK FACTORS

In addition to the other information, including risk factors, incorporated by reference herein from United's and Palmetto's Annual Reports on Form 10-K for the year ended December 31, 2014, you should carefully read and consider the following factors in evaluating the merger and in deciding whether to elect to receive cash, shares of United common stock or some combination thereof in the merger.

Because the market price of United common stock will fluctuate, Palmetto shareholders electing to receive stock cannot be sure of the value of the merger consideration they will receive.

Upon completion of the merger, each share of Palmetto common stock will be converted into the merger consideration consisting of shares of United common stock or cash. The market value of the merger consideration received by Palmetto shareholders who receive all or part of the merger consideration in the form of United shares will vary with the price of United's common stock. United's stock price changes daily as a result of a variety of other factors in addition to the business and relative prospects of United, including general market and economic conditions, industry trends, and the regulatory environment. These factors are beyond United's control.

Palmetto shareholders may receive a form of consideration different from what they elect.

Although each Palmetto shareholder may elect to receive all cash or all stock, the total merger consideration shall be prorated as necessary to ensure that 30% of the total outstanding shares of Palmetto common stock will be exchanged for cash and 70% of the total outstanding shares of Palmetto common stock will be exchanged for shares of United common stock. Accordingly, if the aggregate cash elections are greater than the maximum, each cash election will be reduced pro rata based on the amount that the aggregate cash elections exceed the cash election maximum. Alternatively, if the aggregate stock elections are greater than the maximum, each stock election will be reduced pro rata based on the amount that the aggregate stock elections exceed the stock election maximum.

For example, if you elect to receive cash for 1,000 shares of Palmetto common stock and the aggregate cash elections exceed by 10% the cash election maximum (which cash election maximum figure would be 3,844,372 assuming that there are 5,491,960 shares of Palmetto common stock outstanding at the time of the merger), the shares for which you will be paid cash will be reduced to the number determined by dividing your cash election shares by the aggregate cash election shares and multiplying that quotient by the 3,844,372 cash election maximum. This proration will result in you receiving cash for 909 of your Palmetto shares and being treated as if you had elected to receive United common stock for your remaining 91 shares.

At the time you vote with respect to the merger agreement, you will not know how much cash or the number of United shares you will receive as a result of the merger.

Palmetto's officers and directors have interests in the merger in addition to or different from the interests that they share with you as a Palmetto shareholder.

The Board of Directors approved the merger agreement and is recommending that Palmetto shareholders vote for the merger agreement. In considering these facts and the other information contained in these materials, you should be aware that certain of Palmetto's executive officers and directors have economic interests in the merger that are different from or in addition to the interests that they share with you as a Palmetto shareholder. These interests include, upon the completion of the merger, the payment of certain amounts to Mr. Erwin and Mr. Dixon under existing employment agreements, the cash-out of vested and unvested Palmetto stock options granted under the Palmetto 2011 Stock Incentive Plan, and the acceleration of vesting of outstanding Palmetto restricted common stock, as well as the employment of two Palmetto executive officers by United following completion of the merger. See "Proposal No. 1 — The Merger — Interests of the Directors and Officers of Palmetto in the Merger" on page 59.

United may be unable to successfully integrate The Palmetto Bank's operations and retain its key employees.

The merger involves the integration of two companies that previously operated independently. The difficulties of combining the companies' operations include integrating personnel, departments, systems, operating procedures and information technologies and retaining key employees. Failures in integrating

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operations or the loss of key personnel could have a material adverse effect on the business and results of operations of the combined company.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

Before the transactions contemplated by the merger agreement, including the merger and the bank merger, may be completed, various approvals must be obtained from bank regulatory authorities. These governmental entities may impose conditions on the granting of such approvals. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying completion of the merger or of imposing additional costs or limitations on United following the merger. The regulatory approvals may not be received at all, may not be received in a timely fashion, and may contain conditions on the completion of the merger that are not anticipated or cannot be met. If the consummation of the merger is delayed, including by a delay in receipt of necessary governmental approvals, the business, financial condition and results of operations of each company may also be materially adversely affected.

If the merger is not completed, United common stock and Palmetto common stock could be materially adversely affected.

The merger is subject to customary conditions to closing, including the approval of the Palmetto shareholders. In addition, United and Palmetto may terminate the merger agreement under certain circumstances. If United and Palmetto do not complete the merger, the market price of United common stock or Palmetto common stock may fluctuate to the extent that the current market prices of those shares reflect a market assumption that the merger will be completed. Further, whether or not the merger is completed, United and Palmetto will also be obligated to pay certain investment banking, legal and accounting fees and related expenses in connection with the merger, which could negatively impact results of operations when incurred. In addition, neither company would realize any of the expected benefits of having completed the merger. If the merger is not completed, United and Palmetto cannot assure their respective shareholders that additional risks will not materialize or not materially adversely affect the business, results of operations and stock prices of United and Palmetto.

The termination fee contained in the merger agreement may discourage other companies from trying to acquire Palmetto.

Palmetto has agreed to pay a termination fee of $7.5 million to United if, under certain circumstances, the merger agreement is terminated and, at the time of termination, a competing offer is outstanding or such offer has been accepted by Palmetto. This fee could discourage other companies from trying to acquire Palmetto.

Palmetto shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

Palmetto shareholders currently have the right to vote in the election of the Palmetto Board of Directors and on other matters affecting Palmetto. Upon the completion of the merger, each Palmetto shareholder receiving shares of United common stock in accordance with the merger agreement will be a shareholder of United with a percentage ownership of United that is smaller than such shareholder’s current percentage ownership of Palmetto. It is currently expected that the former shareholders of Palmetto as a group will receive shares in the merger constituting approximately 14.0% of the outstanding shares of United’s common stock immediately after the merger. Because of this, Palmetto shareholders will have less influence on the management and policies of United than they now have on the management and policies of Palmetto.

In connection with the announcement of the merger agreement, a lawsuit is pending, seeking, among other things, to enjoin the merger, and an adverse judgment in this lawsuit may prevent the merger from becoming effective within the expected time frame (if at all).

A putative shareholder class action lawsuit, referred to as the merger litigation, was filed in connection with the merger agreement. Underwood v. Erwin et al., Case No. 2015-CP-23-03206, was filed on May 19, 2015. and amended on June 26, 2015, in the Court of Common Pleas of the State of South Carolina. This

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action generally alleged, among other things, that the members of the Palmetto Board of Directors breached their fiduciary duties to Palmetto shareholders by failing to maximize shareholder value and by failing to disclose certain information with respect to the proposed merger between Palmetto and United. The complaint also alleged claims against United for aiding and abetting these alleged breaches of fiduciary duties. The plaintiff sought injunctive relief prohibiting consummation of the merger, and, in the event the merger is consummated, sought rescission and restitution, an accounting and attorneys' fees and costs. The plaintiff voluntarily dismissed the complaint without prejudice on July 6, 2015. At this stage, it is not possible to predict whether any additional lawsuits will be filed and, if one is, the outcome of any such proceeding or its impact on United, Palmetto or the merger. If a plaintiff is successful in enjoining the consummation of the merger, a lawsuit may prevent the merger from becoming effective within the expected time frame (if at all). Furthermore, the defense or settlement of a lawsuit may adversely affect United's business, financial condition, results of operations and cash flows following the completion of the merger.

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PROPOSAL NO. 1 — THE MERGER

Background of the Merger

As part of its ongoing consideration and evaluation of its long-term prospects and strategies, since the recapitalization of Palmetto in 2010 Palmetto's Board of Directors and senior management have regularly reviewed and assessed its business strategies and objectives, all with the goal of enhancing long term value for its shareholders. The Board of Directors' reviews and assessments have included discussions regarding strategic alternatives, including capital planning (such as share repurchases and dividends), earnings improvement (such as revenue increases and expense reductions), and growth strategies (such as organic growth and mergers and acquisitions). The Board of Directors has conducted periodic strategic planning meetings that have included the use of outside advisors who have provided reviews of factors influencing the banking industry generally and Palmetto in particular (including the economic, interest rate and regulatory environment); the competitive landscape of community banking participants in South Carolina, the Southeast region and nationally; public trading prices of bank stocks; and bank merger and acquisition activity and valuations. These strategic planning meetings have included discussions regarding potential business considerations, economies of scale, increased client service, and shareholder value benefits that might be achieved if Palmetto were to become a larger institution through acquisitions or a merger with a larger financial institution.

Palmetto directors and executive officers have also been contacted from time to time by various investment bankers and financial institutions, including United, who expressed a general interest in exploring strategic alternatives in the event that Palmetto were to seek a merger partner. These contacts occurred through impromptu meetings at investor conferences and banking industry conferences, social settings at those conferences, and other informal meetings and telephone calls.

As part of its ongoing consideration and evaluation of its long-term prospects and strategies, and in view of the ongoing contacts as described above, the Palmetto Board of Directors met on August 12, 2014. The investment banking firm Sandler O'Neill and Palmetto's outside legal counsel, Nelson Mullins Riley & Scarborough, LLP ("Nelson Mullins") attended the meeting. At this meeting, Palmetto director John P. Sullivan advised the Palmetto Board of Directors that he had recently been contacted by an investment banker who stated that United had an interest in exploring a business combination with Palmetto. The discussion was general in nature and did not include any specific proposal. Mr. Erwin, who is also Palmetto's Chairman of the Board of Directors, advised the Board of Directors that, in response to a request from Jimmy C. Tallent, the Chairman and Chief Executive Officer of United, Mr. Erwin had met with Mr. Tallent and the Chief Operating Officer of United, Lynn Harton (who was subsequently also named the President of United), on that same day prior to the Palmetto Board of Directors meeting, and that Mr. Harton and Mr. Tallent had similarly expressed United's general interest in exploring a business combination with Palmetto, without making any specific proposal with respect to pricing, timing or other potential transaction terms.

At the August 12, 2014 meeting of the Palmetto Board of Directors, Nelson Mullins discussed the fiduciary duties of the Board of Directors in general and in particular in connection with merger and acquisition transactions. Sandler O'Neill presented to the Palmetto Board of Directors information regarding the banking industry, Palmetto and bank merger and acquisition activity. The Palmetto Board of Directors discussed Palmetto's potential acquisition of other financial institutions or merger into a larger institution, as well as Palmetto's capital planning, including organic growth, share repurchases and dividends. After discussions, the Board of Directors determined that it would continue to consider various potential strategies to increase the value of Palmetto, including mergers and acquisitions and capital planning strategies.

On August 19, 2014, Mr. Tallent called Mr. Sullivan to further express United's interest in exploring a potential merger with Palmetto. Mr. Tallent indicated that United had prepared pro-forma financial statements, for discussion purposes only, based on hypothetical merger consideration to Palmetto shareholders equal to 1.7 times Palmetto's tangible book value, with 70% of the Palmetto shares converting into United shares and 30% converting into cash. Mr. Tallent stated that United was not making an offer or proposal, but rather his call was intended to determine whether Palmetto would be interested in exploring a potential merger. Mr. Sullivan advised Mr. Tallent that he would inform the appropriate Palmetto directors of the discussion and that Palmetto would respond to Mr. Tallent.

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The Palmetto Board of Directors has had in place since 2010 a Corporate Opportunities Committee which was created to enable the Board of Directors to give preliminary consideration to corporate opportunities in an efficient and timely manner. The Palmetto directors serving on the Corporate Opportunities Committee are Mr. Dixon, Mr. Erwin, Michael D. Glenn, Robert B. Goldstein and James J. Lynch. On August 19, 2014, the Corporate Opportunities Committee, along with Mr. Sullivan, held a meeting to discuss the August 19, 2014 call from Mr. Tallent. The Corporate Opportunities Committee discussed a potential merger with United based on the hypothetical merger financial terms referenced by United. The Corporate Opportunities Committee discussed the information provided by Sandler O'Neill on August 12, 2014, and other potential Palmetto initiatives under consideration, including various capital planning strategies. At the direction of the Corporate Opportunities Committee, Mr. Erwin called Mr. Tallent and advised that Palmetto did not currently desire to pursue a merger at the hypothetical valuation referenced by United, but that Palmetto was open to further dialogue in the future regarding a potential merger.

On September 18, 2014, the Palmetto Board of Directors held a board meeting. Sandler O'Neill attended the meeting and informed the Board of Directors that another financial institution had orally expressed to Sandler O'Neill a general interest in potentially merging with Palmetto, without making any specific proposal. Mr. Sullivan and Mr. Goldstein advised the Board of Directors that they had received recent calls from several financial institutions and an investment banker that expressed an interest in potentially merging with Palmetto. Mr. Erwin advised the Board of Directors that he had recently met with an investment banker, at the investment banker's request, to discuss Palmetto's strategic outlook generally, and that the investment banker had suggested that United would be interested in a potential merger. This discussion was general in nature and did not include any specific proposal.

On October 16, 2014, the Palmetto Board of Directors held a board meeting. Sandler O'Neill attended the meeting and reviewed the business environment facing financial institutions generally and Palmetto specifically, and conveyed Sandler O'Neill's outlook that interest rates were reasonably likely to remain low during the next twenty four months, resulting in continued net interest margin pressure and resulting incentives for banks to consolidate in order to achieve economies of scale and growth. Sandler O'Neill discussed recent bank merger activity. Sandler O'Neill also advised the Board of Directors of a recent general conversation with another financial institution regarding their interest in a potential merger with Palmetto. This conversation was general in nature and no specific proposal was made. Mr. Sullivan and Mr. Goldstein advised the Board of Directors that they had received recent calls from or on behalf of several financial institutions, including United and a financial institution that we refer to as "Institution A," expressing general interest in exploring a merger in the event that Palmetto were to consider a merger. These discussions were general in nature and did not include any specific proposals.

During its October 16, 2014 meeting, the Palmetto Board of Directors discussed various factors affecting financial institutions generally and Palmetto in particular, including:

- net interest margin pressures in a low interest rate environment;
- bank regulatory pressures and increasing compliance and other costs;
- potential slow economic growth; and
- the high level of competition from larger institutions and community banks in Palmetto's market.

The Board of Directors discussed the impacts that these and other factors could have on Palmetto's ability to achieve balance sheet and earnings growth and the risks to Palmetto's results of operations and valuation associated with remaining independent. The Board of Directors discussed recent increases in bank merger and acquisition activity levels and valuations and the current trading prices of some of Palmetto's possible merger partners, which might enable such parties to execute a merger with Palmetto on reasonably attractive financial terms.

The Palmetto Board of Directors also discussed the fact that Sandler O'Neill was Palmetto's preferred investment banker should Palmetto seek to pursue a merger partner, given Sandler O'Neill's qualifications, expertise, reputation and experience in mergers and acquisitions involving community banks and its knowledge with respect to Palmetto. Following these discussions, the Board of Directors determined that

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Palmetto should engage Sandler O'Neill to act as the Board of Directors financial advisor regarding the ongoing discussions related to a potential merger and delegated to the Corporate Opportunities Committee the authority to determine the terms of the engagement, including retainer and fees.

On October 24, 2014, the Corporate Opportunities Committee held a meeting and reviewed the terms of a draft engagement letter provided by Sandler O'Neill. On November 10, 2014, Sandler O'Neill was formally engaged to act as the Palmetto Board of Directors' financial advisor in connection with consideration of a potential merger.

On November 24, 2014, the Corporate Opportunities Committee, along with Mr. Sullivan, held a meeting and discussed merger inquiries that had been received from various institutions, including United. Mr. Sullivan advised the Corporate Opportunities Committee that, in response to requests from Mr. Tallent and from another financial institution, at a financial institutions conference on November 13, 2014, Mr. Sullivan met separately with United and the other financial institution. These meetings and the other inquiries that had been received from various institutions involved general discussions regarding a potential merger but did not involve specific proposed transaction terms.

On December 18, 2014, the Palmetto Board of Directors met and discussed various inquiries from other financial institutions regarding a potential merger.

On January 6, 2015, the Corporate Opportunities Committee, along with Sandler O'Neill and Mr. Sullivan, held a meeting. Mr. Erwin reported that another financial institution had contacted him and requested a meeting that was scheduled for later in January. Sandler O'Neill discussed with the Corporate Opportunities Committee various financial institutions that Sandler O'Neill believed might be interested in a potential merger with Palmetto based on the following considerations: the respective institution's likely interest in Palmetto's market and balance sheet size, ability to execute a merger based on their current stock price, ability and willingness to offer an attractive price, current regulatory standing, current merger and acquisition activity and likely timing for a transaction.

During January 2015, Sandler O'Neill contacted 25 financial institutions, of which seven, including United, Institution A and an institution that we refer to as "Institution B," ultimately signed non-disclosure agreements with Palmetto. In addition, Sandler O'Neill was contacted by three other financial institutions regarding potentially exploring a merger with Palmetto, but these institutions declined to sign a non-disclosure agreement or further explore a potential merger with Palmetto. Each of the seven parties that signed a non-disclosure agreement was provided with preliminary confidential due diligence materials and with access to meet with Mr. Erwin and Mr. Dixon for further due diligence discussions. Mr. Erwin and/or Mr. Dixon met with representatives of each of the seven parties that signed a non-disclosure agreement.

On January 12, 2015, Mr. Tallent called Mr. Erwin to reiterate United's interest in exploring a potential merger with Palmetto. The discussion was general in nature and did not involve specific proposed transaction terms.

On January 15, 2015, the Palmetto Board of Directors held a meeting and reviewed the matters discussed in the January 6, 2015 Corporate Opportunities Committee meeting. Mr. Erwin reported on the January 12, 2015 call from Mr. Tallent and that meetings were scheduled with two other financial institutions for later in January regarding a potential merger.

Later on January 15, 2015, Mr. Erwin met with a financial institution, at such institution's request, and discussed the possible strategic rationale and other factors that could affect the viability of a merger between Palmetto and the institution. Mr. Erwin and Mr. Dixon met again with this financial institution on February 18, 2015 to further discuss a potential merger. These discussions were all preliminary in nature and no specific merger proposal was received from this financial institution.

On January 23, 2015, Mergermarket.com published an article titled "Palmetto Bancshares Could Come to Market Soon, Bankers Say," which stated that unnamed investment bankers had said that Palmetto could be sold in 2015. The article cited improvements in the Greenville, South Carolina economy, growing buyer interest and Palmetto's attractive non-performing asset levels as factors that made Palmetto likely to sell. The article stated that many financial sponsors exited their bank investments during 2014, but that some remained invested in banks in Florida, Georgia and South Carolina. The article discussed certain financial institutions that were reportedly viewed as potential acquirers based on their size, geographic location and other factors. Palmetto declined to comment in response to the article.

On January 28, 2015, Mr. Erwin and Mr. Dixon met with a financial institution, at such institution's request, and discussed Palmetto's business and financial performance and potential expense impacts of a merger with Palmetto. On February 17, 2015, Sandler O'Neill met with this financial institution and discussed various financial and strategic matters related to a potential merger. The discussions with this institution were preliminary in nature, and no specific merger proposal was received from this institution. On February 20, 2015, this institution advised Mr. Erwin that it was not going to participate further in the merger exploration process.

On January 30, 2015, the Corporate Opportunities Committee, along with Mr. Sullivan, held a meeting. Mr. Erwin reported to the Corporate Opportunities Committee regarding recent meetings with potential merger partners.

Mr. Erwin also advised the Corporate Opportunities Committee that six institutions had requested to enter into non-disclosure agreements to explore further a potential merger and that Sandler O'Neill was continuing discussions with certain other institutions that had expressed a general interest in considering a merger but had not requested to enter into a non-disclosure agreement.

On February 19, 2015, the Palmetto Board of Directors met with Sandler O'Neill. Sandler O'Neill reviewed its contacts with potential merger partners and the interest levels expressed by them in exploring a possible merger with Palmetto.

On February 24, 2015, Sandler O'Neill, Mr. Erwin, Mr. Dixon and Institution A had a dinner meeting. Mr. Erwin and Mr. Dixon also met with Institution A on February 25, 2015. These meetings involved general company overviews and discussion of the potential strategic fit between Palmetto and Institution A.

On February 26, 2015, Mr. Erwin had a dinner meeting with Institution B, and Mr. Erwin had a follow-up meeting with Institution B on February 27, 2015. During these meetings, they discussed general company overviews and the potential strategic fit of Palmetto and Institution B.

On February 27, 2015, the Corporate Opportunities Committee, along with Palmetto directors John D. Hopkins, Jr., Jane S. Sosebee and Mr. Sullivan, held a meeting. The Corporate Opportunities Committee discussed communications with potential merger partners and certain aspects of various potential merger partners. The Corporate Opportunities Committee also discussed with Sandler O'Neill the anticipated timeline for completing management meetings with the institutions that had signed non-disclosure agreements, receiving and evaluating indications of interest, and potential transaction steps thereafter. It was agreed that Sandler O'Neill would request that any preliminary indications of interest be submitted prior to the March 19, 2015 Palmetto Board of Directors meeting.

On March 5, 2015, Mr. Erwin and Mr. Dixon had a dinner meeting with Mr. Tallent and Mr. Harton of United, in which they discussed general company overviews, strategic alternatives and the potential business fit of Palmetto and United.

On March 18, 2015, in response to Sandler O'Neill's request for preliminary expressions of interest in Palmetto, each of United, Institution A and Institution B submitted a preliminary, non-binding indication of interest with respect to a merger with Palmetto. United's indication of interest proposed merger consideration of $18.00 to $18.50 per share (calculated based on the average closing price of United common stock over the last 10 trading days ending March 17, 2015 of $19.00 per share), consisting of 25% cash and 75% United common stock, with a fixed exchange ratio. United's indication of interest stated that it was willing to consider alternative structures that might enable greater flexibility for Palmetto's shareholders to receive a desired mix of cash and stock. Institution A's indication of interest proposed aggregate merger consideration of $232.5 million (which represented an estimated implied value per Palmetto share of common stock of $17.92), consisting of 100% stock, and a variable exchange ratio, to be determined based on Institution A's stock price at or near the time of closing, with a collar within amounts based on amounts equal to 25% above or below the closing price of Institution A's stock on the day before signing a merger agreement. Institution A's indication of interest also included a dollar-for-dollar reduction in merger consideration if Palmetto's net worth declined below $129 million, an exclusivity requirement, a 30 day due diligence period prior to delivery of a refined proposal regarding the amount of merger consideration, and deferral of initial drafting of a merger agreement until the refined proposal regarding merger consideration had been agreed to. Institution B's indication of interest proposed merger consideration of $18.50 to $20.00 per share, based on Institution B's closing stock price as of March 16, 2015, in a 100% stock transaction with a fixed exchange ratio. Institution B's indication of interest stated that Institution B was willing to contemplate cash merger consideration of up to 30%.

On March 19, 2015, the Palmetto Board of Directors held a board meeting. Sandler O'Neill and Nelson Mullins attended the meeting. Nelson Mullins reviewed the fiduciary duties of the Board of Directors in connection with merger and acquisition transactions and in the context of the strategic discussions taking place. Sandler O'Neill provided the Board of Directors with an update of the feedback from the potential merger partners contacted to date, including a review of all potential merger partners contacted, the number of potential merger partners who signed non-disclosure agreements, and the number of indications of interest received from potential merger partners. Sandler O'Neill also advised the Palmetto Board of Directors that Sandler O'Neill had provided investment banking services to United in the past but that Sandler O'Neill was not currently providing investment banking services to United in connection with the potential Palmetto merger or otherwise. In the past two years, Sandler O'Neill has performed certain investment banking services for United and received fees totaling approximately $0.4 million for such investment banking services and may provide, and receive compensation for, such services in the future.

Sandler O'Neill provided a comparison of the terms and the financial metrics with respect to the three indications of interest that had been received. Sandler O'Neill advised the Palmetto Board of Directors regarding selected precedent merger transactions. Sandler O'Neill discussed with the Board of Directors Palmetto's prospects as an independent institution. This discussion included a review of Palmetto management earnings projections as an independent financial institution for the years ending December 31, 2015 through 2019 based on execution of Palmetto's current business strategy and Sandler O'Neill's net present value sensitivity analysis of Palmetto's estimated valuation based on such earnings projections.

Sandler O'Neill also reviewed with the Palmetto Board of Directors, with respect to each of the three parties that submitted an indication of interest: the party's branch map, comparative loan and deposit composition, historical financial information, historical stock price performance, analyst estimates and recommendations, shareholder base, current peer trading multiples, management and board of directors, historical merger activity, market capitalization and stock trading volume and liquidity, potential merger financial impact, and transaction pricing or form of consideration mix sensitivity analysis.

The Palmetto Board of Directors discussed the opportunities and risks associated with each of the three indications of interest, including the potential value of the merger consideration and the likelihood that a merger would ultimately be consummated on the terms reflected in the indications of interest. The Palmetto Board of Directors discussed the opportunities and risks associated with Palmetto remaining an independent institution, particularly in light of the potential continuing low interest rate environment, market competition, regulatory considerations, and variable economic conditions. The Palmetto Board of Directors decided to continue its consideration of the indications of interest and to meet again on March 23, 2015.

On March 23, 2015, the Palmetto Board of Directors, along with Sandler O'Neill and Nelson Mullins, held a meeting. Sandler O'Neill provided additional analysis to the Board of Directors of various hypothetical scenarios involving different prices per share and forms of consideration (the split between cash and common stock) from each of the three financial institutions that had submitted indications of interest. Sandler O'Neill also discussed with the Board of Directors a comparison of selected factors and considerations with respect to each of the indications of interest, including stand-alone acquirer financial metrics and current market information; proposed merger financial terms; selected proposed non-financial terms (including the proposed termination fee, retention of Palmetto officers, board representation, severance for Palmetto employees, proposed timing of due diligence and signing of a definitive merger agreement, and Institution A's minimum net worth acquisition price adjustment and exclusivity requirement); potential market reactions and post-merger common stock liquidity; strategic fit and integration factors, including each merger partner's business model and strategy, primary operating market and senior management; and pro-forma financial information.

The Palmetto Board of Directors engaged in a discussion of the opportunities and risks associated with each of the three indications of interest. Among other things, the Board of Directors discussed

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Institution A's request for exclusivity, downward merger consideration adjustment mechanism based on Palmetto's net worth, and proposed thirty day period of due diligence followed by, depending on their satisfaction with diligence, submissions of a refined merger consideration proposal and, if agreement was reached on such refined proposal, definitive merger agreement negotiations. The Board of Directors discussed the risk of going forward with due diligence with only one potential merger partner and the possibility that, due to subsequent developments with respect to such institution's business, the institution's views regarding due diligence results, negotiating leverage or other factors, the institution could ultimately fail to agree to provide the merger consideration indicated in their non-binding indication of interest. The Palmetto Board of Directors directed Sandler O'Neill to request that Institution A remove its exclusivity requirement (or increase its offer price to a value that would merit exclusivity), exclude the impact of accumulated other comprehensive income from the net worth-based merger consideration downward adjustment feature, and to lower the net worth target for the net worth-based purchase price adjustment. The Palmetto Board of Directors directed Sandler O'Neill to communicate to United that it would need to be near the top end or above its indicated price range of $18.00 to $18.50 per share in order to be competitive and to discuss with them United's views regarding the likely response of United's stock price to a Palmetto merger. The Palmetto Board of Directors directed Sandler O'Neill to advise Institution B that it needed to be at the mid-point of its $18.50 to $20.00 per share range or higher in order to be competitive and to discuss with Institution B the views of Institution B with regard to the liquidity of its common stock and its common stock price performance following a merger with Palmetto.

Later on March 23, 2015 and on March 24, 2015, Sandler O'Neill contacted United, Institution A and Institution B and discussed their respective proposals.

On March 24, 2015, the Palmetto Board of Directors, along with Sandler O'Neill and Nelson Mullins, held a meeting. Sandler O'Neill reported to the Board of Directors that Institution A had provided a revised indication of interest earlier on March 24, 2105, in which Institution A increased its offer value to $239 million (which represented an estimated implied value per share of $18.50, that continued to consist of a 100% stock transaction with a floating exchange ratio and a collar), reduced to $126.5 million the net worth threshold that would trigger a reduction in the merger consideration, and provided that Institution A would complete due diligence and initiate drafting of a definitive agreement during a 20 day timeframe. Institution A declined to exclude the impact of accumulated other comprehensive income from the net worth-based purchase price adjustment feature and Institution A continued to require exclusivity to go forward with due diligence. Sandler O'Neill reported that United was prepared to begin its due diligence immediately and that it was evaluating its per share offer price and proportionate cash/common stock consideration and expected to provide more definitive information after their due diligence. Sandler O'Neill advised the Board of Directors that based on discussions with United and on Sandler O'Neill's analysis, Sandler O'Neill believed that United had limited ability to increase its offer price and that United might ultimately make an offer at the top or slightly above the top of the range indicated in its indication of interest. Sandler O'Neill reported that Institution B was evaluating its per share offer price and proportionate cash and common stock consideration.

The Palmetto Board of Directors engaged in a discussion of the opportunities and risks associated with each of the three current indications of interest, including the liquidity and potential post-merger value of shares that would be received in a merger and the potential stock price impacts of Palmetto shareholders selling post-merger. The Board of Directors also discussed the fact that, based on recent Palmetto stock trading, a merger on the terms indicated by any of the indications of interest would likely provide a modest premium, no premium or a discount to pre-announcement Palmetto trading prices. However, the Board of Directors noted that, among other things:

- that the Board of Directors viewed trading volume in Palmetto's stock as light and, as a result, the Board of Directors did not believe that the trading price at any point in time was necessarily indicative of the broader market's view of the value of Palmetto common stock;

- each of the indications of interest represented a premium to the trading price of Palmetto common stock during most of 2014, prior to the beginning of what the Board of Directors believe was trading influenced by merger speculation;

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- the January 23, 2015 Mergermarket.com article titled “Palmetto Bancshares Could Come to Market Soon, Bankers Say,” provided media speculation that Palmetto would seek a merger partner, and reinforced the Board of Directors’ belief that recent Palmetto common stock trading prices reflected the valuation impact of an anticipated merger transaction; and

- the Board of Directors believed that the stand-alone value of Palmetto as an independent company was not as great as the values reflected in the indications of interest that Palmetto had received.

The Palmetto Board of Directors discussed the revised Institution A indication of interest and Institution A’s continuing request for exclusivity. Among other things, consistent with prior discussion and concerns, the Board of Directors discussed the risk of going forward with diligence with only one institution and the possibility that Institution A could ultimately fail to agree to a definitive merger agreement and to the merger consideration indicated in its non-binding indication of interest. The Board of Directors determined that it was in the best interests of Palmetto and its shareholders to invite Institution A, Institution B and United to continue their due diligence, without providing exclusivity to any party, and to ask them to then provide a final merger offer.

Later on March 24, 2015, Sandler O’Neill reported to Palmetto that it had contacted each of the three potential merger partners and that United and Institution B stated that they planned to begin detailed due diligence promptly. Sandler O’Neill reported to Palmetto that Institution A had declined to engage in further due diligence without exclusivity and had not further increased its offer price in an effort to procure exclusivity.

Sandler O’Neill created an electronic data room containing due diligence materials provided by Palmetto, and United and Institution B were each granted access to the data room. Prior to United’s submission of a revised proposal on April 15, 2015, United and Institution B conducted due diligence including, in addition to review of data room materials, a combination of in-person and telephone meetings with Palmetto management.

Also, between March 24, 2015 and United’s submission of a revised proposal on April 15, 2015, Palmetto, with the assistance of Sandler O’Neill and Nelson Mullins, engaged in “reverse” due diligence with respect to United and Institution B. The reverse due diligence of United included, among other actions, meetings of the Palmetto management team with Mr. Tallent, Mr. Harton and other members of United’s senior management, regarding various financial, operational, credit quality, legal and regulatory matters; and review of analyst reports. The reverse due diligence of Institution B included, among other actions, a meeting of the Palmetto management team with the Chief Executive Officer and other members of Institution B senior management, review of analyst reports, as well as other discussions between Mr. Erwin and the Chief Executive Officer of Institution B.

On March 31, 2015, the Palmetto Board of Directors, along with Sandler O’Neill and Nelson Mullins, held a meeting to discuss the due diligence process, to review and approve a timeline for receipt of more definitive merger proposals and to approve a draft merger agreement to be provided to potential merger partners. Sandler O’Neill updated the Board of Directors on the status of the due diligence process, and advised the Board of Directors that Institution B had tentatively identified April 13, 2015 as the day for their management meeting. Nelson Mullins reviewed and discussed with the Board of Directors the proposed draft merger agreement. Following discussion, the Board of Directors authorized Sandler O’Neill to send the draft merger agreement to United and Institution B; Sandler O’Neill sent a draft merger agreement to United and Institution B on April 2, 2015.

On April 8, 2015, Sandler O’Neill sent to United and Institution B an instruction letter requesting delivery of revised proposals, including a summary of all financial and structural terms and a mark-up of the draft merger agreement, by 9:00 am EDT on April 15, 2015. The instruction letter advised that parties submitting materials on April 15, 2015 would be provided an opportunity to meet with members of the Palmetto Board of Directors later in the day on April 15, 2015 to further describe their companies and their proposals.

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On April 9, 2015, Institution B advised Sandler O'Neill that, in addition to a merger with Palmetto, Institution B was evaluating both a potential merger with another party and a potential branch acquisition. Institution B discussed with Sandler O'Neill, among other things, the potential definitive agreement timing and regulatory approval effects of such other transactions under evaluation on a potential merger with Palmetto.
On April 14, 2015, Institution B advised Sandler O'Neill that Institution B was withdrawing from the process and would not submit a revised proposal. Institution B expressed that its primary reason for not submitting a revised proposal was the significant geographic distance between Institution B and Palmetto and associated concerns about the ability to effectively and efficiently integrate the two companies.
On April 15, 2015, United submitted a revised, non-binding offer to Palmetto of $18.50 per share, consisting of 25% to 35% cash and the remainder in United common stock, with a fixed exchange ratio of .9773. The $18.50 per common share value estimate was based on the average closing price of United common stock over the last ten trading days ended April 14, 2015, of $18.93 per share. United proposed a termination fee of $7.5 million, and it proposed limited changes to the draft merger agreement.
Later in the day on April 15, 2015, Mr. Tallent and Mr. Harton met with seven members of the Palmetto Board of Directors to provide United's views regarding United and the strategic and financial merits of a Palmetto merger with United.
On April 16, 2015, the Palmetto Board of Directors met, along with Sandler O'Neill and Nelson Mullins, to discuss the United proposal. Sandler O'Neill reviewed a comprehensive summary of the discussions with potential merger partners to date. Sandler O'Neill advised the Board of Directors that Institution B had withdrawn from the process and reported the reasons that Institution B had expressed for not submitting a proposal. Sandler O'Neill reviewed with the Board of Directors the United proposal. Sandler O'Neill reviewed certain financial and performance information on Palmetto and United, each entity's historical stock price and performance, valuation methodologies and analyses of the consideration offered by United. Sandler O'Neill reviewed Palmetto's stand-alone earnings projections and presented Sandler O'Neill's net present value analysis for Palmetto as an independent company.
Sandler O'Neill reviewed various aspects of United, including United's loan and deposit comparability with Palmetto, historical financial performance, analyst expectations for improved future results, common stock trading at a discount to selected peers and related upside potential for United's stock price, shareholder base and significant shareholders. During this review, Sandler O'Neill provided perspective on selected key variables for the Board of Directors to consider, including: price and deal value; post-merger dividend yield; quality of earnings and balance sheet; geographic fit; strategic and line of business fit; financial impact of the merger to United; potential for a United strategic transaction after a merger with Palmetto; United's market capitalization and liquidity; absence of a financing contingency; and United's merger integration experience and the size and location of Palmetto presenting manageable integration requirements. Sandler O'Neill indicated that it believed that the merger represented a good strategic fit and would be well received by equity analysts. Sandler O'Neill provided additional perspective regarding Palmetto remaining a stand-alone company, including its view that the current Palmetto common stock trading price reflected merger speculation and that Palmetto's stock price would likely decrease if a transaction was not executed and Palmetto's stock was traded based on its stand-alone value as an independent company.
Mr. Sullivan, who serves on the investment committee and management committee with respect to CapGen Capital Group V LP (which we refer to as "CapGen"), which beneficially owns approximately 44.7% of Palmetto's common stock, advised the Board of Directors that CapGen thought that it was presently an opportune time to explore a potential Palmetto merger because regulatory pressures and other competitive and market factors were likely to make it more challenging for a bank the size of Palmetto to increase shareholder value as a stand-alone company going forward, particularly given the low interest rate environment and the highly competitive market for new loan originations. Mr. Sullivan advised the Palmetto Board of Directors that CapGen had flexibility regarding the timing and manner of a disposition of its investment in the Palmetto common stock and no pressing need for short-term liquidity. Similarly, Mr. Lynch, who is a Managing Partner of Patriot Financial Partners, L.P., advised the Board of Directors that Patriot Financial Partners, L.P. and Patriot Financial Partners Parallel, L.P. (which we refer to as the

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"Patriot funds" and which together own approximately 19.1% of Palmetto's outstanding common stock) had flexibility regarding the timing and manner of a disposition of their investments in the Palmetto common stock and no pressing need for short-term liquidity, but believed that the various factors that the Board of Directors had discussed indicated that it was advisable for Palmetto to explore potential merger partners.

Sandler O'Neill reviewed with the Palmetto Board of Directors potential alternative merger consideration scenarios. After discussions, the Board of Directors directed Sandler O'Neill to propose a counter-offer to United reflecting merger consideration of (a) 30% of Palmetto's common stock converting into cash, at $19.25 per Palmetto share, and (b) 70% of Palmetto's common stock converting into United common stock at an exchange ratio of 0.97, which would result in an estimated average merger consideration value of $18.36 per Palmetto share converted into United common stock, and an estimated weighted average merger consideration value of $18.63 per Palmetto share (based on the average closing price of United common stock over the last ten trading days ending April 14, 2015 of $18.93 per share). The Board of Directors believed that this proposal: (i) represented higher weighted average merger consideration per share of Palmetto common stock, (ii) provided certainty as to the amount of the cash as compared to stock merger consideration (which certainty the Board of Directors believed would be better received by United stock analysts and the stock market), (iii) would allow Palmetto shares that are converted into cash in the merger to receive a more attractive price, and (iv) would preserve the ability of Palmetto shares that are converted into United common stock to participate in a potential increase in the value of United common stock.

Sandler O'Neill left the meeting and called Mr. Tallent. Mr. Tallent conferred with United's financial adviser and then orally agreed to move forward under the terms of the counter-proposal. Sandler O'Neill rejoined the Palmetto Board of Directors meeting, conveyed the United response to the counter-proposal and then discussed the status of the reverse due diligence of United. The Board of Directors discussed the scope, status and findings of the reverse due diligence with respect to United. As part of Palmetto's final, confirmatory due diligence, the Board of Directors directed that Palmetto engage a third party loan review firm to conduct a review of a limited sample of United loans in certain specified categories.

Following the conclusion of the Palmetto Board of Directors meeting on April 16, 2015, through April 21, 2015, Palmetto and United and their respective advisers engaged in final due diligence (including reverse due diligence), negotiated the final terms of the merger agreement and the parties that would sign the support agreements, and prepared disclosure schedules related to the merger agreement. Final due diligence by each of Palmetto and United was conducted through in person meetings, phone calls, and document review, including meetings between Mr. Erwin and Mr. Harton on April 17, 2015 and April 21, 2015 which involved discussions of strategic fit, management philosophy and organizational structure, including the roles of certain Palmetto executive officers with United post-merger.

On April 20, 2015, the Palmetto Board of Directors, along with Sandler O'Neill and Nelson Mullins, held a meeting to discuss the status of due diligence and the merger agreement. The Board of Directors discussed Palmetto's reverse due diligence, including the status of the third party loan review. Sandler O'Neill reviewed a draft fairness opinion presentation. Nelson Mullins reviewed the current draft of the merger agreement, and discussed changes to the merger agreement from the draft that the Board of Directors had previously approved, as well as voting support agreements, the termination fee and language regarding United dividend record dates.

On April 21, 2015, the Palmetto Board of Directors, along with Sandler O'Neill and Nelson Mullins, held a meeting. The Board of Directors reviewed with Sandler O'Neill and Nelson Mullins the final reverse due diligence findings, the merger agreement, the terms and conditions proposed in the merger agreement, the alternatives available to Palmetto and the advisability and fairness of the proposed merger. On April 21, 2015, United provided written offers of employment to each of Mr. Erwin and Mr. Dixon, which were provided to the Palmetto Board of Directors. The Palmetto Board of Directors discussed the terms of the written offers of employment that United had provided to each of Mr. Erwin and Mr. Dixon. Mr. Erwin and Mr. Dixon were each still considering the United proposals and no final agreement had been reached between United and either Mr. Erwin or Mr. Dixon at the time that the merger agreement was entered into. Sandler O'Neill rendered its oral opinion, subsequently confirmed in writing, that, as of April 21, 2015 and

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based upon and subject to the assumptions made, procedures followed, matters considered and limitations on the review undertaken as set forth in its opinion, the proposed merger consideration was fair, from a financial point of view, to the Palmetto shareholders. After further discussion, the Palmetto Board of Directors unanimously adopted and approved the merger agreement and unanimously determined to recommend the merger agreement to the Palmetto shareholders for approval.

The merger agreement was entered into on April 22, 2015. On the morning of April 22, 2015, Palmetto and United issued a joint news release publicly announcing the merger agreement.

Palmetto's Reasons for the Merger and Recommendation of the Palmetto Board of Directors

It should be noted that the explanation of the reasoning of the Board of Directors and certain information presented in this section is forward-looking in nature and should be read in light of the factors set forth in the section entitled "Special Note Regarding Forward-Looking Statements."

In reaching its decision to approve the merger agreement and recommend that Palmetto's shareholders approve the merger agreement, in addition to relying on personal knowledge of Palmetto, United and the banking industry, the Palmetto Board of Directors consulted with outside financial and legal advisors, reviewed various financial data and due diligence information, and considered the views of Palmetto's Chief Executive Officer and Palmetto's Chief Operating Officer and Chief Risk Officer, who are also directors. After such consultation and review, and after considering Palmetto's future prospects as an independent company and its strategic alternatives, the Palmetto Board of Directors concluded that the proposed merger with United was in the best interests of Palmetto and its shareholders.

In evaluating the merger agreement and reaching its decision to approve the merger agreement and recommend that Palmetto shareholders approve the merger agreement, Palmetto's Board of Directors considered a number of factors, which it reviewed with its outside financial and legal advisors, including the following, which are not intended to be exhaustive and are not presented in any relative order of importance:

- the current and prospective business and economic environment of the markets served by Palmetto, including the competitive environment in Palmetto's markets, the pressure on net interest margins resulting from a low interest rate environment, the continuing consolidation of the financial services industry, the increased regulatory burdens on financial institutions and the uncertainties in the regulatory climate going forward, and the escalating need for investment in technology;

- the Board of Directors' views with respect to other potential Palmetto strategic alternatives, including remaining independent, competing for organic growth, pursuing other merger partners, making acquisitions or engaging in share repurchases;

- the overall greater scale that will be achieved by the merger, which should better position the combined company for growth and profitability;

- the business, earnings, operations, financial condition, management, prospects, capital levels, technology and asset quality of both Palmetto and United, taking into account the results of Palmetto's due diligence of United;

- the value of the merger consideration to Palmetto's shareholders, including the value of the merger consideration compared to:

  what the Board of Directors believed would be the likely trading price of Palmetto common stock if it were to remain an independent company, after considering, among other things, the value of Palmetto common stock implied by the adjusted tangible book value (adjusted to reflect a tangible common equity to tangible assets ratio of 9%, based on the median ratio of tangible common equity to tangible assets ratio for the comparable Southeast transactions, and a dollar-for-dollar payout on capital in excess of 9%) and earnings per share trading multiples of selected comparable companies included in the Sandler O'Neill fairness opinion analysis;

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the net present value of Palmetto's common stock, as indicated by the Sandler O'Neill fairness opinion analysis, if Palmetto were to remain an independent company; and

the trading volume and value of Palmetto shares during most of 2014, and the closing price of Palmetto common stock one day prior to the publishing of an article on "Merger Market" (www.mergermarket.com) on January 23, 2015 regarding a potential sale of Palmetto.

- the financial terms of recent business combinations in the financial services industry reviewed by the Board of Directors and a comparison of the multiples paid in such selected business combinations with the terms of the merger, including information that was included in the Sandler O'Neill fairness opinion analysis that indicated that the merger consideration: as a percentage of adjusted tangible book value, and as a multiple of earnings, was higher than the comparable nationwide transactions group median and the comparable Southeast transactions group median; and represented a core deposit premium that was also higher than the comparable nationwide transactions group median and the comparable Southeast transactions group median;

- the results of Palmetto's exploration of possible merger partners other than United, and the Board of Directors' views with respect to the likelihood of any such other merger occurring and providing greater value to Palmetto shareholders;

- the views of the Board of Directors with respect to the complementary aspects of the Palmetto and United businesses, including customer focus, geographic coverage, business orientation and compatibility of the companies' management and operating styles, which the Board of Directors believes should facilitate integration and enhance the likelihood of successful post-merger operations;

- the greater liquidity in the trading market for United common stock relative to the trading market for Palmetto common stock;

- the belief of the Board of Directors that combining the two companies presents potential opportunities to realize operational, technological, marketing and other synergies resulting from the merger;

- the Board of Directors' understanding of United's commitment to enhancing its strategic position in South Carolina and in the Southeast region;

- the fact that 70% of the Palmetto shares of common stock will be converted into the right to receive United common stock in the merger, which will allow Palmetto shareholders who desire to do so to participate substantially in the future performance of the combined Palmetto and United business and the potential synergies resulting from the merger;

- the fact that 30% of the Palmetto shares of common stock will be converted into the right to receive cash consideration in the merger, which will allow Palmetto shareholders who desire to do so to receive a fixed amount of consideration for at least a portion of their Palmetto shares;

- the views of the Board of Directors as to the likelihood that the regulatory approvals necessary to complete the merger would be obtained;

- the views of the Board of Directors as to the potential pro-forma impact of the merger on the future profitability and earnings per share of United and the potential impact of such factors on United's stock price;

- United's common stock price as a multiple of tangible book value and earnings had recently traded below that of certain peer averages reviewed by the Board of Directors, which may enhance its potential for positive future stock price appreciation;

- the views of the Board of Directors as to the ability of United's management team to successfully integrate and operate the business of the combined company after the merger;

- the financial analysis prepared by Sandler O'Neill, Palmetto's financial advisor, and the opinion delivered to the Board of Directors by Sandler O'Neill, to the effect that, as of April 21, 2015, and based upon and subject to the assumptions, limitations, qualifications and conditions described in such opinion, the merger consideration was fair, from a financial point of view, to the Palmetto shareholders; and

- the financial and other terms of the merger agreement, which it reviewed with its outside financial and legal advisors, including the tax treatment and transaction protection provisions provided by the merger agreement, including:

  the ability of Palmetto's Board of Directors to withdraw or materially modify its recommendation to Palmetto's shareholders under certain circumstances (and the fact that the voting support agreements signed by Palmetto directors and certain significant shareholders terminate upon such a change of the Board of Directors' recommendation);

  the ability of Palmetto's Board of Directors to terminate the merger agreement in order to enter into a definitive agreement with respect to a superior proposal (subject to payment of a $7.5 million termination fee, which termination fee was lower, as a percentage of transaction value, than the average termination fee in comparable transactions reviewed by the Board of Directors); and

  Palmetto's right to terminate the merger agreement in the event that United's stock price declines by more than 15% in absolute terms and relative to the NASDAQ bank index, subject to United's right to provide more stock or cash merger consideration in order to avoid such greater than 15% decline in merger consideration value and thereby avoid such Palmetto termination.

The Palmetto Board of Directors also considered a variety of risks and other potentially negative factors concerning the merger, including the following, which are not intended to be exhaustive and are not presented in any relative order of importance:

- that the exchange ratio of the stock portion of the merger consideration is fixed, so that if the market price of United common stock is lower at the time of the closing of the merger, the economic value of the per share merger consideration to be received by Palmetto's shareholders electing, or otherwise receiving, shares of United common stock in exchange for their shares of Palmetto common stock will also be lower;

- the fact that the estimated value of the merger consideration as of April 21, 2015 represented a discount to recent trading prices of Palmetto common stock (but a premium to Palmetto's common stock price on the day before the January 23, 2015 Mergermarket.com article titled "Palmetto Bancshares Could Come to Market Soon, Bankers Say" and to the trading prices of Palmetto shares of common stock during most of 2014);

- information that was included in the Sandler O'Neill fairness opinion analysis and presentations to the Board of Directors that indicated that the pro-forma dividends of the combined company represent a reduction in dividends to Palmetto shareholders whose shares are converted in the merger into United common stock (provided that the Palmetto Board of Directors also considered the possibility that, based on the low United dividend payout ratio as a percentage of earnings and on statements of United representatives, United may increase its dividend in the future);

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credit quality issues that negatively impacted the historical performance of United, beginning in 2008, during the general economic downturn;

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the possibility that the merger and the related integration process could result in the loss of key employees, in the disruption of Palmetto's ongoing business and in the loss of customers for the combined company;

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- the fact that, while Palmetto expects that the merger will be consummated, there can be no assurance that all conditions to the parties' obligations to complete the merger agreement will be satisfied, including the risk that certain regulatory approvals, the receipt of which are conditions to the consummation of the merger, might not be obtained, and, as a result, the merger may not be consummated;

- the fact that Palmetto's officers and employees will have to focus on actions required to complete the merger, which will divert their attention from Palmetto's day-to-day business, and that Palmetto will incur substantial transaction costs even if the merger is not consummated;

- the risk that potential benefits and synergies sought in the merger may not be realized or may not be realized within the expected time period, and the risks associated with the integration of the two companies;

- the restrictions on the conduct of Palmetto's business prior to the completion of the merger, which are customary for public company merger agreements involving financial institutions, but which, subject to specific exceptions, could delay or prevent Palmetto from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of Palmetto absent the pending completion of the merger;

- the significant risks and costs involved in connection with entering into and completing the merger, or failing to complete the merger in a timely manner, or at all, including as a result of any failure to obtain required regulatory approvals, such as the risks and costs relating to diversion of management and employee attention from other strategic opportunities and operational matters, potential employee attrition, and the potential effect on business and customer relationships;

- the fact that Palmetto would be prohibited from affirmatively soliciting acquisition proposals after execution of the merger agreement, and the possibility that, while it was not viewed as precluding other proposals, the $7.5 million termination fee payable by Palmetto upon the termination of the merger agreement under certain circumstances could potentially discourage certain other potential acquirers from making a competing offer to acquire Palmetto; and

- the fact that Palmetto shareholders would not be entitled to dissenters' rights in connection with the merger.

In addition, the Palmetto Board of Directors was aware of and considered the fact that some of Palmetto's directors and executive officers may have other interests in the merger that may be different from, or in addition to, their interests as Palmetto shareholders, as more fully described under "— Interests of Palmetto's Directors and Executive Officers in the Merger." The Board of Directors also realized that there can be no assurance about future results, including results expected or considered in the factors listed above. However, the Board of Directors concluded that the potential positive factors outweighed the risks and other potentially negative factors associated with the merger.

In reaching its conclusion, the Palmetto Board of Directors did not find it practical to assign, and did not assign, any relative or specific weight to the different factors that were considered, and individual members of the Board of Directors may have given different weight to different factors.

The Palmetto Board of Directors unanimously adopted the merger agreement and recommends that you vote "FOR" approval of the merger agreement.

Each of the Palmetto directors, as well as CapGen and the Patriot funds, have entered into a voting support agreement with United, pursuant to which they have agreed to vote in favor of the merger agreement at the special meeting. For more information regarding the support agreements, please see the section entitled "Special Shareholders' Meeting — Support Agreements" beginning on page 8.

Opinion of Palmetto's Financial Advisor

The fairness opinion of Palmetto's financial advisor in connection with the merger, Sandler O'Neill, is described below. The description contains projections, estimates and other forward looking statements about the future earnings or other measures of the future performance of Palmetto, United and the combined companies after the merger. You should not rely on any of these statements as having been made or adopted by Sandler O'Neill, Palmetto or United. You should review the copy of the fairness opinion, which is attached as Appendix B.

By letter dated November 10, 2014, the Palmetto Board of Directors engaged Sandler O'Neill to act as its financial advisor in connection with a possible merger involving Palmetto. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. The Palmetto Board of Directors selected Sandler O'Neill to act as its financial advisor in connection with a possible merger of Palmetto based on Sandler O'Neill's qualifications, expertise, reputation and experience in mergers and acquisitions involving community banks and its knowledge with respect to Palmetto.

Sandler O'Neill acted as financial advisor to the Palmetto Board of Directors in connection with the proposed merger with United and participated in certain of the negotiations leading to the execution of the merger agreement. At the April 21, 2015 meeting of the Palmetto Board of Directors, Sandler O'Neill delivered to the Palmetto Board of Directors its oral opinion, which was subsequently confirmed in writing, that, as of such date, the merger consideration was fair to the holders of Palmetto common stock from a financial point of view. The full text of Sandler O'Neill's opinion is attached hereto as Appendix B. Sandler O'Neill's fairness opinion was approved by Sandler O'Neill's fairness opinion committee. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of Sander O'Neill's opinion set forth below is qualified in its entirety by reference to the opinion. Palmetto's shareholders are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to Palmetto's Board of Directors and is directed only to the fairness of the merger consideration to the holders of Palmetto common stock from a financial point of view. It does not address the underlying business decision of Palmetto to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for Palmetto, the effect of any other transaction in which Palmetto might engage or any other aspect of the merger, and is not a recommendation to any Palmetto shareholder as to how such shareholder should vote at the special shareholder meeting with respect to the merger or any other matter. In connection with rendering its oral opinion on April 21, 2015, which was subsequently confirmed in writing, Sandler O'Neill reviewed and considered, among other things:

- the merger agreement;
- certain publicly available financial statements and other historical financial information of Palmetto that Sandler O'Neill deemed relevant;
- certain publicly available financial statements and other historical financial information of United that Sandler O'Neill deemed relevant;
- certain internal financial projections for Palmetto for the years ending December 31, 2015 through December 31, 2019, as provided by the senior management of Palmetto;
- publicly available analyst earnings estimates for United for the years ending December 31, 2015 and December 31, 2016, and an estimated long-term earnings per share growth rate for the years thereafter as discussed with the senior management of United;
- the pro forma financial impact of the merger on United based on certain assumptions relating to estimated transaction costs, purchase accounting adjustments, expected cost savings and other synergies, which assumptions were provided

by United;

- a comparison of certain financial and other information for Palmetto and United, including stock trading information for Palmetto, with similar publicly available information for certain other publicly traded commercial banks;

- the financial terms of certain other recent merger and acquisition transactions in the banking sector;

- the current market environment generally and the banking environment in particular; and

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- such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed with certain members of the senior management of Palmetto the business, financial condition, results of operations and prospects of Palmetto and held similar discussions with the senior management of United regarding the business, financial condition, results of operations and prospects of United.

In performing its review, Sandler O'Neill relied upon, without independent verification, the accuracy and completeness of all of the financial and other information that was available to Sandler O'Neill from public sources, that was provided to Sandler O'Neill by Palmetto and United or that was otherwise reviewed by Sandler O'Neill and Sandler O'Neill assumed such accuracy and completeness for purposes of preparing its fairness opinion. Sandler O'Neill further relied on the assurances of the respective managements of Palmetto and United that they were not aware of any facts or circumstances that would have made any of such information inaccurate or misleading in any material respect. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Palmetto or United or any of their respective subsidiaries. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of Palmetto, United or the combined entity after the merger and Sandler O'Neill did not review any individual credit files relating to Palmetto or United. Sandler O'Neill assumed, with Palmetto's consent, that the respective allowances for loan losses for both Palmetto and United were adequate to cover such losses and that they would be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Sandler O'Neill used internal financial projections for Palmetto as provided by the senior management of Palmetto and publicly available analyst earnings estimates for United for the years ending December 31, 2015 and December 31, 2016, and an estimated long-term earnings per share growth rate for the years thereafter as discussed with the senior management of United. Sandler O'Neill also received and used in its analyses certain projections of transaction costs, purchase accounting adjustments, expected cost savings and other synergies which were provided by United. With respect to those projections and estimates, the respective managements of Palmetto and United confirmed to Sandler O'Neill that those respective projections and estimates reflected the best currently available projections and estimates of those respective managements of the future financial performance of Palmetto and United, respectively, and Sandler O'Neill assumed that such performance would be achieved. Sandler O'Neill expressed no opinion as to such projections or estimates or the assumptions on which they were based. Sandler O'Neill assumed that there were no material changes in the respective assets, financial condition, results of operations, business or prospects of Palmetto and United since the date of the most recent financial data made available to Sandler O'Neill. Sandler O'Neill also assumed in all respects material to its analysis that Palmetto and United would remain as going concerns for all periods relevant to Sandler O'Neill's analyses. Sandler O'Neill expressed no opinion as to any of the legal, accounting and tax matters relating to the merger and any other transactions contemplated in connection therewith.

Sandler O'Neill also assumed, with Palmetto's consent, that (i) each of the parties to the merger agreement would comply in all material respects with all material terms of the merger agreement and all related agreements, that all of the representations and warranties contained in such agreements were true and correct in all material respects, that each of the parties to such agreements would perform in all material respects all of the covenants required to be performed by such party under the agreements and that the conditions precedent in such agreements were not waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the merger, no material delay, limitation, restriction or condition would be imposed that would have an adverse effect on Palmetto, United or the merger, (iii) the merger would be consummated without Palmetto's rights under Section 9.1(g)(X) of the merger agreement having been triggered as a result of United's stock price declining by more than 15% in absolute terms and relative to the NASDAQ bank index, or if such rights have been triggered, United would have exercised the option referred to in Section 9.1(g)(X) of the merger agreement to provide more stock or cash merger consideration in order to avoid such greater than 15% decline in merger consideration value and thereby avoid such Palmetto termination (iv) the merger and any related transaction would be consummated in accordance with the terms of the merger agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements.

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Sandler O'Neill's analyses and the views expressed therein were necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the date of its fairness opinion. Events occurring after the date thereof could materially affect Sandler O'Neill's views. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its fairness opinion or otherwise comment upon events occurring after the date thereof. Sandler O'Neill expressed no opinion as to the trading values of Palmetto common stock after the date of its fairness opinion or what the value of United's common stock will be once it is actually received by the holders of Palmetto common stock. Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by Palmetto's officers, directors, or employees, or any class of such persons, relative to the compensation to be received in the merger by any other shareholders of Palmetto.

In rendering its oral opinion on April 21, 2015, which was subsequently confirmed in writing, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but is not a complete description of all the analyses underlying Sandler O'Neill's fairness opinion. The summary includes information presented in tabular format. In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. In arriving at its opinion, Sandler O'Neill did not attribute any particular weight to any analysis or factor that it considered. Rather, Sandler O'Neill made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion; rather, Sandler O'Neill made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all of such factors and analyses, could create an incomplete view of the evaluation process underlying its fairness opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Palmetto or United and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Palmetto, United and the companies to which they are being compared.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Palmetto and Sandler O'Neill. The analyses performed by Sandler O'Neill are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its fairness opinion and provided such analyses to Palmetto's Board of Directors at the meeting held on April 21, 2015. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. The analyses and fairness opinion of Sandler O'Neill were among a number of factors taken into consideration by Palmetto's Board of Directors in making its determination to approve the merger agreement and the transactions contemplated by the merger agreement (including the merger) and the analyses described below should not be viewed as determinative of the decision of Palmetto's Board of Directors or management with respect to the fairness of the merger.

Summary of Proposed Transaction. Sandler O'Neill reviewed the financial terms of the proposed transaction. Pursuant to the terms of the merger agreement, upon the effective time of the merger, holders of Palmetto common stock will be entitled to receive, in exchange for each share of Palmetto common stock, consideration equal to either (i) 0.97 shares of United common stock, or (ii) $19.25 in cash, without interest; provided, that the total merger consideration shall be prorated as necessary to ensure that 30% of

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the total outstanding shares of Palmetto common stock will be exchanged for cash and 70% of the total outstanding shares of Palmetto common stock will be exchanged for shares of United common stock.

Based upon financial information for Palmetto as of or for the twelve month period ending March 31, 2015, Sandler O'Neill calculated the following transaction ratios:

Transaction Multiples

Transaction Value/Book Value	181.4%
Transaction Value/Tangible Book Value	181.4%
Transaction Value/Adjusted Tangible Book Value(1)	199.8%
Price/Last Twelve Months Earnings	24.0x
Price/2015 Estimated Earnings(2)	21.1x
Tangible Book Premium/Core Deposits(3)	14.3%

(1)
Adjusted Tangible Book Value ("TBV") targeting 9.0% Tangible Common Equity ("TCE")/Total Assets ("TA"), based on the median ratio of tangible common equity to tangible assets for the comparable Southeast transactions, and dollar-for-dollar payout on capital in excess of 9.0%.

(2)
Based on projections, as of April 21, 2015, as provided by Palmetto senior management.

(3)
Core deposits are defined as total deposits less time deposits greater than $100,000.

The aggregate transaction value was approximately $241.4 million, based upon the volume-weighted average stock price for United common stock over the ten trading day period ended April 17, 2015 of $18.88 per share, 12,814,574 shares of Palmetto common stock outstanding at April 21, 2015, and the implied value of 402,001 in-the-money options with a weighted average exercise price of $10.90.

Stock Trading History. Sandler O'Neill reviewed the history of the publicly reported trading prices of Palmetto's common stock and United's common stock for the periods of one year and three years, respectively, ended April 17, 2015. Sandler O'Neill then compared the relationship between the movements in the price of Palmetto's and United's common stock, respectively, to movements in their respective peer groups as well as certain stock indices.

The Palmetto peer group (the "Palmetto Peer Group") consisted of the following selected financial institutions:

Peer Group(1):

Stonegate Bank	Peoples Bancorp of NC Inc.
American National Bankshares	Southern National Bancorp of VA
Middleburg Financial Corp.	Auburn National Bancorp.
National Bancshares Inc.	Fauquier Bankshares Inc.
Monarch Financial Holdings	United Security Bancshares
Access National Corp.	

(1)
Selected public, major exchange traded banks headquartered in the Southeast with total assets of $500 million to $2.0 billion, TCE/TA greater than 9.0%, last twelve months return on average assets ("LTM ROAA") greater than 0.50% and nonperforming/total assets less than 2.0% (nonperforming assets defined as (nonaccrual loans + other real estate owned)), which financial measures Sandler O'Neill deemed to be relevant to Palmetto's financial condition and

appropriate for selecting peer financial institutions for Palmetto.

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The United peer group (the “United Peer Group”) consisted of the following selected financial institutions:

Peer Group(1):

BankUnited Inc.	Union Bankshares Corp.
BancorpSouth Inc.	Capital Bank Financial Corp.
United Bancshares Inc.	Bank of the Ozarks Inc.
Trustmark Corp.	WesBanco Inc.
South State Corporation	Pinnacle Financial Partners
Home BancShares Inc.	Renasant Corporation

(1)

Selected public, major exchange traded banks headquartered in the Southeast with total assets of $5.0 billion to $20.0 billion, LTM ROAA greater than 0.50% and nonperforming/total assets less than 2.0%, which financial measures Sandler O’Neill deemed to be relevant to Palmetto’s financial condition and appropriate for selecting peer financial institutions for United.

Palmetto’s One Year Stock Performance

	Beginning Index Value April 17, 2014	Ending Index Value April 17, 2015
Palmetto	100%	134.3%
Palmetto Peer Group	100%	103.3%
NASDAQ Bank Index	100%	103.6%
S&P 500 Index	100%	111.6%

Palmetto’s Three Year Stock Performance

	Beginning Index Value April 17, 2012	Ending Index Value April 17, 2015
Palmetto	100%	340.3%
Palmetto Peer Group	100%	129.4%
NASDAQ Bank Index	100%	147.2%
S&P 500 Index	100%	149.6%

United’s One Year Stock Performance

	Beginning Index Value April 17, 2014	Ending Index Value April 17,

		2015
United	100%	99.5%
United Peer Group	100%	108.4%
NASDAQ Bank Index	100%	103.6%
S&P 500 Index	100%	111.6%

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United's Three Year Stock Performance

	Beginning Index Value April 17, 2012	Ending Index Value April 17, 2015
United	100%	203.0%
United Peer Group	100%	170.5%
NASDAQ Bank Index	100%	147.2%
S&P 500 Index	100%	149.6%

Review of Analyst Recommendations and Estimates. Sandler O'Neill reviewed publicly available research analyst estimates and recommendations to outline the current analyst views of Palmetto's common stock. The analysis compared published recommendations and earnings per share estimates for the years ending December 31, 2015 and December 31, 2016. As of April 17, 2015, two research analysts had published recommendations for Palmetto's common stock, composed of one "market perform" recommendation and one "hold" recommendation. The table below sets forth the median of the estimates (provided that only one of the research analysts had published a 2016 earnings per share estimate for Palmetto's common stock):

2015 earnings per share	$ 0.90
2016 earnings per share	$ 0.95

Sandler O'Neill also reviewed publicly available research analyst estimates and recommendations to outline the current analyst views of United's common stock. The analysis compared published recommendations and earnings per share estimates for the years ending December 31, 2015 and December 31, 2016 by analysts whose estimates had been reviewed after United's January 27, 2015 announcement of its acquisition of MoneyTree Corporation. As of April 17, 2015, four such research analysts had published recommendations for United's common stock composed of one "market perform" recommendation, one "outperform" recommendation and two "buy" recommendations. The table below sets forth the median of the estimates:

2015 earnings per share	$ 1.27
2016 earnings per share	$ 1.40

Comparable Company Analysis. Sandler O'Neill also used publicly available information as well as information provided by the senior management of Palmetto to compare selected financial and market trading information for Palmetto and the Palmetto Peer Group, a specific group of financial institutions selected by Sandler O'Neill.

The table below sets forth the data for Palmetto as of or for the twelve months ended March 31, 2015 and the high, low, mean and median data for the Palmetto Peer Group as of or for the twelve months ended December 31, 2014, with pricing data as of April 17, 2015.

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Comparable Company Analysis

	Palmetto	Palmetto Peer Group			
		High Result	Low Result	Mean Result	Median Result
Total Assets (in millions)	$ 1,173	$ 1,723	$ 573	$ 1,045	$ 1,053
Gross Loans/Deposits	86.0%	102.8%	54.9%	78.6%	80.0%
Tangible Common Equity/Tangible Assets	11.6%	13.9%	9.1%	10.5%	10.0%
Tier I Leverage Ratio	11.9%	14.6%	9.7%	11.2%	10.9%
Total Risk Based Capital Ratio	15.6%	24.9%	12.4%	17.2%	16.6%
LTM Return on Average Assets	0.9%	1.5%	0.6%	1.0%	0.9%
LTM Return on Average Equity	7.4%	14.5%	4.9%	8.9%	9.0%
LTM Net Interest Margin	3.8%	5.5%	3.2%	4.0%	3.8%
LTM Efficiency Ratio	73.6%	82.7%	44.4%	66.4%	60.6%
Loan Loss Reserve/Gross Loans	1.6%	2.3%	1.0%	1.4%	1.4%
Nonperforming Assets/Total Assets	1.4%	2.2%	0.2%	0.8%	0.5%
Price/Tangible Book Value	180.0%	194.0%	67.0%	129.0%	126.0%
Price/LTM Earnings Per Share	25.6x	24.5x	11.1x	14.8x	13.2x
Market Capitalization (in millions)	$ 239	$ 378	$ 50	$ 153	$ 135

Sandler O’Neill also used publicly available information as well as information provided by the senior management of United to perform a similar analysis for United and the United Peer Group, a group of financial institutions as selected by Sandler O’Neill.

The table below sets forth the data for United as of or for the twelve months ended March 31, 2015 and the high, low, mean and median data for the United Peer Group as of or for the twelve months ended December 31, 2014, with pricing data as of April 17, 2015.

Comparable Company Analysis

	United	United Peer Group			
		High Result	Low Result	Mean Result	Median Result
Total Assets (in millions)	$ 7,664	$ 19,211	$ 5,805	$ 9,423	$ 7,670
Gross Loans/Deposits	74.4%	100.7%	72.2%	89.7%	92.3%
Tangible Common Equity/Tangible Assets	9.9%	13.6%	7.5%	9.6%	9.5%
Tier I Leverage Ratio	8.8%	14.3%	9.5%	10.8%	10.4%
Total Risk Based Capital Ratio	12.8%	19.1%	12.5%	14.4%	14.0%
LTM Return on Average Assets	0.9%	2.0%	0.7%	1.1%	1.1%
LTM Return on Average Equity	9.4%	15.0%	4.7%	8.9%	8.7%
LTM Net Interest Margin	3.3%	5.5%	3.6%	4.3%	4.1%
LTM Efficiency Ratio	58.2%	70.6%	39.9%	57.5%	60.7%
Loan Loss Reserve/Gross Loans	1.5%	1.5%	0.6%	1.0%	1.0%
Nonperforming Assets/Total Assets	0.3%	1.4%	0.2%	0.9%	0.9%

Price/Tangible Book Value	150.0%	336.0%	148.0%	228.0%	213.0%
Price/LTM Earnings Per Share	16.5x	27.7x	13.0x	19.5x	19.4x
Market Capitalization (in millions)	$ 1,104	$ 3,448	$ 948	$ 1,955	$ 1,633

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Net Present Value Analysis. Sandler O'Neill performed an analysis that estimated the net present value per share of Palmetto's common stock through December 31, 2019. Sandler O'Neill based its analysis on internal financial projections for Palmetto for the years ending December 31, 2015 through December 31, 2019, as provided by the senior management of Palmetto.

To approximate the terminal value of Palmetto common stock at December 31, 2019, Sandler O'Neill applied price to earnings multiples of 12.0x to 17.0x and multiples of tangible book value ranging from 110% to 185%. Sandler O'Neill selected the price to earnings and tangible book value multiples based on Sandler O'Neill's review of, among other matters, the trading multiples of companies in the Palmetto Peer Group. The terminal values were then discounted to present values using discount rates ranging from 9.0% to 15.0%, which were selected to reflect different assumptions regarding potential desired rates of return of holders of Palmetto common stock.

As illustrated in the following tables, the analysis indicates an imputed range of values per share of Palmetto common stock of $9.93 to $17.43 when applying multiples of earnings to the applicable amounts indicated in the Palmetto projections and $9.02 to $18.35 when applying multiples of tangible book value to the applicable amounts indicated in the Palmetto projections.

Discount Rate	Earnings Multiples (Value shown is a per share valuation)					
	12.0x	13.0x	14.0x	15.0x	16.0x	17.0x
9%	$ 12.80	$ 13.73	$ 14.65	$ 15.58	$ 16.51	$ 17.43
10%	$ 12.26	$ 13.14	$ 14.03	$ 14.91	$ 15.80	$ 16.68
11%	$ 11.74	$ 12.59	$ 13.43	$ 14.28	$ 15.13	$ 15.97
12%	$ 11.25	$ 12.06	$ 12.87	$ 13.68	$ 14.49	$ 15.30
13%	$ 10.79	$ 11.56	$ 12.34	$ 13.11	$ 13.88	$ 14.66
14%	$ 10.35	$ 11.09	$ 11.83	$ 12.57	$ 13.31	$ 14.05
15%	$ 9.93	$ 10.64	$ 11.35	$ 12.06	$ 12.77	$ 13.48

Discount Rate	Tangible Book Value Multiples (Value shown is a per share valuation)					
	110%	125%	140%	155%	170%	185%
9%	$ 11.60	$ 12.95	$ 14.30	$ 15.65	$ 17.00	$ 18.35
10%	$ 11.11	$ 12.40	$ 13.69	$ 14.98	$ 16.27	$ 17.56
11%	$ 10.65	$ 11.88	$ 13.12	$ 14.35	$ 15.58	$ 16.81
12%	$ 10.21	$ 11.39	$ 12.57	$ 13.75	$ 14.92	$ 16.10
13%	$ 9.79	$ 10.92	$ 12.05	$ 13.17	$ 14.30	$ 15.43
14%	$ 9.40	$ 10.47	$ 11.55	$ 12.63	$ 13.71	$ 14.79
15%	$ 9.02	$ 10.05	$ 11.08	$ 12.12	$ 13.15	$ 14.18

Sandler O'Neill also considered and discussed with Palmetto's Board of Directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming Palmetto's net income varied from 25.0% above projections to 25.0% below projections. This analysis resulted in the following reference ranges of aggregate values for Palmetto common stock using a discount rate of 12.87%.

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Earnings Projection Change from Base Case	Earnings Multiples (Value shown is a per share valuation)					
	12.0x	13.0x	14.0x	15.0x	16.0x	17.0x
(25.0)%	$ 8.51	$ 9.10	$ 9.68	$ 10.26	$ 10.85	$ 11.43
(20.0)%	$ 8.98	$ 9.60	$ 10.23	$ 10.85	$ 11.47	$ 12.09
(15.0)%	$ 9.45	$ 10.11	$ 10.77	$ 11.43	$ 12.09	$ 12.75
(10.0)%	$ 9.91	$ 10.61	$ 11.31	$ 12.02	$ 12.72	$ 13.42
(5.0)%	$ 10.38	$ 11.12	$ 11.86	$ 12.60	$ 13.34	$ 14.08
0.0%	$ 10.85	$ 11.63	$ 12.40	$ 13.18	$ 13.96	$ 14.74
5.0%	$ 11.31	$ 12.13	$ 12.95	$ 13.77	$ 14.58	$ 15.40
10.0%	$ 11.78	$ 12.64	$ 13.49	$ 14.35	$ 15.21	$ 16.06
15.0%	$ 12.25	$ 13.14	$ 14.04	$ 14.93	$ 15.83	$ 16.72
20.0%	$ 12.72	$ 13.65	$ 14.58	$ 15.52	$ 16.45	$ 17.39
25.0%	$ 13.18	$ 14.16	$ 15.13	$ 16.10	$ 17.07	$ 18.05

The following table describes the discount rate calculation for Palmetto common stock prepared by Sandler O'Neill. The discount rate equals the sum of the risk free rate, the equity risk premium and the size premium. A size premium was used in calculating the discount rate for Palmetto common stock because Sandler O'Neill believed that Palmetto's common stock has historically been too thinly traded for the beta of its common stock price to provide a reliable measure of the volatility, or systematic risk, of Palmetto's common stock in comparison to the stock market as a whole.

Risk Free Rate	4.00%	Based on 20-year normalized treasury yield
Equity Risk Premium	5.00%	Per Duff & Phelps 2014 Valuation Handbook
Size Premium	3.87%	Per Duff & Phelps 2014 Valuation Handbook
Discount Rate	12.87%	

Sandler O'Neill also performed an analysis that estimated the net present value per share of United common stock assuming that United performed in accordance with publicly available analyst earnings estimates for the years ending December 31, 2015 and 2016, and that its earnings for the years ending December 31, 2017, 2018 and 2019 grew at an annual long-term growth rate of 8.5% (which 8.5% growth rate was discussed with the senior management of United). To approximate the terminal value of United common stock at December 31, 2019, Sandler O'Neill applied price to earnings multiples ranging from 15.0x to 20.0x and multiples of tangible book value ranging from 150% to 275%. Sandler O'Neill selected the price to earnings and tangible book value multiples based on Sandler O'Neill's review of, among other matters, the trading multiples of selected companies that Sandler O'Neill deemed to be comparable to United. The terminal values were then discounted to present values using different discount rates ranging from 7.0% to 13.0%, which were chosen to reflect different assumptions regarding required rates of return of holders of United's common stock.

As illustrated in the following tables, the analysis indicates an imputed range of values per share of United common stock of $15.90 to $27.26 when applying earnings multiples to the applicable amounts indicated in the United projections and $16.17 to $37.67 when applying multiples of tangible book value to the applicable amounts indicated in the United projections.

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Discount Rate	Earnings Multiples (Value shown is a per share valuation)					
	15.0x	16.0x	17.0x	18.0x	19.0x	20.0x
7%	$ 20.75	$ 22.05	$ 23.36	$ 24.66	$ 25.96	$ 27.26
8%	$ 19.83	$ 21.07	$ 22.32	$ 23.56	$ 24.80	$ 26.04
9%	$ 18.96	$ 20.14	$ 21.33	$ 22.52	$ 23.70	$ 24.89
10%	$ 18.13	$ 19.26	$ 20.40	$ 21.53	$ 22.67	$ 23.80
11%	$ 17.35	$ 18.43	$ 19.51	$ 20.60	$ 21.68	$ 22.77
12%	$ 16.60	$ 17.64	$ 18.68	$ 19.71	$ 20.75	$ 21.79
13%	$ 15.90	$ 16.89	$ 17.88	$ 18.88	$ 19.87	$ 20.86

Discount Rate	Tangible Book Value Multiples (Value shown is a per share valuation)					
	150%	175%	200%	225%	250%	275%
7%	$ 21.11	$ 24.42	$ 27.73	$ 31.05	$ 34.36	$ 37.67
8%	$ 20.17	$ 23.33	$ 26.50	$ 29.66	$ 32.82	$ 35.98
9%	$ 19.28	$ 22.30	$ 25.32	$ 28.34	$ 31.36	$ 34.38
10%	$ 18.44	$ 21.33	$ 24.21	$ 27.10	$ 29.98	$ 32.87
11%	$ 17.65	$ 20.40	$ 23.16	$ 25.92	$ 28.68	$ 31.43
12%	$ 16.89	$ 19.53	$ 22.16	$ 24.80	$ 27.44	$ 30.07
13%	$ 16.17	$ 18.70	$ 21.22	$ 23.74	$ 26.26	$ 28.78

Sandler O'Neill also considered and discussed with the Palmetto Board of Directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming United's net income varied from 25% above projections to 25% below projections. This analysis resulted in the following range of per share values for United common stock, using the same price to earnings multiples of 15.0x to 20.0x and a discount rate of 9.21%, based on a 4.00% 20-year normalized treasury yield, a two-year beta of United's common stock of 1.042x, and an equity risk premium of 5.00%.

Earnings Projection Change from Base Case	Earnings Multiples (Value shown is a per share valuation)					
	15.0x	16.0x	17.0x	18.0x	19.0x	20.0x
(25.0)%	$ 14.37	$ 15.25	$ 16.13	$ 17.02	$ 17.90	$ 18.78
(20.0)%	$ 15.25	$ 16.19	$ 17.13	$ 18.07	$ 19.01	$ 19.95
(15.0)%	$ 16.13	$ 17.13	$ 18.13	$ 19.13	$ 20.13	$ 21.13
(10.0)%	$ 17.02	$ 18.07	$ 19.13	$ 20.19	$ 21.25	$ 22.31
(5.0)%	$ 17.90	$ 19.01	$ 20.13	$ 21.25	$ 22.37	$ 23.48
0.0%	$ 18.78	$ 19.95	$ 21.13	$ 22.31	$ 23.48	$ 24.66
5.0%	$ 19.66	$ 20.90	$ 22.13	$ 23.36	$ 24.60	$ 25.83
10.0%	$ 20.54	$ 21.84	$ 23.13	$ 24.42	$ 25.72	$ 27.01
15.0%	$ 21.42	$ 22.78	$ 24.13	$ 25.48	$ 26.83	$ 28.18
20.0%	$ 22.31	$ 23.72	$ 25.13	$ 26.54	$ 27.95	$ 29.36
25.0%	$ 23.19	$ 24.66	$ 26.13	$ 27.60	$ 29.07	$ 30.54

In connection with its analyses, Sandler O'Neill considered and discussed with the Palmetto Board of Directors how the net present value analyses would be affected by changes in the underlying assumptions. Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Analysis of Selected Merger Transactions. Sandler O'Neill reviewed two groups of comparable merger and acquisition transactions. The first group, referred to as the nationwide transaction group, included merger transactions announced from January 1, 2013 through April 20, 2015 involving selected United States-based banks in which the target's total assets were between $500 million and $3.0 billion, with the target's LTM ROAA greater than 0.50%, and the target's NPAs/Assets less than 5.0%. Sandler O'Neill deemed these transactions to be comparable to the proposed United and Palmetto merger.

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The nationwide transaction group was composed of the following transactions:

Acquirer/Target		
Pinnacle Financial Partners, Inc.	/	CapitalMark Bank & Trust
Western Alliance Bancorporation	/	Bridge Capital Holdings
Community Bank System, Inc.	/	Oneida Financial Corp.
Farmers National Banc Corp.	/	National Bancshares Corporation
Chemical Financial Corporation	/	Lake Michigan Financial Corporation
Stupp Bros., Inc.	/	Southern Bancshares Corp.
Bridge Bancorp, Inc.	/	Community National Bank
UMB Financial Corporation	/	Marquette Financial Companies
Northwest Bancshares, Inc.	/	LNB Bancorp, Inc.
Renasant Corporation	/	Heritage Financial Group, Inc.
IBERIABANK Corporation	/	Georgia Commerce Bancshares, Inc.
MidWestOne Financial Group, Inc.	/	Central Bancshares, Inc.
BNC Bancorp	/	Valley Financial Corporation
Berkshire Hills Bancorp, Inc.	/	Hampden Bancorp, Inc.
S&T Bancorp, Inc.	/	Integrity Bancshares, Inc.
WesBanco, Inc.	/	ESB Financial Corporation
IBERIABANK Corporation	/	Old Florida Bancshares, Inc.
Heartland Financial USA, Inc.	/	Community Banc-Corp. of Sheboygan
HomeStreet, Inc.	/	Simplicity Bancorp, Inc.
BB&T Corporation	/	Bank of Kentucky Financial Corporation
Peoples Bancorp Inc.	/	NB&T Financial Group, Inc.
Bank of the Ozarks, Inc.	/	Intervest Bancshares Corporation
Columbia Banking System, Inc.	/	Intermountain Community Bancorp
First Midwest Bancorp, Inc.	/	Great Lakes Financial Resources, Inc.
State Bank Financial Corporation	/	Georgia-Carolina Bancshares, Inc.
Eagle Bancorp, Inc.	/	Virginia Heritage Bank
National Penn Bancshares, Inc.	/	TF Financial Corporation
CU Bancorp	/	1st Enterprise Bank
Simmons First National Corporation	/	Liberty Bancshares, Inc.
Simmons First National Corporation	/	Community First Bancshares, Inc.
Eastern Bank Corporation	/	Centrix Bank & Trust
First Interstate BancSystem, Inc.	/	Mountain West Financial Corp.
Bank of the Ozarks, Inc.	/	Summit Bancorp, Inc.
BancorpSouth, Inc.	/	Central Community Corporation
Center Bancorp, Inc.	/	ConnectOne Bancorp, Inc.
IBERIABANK Corporation	/	Teche Holding Company
Old National Bancorp	/	United Bancorp, Inc.
BancorpSouth, Inc.	/	Ouachita Bancshares Corp.

Provident Financial Services, Inc.	/	Team Capital Bank
ViewPoint Financial Group, Inc.	/	LegacyTexas Group, Inc.
Independent Bank Group, Inc.	/	BOH Holdings, Inc.
Heritage Financial Corporation	/	Washington Banking Company
East West Bancorp, Inc.	/	MetroCorp Bancshares, Inc.
Old National Bancorp	/	Tower Financial Corporation
Prosperity Bancshares, Inc.	/	F & M Bancorporation Inc.
Mercantile Bank Corporation	/	Firstbank Corporation
Cullen/Frost Bankers, Inc.	/	WNB Bancshares, Inc.
CenterState Banks, Inc.	/	Gulfstream Bancshares, Inc.

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Prosperity Bancshares, Inc.	/	FVNB Corp.
Bear State Financial, Inc.	/	First National Security Company
Peoples Financial Services Corp.	/	Penseco Financial Services Corporation
Home BancShares, Inc.	/	Liberty Bancshares, Inc
Heartland Financial USA, Inc.	/	Morrill Bancshares, Inc.
Triumph Consolidated Cos., LLC	/	National Bancshares, Inc.
Provident New York Bancorp	/	Sterling Bancorp
CBFH, Inc.	/	VB Texas, Inc.
F.N.B. Corporation	/	PVF Capital Corp.
United Bankshares, Inc.	/	Virginia Commerce Bancorp, Inc.

The second group, referred to as the Southeast transaction group, included merger transactions announced from January 1, 2013 through April 20, 2015 involving those in which the target was headquartered in the Southeast U.S. where the target's total assets were between $500 million and $3.0 billion, with the target's LTM ROAA greater than 0.50%, and the target's NPAs/Assets less than 5.0% Sandler O'Neill deemed these transactions to be reflective of the proposed United and Palmetto merger.

The Southeast transaction group was composed of the following transactions:

Acquirer/Target		
Pinnacle Financial Partners, Inc.	/	CapitalMark Bank & Trust
Renasant Corporation	/	Heritage Financial Group, Inc.
IBERIABANK Corporation	/	Georgia Commerce Bancshares, Inc.
BNC Bancorp	/	Valley Financial Corporation
IBERIABANK Corporation	/	Old Florida Bancshares, Inc.
State Bank Financial Corporation	/	Georgia-Carolina Bancshares, Inc.
Eagle Bancorp, Inc.	/	Virginia Heritage Bank
Simmons First National Corporation	/	Community First Bancshares, Inc.
Bank of the Ozarks, Inc.	/	Summit Bancorp, Inc.
CenterState Banks, Inc.	/	Gulfstream Bancshares, Inc.
Bear State Financial, Inc.	/	First National Security Company
Home BancShares, Inc.	/	Liberty Bancshares, Inc.
United Bankshares, Inc.	/	Virginia Commerce Bancorp, Inc.

As illustrated in the following table, Sandler O'Neill compared the transaction price to book value per share, transaction price to tangible book value per share, transaction price to adjusted tangible book value per share (adjusted to reflect a tangible common equity to tangible assets ratio of 9%, based on the median ratio of tangible common equity to tangible assets for the comparable Southeast transactions, and a dollar-for-dollar payout on capital in excess of 9%), transaction price to last twelve months earnings, and core deposit premium for the proposed merger as compared to the high, low, mean and median multiples of the comparable transactions in both the nationwide transaction group and the Southeast transaction group.

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Comparable Southeast Transaction Multiples

	United/ Palmetto	Comparable Southeast Transactions(1)			
		High Result	Low Result	Mean Result	Median Result
Transaction Value/Book Value	181.4%	243.0%	84.0%	165.0%	173.0%
Transaction Value/Tangible Book Value	181.4%	243.0%	135.1%	176.6%	173.0%
Transaction Value/Adjusted Tangible Book Value	199.8%	231.5%	141.5%	177.0%	168.4%
Transaction Value/LTM Earnings	24.0x	36.3x	11.9x	19.6x	16.9x
Core Deposit Premium(3)	14.3%	21.0%	5.2%	10.9%	10.8%

Comparable Nationwide Transaction Multiples

	United/ Palmetto	Comparable Nationwide Transactions(2)			
		High Result	Low Result	Mean Result	Median Result
Transaction Value/Book Value	181.4%	284.1%	78.0%	165.7%	165.8%
Transaction Value/Tangible Book Value	181.4%	284.1%	84.2%	177.0%	173.8%
Transaction Value/Adjusted Tangible Book Value	199.8%	245.0%	99.9%	172.1%	168.8%
Transaction Value/LTM Earnings	24.0x	43.9x	4.3x	18.7x	17.2x
Core Deposit Premium(3)	14.3%	21.0%	(0.8)%	10.0%	10.1%

(1)
High, low, mean and median for selected Southeast bank transactions since January 1, 2013 with Target Total Assets between $500 Million and $3.0 Billion, Target LTM ROAA greater than 0.50% and Target NPAs/Assets less than 5.0%.

(2)
High, low, mean and median for selected nationwide bank transactions since January 1, 2013 with Target Total Assets between $500 Million and $3.0 Billion, Target LTM ROAA greater than 0.50% and Target NPAs/Assets less than 5.0%.

(3)
Core deposits defined as total deposits less time deposits greater than $100,000.

Pro Forma Merger Analysis. Sandler O'Neill analyzed certain potential pro forma effects of the merger, based on the following assumptions provided by United's management: (i) the merger closes in the third calendar quarter of 2015; (ii) 100% of outstanding Palmetto common shares are converted into the right to receive, at the election of the holder thereof, 0.97 shares of United common stock, or $19.25 in cash, without interest; provided, that the total merger consideration shall be prorated as necessary to ensure that 30% of the total outstanding shares of Palmetto common stock will be exchanged for cash and 70% of the total outstanding shares of Palmetto common stock will be exchanged for shares of United common stock; and (iii) all outstanding Palmetto options are cashed out by United at closing, except for those Palmetto options granted under the Palmetto 1997 Stock Compensation Plan, which will be

converted into a stock option to purchase shares of United common stock.
Sandler O'Neill also incorporated the following assumptions, as provided by United's senior management: (a) estimated earnings per share projections for Palmetto for the years ending December 31, 2015 through December 31, 2017, based on projections provided to United by Palmetto senior management, projections for the years ending December 31, 2015 and December 31, 2016 for United based on consensus Wall Street research analyst estimates and a long-term earnings per share growth rate of 8.50% for the years ending December 31, 2017 through December 31, 2019, which 8.50% growth rate was discussed with the senior management of United; (b) purchase accounting adjustments of a credit mark on

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loans equal to 1.90% of gross loans, an interest rate mark of $1.0 million, an other real estate owned mark of $3.0 million, a fixed asset mark of $2.9 million, and other purchase accounting marks totaling approximately $3.1 million; (c) cost savings equal to approximately 40% of Palmetto's projected non-interest expense, which would be 100% realized in the first full year of operations; (d) transaction costs and expenses of approximately $20 million; (e) a 1.80% core deposit premium on $757 million of core deposits; (f) opportunity cost of cash on hand of 1.0%; and (g) an assumed $30 million subordinated debt offering with an estimated 5.5% coupon to finance a portion of the cash consideration for the merger (with the remaining cash consideration funded through a United bank level dividend to the holding company). The analysis indicated that the merger (excluding transaction expenses) would be approximately 1.2% dilutive and then approximately 10.5%, 12.4%, 13.3% and 12.1% accretive to United's earnings per share in 2015, 2016, 2017, 2018 and 2019, respectively, and would be approximately 6.8%, 7.7%, 5.9%, 4.0%, 2.2%, and 0.7% dilutive to United's tangible book value per share at the closing of the merger and at year end 2015, 2016, 2017, 2018 and 2019, respectively. Assuming (i) that post-merger United dividend per share would remain the same as United's stand-alone dividend per share, and (ii) assuming that Palmetto as a stand-alone entity would pay dividends equal to 35.9% of its net income in 2015 and 40.0% of its net income for the years 2016 through 2019 as reflected in the Palmetto management projections, the analysis indicated that the merger (excluding transaction expenses) would be approximately 33.3%, 25.9%, 32.7%, 37.3% and 38.1% dilutive to Palmetto shareholder dividends for the years ending December 31, 2015, 2016, 2017, 2018 and 2019, respectively.

Sandler O'Neill also analyzed certain capital ratios of United on a pro forma basis for the merger. That analysis provided the following results:

Pro Forma Capital Ratios

	Closing 9/30/2015	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Tangible Common Equity/Tangible Assets	9.5%	9.6%	10.1%	10.5%	10.9%	11.4%
Tangible Equity/Tangible Assets	9.7%	9.8%	10.1%	10.5%	10.9%	11.4%
Tier 1 Common/Risk-Weighted Assets	11.6%	11.9%	13.3%	14.7%	15.2%	15.6%
Tier 1 Leverage Ratio	9.3%	9.5%	10.6%	11.6%	11.9%	12.4%
Tier 1 Risk Based Capital Ratio	12.7%	12.9%	14.1%	15.4%	15.9%	16.2%
Total Risk Based Capital Ratio	14.2%	14.5%	15.6%	16.8%	17.3%	17.6%

Sandler O'Neill's Relationship. Sandler O'Neill acted as financial advisor to the board of directors of Palmetto in connection with the merger. Palmetto has agreed to pay Sandler O'Neill a transaction fee in connection with the merger, the majority of which is subject to the closing of the merger. The transaction fee is equal to 1.15% of the aggregate transaction value, if the merger consideration value per Palmetto share is less than $20 per share, and 1.25% of the aggregate transaction value, if the merger consideration value per Palmetto share is equal to or greater than $20 per share (with the transaction value and the merger consideration value per share being determined based on the average closing price of United common stock during the five trading days ending five trading days prior to the date of the merger). Sandler O'Neill received a fee of $750,000 payable upon the signing of the merger agreement, which fee will be credited against the transaction fee due to Sandler O'Neill at the closing of the merger. Sandler O'Neill received a fee of $350,000 associated with the delivery of its fairness opinion, which became payable upon Sandler O'Neill's rendering its fairness opinion to the Palmetto board of directors, which fairness opinion fee will be credited against the transaction fee due to Sandler O'Neill at the closing of the merger. Palmetto has also agreed to reimburse Sandler O'Neill for its reasonable out-of-pocket expenses, up to $50,000, and to indemnify Sandler O'Neill and its affiliates and their respective partners, directors, officers, employees and agents against certain liabilities arising out of its engagement.

Sandler O’Neill has not provided other investment banking services to Palmetto in the past two years. In the past two years, Sandler O’Neill has performed certain investment banking services for United and received fees totaling approximately $0.4 million for such invest