

UNITED COMMUNITY BANKS INC  
Form 10-Q  
May 11, 2015

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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2015

OR

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-35095

UNITED COMMUNITY  
BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia  
(State of Incorporation)

58-1807304  
(I.R.S. Employer Identification No.)

125 Highway 515 East  
Blairsville, Georgia  
Address of Principal Executive Offices

30512  
(Zip Code)

(706) 781-2265  
(Telephone Number)

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

YES  NO

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

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YES  NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller Reporting Company

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

YES  NO

Common stock, par value \$1 per share 50,246,315 shares voting and 10,080,787 shares non-voting outstanding as of April 30, 2015.

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## Part I – Financial Information

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

(in thousands, except per share data)	Three Months Ended	
	March 31,	
	2015	2014
Interest revenue:		
Loans, including fees	\$49,664	\$47,688
Investment securities, including tax exempt of \$158 and \$188	12,058	11,607
Deposits in banks and short-term investments	812	843
Total interest revenue	62,534	60,138
Interest expense:		
Deposits:		
NOW	394	440
Money market	673	563
Savings	20	20
Time	1,109	1,771
Total deposit interest expense	2,196	2,794
Short-term borrowings	98	840
Federal Home Loan Bank advances	392	58
Long-term debt	2,606	2,634
Total interest expense	5,292	6,326
Net interest revenue	57,242	53,812
Provision for credit losses	1,800	2,500
Net interest revenue after provision for credit losses	55,442	51,312
Fee revenue:		
Service charges and fees	7,615	7,898
Mortgage loan and other related fees	2,755	1,354
Brokerage fees	1,551	1,177
Gains from sales of SBA loans	1,141	-
Securities gains, net	1,539	217
Loss from prepayment of debt	(1,038)	-
Other	2,119	1,530
Total fee revenue	15,682	12,176
Total revenue	71,124	63,488
Operating expenses:		
Salaries and employee benefits	26,446	24,396
Communications and equipment	3,271	3,239
Occupancy	3,278	3,378
Advertising and public relations	750	626
Postage, printing and supplies	938	776
Professional fees	1,919	1,427

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FDIC assessments and other regulatory charges	1,209	1,353
Other	5,250	3,855
Total operating expenses	43,061	39,050
Net income before income taxes	28,063	24,438
Income tax expense	10,393	9,038
Net income	17,670	15,400
Preferred stock dividends and discount accretion	-	439
Net income available to common shareholders	\$17,670	\$14,961
Earnings per common share:		
Basic	\$.29	\$.25
Diluted	.29	.25
Weighted average common shares outstanding:		
Basic	60,905	60,059
Diluted	60,909	60,061

See accompanying notes to consolidated financial statements.

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

(in thousands)	Three Months Ended March 31,					
	2015			2014		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$28,063	\$(10,393 )	\$17,670	\$24,438	\$(9,038 )	\$15,400
Other comprehensive income:						
Unrealized gains on available-for-sale securities:						
Unrealized holding gains arising during period	13,989	(5,305 )	8,684	3,869	(1,441 )	2,428
Reclassification adjustment for gains included in net income	(1,539 )	598	(941 )	(217 )	92	(125 )
Net unrealized gains	12,450	(4,707 )	7,743	3,652	(1,349 )	2,303
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	484	(182 )	302	330	(123 )	207
Net unrealized gains	484	(182 )	302	330	(123 )	207
Amortization of losses included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	425	(165 )	260	97	(38 )	59
Unrealized losses on derivative financial instruments accounted for as cash flow hedges	(471 )	183	(288 )	(2,832 )	1,102	(1,730 )
Net unrealized losses	(46 )	18	(28 )	(2,735 )	1,064	(1,671 )
Net actuarial gain on defined benefit pension plan	-	-	-	296	(115 )	181
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	159	(62 )	97	91	(35 )	56
Net defined benefit pension plan activity	159	(62 )	97	387	(150 )	237
Total other comprehensive income	13,047	(4,933 )	8,114	1,634	(558 )	1,076
Comprehensive income	\$41,110	\$(15,326 )	\$25,784	\$26,072	\$(9,596 )	\$16,476

See accompanying notes to consolidated financial statements.

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

(in thousands, except share and per share data)	March 31, 2015	December 31, 2014	March 31, 2014
<b>ASSETS</b>			
Cash and due from banks	\$77,493	\$ 77,180	\$52,813
Interest-bearing deposits in banks	82,269	89,074	110,529
Short-term investments	25,902	26,401	49,999
Cash and cash equivalents	185,664	192,655	213,341
Securities available for sale	1,801,973	1,782,734	1,837,676
Securities held to maturity (fair value \$413,550, \$425,233 and \$473,136)	399,228	415,267	464,697
Mortgage loans held for sale	15,723	13,737	10,933
Loans, net of unearned income	4,787,689	4,672,119	4,355,708
Less allowance for loan losses	(70,007 )	(71,619 )	(75,223 )
Loans, net	4,717,682	4,600,500	4,280,485
Assets covered by loss sharing agreements with the FDIC	-	3,315	21,353
Premises and equipment, net	159,036	159,390	161,540
Bank owned life insurance	81,490	81,294	80,790
Accrued interest receivable	20,154	20,103	18,572
Net deferred tax asset	201,898	215,503	243,683
Derivative financial instruments	20,291	20,599	21,563
Other assets	60,764	61,889	43,604
<b>Total assets</b>	<b>\$7,663,903</b>	<b>\$ 7,566,986</b>	<b>\$7,398,237</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities:</b>			
<b>Deposits:</b>			
Demand	\$1,694,755	\$ 1,574,317	\$1,471,781
NOW	1,420,956	1,504,887	1,392,863
Money market	1,306,421	1,273,283	1,235,429
Savings	312,013	292,308	270,910
<b>Time:</b>			
Less than \$100,000	723,323	748,478	833,188
Greater than \$100,000	482,955	508,228	572,889
Brokered	497,508	425,011	470,481
Total deposits	6,437,931	6,326,512	6,247,541
Repurchase agreements	-	6,000	123,075
Federal Home Loan Bank advances	270,125	270,125	50,125
Long-term debt	113,901	129,865	129,865
Derivative financial instruments	29,276	31,997	42,309
Unsettled securities purchases	-	5,425	63,999
Accrued expenses and other liabilities	48,965	57,485	37,593
<b>Total liabilities</b>	<b>6,900,198</b>	<b>6,827,409</b>	<b>6,694,507</b>
<b>Shareholders' equity:</b>			
Common stock, \$1 par value; 100,000,000 shares authorized; 50,228,075, 50,178,605 and 50,011,094 shares issued and outstanding	50,228	50,178	50,011

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Common stock, non-voting, \$1 par value; 26,000,000 shares authorized;			
10,080,787, 10,080,787 and 10,080,787 shares issued and outstanding	10,081	10,081	10,081
Common stock issuable; 400,369, 357,983 and 237,763 shares	5,895	5,168	3,840
Capital surplus	1,081,110	1,080,508	1,091,696
Accumulated deficit	(372,933 )	(387,568 )	(433,130 )
Accumulated other comprehensive loss	(10,676 )	(18,790 )	(18,768 )
Total shareholders' equity	763,705	739,577	703,730
Total liabilities and shareholders' equity	\$7,663,903	\$ 7,566,986	\$7,398,237

See accompanying notes to consolidated financial statements.



## UNITED COMMUNITY BANKS, INC.

## Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

For the Three Months Ended March 31,

(in thousands, except share and per share data)	Preferred Stock		Non-Voting Common			Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss
	Series B	Series D	Common Stock	Common Stock	Stock Issuable			
Balance, December 31, 2013	\$105,000	\$16,613	\$46,243	\$13,188	\$3,930	\$1,078,676	\$(448,091)	\$(19,844)
Net income							15,400	
Other comprehensive income								1,076
Redemption of Series B preferred stock (105,000 shares)	(105,000)							
Redemption of Series D preferred stock (16,613 shares)		(16,613)						
Common stock issued at market (640,000 shares)			640			11,566		
Common stock issued to dividend reinvestment plan and employee benefit plans (11,837 shares)			12			197		
Conversion of non-voting common stock to voting (3,107,419 shares)			3,107	(3,107)				
Amortization of stock option and restricted stock awards						1,120		
Vesting of restricted stock, net of shares surrendered to cover payroll taxes (1,096 shares issued, 0 shares deferred)			1			(2)		
Deferred compensation plan, net, including dividend equivalents						57		
Shares issued from deferred compensation plan (7,397 shares)			8		(147)	139		
Preferred stock dividends:								
Series B							(159)	
Series D							(280)	
Balance, March 31, 2014	\$-	\$-	\$50,011	\$10,081	\$3,840	\$1,091,696	\$(433,130)	\$(18,768)
Balance, December 31, 2014	\$-	\$-	\$50,178	\$10,081	\$5,168	\$1,080,508	\$(387,568)	\$(18,790)
Net income							17,670	
Other comprehensive income								8,114
Common stock issued to dividend reinvestment plan and			4			57		

employee benefit plans (3,689 shares)									
Amortization of stock option and restricted stock awards						991			
Vesting of restricted stock, net of shares surrendered to cover payroll taxes (31,718 shares issued, 51,326 shares deferred)	32				759	(1,129	)		
Deferred compensation plan, net, including dividend equivalents						106			
Shares issued from deferred compensation plan (14,063 shares)	14				(138	)	124		
Common stock dividends (\$.05 per share)								(3,035	)
Tax on restricted stock vesting						559			
Balance, March 31, 2015	\$-	\$-	\$50,228	\$10,081	\$5,895	\$1,081,110	\$(372,933)	\$(10,676)	\$

See accompanying notes to consolidated financial statements.

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

(in thousands)	Three Months Ended	
	March 31,	
	2015	2014
Operating activities:		
Net income	\$17,670	\$15,400
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and accretion	5,158	4,927
Provision for credit losses	1,800	2,500
Stock based compensation	991	1,120
Deferred income tax benefit	8,672	9,776
Securities gains, net	(1,539 )	(217 )
Net losses and write downs on sales of other real estate owned	(81 )	(244 )
Loss on prepayment of borrowings	1,038	-
Changes in assets and liabilities:		
Other assets and accrued interest receivable	7,106	6,607
Accrued expenses and other liabilities	(11,342 )	(12,230 )
Mortgage loans held for sale	(1,986 )	(614 )
Net cash provided by operating activities	27,487	27,025
Investing activities:		
Investment securities held to maturity:		
Proceeds from maturities and calls of securities held to maturity:	16,144	15,007
Investment securities available for sale:		
Proceeds from sales of securities available for sale	69,467	153,316
Proceeds from maturities and calls of securities available for sale	55,121	56,757
Purchases of securities available for sale	(137,305 )	(173,024 )
Net increase in loans	(122,257 )	(34,027 )
Funds (paid to) collected from FDIC under loss sharing agreements	(1,198 )	1,623
Proceeds from sales of premises and equipment	-	509
Purchases of premises and equipment	(1,768 )	(618 )
Proceeds from sale of other real estate	1,408	2,417
Net cash (used in) provided by investing activities	(120,388 )	21,960
Financing activities:		
Net change in deposits	111,419	46,036
Net change in short-term borrowings	(6,540 )	69,834
Repayments of trust preferred securities	(15,998 )	-
Proceeds from FHLB advances	410,000	355,000
Repayments of FHLB advances	(410,000 )	(425,000 )
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	61	209
Proceeds from issuance of common stock, net of issuance costs	-	12,206
Retirement of preferred stock	-	(121,613 )
Cash dividends on common stock	(3,032 )	-

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Cash dividends on preferred stock	-	(1,214 )
Net cash provided by (used in) financing activities	85,910	(64,542 )
Net change in cash and cash equivalents	(6,991 )	(15,557 )
Cash and cash equivalents at beginning of period	192,655	228,898
Cash and cash equivalents at end of period	\$185,664	\$213,341
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$6,334	\$7,449
Income taxes	1,800	1,321
Unsettled securities purchases	-	34,437
Unsettled SBA loan Sales	3,671	-
Transfers of loans to foreclosed properties	459	4,367

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 – Accounting Policies

The accounting and financial reporting policies of United Community Banks, Inc. (“United”) and its subsidiaries conform to accounting principles generally accepted in the United States of America (“GAAP”) and general banking industry practices. The accompanying interim consolidated financial statements have not been audited. All material intercompany balances and transactions have been eliminated. A more detailed description of United’s accounting policies is included in its Annual Report on Form 10-K for the year ended December 31, 2014.

In management’s opinion, all accounting adjustments necessary to accurately reflect the financial position and results of operations on the accompanying financial statements have been made. These adjustments are normal and recurring accruals considered necessary for a fair and accurate presentation. The results for interim periods are not necessarily indicative of results for the full year or any other interim periods.

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

Note 2 – Accounting Standards Updates and Recently Adopted Standards

In February 2015, the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, effective for fiscal years beginning after December 15, 2015 and interim periods within those years and early adoption is permitted. The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in the ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. To simplify presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability consistent with debt discounts. The standard will be effective for the United’s fiscal year beginning after December 15, 2015 and subsequent interim periods. The adoption of ASU 2015-03 is not expected to have a material effect on the United’s consolidated financial statements.

Note 3 – Acquisition

On June 26, 2014, United completed the acquisition of substantially all of the assets of Business Carolina, Inc., a specialty Small Business Administration (“SBA”) / United States Department of Agriculture (“USDA”) lender headquartered in Columbia, South Carolina. On the closing date, United paid \$31.3 million in cash for loans having a fair value on the purchase date of \$24.8 million, accrued interest of \$83,000, servicing rights with a fair value on the purchase date of \$2.13 million, premises and equipment with a fair value on the purchase date of \$2.60 million and goodwill in the amount of \$1.51 million representing the premium paid over the fair value of the separately identifiable assets and liabilities acquired. The gross contractual amount of loans receivable was \$28.0 million as of the acquisition date. United has not identified any material separately identifiable intangible assets resulting from the acquisition.

The loans and servicing assets that were acquired in this transaction were valued by a third party vendor that specializes in the valuations of these SBA related assets. These assets are very illiquid and United does not have the same level of visibility into the inputs that the valuation vendor has. Therefore, United considers those inputs to be level 3 in the Accounting Standards Codification (“ASC”) 820 hierarchy. For the loans, the valuations were derived by estimating the expected cash flows using a combination of prepayment speed and default estimates. The cash flows are then discounted using the rates implied by observed transactions in the market place.

Note 4 – Balance Sheet Offsetting

United enters into reverse repurchase agreements in order to invest short-term funds. In addition, United enters into repurchase agreements and reverse repurchase agreements with the same counterparty in transactions commonly referred to as collateral swaps that are subject to master netting agreements under which the balances are netted in the balance sheet in accordance with ASC 210-20, Offsetting.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

The following table presents a summary of amounts outstanding under reverse repurchase agreements and derivative financial instruments including those entered into in connection with the same counterparty under master netting agreements as of March 31, 2015, December 31, 2014 and March 31, 2014 (in thousands).

March 31, 2015	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Asset Balance	Gross Amounts not Offset in the Balance Sheet Financial Instruments	Collateral Received	Net Amount
Repurchase agreements / reverse repurchase agreements	\$ 345,000	\$ (325,000 )	\$ 20,000	\$ -	\$ (21,048 )	\$ -
Derivatives	20,291	-	20,291	(597 )	(4,435 )	15,259
Total	\$ 365,291	\$ (325,000 )	\$ 40,291	\$ (597 )	\$ (25,483 )	\$ 15,259
Weighted average interest rate of reverse repurchase agreements	1.18	%				

December 31, 2014	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Liability Balance	Gross Amounts not Offset in the Balance Sheet Financial Instruments	Collateral Pledged	Net Amount
Repurchase agreements / reverse repurchase agreements	\$ 325,000	\$ (325,000 )	\$ -	\$ -	\$ -	\$ -
Derivatives	29,276	-	29,276	(597 )	(31,407 )	-
Total	\$ 354,276	\$ (325,000 )	\$ 29,276	\$ (597 )	\$ (31,407 )	\$ -
Weighted average interest rate of repurchase agreements	.30	%				

March 31, 2014	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Asset Balance	Gross Amounts not Offset in the Balance Sheet Financial Instruments	Collateral Received	Net Amount
Repurchase agreements / reverse repurchase agreements	\$ 395,000	\$ (375,000 )	\$ 20,000	\$ -	\$ (20,302 )	\$ -
Derivatives	20,599	-	20,599	(869 )	(3,716 )	16,014
Total	\$ 415,599	\$ (375,000 )	\$ 40,599	\$ (869 )	\$ (24,018 )	\$ 16,014

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Weighted average interest rate  
of reverse repurchase  
agreements

1.16 %

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Liability Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Pledged	
Repurchase agreements / reverse repurchase agreements	\$ 375,000	\$(375,000 )	\$-	\$-	\$-	\$-
Derivatives	31,997	-	31,997	(869 )	(32,792 )	-
Total	\$ 406,997	\$(375,000 )	\$31,997	\$(869 )	\$(32,792 )	\$-

Weighted average interest rate  
of repurchase agreements

.29 %

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Asset Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Received	
March 31, 2014						

Repurchase agreements /  
reverse repurchase agreements  
Derivatives  
Total

\$ 397,000	\$(350,000 )	\$47,000	\$-	\$(51,243 )	\$-
21,563	-	21,563	(3,896 )	(704 )	16,963
\$ 418,563	\$(350,000 )	\$68,563	\$(3,896 )	\$(51,947 )	\$16,963

Weighted average interest rate  
of reverse repurchase  
agreements

1.09 %

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Liability Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Pledged	
Repurchase agreements / reverse repurchase agreements	\$ 350,000	\$(350,000 )	\$-	\$-	\$-	\$-
Derivatives	42,309	-	42,309	(3,896 )	(35,754 )	2,659
Total	\$ 392,309	\$(350,000 )	\$42,309	\$(3,896 )	\$(35,754 )	\$2,659

Weighted average interest rate  
of repurchase agreements

.28 %



UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

## Note 5 – Securities

The amortized cost basis, gross unrealized gains and losses and fair value of securities held-to-maturity at March 31, 2015, December 31, 2014 and March 31, 2014 are as follows (in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of March 31, 2015				
State and political subdivisions	\$ 48,136	\$ 4,029	\$ -	\$ 52,165
Mortgage-backed securities (1)	351,092	10,470	177	361,385
Total	\$ 399,228	\$ 14,499	\$ 177	\$ 413,550
As of December 31, 2014				
State and political subdivisions	\$ 48,157	\$ 3,504	\$ -	\$ 51,661
Mortgage-backed securities (1)	367,110	7,716	1,254	373,572
Total	\$ 415,267	\$ 11,220	\$ 1,254	\$ 425,233
As of March 31, 2014				
State and political subdivisions	\$ 51,257	\$ 3,430	\$ 13	\$ 54,674
Mortgage-backed securities (1)	413,440	6,877	1,855	418,462
Total	\$ 464,697	\$ 10,307	\$ 1,868	\$ 473,136

(1) All are residential type mortgage-backed securities and U.S. government agency commercial mortgage backed securities.

The following table summarizes held-to-maturity securities in an unrealized loss position as of March 31, 2015, December 31, 2014 and March 31, 2014 (in thousands).

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of March 31, 2015						
Mortgage-backed securities	\$16,177	\$140	\$6,252	\$37	\$22,429	\$177
Total unrealized loss position	\$16,177	\$140	\$6,252	\$37	\$22,429	\$177
As of December 31, 2014						
Mortgage-backed securities	\$126,514	\$917	\$17,053	\$337	\$143,567	\$1,254
Total unrealized loss position	\$126,514	\$917	\$17,053	\$337	\$143,567	\$1,254
As of March 31, 2014						
State and political subdivisions	\$1,628	\$13	\$-	\$-	\$1,628	\$13
Mortgage-backed securities	200,284	1,721	1,644	134	201,928	1,855

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Total unrealized loss position	\$201,912	\$1,734	\$1,644	\$134	\$203,556	\$1,868
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Management evaluates securities for other-than-temporary impairment on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. No impairment charges were recognized during the three months ended March 31, 2015 or 2014.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
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The cost basis, unrealized gains and losses, and fair value of securities available-for-sale at March 31, 2015, December 31, 2014 and March 31, 2014 are presented below (in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of March 31, 2015				
U.S. Treasuries	\$ 47,661	\$ 753	\$ -	\$ 48,414
U.S. Government agencies	36,508	760	-	37,268
State and political subdivisions	15,864	491	3	16,352
Mortgage-backed securities (1)	1,023,809	20,986	3,681	1,041,114
Corporate bonds	186,126	2,107	526	187,707
Asset-backed securities	466,663	2,812	747	468,728
Other	2,390	-	-	2,390
Total	\$ 1,779,021	\$ 27,909	\$ 4,957	\$ 1,801,973
As of December 31, 2014				
U.S. Treasuries	\$ 105,540	\$ 235	\$ 66	\$ 105,709
U.S. Government agencies	36,474	-	175	36,299
State and political subdivisions	19,748	504	19	20,233
Mortgage-backed securities (1)	988,012	16,273	7,465	996,820
Corporate bonds	165,018	1,686	1,076	165,628
Asset-backed securities	455,626	2,257	1,955	455,928
Other	2,117	-	-	2,117
Total	\$ 1,772,535	\$ 20,955	\$ 10,756	\$ 1,782,734
As of March 31, 2014				
State and political subdivisions	\$ 22,244	\$ 842	\$ 80	\$ 23,006
Mortgage-backed securities (1)	1,126,227	13,213	11,328	1,128,112
Corporate bonds	255,238	1,616	4,930	251,924
Asset-backed securities	429,492	3,003	433	432,062
Other	2,572	-	-	2,572
Total	\$ 1,835,773	\$ 18,674	\$ 16,771	\$ 1,837,676

(1) All are residential type mortgage-backed securities and U.S. government agency commercial mortgage backed securities.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

The following table summarizes available-for-sale securities in an unrealized loss position as of March 31, 2015, December 31, 2014 and March 31, 2014 (in thousands).

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of March 31, 2015						
State and political subdivisions	\$2,957	\$3	\$-	\$-	\$2,957	\$3
Mortgage-backed securities	51,339	363	219,027	3,318	270,366	3,681
Corporate bonds	10,474	526	-	-	10,474	526
Asset-backed securities	137,476	564	30,229	183	167,705	747
Total unrealized loss position	\$202,246	\$1,456	\$249,256	\$3,501	\$451,502	\$4,957
As of December 31, 2014						
U.S. Treasuries	\$34,180	\$66	\$-	\$-	\$34,180	\$66
U.S. Government agencies	36,299	175	-	-	36,299	175
State and political subdivisions	2,481	19	-	-	2,481	19
Mortgage-backed securities	88,741	446	251,977	7,019	340,718	7,465
Corporate bonds	37,891	371	20,275	705	58,166	1,076
Asset-backed securities	221,359	1,592	40,952	363	262,311	1,955
Total unrealized loss position	\$420,951	\$2,669	\$313,204	\$8,087	\$734,155	\$10,756
As of March 31, 2014						
State and political subdivisions	\$3,595	\$80	\$-	\$-	\$3,595	\$80
Mortgage-backed securities	342,886	3,817	186,290	7,511	529,176	11,328
Corporate bonds	82,337	2,393	75,320	2,537	157,657	4,930
Asset-backed securities	136,076	433	-	-	136,076	433
Total unrealized loss position	\$564,894	\$6,723	\$261,610	\$10,048	\$826,504	\$16,771

At March 31, 2015, there were 79 available-for-sale securities and 6 held-to-maturity securities that were in an unrealized loss position. United does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of their amortized cost basis. Unrealized losses at March 31, 2015, December 31, 2014 and March 31, 2014 were primarily attributable to changes in interest rates and therefore, United does not consider them to be impaired.

Realized gains and losses are derived using the specific identification method for determining the cost of securities sold. The following table summarizes securities sales activity for the three months ended March 31, 2015 and 2014 (in thousands).

Three Months Ended	
March 31,	
2015	2014

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Proceeds from sales	\$ 69,467	\$ 153,316
Gross gains on sales	\$ 1,539	\$ 410
Gross losses on sales	-	(193 )
Net gains on sales of securities	\$ 1,539	\$ 217
Income tax expense attributable to sales	\$ 598	\$ 92

Securities with a carrying value of \$1.36 billion, \$1.51 billion and \$1.48 billion were pledged to secure public deposits and other secured borrowings at March 31, 2015, December 31, 2014 and March 31, 2014, respectively.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
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The amortized cost and fair value of held-to-maturity and available-for-sale securities at March 31, 2015, by contractual maturity, are presented in the following table (in thousands).

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
US Treasuries:				
1 to 5 years	\$47,661	\$48,414	\$-	\$-
	47,661	48,414	-	-
US Government agencies:				
5 to 10 years	36,508	37,268	-	-
	36,508	37,268	-	-
State and political subdivisions:				
Within 1 year	5,368	5,442	1,000	1,007
1 to 5 years	7,550	7,821	18,689	20,005
5 to 10 years	2,098	2,201	19,641	21,371
More than 10 years	848	888	8,806	9,782
	15,864	16,352	48,136	52,165
Corporate bonds:				
1 to 5 years	37,870	38,009	-	-
5 to 10 years	115,749	117,333	-	-
More than 10 years	32,507	32,365	-	-
	186,126	187,707	-	-
Asset-backed securities:				
1 to 5 years	247,650	249,360	-	-
5 to 10 years	58,575	59,053	-	-
More than 10 years	160,438	160,315	-	-
	466,663	468,728	-	-
Other:				
Within 1 year	442	442	-	-
More than 10 years	1,948	1,948	-	-
	2,390	2,390	-	-
Total securities other than mortgage-backed securities:				
Within 1 year	5,810	5,884	1,000	1,007
1 to 5 years	340,731	343,604	18,689	20,005
5 to 10 years	212,930	215,855	19,641	21,371
More than 10 years	195,741	195,516	8,806	9,782

Mortgage-backed securities	1,023,809	1,041,114	351,092	361,385
	\$1,779,021	\$1,801,973	\$399,228	\$413,550

Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

## Note 6 – Loans and Allowance for Loan Losses

Major classifications of loans as of March 31, 2015, December 31, 2014 and March 31, 2014, are summarized as follows (in thousands).

	March 31, 2015	December 31, 2014	March 31, 2014
Owner occupied commercial real estate	\$ 1,166,916	\$ 1,163,480	\$ 1,141,791
Income producing commercial real estate	636,107	598,537	623,830
Commercial & industrial	716,281	710,256	495,178
Commercial construction	229,920	196,030	148,454
Total commercial	2,749,224	2,668,303	2,409,253
Residential mortgage	863,311	865,789	866,615
Home equity lines of credit	465,474	465,872	446,705
Residential construction	291,259	298,627	317,749
Consumer installment	102,585	104,899	106,991
Indirect auto	315,836	268,629	208,395
 Total loans	 4,787,689	 4,672,119	 4,355,708
 Less allowance for loan losses	 (70,007 )	 (71,619 )	 (75,223 )
 Loans, net	 \$ 4,717,682	 \$ 4,600,500	 \$ 4,280,485

At March 31, 2015, December 31, 2014 and March 31, 2014, loans totaling \$2.28 billion, \$2.35 billion and \$2.07 billion, respectively, were pledged as collateral to secure FHLB advances and other contingent funding sources.

The allowance for loan losses represents management's estimate of probable incurred losses in the loan portfolio as of the end of the period. The allowance for unfunded commitments is included in other liabilities in the consolidated balance sheet. Combined, the allowance for loan losses and allowance for unfunded commitments are referred to as the allowance for credit losses.

The following table presents the balance and activity in the allowance for credit losses by portfolio segment for the three months ended March 31, 2015 and 2014 (in thousands).

Three Months Ended March 31, 2015	Beginning Balance	Charge- Offs	Recoveries	Allocation of Unallocated	Provision	Ending Balance
Owner occupied commercial real estate	\$16,041	\$(368 )	\$11	\$ -	\$(732 )	\$14,952
Income producing commercial real estate	10,296	(248 )	7	-	(400 )	9,655



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Commercial & industrial	3,255	(469	)	128	-	528	3,442
Commercial construction	4,747	(22	)	-	-	610	5,335
Residential mortgage	20,311	(578	)	162	-	243	20,138
Home equity lines of credit	4,574	(73	)	14	-	(194	) 4,321
Residential construction	10,603	(1,140	)	79	-	668	10,210
Consumer installment	731	(326	)	376	-	(68	) 713
Indirect auto	1,061	(128	)	13	-	295	1,241
Total allowance for loan losses	71,619	(3,352	)	790	-	950	70,007
Allowance for unfunded commitments	1,930	-	-	-	-	850	2,780
Total allowance for credit losses	\$73,549	\$(3,352	)	\$790	\$-	\$1,800	\$72,787

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Three Months Ended March 31, 2014	Beginning Balance	Charge- Offs	Recoveries	Allocation of Unallocated	Provision	Ending Balance
Owner occupied commercial real estate	\$ 17,164	\$ (341 )	\$ 89	\$ 1,278	\$ 5,166	\$ 23,356
Income producing commercial real estate	7,174	(231 )	-	688	231	7,862
Commercial & industrial	6,527	(963 )	541	318	(2,176 )	4,247
Commercial construction	3,669	-	-	388	(80 )	3,977
Residential mortgage	15,446	(1,581 )	66	1,452	584	15,967
Home equity lines of credit	5,528	(1,003 )	10	391	1,194	6,120
Residential construction	12,532	(304 )	93	1,728	(1,868 )	12,181
Consumer installment	1,353	(676 )	327	-	(287 )	717
Indirect auto	1,126	(77 )	11	-	(264 )	796
Unallocated	6,243	-	-	(6,243 )	-	-
Total allowance for loan losses	76,762	(5,176 )	1,137	-	2,500	75,223
Allowance for unfunded commitments	2,165	-	-	-	-	2,165
Total allowance for credit losses	\$ 78,927	\$ (5,176 )	\$ 1,137	\$ -	\$ 2,500	\$ 77,388

In the first quarter of 2014, United modified its allowance for loan losses methodology to incorporate a loss emergence period. The increase in precision resulting from the use of the loss emergence period led to the full allocation of the portion of the allowance that had previously been unallocated.

The following table represents the recorded investment in loans by portfolio segment and the balance of the allowance for loan losses assigned to each segment based on the method of evaluating the loans for impairment as of March 31, 2015, December 31, 2014 and March 31, 2014 (in thousands).

	March 31, 2015			December 31, 2014			March 31, 2014	
	Individually evaluated for impairment	Collectively evaluated for impairment	Ending Balance	Individually evaluated for impairment	Collectively evaluated for impairment	Ending Balance	Individually evaluated for impairment	Collectively evaluated for impairment
Owner occupied commercial real estate	\$1,758	\$13,194	\$14,952	\$2,737	\$13,304	\$16,041	\$855	\$22,501
Income producing commercial real estate	866	8,789	9,655	1,917	8,379	10,296	2,404	5,458
Commercial & industrial	8	3,434	3,442	15	3,240	3,255	253	3,994

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Commercial construction	598	4,737	5,335	729	4,018	4,747	469	3,508
Residential mortgage	3,174	16,964	20,138	3,227	17,084	20,311	3,079	12,888
Home equity lines of credit	29	4,292	4,321	47	4,527	4,574	67	6,053
Residential construction	1,152	9,058	10,210	1,192	9,411	10,603	1,253	10,928
Consumer installment	9	704	713	18	713	731	19	698
Indirect auto	-	1,241	1,241	-	1,061	1,061	-	796
Total allowance for loan losses	7,594	62,413	70,007	9,882	61,737	71,619	8,399	66,824
Allowance for unfunded commitments	-	2,780	2,780	-	1,930	1,930	-	2,165
Total allowance for credit losses	\$7,594	\$65,193	\$72,787	\$9,882	\$63,667	\$73,549	\$8,399	\$68,989

Loans Outstanding

Owner occupied commercial real estate	\$36,835	\$1,130,081	\$1,166,916	\$34,654	\$1,128,826	\$1,163,480	\$29,051	\$1,112,740
Income producing commercial real estate	21,285	614,822	636,107	24,484				