

UNITED COMMUNITY BANKS INC
Form 10-Q
November 07, 2013

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 September 30, 2013

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

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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).

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 45,230,240 shares voting and 14,189,006 shares non-voting outstanding as of October 31, 2013.

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Part I – Financial Information

Item 1 – Financial Statements

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

(in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest revenue:				
Loans, including fees	\$50,114	\$53,868	\$151,776	\$163,805
Investment securities, including tax exempt of \$202, \$225, \$624 and \$737	9,872	10,706	29,518	34,772
Deposits in banks and short-term investments	1,007	985	2,793	3,093
Total interest revenue	60,993	65,559	184,087	201,670
Interest expense:				
Deposits:				
NOW	413	447	1,286	1,587
Money market	545	599	1,641	1,901
Savings	37	37	109	112
Time	2,486	4,612	8,636	15,844
Total deposit interest expense	3,481	5,695	11,672	19,444
Short-term borrowings	525	514	1,563	2,463
Federal Home Loan Bank advances	16	26	65	882
Long-term debt	3,003	2,372	8,331	7,119
Total interest expense	7,025	8,607	21,631	29,908
Net interest revenue	53,968	56,952	162,456	171,762
Provision for loan losses	3,000	15,500	62,500	48,500
Net interest revenue after provision for loan losses	50,968	41,452	99,956	123,262
Fee revenue:				
Service charges and fees	8,456	7,696	23,831	23,295
Mortgage loan and other related fees	2,554	2,800	8,212	7,221
Brokerage fees	1,274	709	3,104	2,331
Securities gains, net	-	-	116	7,047
Loss from prepayment of debt	-	-	-	(6,681)
Other	1,860	2,559	8,019	8,797
Total fee revenue	14,144	13,764	43,282	42,010
Total revenue	65,112	55,216	143,238	165,272
Operating expenses:				
Salaries and employee benefits	23,090	22,918	71,416	72,440
Communications and equipment	3,305	3,254	9,819	9,620
Occupancy	3,379	3,539	10,195	10,849

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Advertising and public relations	962	934	2,937	2,868
Postage, printing and supplies	644	954	2,401	2,849
Professional fees	2,650	2,180	7,515	6,107
Foreclosed property	194	3,706	7,678	9,382
FDIC assessments and other regulatory charges	2,405	2,537	7,415	7,592
Amortization of intangibles	427	728	1,623	2,190
Other	3,041	4,033	11,691	12,151
Total operating expenses	40,097	44,783	132,690	136,048
Net income before income taxes	25,015	10,433	10,548	29,224
Income tax expense (benefit)	9,515	(135)	(246,681)	629
Net income	15,500	10,568	257,229	28,595
Preferred stock dividends and discount accretion	3,059	3,041	9,166	9,103
Net income available to common shareholders	\$12,441	\$7,527	\$248,063	\$19,492
Earnings per common share				
Basic	\$.21	\$.13	\$4.24	\$.34
Diluted	.21	.13	4.24	.34
Weighted average common shares outstanding				
Basic	59,100	57,880	58,443	57,826
Diluted	59,202	57,880	58,444	57,826

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY
BANKS, INC.

Consolidated Statement of Comprehensive Income

(Unaudited)

(in thousands)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	Before- tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before- tax Amount	Tax (Expense) Benefit	Net of Tax Amount
2013						
Net (loss) income	\$ 25,015	\$ (9,515)	\$ 15,500	\$ 10,548	\$ 246,681	\$ 257,229
Other comprehensive income (loss):						
Unrealized (losses) gains on available-for-sale securities:						
Unrealized holding gains (losses) arising during period	(13,215)	4,971	(8,244)	(26,932)	10,148	(16,784)
Reclassification adjustment for gains included in net income	-	-	-	(116)	45	(71)
Adjustment of valuation allowance for the change in deferred taxes arising from unrealized gains and losses on available-for-sale securities and release of valuation allowance	-	-	-	-	(2,950)	(2,950)
Net unrealized gains (losses)	(13,215)	4,971	(8,244)	(27,048)	7,243	(19,805)
Amortization of gains included in net income on available-for-sale securities transferred to held-to-maturity	(214)	82	(132)	(804)	309	(495)
Adjustment of valuation allowance for the change in deferred taxes arising from the amortization of gains included in net income (loss) on available-for-sale securities transferred to held-to-maturity and release of valuation allowance	-	-	-	-	1,293	1,293
Net unrealized losses	(214)	82	(132)	(804)	1,602	798
	(58)	23	(35)	(902)	351	(551)

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Amounts reclassified into net income on cash flow hedges

Unrealized losses on derivative financial instruments accounted for as cash flow hedges	(3,369)	1,321	(2,048)	8,733	(3,386)	5,347
Adjustment of valuation allowance for the change in deferred taxes arising from unrealized gains and losses and amortization of gains included in net income on cash flow hedges and release of valuation allowance	-	-	-		13,698	13,698
Net unrealized losses	(3,427)	1,344	(2,083)	7,831	10,663	18,494
Net actuarial loss on defined benefit pension plan	-	-	-	(415)	161	(254)
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	133	(52)	81	398	(155)	243
Net defined benefit pension plan activity	133	(52)	81	(17)	6	(11)
Total other comprehensive income (loss)	(16,723)	6,345	(10,378)	(20,038)	19,514	(524)
Comprehensive income	\$ 8,292	\$ (3,170)	\$ 5,122	\$ (9,490)	\$ 266,195	\$ 256,705

2012

Net income	\$ 10,433	\$ 135	\$ 10,568	\$ 29,224	\$ (629)	\$ 28,595
Other comprehensive income (loss):						
Unrealized (losses) gains on available-for-sale securities:						
Unrealized holding gains (losses) arising during period	5,813	(2,139)	3,674	6,737	(2,415)	4,322
Reclassification adjustment for gains included in net income	-	-	-	(7,047)	2,631	(4,416)
Valuation allowance for the change in deferred taxes	-	2,139	2,139	-	(216)	(216)

arising from unrealized gains and losses on available-for-sale securities						
Net unrealized gains (losses)	5,813	-	5,813	(310)	-	(310)
Amortization of gains included in net income on available-for-sale securities transferred to held-to-maturity	(499)	189	(310)	(1,312)	497	(815)
Valuation allowance for the change in deferred taxes arising from the amortization of gains included in net income (loss) on available-for-sale securities transferred to held-to-maturity	-	(189)	(189)	-	(497)	(497)
Net unrealized losses	(499)	-	(499)	(1,312)	-	(1,312)
Amortization of gains included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	(763)	297	(466)	(3,077)	1,197	(1,880)
Unrealized losses on derivative financial instruments accounted for as cash flow hedges	(3,943)	1,534	(2,409)	(8,798)	3,422	(5,376)
Valuation allowance for the change in deferred taxes arising from unrealized gains and losses and amortization of gains included in net income on cash flow hedges	-	(1,831)	(1,831)	-	(4,619)	(4,619)
Net unrealized losses	(4,706)	-	(4,706)	(11,875)	-	(11,875)
Net actuarial loss on defined benefit pension plan	-	-	-	-	-	-
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	154	(60)	94	462	(180)	282
Valuation allowance for the change in deferred taxes arising from reclassification of unamortized prior	-	60	60	-	180	180

service cost and actuarial losses and amortization of prior service cost and actuarial losses						
Net defined benefit pension plan activity	154	-	154	462	-	462
Total other comprehensive income (loss)	762	-	762	(13,035)	-	(13,035)
Comprehensive income	\$ 11,195	\$ 135	\$ 11,330	\$ 16,189	\$ (629)	\$ 15,560

See accompanying notes to consolidated financial statements.

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

	September 30, 2013	December 31, 2012	September 30, 2012
(in thousands, except share and per share data)			
ASSETS			
Cash and due from banks	\$70,986	\$66,536	\$57,270
Interest-bearing deposits in banks	131,147	124,613	119,355
Short-term investments	62,000	60,000	45,000
Cash and cash equivalents	264,133	251,149	221,625
Securities available for sale	1,963,424	1,834,593	1,761,994
Securities held to maturity (fair value \$214,651, \$261,131 and \$281,336)	205,613	244,184	262,648
Mortgage loans held for sale	11,987	28,821	30,571
Loans, net of unearned income	4,267,067	4,175,008	4,137,845
Less allowance for loan losses	(80,372)	(107,137)	(107,642)
Loans, net	4,186,695	4,067,871	4,030,203
Assets covered by loss sharing agreements with the FDIC	31,207	47,467	53,070
Premises and equipment, net	165,993	168,920	170,532
Bank owned life insurance	80,537	81,867	81,574
Accrued interest receivable	18,199	18,659	19,133
Other intangible assets	3,888	5,510	6,237
Foreclosed property	4,467	18,264	26,958
Net deferred tax asset	269,784	-	-
Other assets	37,366	34,954	34,690
Total assets	\$7,243,293	\$6,802,259	\$6,699,235
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits:			
Demand	\$1,418,782	\$1,252,605	\$1,210,703
NOW	1,279,134	1,316,453	1,184,341
Money market	1,197,495	1,149,912	1,126,312
Savings	249,044	227,308	222,431
Time:			
Less than \$100,000	925,089	1,055,271	1,123,672
Greater than \$100,000	624,019	705,558	731,766
Brokered	419,344	245,033	223,474
Total deposits	6,112,907	5,952,140	5,822,699
Short-term borrowings	53,769	52,574	53,243
Federal Home Loan Bank advances	125	40,125	50,125
Long-term debt	129,865	124,805	120,285
Unsettled securities purchases	11,610	-	24,319
Accrued expenses and other liabilities	82,800	51,210	43,309
Total liabilities	6,391,076	6,220,854	6,113,980
Shareholders' equity:			
Preferred stock, \$1 par value; 10,000,000 shares authorized; Series A; \$10 stated value; 21,700 shares issued and outstanding	217	217	217

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Series B; \$1,000 stated value; 180,000 shares issued and outstanding	179,714	178,557	178,183
Series D; \$1,000 stated value; 16,613 shares issued and outstanding	16,613	16,613	16,613
Common stock, \$1 par value; 100,000,000 shares authorized; 45,222,839, 42,423,870 and 42,393,319 shares issued and outstanding	45,223	42,424	42,393
Common stock, non-voting, \$1 par value; 30,000,000 shares authorized; 14,189,006, 15,316,794 and 15,316,794 shares issued and outstanding	14,189	15,317	15,317
Common stock issuable; 242,262, 133,238 and 129,270 shares	3,979	3,119	3,247
Capital surplus	1,077,536	1,057,951	1,056,998
Accumulated deficit	(461,090)	(709,153)	(711,369)
Accumulated other comprehensive loss	(24,164)	(23,640)	(16,344)
Total shareholders' equity	852,217	581,405	585,255
Total liabilities and shareholders' equity	\$7,243,293	\$6,802,259	\$6,699,235

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.

Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
For the Nine Months Ended September 30,

(in thousands, except share and per share data)	Preferred Stock			Non-Voting Common				Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)
	Series A	Series B	Series D	Common Stock	Common Stock	Issuable Stock	Capital Surplus		
Balance, December 31, 2011	\$217	\$177,092	\$16,613	\$41,647	\$15,914	\$3,233	\$1,054,940	\$(730,861)	\$(3,309)
Net income								28,595	
Other comprehensive loss									(13,035)
Common stock issued to dividend reinvestment plan and employee benefit plans (87,086 shares)				86			616		
Conversion of non-voting common stock to voting common stock (597,415 shares)				597	(597)				
Amortization of stock options and restricted stock awards							1,412		
Vesting of restricted stock (59,081 shares issued, 36,673 shares deferred)				60		155	(257)		
Deferred compensation plan, net, including dividend equivalents						149			
Shares issued from deferred compensation plan (2,637 shares)				3		(290)	287		
Preferred stock dividends:									
Series A								(9)	
Series B		1,091						(7,841)	
Series D								(1,253)	
Balance, September 30, 2012	\$217	\$178,183	\$16,613	\$42,393	\$15,317	\$3,247	\$1,056,998	\$(711,369)	\$(16,344)
Balance, December 31, 2012	\$217	\$178,557	\$16,613	\$42,424	\$15,317	\$3,119	\$1,057,951	\$(709,153)	\$(23,640)
Net income								257,229	
Other comprehensive income									(524)
Common stock issued to dividend reinvestment plan and to employee benefit plans (49,830 shares)				50			532		
Conversion of non-voting common stock to voting (1,127,788 shares)				1,128	(1,128)				
				1,551			17,838		

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Warrant exercise (1,551,126 shares)										
Amortization of stock options and restricted stock awards								2,168		
Vesting of restricted stock, net of shares surrendered to cover payroll taxes (51,995 shares issued, 115,664 shares deferred)	52					1,693	(1,900)		
Deferred compensation plan, net, including dividend equivalents							132			
Shares issued from deferred compensation plan (18,230 shares)	18					(965)	947		
Preferred stock dividends:										
Series A								(9)	
Series B		1,157						(7,907)	
Series D								(1,250)	
Balance, September 30, 2013	\$217	\$179,714	\$16,613	\$45,223	\$14,189	\$3,979	\$1,077,536	\$(461,090)	\$(24,164)	

See accompanying notes to consolidated financial statements.

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

(in thousands)	Nine Months Ended September 30,	
	2013	2012
Operating activities:		
Net income	\$257,229	\$28,595
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	20,847	24,478
Provision for loan losses	62,500	48,500
Stock based compensation	2,168	1,412
Deferred income tax benefit	(250,054)	-
Securities gains, net	(116)	(7,047)
Losses and write downs on sales of other real estate owned	5,141	5,687
Loss on prepayment of borrowings	-	6,681
Changes in assets and liabilities:		
Other assets and accrued interest receivable	16,225	40,708
Accrued expenses and other liabilities	31,562	(3,108)
Mortgage loans held for sale	16,834	(6,690)
Net cash provided by operating activities	162,336	139,216
Investing activities:		
Investment securities held-to-maturity:		
Proceeds from maturities and calls	45,578	65,040
Purchases	(8,481)	-
Investment securities available-for-sale:		
Proceeds from sales	20,751	371,103
Proceeds from maturities and calls	399,304	492,768
Purchases	(574,020)	(818,048)
Net increase in loans	(288,514)	(104,806)
Proceeds from note sales	91,913	-
Collections from FDIC under loss sharing agreements	5,121	7,301
Proceeds from sales of premises and equipment	3,550	667
Purchases of premises and equipment	(7,533)	(3,231)
Proceeds from sale of other real estate	24,049	22,309
Net cash (used in) provided by investing activities	(288,282)	33,103
Financing activities:		
Net change in deposits	160,767	(275,284)
Net change in short-term borrowings	1,195	(53,814)
Proceeds from Federal Home Loan Bank advances	650,000	1,629,000
Settlement of Federal Home Loan Bank advances	(690,000)	(1,621,701)
Proceeds from issuance of senior debt	40,000	-
Repayment of subordinated debentures	(35,000)	-
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	582	702

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Proceeds from warrant exercise	19,389	-
Cash dividends on preferred stock	(8,003)	(8,013)
Net cash provided by (used in) financing activities	138,930	(329,110)
Net change in cash and cash equivalents	12,984	(156,791)
Cash and cash equivalents at beginning of period	251,149	378,416
Cash and cash equivalents at end of period	\$264,133	\$221,625

Supplemental disclosures of cash flow information:

Cash paid (received) during the period for:

Interest	\$26,517	\$32,668
Income taxes	2,361	(27,103)
Unsettled securities purchases	11,610	24,319
Transfers of loans to foreclosed property	18,460	26,854

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, 2012.

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.

Note 2 – Accounting Standards Updates and Recently Adopted Standards

In January 2013, the FASB issued Accounting Standards Update No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. This ASU limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting agreement. The disclosure requirements were effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. This guidance did not have a material impact on United’s financial position or results of operations, and resulted in additional disclosures.

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in this update require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component and by the respective line items of net income. The standard was effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. This guidance did not have a material impact on United’s financial position or results of operations, and resulted in additional disclosures.

In July 2013, the FASB issued Accounting Standards Update No. 2013-10, Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. The amendments in this update permit the Fed Funds Effective Swap Rate (OIS) to be used as a benchmark interest rate for hedge accounting in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The standard is effective prospectively for qualifying new or re-designated hedging relationships entered into on or after July 17, 2013. This guidance did not have a material impact on United’s financial position, results of operations or disclosures.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward exists. This ASU provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Since United has both unrecognized tax benefits and net operating loss and tax credit carryforwards, this ASU could have an impact on United’s financial position, results of operations or disclosures; however, United does not expect the impact to be

material to United's financial position, results of operations or disclosures.

Note 3 – Offsetting Assets and Liabilities

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.

United also enters into derivative transactions that are subject to master netting arrangements; however there were no offsetting positions with the same counterparty at September 30, 2013, December 31, 2012 or September 30, 2012.

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

The following table presents a summary of amounts outstanding under master netting agreements as of September 30, 2013 and December 31, 2012, and September 30, 2012 (in thousands).

	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	
September 30, 2013						
Repurchase agreements / reverse repurchase agreements	\$ 405,000	\$ (350,000)	\$ 55,000	\$ -	\$ -	\$ 55,000
Derivatives	8,092	-	8,092	-	-	8,092
Total	\$ 413,092	\$ (350,000)	\$ 63,092	\$ -	\$ -	\$ 63,092
Weighted average interest rate of reverse repurchase agreements	1.13	%				

	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	
September 30, 2012						
Repurchase agreements / reverse repurchase agreements	\$ 350,000	\$ (350,000)	\$ -	\$ -	\$ -	\$ -
Derivatives	37,269	-	37,269	-	25,579	11,690
Total	\$ 387,269	\$ (350,000)	\$ 37,269	\$ -	\$ 25,579	\$ 11,690
Weighted average interest rate of repurchase agreements	.28	%				

	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	
December 31, 2012						
Repurchase agreements / reverse repurchase	\$ 325,000	\$ (265,000)	\$ 60,000	\$ -	\$ -	\$ 60,000

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agreements						
Securities lending transactions	50,000	(50,000)	-	-	-	-
Derivatives	658	-	658	-	-	658
Total	\$ 375,658	\$ (315,000)	\$ 60,658	\$ -	\$ -	\$ 60,658
Weighted average interest rate of reverse repurchase agreements	1.18	%				

	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	Gross Amounts not Offset in the Balance Sheet Collateral Pledged	Net Amount
Repurchase agreements / reverse repurchase agreements	\$ 265,000	\$ (265,000)	\$ -	\$ -	\$ -	\$ -
Securities lending transactions	50,000	(50,000)	-	-	-	-
Derivatives	12,543	-	12,543	-	11,493	1,050
Total	\$ 327,543	\$ (315,000)	\$ 12,543	\$ -	\$ 11,493	\$ 1,050
Weighted average interest rate of repurchase agreements	.43	%				

	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	Gross Amounts not Offset in the Balance Sheet Collateral Received	Net Amount
September 30, 2012						
Repurchase agreements / reverse repurchase agreements	\$ 270,000	\$ (225,000)	\$ 45,000	\$ -	\$ -	\$ 45,000
Securities lending transactions	100,000	(100,000)	-	-	-	-
Derivatives	778	-	778	-	-	778
Total	\$ 370,778	\$ (325,000)	\$ 45,778	\$ -	\$ -	\$ 45,778
Weighted average interest rate of reverse repurchase agreements	1.19	%				

	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	Gross Amounts not Offset in the Balance Sheet Collateral Pledged	Net Amount
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Repurchase agreements / reverse repurchase agreements	\$ 225,000	\$ (225,000)	\$ -	\$ -	\$ -	\$ -
Securities lending transactions	100,000	(100,000)	-	-	-	-
Derivatives	10,363	-	10,363	-	11,126	(763)
Total	\$ 335,363	\$ (325,000)	\$ 10,363	\$ -	\$ 11,126	\$ (763)
Weighted average interest rate of repurchase agreements	.41	%				

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UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4 – Securities

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 and nine month periods ended September 30, 2013 and 2012 (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Proceeds from sales	\$ 5,000	\$ -	\$ 20,751	\$ 371,103
Gross gains on sales	\$ -	\$ -	\$ 116	\$ 7,047
Gross losses on sales	-	-	-	-
Net gains on sales of securities	\$ -	\$ -	\$ 116	\$ 7,047
Income tax expense attributable to sales	\$ -	\$ -	\$ 45	\$ 2,631

Securities with a carrying value of \$1.34 billion, \$1.40 billion, and \$1.28 billion were pledged to secure public deposits and other secured borrowings at September 30, 2013, December 31, 2012 and September 30, 2012, respectively. Substantial borrowing capacity remains available under borrowing arrangements with the Federal Home Loan Bank of Atlanta (“FHLB”) with currently pledged securities.

Securities are classified as held-to-maturity when management has the positive intent and ability to hold them until maturity. Securities held-to-maturity are carried at amortized cost.

The amortized cost, gross unrealized gains and losses and fair value of securities held-to-maturity at September 30, 2013, December 31, 2012 and September 30, 2012 are as follows (in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of September 30, 2013				
State and political subdivisions	\$51,745	\$2,723	\$53	\$54,415
Mortgage-backed securities (1)	153,868	6,767	399	160,236
Total	\$205,613	\$9,490	\$452	\$214,651
As of December 31, 2012				
State and political subdivisions	\$51,780	\$5,486	\$-	\$57,266
Mortgage-backed securities(1)	192,404	11,461	-	203,865
Total	\$244,184	\$16,947	\$-	\$261,131
As of September 30, 2012				
State and political subdivisions	\$51,790	\$5,795	\$-	\$57,585
Mortgage-backed securities(1)	210,858	12,893	-	223,751
Total	\$262,648	\$18,688	\$-	\$281,336

(1)All are residential type mortgage-backed securities

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

The cost basis, unrealized gains and losses, and fair value of securities available-for-sale at September 30, 2013, December 31, 2012 and September 30, 2012 are presented below (in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of September 30, 2013				
State and political subdivisions	\$ 22,781	\$ 893	\$ 150	\$ 23,524
Mortgage-backed securities (1)	1,390,280	14,469	21,432	1,383,317
Corporate bonds	255,391	936	9,376	246,951
Asset-backed securities	306,961	1,836	1,559	307,238
Other	2,394	-	-	2,394
Total	\$ 1,977,807	\$ 18,134	\$ 32,517	\$ 1,963,424

As of December 31, 2012

State and political subdivisions	\$ 27,717	\$ 1,354	\$ 19	\$ 29,052
Mortgage-backed securities (1)	1,408,042	22,552	2,092	1,428,502
Corporate bonds	169,783	1,052	7,173	163,662
Asset-backed securities	209,411	1,894	749	210,556
Other	2,821	-	-	2,821
Total	\$ 1,817,774	\$ 26,852	\$ 10,033	\$ 1,834,593

As of September 30, 2012

State and political subdivisions	\$ 27,403	\$ 1,478	\$ 3	\$ 28,878
Mortgage-backed securities (1)	1,356,002	27,689	751	1,382,940
Corporate bonds	148,315	450	5,613	143,152
Asset-backed securities	204,522	713	806	204,429
Other	2,595	-	-	2,595
Total	\$ 1,738,837	\$ 30,330	\$ 7,173	\$ 1,761,994

(1) All are residential type mortgage-backed securities

The following table summarizes held-to-maturity securities in an unrealized loss position as of September 30, 2013 (thousands). As of December 31, 2012 and September 30, 2012, there were no held-to-maturity securities in an unrealized loss position.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of September 30, 2013						
State and political subdivisions	\$4,825	\$53	\$-	\$-	\$4,825	\$53
Mortgage-backed securities	8,009	399	-	-	8,009	399
Total unrealized loss position	\$12,834	\$452	\$-	\$-	\$12,834	\$452

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 September 30, 2013, December 31, 2012 and September 30, 2012 (in thousands).

As of	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of September 30, 2013						
State and political subdivisions	\$4,533	\$148	\$10	\$2	\$4,543	\$150
Mortgage-backed securities	533,681	17,958	100,534	3,474	634,215	21,432
Corporate bonds	115,511	6,463	53,042	2,913	168,553	9,376
Asset-backed securities	79,015	869	56,181	690	135,196	1,559
Total unrealized loss position	\$732,740	\$25,438	\$209,767	\$7,079	\$942,507	\$32,517
As of December 31, 2012						
State and political subdivisions	\$3,674	\$17	\$10	\$2	\$3,684	\$19
Mortgage-backed securities	326,485	2,092	-	-	326,485	2,092
Corporate bonds	21,248	136	93,903	7,037	115,151	7,173
Asset-backed securities	82,188	749	-	-	82,188	749
Total unrealized loss position	\$433,595	\$2,994	\$93,913	\$7,039	\$527,508	\$10,033
As of September 30, 2012						
State and political subdivisions	\$-	\$-	\$12	\$3	\$12	\$3
Mortgage-backed securities	105,296	741	17,059	10	122,355	751
Corporate bonds	4,893	10	113,590	5,603	118,483	5,613
Asset-backed securities	90,766	806	-	-	90,766	806
Total unrealized loss position	\$200,955	\$1,557	\$130,661	\$5,616	\$331,616	\$7,173

At September 30, 2013, there were 133 available-for-sale securities and seven 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 September 30, 2013, December 31, 2012 and September 30, 2012 were primarily attributable to changes in interest rates, however the unrealized losses in corporate bonds also reflect downgrades in the underlying securities ratings since the time of acquisition. The bonds remain above investment grade and have recovered much of their initial market value loss. Therefore, United does not consider them to be impaired.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. No impairment charges were recognized during the three or nine months ended September 30, 2013 or 2012.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The amortized cost and fair value of held-to-maturity and available-for-sale securities at September 30, 2013, 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
State and political subdivisions:				
Within 1 year	\$2,832	\$2,876	\$-	\$-
1 to 5 years	16,485	17,144	12,472	13,267
5 to 10 years	2,616	2,616	25,062	26,322
More than 10 years	848	888	14,211	14,826
	22,781	23,524	51,745	54,415
Corporate bonds:				
1 to 5 years	38,245	38,388	-	-
5 to 10 years	206,377	198,370	-	-
More than 10 years	10,769	10,193	-	-
	255,391	246,951	-	-
Asset-backed securities:				
1 to 5 years	72,616	72,188	-	-
5 to 10 years	145,680	146,029	-	-
More than 10 years	88,665	89,021	-	-
	306,961	307,238	-	-
Other:				
More than 10 years	2,394	2,394	-	-
	2,394	2,394	-	-
Total securities other than mortgage-backed securities:				
Within 1 year	2,832	2,876	-	-
1 to 5 years	127,346	127,720	12,472	13,267
5 to 10 years	354,673	347,015	25,062	26,322
More than 10 years	102,676	102,496	14,211	14,826
Mortgage-backed securities	1,390,280	1,383,317	153,868	160,236
	\$1,977,807	\$1,963,424	\$205,613	\$214,651

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 5 – Loans and Allowance for Loan Losses

Major classifications of loans as of September 30, 2013, December 31, 2012 and September 30, 2012, are summarized as follows (in thousands).

	September 30, 2013	December 31, 2012	September 30, 2012
Commercial (secured by real estate)	\$ 1,742,771	\$ 1,813,365	\$ 1,819,155
Commercial & industrial	457,414	458,246	459,997
Commercial construction	137,146	154,769	160,765
Total commercial	2,337,331	2,426,380	2,439,917
Residential mortgage	1,309,295	1,214,203	1,174,236
Residential construction	317,789	381,677	388,742
Consumer installment	302,652	152,748	134,950
 Total loans	 4,267,067	 4,175,008	 4,137,845
 Less allowance for loan losses	 (80,372)	 (107,137)	 (107,642)
 Loans, net	 \$ 4,186,695	 \$ 4,067,871	 \$ 4,030,203

United's wholly-owned Georgia banking subsidiary, United Community Bank (the "Bank") makes loans and extends credit to individuals and a variety of firms and corporations located primarily in counties in north Georgia, the Atlanta, Georgia metropolitan statistical area, the Gainesville, Georgia metropolitan statistical area, coastal Georgia, western North Carolina, east and central Tennessee and the Greenville, South Carolina metropolitan statistical area. Although the Bank has a diversified loan portfolio, a substantial portion of its loan portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market. Home equity lines of credit are included in the residential mortgage category and are primarily responsible for the growth in that loan class compared to prior periods. Indirect auto loans are included in the consumer installment category above and contributed to the significant growth in that class of loans.

Changes in the allowance for loan losses for the three and nine months ended September 30, 2013 and 2012 are summarized as follows (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Balance beginning of period	\$81,845	\$112,705	\$107,137	\$114,468
Provision for loan losses	3,000	15,500	62,500	48,500
Charge-offs:				
Commercial (secured by real estate)	1,928	8,445	34,122	16,791
Commercial & industrial	826	343	18,581	1,987
Commercial construction	134	3,198	6,484	3,650

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Residential mortgage	1,306	3,575	10,380	13,356
Residential construction	1,096	6,231	22,608	21,706
Consumer installment	419	442	1,691	1,603
Total loans charged-off	5,709	22,234	93,866	59,093
Recoveries:				
Commercial (secured by real estate)	71	271	1,556	571
Commercial & industrial	690	602	1,368	802
Commercial construction	1	8	60	38
Residential mortgage	231	48	649	592
Residential construction	24	555	57	1,153
Consumer installment	219	187	911	611
Total recoveries	1,236	1,671	4,601	3,767
Net charge-offs	4,473	20,563	89,265	55,326
Balance end of period	\$80,372	\$107,642	\$80,372	\$107,642

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

During the second quarter of 2013, United executed a plan to accelerate the disposition of classified assets including performing classified loans, nonperforming loans and foreclosed properties. The purpose of the accelerated classified asset disposition plan was to resolve legacy credit problems remaining from the recent financial crisis and to accelerate the improvement of United's credit measures toward pre-crisis levels. The classified asset sales included individual note and foreclosed property sales and a large bulk sale of classified assets to a single investor. The bulk sale included performing and nonperforming classified loans and foreclosed properties. The assets were divided into four separate pools that were bid for separately by potential buyers. A single purchaser was the high bidder for each of the four pools. The table below shows the allocation among impaired loans, loans that were not considered impaired and foreclosed properties, including United's recorded investment in those assets, the sales proceeds and the resulting net charge-offs of assets sold in the bulk sale transaction (in thousands).

	Recorded Investment	Net Sales Proceeds	Net Charge-Off
Loans considered impaired	\$ 96,829	\$ 56,298	\$ (40,531)
Loans not considered impaired	25,687	15,227	(10,460)
Foreclosed properties	8,398	5,933	(2,465)
Total assets sold	\$ 130,914	\$ 77,458	\$ (53,456)

The loans considered impaired in the table above were assigned specific reserves of \$6.86 million in the most recent analysis of the allowance for loan losses prior to the sale. Because the assets were sold at liquidation prices in a bulk transaction with no recourse, the sales price was generally lower than the appraised value of the foreclosed properties and loan collateral. Although the classified asset sales increased charge-offs during the second quarter of 2013, they accomplished management's goal of moving classified asset levels toward the pre-crisis range.

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

Each quarter, United's management prepares an analysis of the allowance for loan losses to determine the appropriate balance that measures and quantifies the amount of loss inherent in the loan portfolio. The allowance is comprised of specific reserves which are determined as described above, general reserves which are determined based on historical loss experience as adjusted for current trends and economic conditions and an unallocated portion. United uses eight quarters of historical loss experience weighted toward the most recent quarters to determine the loss factors to be used. Eight quarters has been determined to be an appropriate time period as it is recent enough to be relevant to current conditions and covers a length of time sufficient to minimize distortions caused by nonrecurring and unusual activity that might otherwise influence a shorter time period. The weighted average is calculated by multiplying each

quarter's annualized historical net charge-off rate by 1 through 8, with 8 representing the most recent quarter and 1 representing the oldest quarter. United uses annualized charge-off rates under the broad assumption that losses inherent in the loan portfolio will generally be resolved within twelve months. Problem loans that are not resolved within twelve months are often larger loans that are more complex in nature requiring more time to either rehabilitate or work out of the bank. These credits are subject to impairment testing and specific reserves.

The weighted loss factor results for each quarter are added together and divided by 36 (the sum of 1, 2, 3, 4, 5, 6, 7 and 8) to arrive at the weighted average historical loss factor for each category of loans. United calculates loss factors for each major category of loans (commercial real estate, commercial & industrial, commercial construction, residential construction and consumer installment) except residential mortgage real estate loans which are further divided into home equity first lien, home equity junior lien and all other residential mortgage real estate loans and a loss factor is calculated for each category.

Management carefully reviews the resulting loss factors for each category of the loan portfolio and evaluates whether qualitative adjustments are necessary to take into consideration recent credit trends such as increases or decreases in past due, nonaccrual, criticized and classified loans, acceleration or delays in timing of recognition of losses that may render the use of annualized charge-off rates to be inappropriate, and other macro environmental factors such as changes in unemployment rates, lease vacancy rates and trends in property values and absorption rates.

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

To validate the results, management closely monitors the loan portfolio to determine the range of potential losses based upon probability of default and losses upon default for each major loan category. The potential range of losses resulting from this analysis is compared to the resulting loss factors for each major loan category to validate the loss factors and determine if qualitative adjustments are necessary. United's management believes that its method of determining the balance of the allowance for loan losses provides a reasonable and reliable basis for measuring and reporting losses that are inherent in the loan portfolio as of the reporting date.

The following table presents the balance and activity in the allowance for loan losses by portfolio segment and the recorded investment in loans by portfolio segment based on the impairment method as of September 30, 2013, December 31, 2012 and September 30, 2012 (in thousands).

Nine Months Ended September 30, 2013	Commercial (Secured by Real Estate)	Commercial & Industrial	Commercial Construction	Residential Mortgage	Residential Construction	Consumer Installment	Unallocated	Total
Allowance for loan losses: Beginning balance	\$27,847	\$ 5,537	\$ 8,389	\$26,642	\$ 26,662	\$ 2,747	\$ 9,313	\$107,137
Charge-offs	(34,122)	(18,581)	(6,484)	(10,380)	(22,608)	(1,691)	-	(93,866)
Recoveries	1,556	1,368	60	649	57	911	-	4,601
Provision	28,854	19,608	1,853	3,791	10,231	450	(2,287)	62,500
Ending balance	\$24,135	\$ 7,932	\$ 3,818	\$20,702	\$ 14,342	\$ 2,417	\$ 7,026	\$80,372
Ending allowance attributable to loans:								
Individually evaluated for impairment	\$1,975	\$ 546	\$ 150	\$2,008	\$ 662	\$ 11	\$ -	\$5,352
Collectively evaluated for impairment	22,160	7,386	3,668	18,694	13,680	2,406	7,026	75,020
Total ending allowance balance	\$24,135	\$ 7,932	\$ 3,818	\$20,702	\$ 14,342	\$ 2,417	\$ 7,026	\$80,372
Loans:								
Individually evaluated for impairment	\$54,463	\$ 4,105	\$ 13,478	\$18,970	\$ 14,121	\$ 204	\$ -	\$105,341
Collectively evaluated for impairment	1,688,308	453,309	123,668	1,290,325	303,668	302,448	-	4,161,726

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Total loans	\$1,742,771	\$ 457,414	\$ 137,146	\$1,309,295	\$ 317,789	\$ 302,652	\$ -	\$4,267,067
December 31, 2012								
Allowance for loan losses:								
Ending allowance attributable to loans:								
Individually evaluated for impairment	\$6,106	\$ 490	\$ 2,239	\$2,165	\$ 625	\$ 19	\$ -	\$11,644
Collectively evaluated for impairment	21,741	5,047	6,150	24,477	26,037	2,728	9,313	95,493
Total ending allowance balance	\$27,847	\$ 5,537	\$ 8,389	\$26,642	\$ 26,662	\$ 2,747	\$ 9,313	\$107,137
Loans:								
Individually evaluated for impairment	\$104,409	\$ 51,501	\$ 40,168	\$22,247	\$ 34,055	\$ 430	\$ -	\$252,810
Collectively evaluated for impairment	1,708,956	406,745	114,601	1,191,956	347,622	152,318	-	3,922,198
Total loans	\$1,813,365	\$ 458,246	\$ 154,769	\$1,214,203	\$ 381,677	\$ 152,748	\$ -	\$4,175,008
Nine Months Ended September 30, 2012								
Beginning balance								
	\$31,644	\$ 5,681	\$ 6,097	\$29,076	\$ 30,379	\$ 2,124	\$ 9,467	\$114,468
Charge-offs	(16,791)	(1,987)	(3,650)	(13,356)	(21,706)	(1,603)	-	(59,093)
Recoveries	571	802	38	592	1,153	611	-	3,767
Provision	11,351	362	6,101	11,163	18,233	1,738	(448)	48,500
Ending balance	\$26,775	\$ 4,858	\$ 8,586	\$27,475	\$ 28,059	\$ 2,870	\$ 9,019	\$107,642
Ending allowance attributable to loans:								
Individually evaluated for impairment	\$6,692	\$ 725	\$ 2,289	\$1,856	\$ 1,270	\$ 21	\$ -	\$12,853
Collectively evaluated for impairment	20,083	4,133	6,297	25,619	26,789	2,849	9,019	94,789
Total ending allowance	\$26,775	\$ 4,858	\$ 8,586	\$27,475	\$ 28,059	\$ 2,870	\$ 9,019	\$107,642

balance

Loans:

Individually
evaluated for
impairment

\$ 119,023	\$ 53,531	\$ 42,249	\$ 21,678	\$ 31,576	\$ 498	\$ -	\$ 268,555
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Collectively
evaluated for
impairment

1,700,132	406,466	118,516	1,152,558	357,166	134,452	-	3,869,290
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Total loans	\$ 1,819,155	\$ 459,997	\$ 160,765	\$ 1,174,236	\$ 388,742	\$ 134,950	\$ -	\$ 4,137,845
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When a loan officer determines that a loan is uncollectible, he or she is responsible for recommending to the local bank president that the loan be charged off. Full or partial charge-offs may also be recommended by the Collections Department, the Special Assets Department and the Foreclosure / OREO department. Nonaccrual real estate loans that are collateral dependent are generally charged down to 80% of the appraised value of the underlying collateral at the time they are placed on nonaccrual status.

A committee consisting of the Chief Risk Officer, Senior Risk Officer and the Senior Credit Officers meets monthly to review charge-offs that have occurred during the previous month. The 10 largest charge-offs are reported quarterly to the Board of Directors.

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

Generally, closed-end retail loans (installment and residential mortgage loans) past due 90 cumulative days are charged-off unless the loan is well secured and in process of collection (within the next 90 days). Open-end (revolving) retail loans which are past due 90 cumulative days from their contractual due date are generally charged-off.

At September 30, 2013, December 31, 2012 and September 30, 2012, loans with a carrying value of \$1.94 billion, \$1.90 billion and \$1.78 billion, respectively, were pledged as collateral to secure FHLB advances and other contingent funding sources.

The average balances of impaired loans and income recognized on impaired loans while they were considered impaired is presented below for the three and nine months ended September 30, 2013 and 2012 (in thousands).

	Average Balance	2013		2012		
		Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received
Three Months Ended September 30,						
Commercial (secured by real estate)	\$55,303	\$ 1,336	\$1,461	\$124,681	\$ 1,218	\$1,311
Commercial & industrial	4,189	114	104	43,764	141	611
Commercial construction	13,501	244	246	43,488	238	255
Total commercial	72,993	1,694	1,811	211,933	1,597	2,177
Residential mortgage	19,070	436	446	22,920	254	274
Residential construction	14,136	346	307	40,653	252	473
Consumer installment	214	7	7	454	7	8
Total	\$106,413	\$ 2,483	\$2,571	\$275,960	\$ 2,110	\$2,932
Nine Months Ended September 30,						
Commercial (secured by real estate)	\$76,060	\$ 2,913	\$3,126	\$121,223	\$ 3,883	\$4,128
Commercial & industrial	8,821	333	803	47,263	450	1,921
Commercial construction	14,620	509	593	40,202	722	1,016
Total commercial	99,501	3,755	4,522	208,688	5,055	7,065
Residential mortgage	19,906	882	862	23,547	734	832
Residential construction	14,219	850	882	48,679	989	1,422
Consumer installment	228	17	17	393	20	21
Total	\$133,854	\$ 5,504	\$6,283	\$281,307	\$ 6,798	