

UNITED COMMUNITY BANKS INC
Form 10-K
February 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2015

Commission File Number 001-35095

UNITED COMMUNITY BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of incorporation or organization)

125 Highway 515 East, Blairsville, Georgia

(Address of principal executive offices)

58-1807304

(I.R.S. Employer Identification No.)

30512

(Zip Code)

Registrant's telephone number, including area code: (706) 781-2265

Securities registered pursuant to Section 12(b) of the Act: None

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Name of exchange on which registered: Nasdaq Global Select

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$1.00 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Sections 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (check one):

Large accelerated filer Accelerated filer
Non-accelerated filer 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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$1,076,328,754 (based on shares held by non-affiliates at \$20.87 per share, the closing stock price on the Nasdaq stock market on June 30, 2015).

As of January 31, 2016, 71,501,103 shares of common stock were issued and outstanding including 66,215,587 voting shares and 5,285,516 non-voting shares. Also outstanding were presently exercisable options to acquire 235,771 shares, presently exercisable warrants to acquire 219,909 shares and 521,630 shares issuable under United Community Banks, Inc.'s deferred compensation plan.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2016 Annual Meeting of Shareholders are incorporated herein into Part III by reference.

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PART I

ITEM 1. BUSINESS.

United Community Banks, Inc. (“United”), a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the “BHC Act”), was incorporated under the laws of Georgia in 1987 and commenced operations in 1988 by acquiring 100% of the outstanding shares of Union County Bank, Blairsville, Georgia, now known as United Community Bank, Blairsville, Georgia (the “Bank”).

Since the early 1990’s, United has actively expanded its market coverage through organic growth complemented by selective acquisitions, primarily of banks whose managements share United’s community banking and customer service philosophies. Although those acquisitions have directly contributed to United’s growth, their contribution has primarily been to provide United access to new markets with attractive organic growth potential. Organic growth in assets includes growth through existing offices as well as growth at de novo locations and post-acquisition growth at acquired banking offices.

To emphasize its commitment to community banking, United conducts substantially all of its operations through a community-focused operating model of separate “community banks”, which as of December 31, 2015, operated at 134 locations throughout the Atlanta-Sandy Springs-Roswell, Georgia, and Gainesville, Georgia metropolitan statistical areas, upstate South Carolina, north and coastal Georgia, western North Carolina, and east Tennessee. Also, United has commercial loan offices in Charlotte, North Carolina and Charleston, South Carolina. The 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 (referred to herein as the “Community Bank Presidents”) and management with significant experience in, and ties to, their communities. Each of the Community Bank Presidents has authority, alone or with other local officers, to make most credit decisions. In recent years, United has developed a number of specialized lending areas focusing on asset-based lending, commercial real estate, middle market businesses, United States Small Business Administration (“SBA”) and United States Department of Agriculture (“USDA”) guaranteed loans and builder finance. Although the specialized lending areas have their own customers, they also work with the community banks to provide their specialized lending expertise to help the community banks better serve their customers. This partnership helps United to position itself as a community bank with large bank resources. Management believes that this operating model provides a competitive advantage.

The Bank, through its full-service retail mortgage lending division, United Community Mortgage Services (“UCMS”), is approved as a seller/servicer for the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and provides fixed and adjustable-rate home mortgages. During 2015, the Bank originated \$494 million of residential mortgage loans throughout its footprint in Georgia, North Carolina, Tennessee and South Carolina for the purchase of homes and to refinance existing mortgage debt. Substantially all of these

mortgages were sold into the secondary market without recourse to the Bank, other than for breaches of warranties. With the acquisition of The Palmetto Bank in late 2015, United began retaining the servicing on some of its mortgage production. United's residential mortgage servicing portfolio included \$377 million in loans at December 31, 2015.

The Bank owns an insurance agency, United Community Insurance Services, Inc. ("UCIS"), known as United Community Advisory Services, which is a subsidiary of the Bank. United also owns a captive insurance subsidiary, United Community Risk Management Services, Inc. ("UCRMSI") that provides risk management services for United's subsidiaries. Another Bank subsidiary, United Community Payment Systems, LLC ("UCPS"), provides payment processing services for the Bank's commercial and small business customers. UCPS is a joint venture with Security Card Services, LLC, a merchant services provider headquartered in Oxford, Mississippi.

United produces fee revenue through its sale of non-deposit investment products. Those products are sold by employees of United that are licensed financial advisors doing business as United Community Advisory Services. United has an affiliation with a third party broker/dealer, Invest Financial, to facilitate this line of business.

Forward-Looking Statements

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

Our businesses and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experience may materially differ from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the following factors:

- the condition of the general business and economic environment;
- the results of our internal credit stress tests may not accurately predict the impact on our financial condition if the economy were to deteriorate;
- our ability to maintain profitability;
- our ability to fully realize the balance of our net deferred tax asset, including net operating loss carryforwards;
- the risk that we may be required to increase the valuation allowance on our net deferred tax asset in future periods;
- the condition of the banking system and financial markets;
- our ability to raise capital;
- our ability to maintain liquidity or access other sources of funding;
- changes in the cost and availability of funding;
- the success of the local economies in which we operate;
- our lack of geographic diversification;
- our concentrations of residential and commercial construction and development loans and commercial real estate loans are subject to unique risks that could adversely affect our earnings;
- changes in prevailing interest rates may negatively affect our net income and the value of our assets and other interest rate risks;
- our accounting and reporting policies;
- if our allowance for loan losses is not sufficient to cover actual loan losses;
- losses due to fraudulent and negligent conduct of our loan customers, third party service providers or employees;
- risks related to our communications and information systems, including risks with respect to cybersecurity breaches;
- our reliance on third parties to provide key components of our business infrastructure and services required to operate our business;

- competition from financial institutions and other financial service providers;
- risks with respect to our ability to successfully expand and complete acquisitions and integrate businesses and operations that are acquired;
- if the conditions in the stock market, the public debt market and other capital markets deteriorate;
- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and related regulations;
- changes in laws and regulations or failures to comply with such laws and regulations;
- changes in regulatory capital and other requirements;
- the costs and effects of litigation, examinations, investigations, or similar matters, or adverse facts and developments related thereto;
- regulatory or judicial proceedings, board resolutions, informal memorandums of understanding or formal enforcement actions imposed by regulators that may occur;
- changes in tax laws, regulations and interpretations or challenges to our income tax provision; and
- our ability to maintain effective internal controls over financial reporting and disclosure controls and procedures.

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

The financial statements and information contained herein have not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

Monetary Policy and Economic Conditions

United's profitability depends to a substantial extent on the difference between interest revenue received from loans, investments, and other earning assets, and the interest paid on deposits and other liabilities. These rates are highly sensitive to many factors that are beyond the control of United, including national and international economic conditions and the monetary policies of various governmental and regulatory authorities, particularly the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The instruments of monetary policy employed by the Federal Reserve include open market operations in U.S. government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits.

Competition

The market for banking and bank-related services is highly competitive. United actively competes in its market areas, which include 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 upstate South Carolina, with other providers of deposit and credit services. These competitors include other commercial banks, savings banks, savings and loan associations, credit unions, mortgage companies, and brokerage firms.

The table below and on the following page displays the respective percentage of total bank and thrift deposits for the last five years in each county where the Bank has deposit operations. The table also indicates the Bank's ranking by deposit size in each county. All information in the table was obtained from the Federal Deposit Insurance Corporation Summary of Deposits as of June 30 of each year. The following information only shows market share in deposit gathering, which may not be indicative of market presence in other areas.

Share of Local Deposit Markets by County - Banks and Savings Institutions

	Market Share					Rank in Market				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Atlanta, Georgia MSA										
Bartow	9 %	11 %	11 %	9 %	12 %	5	3	3	4	3
Carroll	10	7	7	6	6	4	5	5	6	6
Cherokee	4	5	4	5	4	9	9	9	9	9
Cobb	2	3	3	3	3	13	12	11	10	10
Coweta	2	2	2	2	2	10	10	11	10	10
Dawson	33	34	36	36	36	1	1	1	1	1
DeKalb	1	1	1	1	1	16	16	18	18	21
Douglas	1	2	2	2	2	11	11	12	12	11
Fayette	7	7	7	7	8	7	6	5	6	5

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Forsyth	7	8	7	6	3	5	4	6	7	11
Fulton	1	1	1	1	1	21	21	20	20	20
Gwinnett	3	3	3	3	3	7	7	7	8	7
Henry	7	7	6	5	4	6	6	6	7	7
Newton	3	3	3	3	3	8	8	8	8	8
Paulding	4	4	4	5	5	9	9	9	6	7
Pickens	7	7	6	4	3	5	4	5	6	7
Rockdale	9	9	12	12	12	5	6	4	4	4
Walton	2	1	2	1	2	10	10	10	10	10
Gainesville, Georgia MSA										
Hall	12	12	12	12	14	4	4	4	5	3
North Georgia										
Chattooga	43	44	43	40	40	1	1	1	1	1
Fannin	57	55	50	49	52	1	1	1	1	1
Floyd	15	15	15	16	16	3	3	4	2	1
Gilmer	27	27	26	25	25	2	2	2	2	2
Habersham	22	22	23	22	20	2	2	2	2	2
Jackson	8	8	7	6	6	5	6	7	6	7
Lumpkin	30	29	29	29	29	1	2	2	2	2
Rabun	16	15	14	13	12	3	3	3	3	5
Towns	50	53	50	48	41	1	1	1	2	2
Union	87	84	84	83	84	1	1	1	1	1
White	47	47	48	44	46	1	1	1	1	1

Share of Local Deposit Markets by County - Banks and Savings Institutions, Continued

	Market Share					Rank in Market				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Tennessee										
Blount	2	1	1	1	2	12	14	12	11	11
Bradley	7	5	5	5	5	7	8	7	7	7
Knox	1	1	1	1	1	11	27	30	26	23
Loudon	51	15	15	13	14	1	3	3	3	3
McMinn	-	-	-	3	2	-	-	-	9	9
Monroe	3	3	3	4	4	7	8	8	7	7
Roane	9	9	9	8	8	6	6	5	6	6
Coastal Georgia										
Chatham	2	2	2	1	1	9	9	9	10	10
Glynn	7	14	12	12	18	7	2	2	3	2
Ware	3	4	3	3	4	9	9	9	9	9
North Carolina										
Avery	15	15	16	16	18	3	4	4	2	1
Cherokee	36	35	35	35	29	1	1	1	1	1
Clay	44	44	44	45	48	1	1	1	1	1
Graham	74	75	71	71	72	1	1	1	1	1
Haywood	11	10	11	10	10	6	6	6	5	5
Henderson	4	3	3	3	3	9	10	10	11	11
Jackson	31	30	28	25	25	1	1	1	1	1
Macon	4	6	7	8	8	6	6	5	5	6
Mitchell	41	36	34	36	37	1	1	1	1	1
Swain	15	15	17	21	25	2	2	2	2	2
Transylvania	17	16	14	15	14	3	3	3	3	3
Watauga	2	2	2	2	1	11	11	11	12	12
Yancey	19	19	20	18	20	2	3	2	2	2
South Carolina										
Abbeville	10	-	-	-	-	5	-	-	-	-
Anderson	4	-	-	-	-	10	-	-	-	-
Cherokee	11	-	-	-	-	5	-	-	-	-
Greenville	4	1	-	-	-	9	27	-	-	-
Greenwood	11	-	-	-	-	5	-	-	-	-
Laurens	35	-	-	-	-	1	-	-	-	-
Oconee	2	-	-	-	-	11	-	-	-	-
Pickens	1	-	-	-	-	12	-	-	-	-
Spartanburg	3	-	-	-	-	11	-	-	-	-

Loans

The Bank makes both secured and unsecured loans to individuals, and businesses. Secured loans include first and second real estate mortgage loans and commercial loans secured by non-real estate assets. The Bank also makes direct installment loans to consumers on both a secured and unsecured basis.

Specific risk elements associated with the Bank's lending categories include, but are not limited to:

Loan Type	Percentage of Portfolio	Risk Elements
Commercial real estate - owner occupied	24.9%	General economic conditions; consumer spending; effect of rising interest rates; market's loosening of credit underwriting standards and structures; and business confidence.
Commercial real estate - income producing	13.7%	Effect of rising interest rates, supply and demand of property type; consumer sentiment; business confidence; effect of financial markets, general economic conditions in the U.S and abroad and recovery of operating fundamentals.
Commercial and industrial	13.1%	Industry concentrations; inability to monitor the condition of collateral (inventory, accounts receivable and other non-real estate assets); use of specialized or obsolete equipment as collateral; insufficient cash flow from operations to service debt payments; declines in general economic conditions.
Commercial construction	5.7%	Effect of rising interest rates; changes in market demand for property, recovery of operating fundamentals, market's loosening of credit underwriting standards and structures, and fluctuations in both the debt and equity markets.
Residential mortgage	17.2%	Loan portfolio concentrations; changes in general economic conditions or in the local economy; loss of borrower's employment; insufficient collateral value due to decline in property value.
Home equity lines of credit	10.0%	Unemployment and underemployment levels; rise in interest rates; household income growth; declining home values reducing the amount of equity; lines of credit nearing their "end-of-draw" period.
Residential construction	5.9%	Inadequate long-term financing arrangements; inventory levels; cost overruns, changes in market demand for property; rising interest rates.
	1.9%	

Consumer installment		Consumer sentiment; elevated unemployment and underemployment in many of our local markets; household income stagnation; and increases in consumer prices.
Indirect auto	7.6%	Consumer sentiment; unemployment and underemployment levels; rise in interest rates; increases in consumer prices; decline in household income and loosening of credit structures; decline in vehicle values.

Lending Policy

The Bank makes loans primarily to persons or businesses that reside, work, own property, or operate in its primary market areas, except for specific specialized lending strategies such as SBA and franchise lending. Unsecured loans are generally made only to persons who qualify for such credit based on their credit history, net worth, income and liquidity. Secured loans are made to persons who are well established and have the credit history, net worth, collateral, and cash flow to support the loan. Exceptions to the Bank's policies are permitted on a case-by-case basis. Major policy exceptions require an approving officer to document the reason for the exception. Loans exceeding a lending officer's credit limit must be approved through a credit approval process involving Regional Credit Managers. Consumer loans are approved through centralized consumer credit centers.

United's Credit Administration department provides each lending officer with written guidelines for lending activities as approved by the Bank's Board of Directors. Limited lending authority is delegated to lending officers by Credit Administration as authorized by the Bank's Board of Directors. Loans in excess of individual officer credit authority must be approved by a senior officer with sufficient approval authority delegated by Credit Administration as authorized by the Bank's Board of Directors. The Senior Credit Committee approves loans where the total relationship exposure exceeds \$8.5 million. At December 31, 2015, the Bank's secured legal lending limit was \$242 million; however, the Board of Directors has established an internal lending limit of \$28 million and an individual real estate project limit of \$17 million.

Commercial Lending

United utilizes its Regional Credit Managers to provide credit administration support for commercial loans to the Bank as needed. The Regional Credit Managers have lending authority set by Credit Administration based on characteristics of the markets they serve. The Regional Credit Managers also provide credit underwriting support as needed by the community banks they serve.

Consumer Credit Center

United has implemented a centralized consumer credit center that provides underwriting, regulatory disclosure and document preparation for all consumer loan requests originated by the bank's market lenders. Applications are processed through an automated loan origination software platform and decided by the credit center underwriters.

Loan Review and Nonperforming Assets

United's Loan Review Department reviews, or engages an independent third party to review, the Bank's loan portfolio on an ongoing basis to identify any weaknesses in the portfolio and to assess the general quality of credit underwriting. The results of such reviews are presented to Executive Management, the Community Bank Presidents, Credit Administration Management and the Risk Committee of the Board of Directors. If an individual loan or credit relationship has a material weakness identified during the review process, the risk rating of the loan, or generally all loans comprising that credit relationship, will be downgraded to the classification that most closely matches the current risk level. The review process also provides for the upgrade of loans that show improvement since the last review. Since each loan in a credit relationship may have a different credit structure, source of repayment and guarantors, different loans in a relationship can be assigned different risk ratings. United adopted a dual risk rating system for commercial loans whereby risk is defined at the obligor level and the facility level. The obligor risk rating assigns a rating based on qualitative and quantitative metrics that measure the financial viability of the borrower which is an estimate of the probability that the borrower will default. The facility risk rating considers the loss protection provided by assigned collateral factoring in control and the loan-to-value ratio. This rating estimates the probability of loss once the borrower has defaulted.

Under United's 10-tier loan grading system for commercial loans, grades 1 through 6 are considered "pass" (acceptable) credit risk, grade 7 is a "watch" rating, and grades 8 through 10 are "adversely classified" credits that require management's attention. The entire 10-grade rating scale provides for a higher numeric rating for increased risk. For example, a risk rating of 1 is the least risky of all credits and would be typical of a loan that is 100% secured by a deposit at the Bank. Risk ratings of 2 through 6 in the pass category each have incrementally more risk. The four watch list credit ratings and rating definitions are:

- 7 (Watch) Loans in this category are presently protected from apparent loss; however weaknesses exist that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. These loans require more than the ordinary amount of supervision. Collateral values generally afford adequate coverage, but may not be immediately marketable.
- 8 (Substandard) These loans are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged. Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. There is the distinct possibility that United will sustain some loss if deficiencies are not corrected. If possible, immediate corrective action is taken.
- 9 (Doubtful) Specific weaknesses characterized as Substandard that are severe enough to make collection in full highly questionable and improbable. There is no reliable secondary source of full repayment.
- 10 (Loss) Loans categorized as Loss have the same characteristics as Doubtful, however, loss is certain. Loans classified as Loss are charged-off.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Consumer loans are part of a pass / fail grading system designed to segment loans based upon the risk of default resulting in a loss to the Bank. Specifically, a failed credit will be a loan that has a high probability of default within the next twelve months with the default expected to result in a loss to the Bank.

In addition, Credit Administration, with supervision and input from the Accounting Department, prepares a quarterly analysis to determine the adequacy of the Allowance for Credit Losses (“ACL”). The ACL is comprised of the allowance for loan losses and the allowance for unfunded commitments. The allowance for loan losses analysis starts with total loans and subtracts loans fully secured by deposit accounts at the Bank and the portion of loans guaranteed by the SBA or USDA, which effectively have no risk of loss. Next, all loans that are considered individually impaired are reviewed and assigned a specific reserve if one is warranted. Most collateral dependent impaired loans with specific reserves are charged down to net realizable value of the underlying collateral. The remaining loan balance for each major loan category is then multiplied by its respective estimated loss factor that is derived from the weighted average historical loss rate for the preceding two year period, weighted toward the most recent quarters, and adjusted to reflect current economic conditions. Loss factors for these loans are estimated and determined based on historical loss experience by type of loan. United multiplies the annualized loss factor by the calculated loss emergence period in order to quantify the amount of incurred losses in the loan portfolio. The loss emergence period is determined for each category of loans based on the average length of time between when a loan first becomes more than 30 days past due and when that loan is ultimately charged off. Management’s use of the loss emergence period is an estimate of the period of time from the first evidence of loss incurrence through the period of time until such losses are confirmed (or charged-off). Previously, United reported an unallocated portion of the allowance which was maintained due to imprecision in estimating loss factors and loss emergence periods, and economic and other conditions that cannot be entirely quantified in the analysis. With the incorporation of the loss emergence period into United’s allowance methodology in the first quarter of 2014, the previously unallocated balance has been allocated to other components of the allowance for loan losses.

Asset/Liability Committee

United’s Asset Liability Management Committee (“ALCO”) is composed of executive and other officers and the Treasurer of United. ALCO is charged with managing the assets and liabilities of United and the Bank. ALCO’s primary role is to balance asset growth and income generation with the prudent management of interest rate risk, market risk and liquidity risk and with the need to maintain appropriate levels of capital. ALCO directs the Bank’s overall balance sheet strategy, including the acquisition and investment of funds. At regular meetings, the committee reviews the interest rate sensitivity and liquidity positions, including stress scenarios, the net interest margin, the investment portfolio, the funding mix and other variables, such as regulatory changes, monetary policy adjustments and the overall state of the economy. A more comprehensive discussion of United’s asset/liability management and interest rate risk is contained in the *Management’s Discussion and Analysis* (Part II, Item 7) and *Quantitative and Qualitative Disclosures About Market Risk* (Part II, Item 7A) sections of this report.

Investment Policy

United’s investment portfolio policy is to balance income generation with liquidity, interest rate sensitivity, pledging and regulatory needs. The Chief Financial Officer and the Treasurer of United administer the policy, and it is reviewed from time to time by United’s ALCO and the Board of Directors. Portfolio activity, composition, and performance are

reviewed and approved periodically by United's Board of Directors and Risk Committee thereof.

Employees

As of December 31, 2015, United and its subsidiaries had 1,883 full-time equivalent employees. Neither United nor any of its subsidiaries are a party to any collective bargaining agreement and management believes that employee relations are good.

Available Information

United's Internet website address is www.ucbi.com. United makes available free of charge through its website Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

Supervision and Regulation

The following is an explanation of the supervision and regulation of United and the Bank as financial institutions. This explanation does not purport to describe state, federal or Nasdaq Stock Market supervision and regulation of general business corporations or Nasdaq listed companies.

General. United is a registered bank holding company subject to regulation by the Federal Reserve under the BHC Act. United is required to file annual and quarterly financial information with the Federal Reserve and is subject to periodic examination by the Federal Reserve.

The BHC Act requires every bank holding company to obtain the Federal Reserve's prior approval before (1) it may acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank that it does not already control; (2) it or any of its non-bank subsidiaries may acquire all or substantially all of the assets of a bank; and (3) it may merge or consolidate with any other bank holding company. In addition, a bank holding company is generally prohibited from engaging in, or acquiring, direct or indirect control of the voting shares of any company engaged in non-banking activities. This prohibition does not apply to activities listed in the BHC Act or found by the Federal Reserve, by order or regulation, to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve has determined by regulation or order to be closely related to banking are:

- making or servicing loans and certain types of leases;
- performing certain data processing services;
- acting as fiduciary or investment or financial advisor;
- providing brokerage services;
- underwriting bank eligible securities;
- underwriting debt and equity securities on a limited basis through separately capitalized subsidiaries; and
- making investments in corporations or projects designed primarily to promote community welfare.

Although the activities of bank holding companies have traditionally been limited to the business of banking and activities closely related or incidental to banking (as discussed above), the Gramm-Leach-Bliley Act (the “GLB Act”) relaxed the previous limitations and permitted bank holding companies to engage in a broader range of financial activities. Specifically, bank holding companies may elect to become financial holding companies which may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. Among the activities that are deemed “financial in nature” include:

- lending, exchanging, transferring, investing for others or safeguarding money or securities;
- insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, and acting as principal, agent, or broker with respect thereto;
- providing financial, investment, or economic advisory services, including advising an investment company;
- issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly; and
- underwriting, dealing in or making a market in securities.

Under this legislation, the Federal Reserve serves as the primary “umbrella” regulator of financial holding companies with supervisory authority over each parent company and limited authority over its subsidiaries. The primary regulator of each subsidiary of a financial holding company will depend on the type of activity conducted by the subsidiary. For example, broker-dealer subsidiaries will be regulated largely by securities regulators and insurance subsidiaries will be regulated largely by insurance authorities.

United has no current plans to register as a financial holding company.

United must also register with the Georgia Department of Banking and Finance (the “DBF”) and file periodic information with the DBF. As part of such registration, the DBF requires information with respect to the financial condition, operations, management and intercompany relationship of United and the Bank and related matters. The DBF may also require such other information as is necessary to keep itself informed concerning compliance with Georgia law and the regulations and orders issued thereunder by the DBF, and the DBF may examine United and the Bank. Although the Bank operates branches in North Carolina, east Tennessee and upstate South Carolina; neither the North Carolina Banking Commission, the Tennessee Department of Financial Institutions, nor the South Carolina Commissioner of Banking examines or directly regulates out-of-state holding companies.

United is an “affiliate” of the Bank under the Federal Reserve Act, which imposes certain restrictions on (1) loans by the Bank to United, (2) investments in the stock or securities of United by the Bank, (3) the Bank taking the stock or securities of an “affiliate” as collateral for loans by the Bank to a borrower, and (4) the purchase of assets from United by the Bank. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

The Bank and each of its subsidiaries are regularly examined by the FDIC. The Bank, as a state banking association organized under Georgia law, is subject to the supervision of, and is regularly examined by, the DBF. Both the FDIC and the DBF must grant prior approval of any merger, consolidation or other corporation reorganization involving the Bank.

Payment of Dividends. United is a legal entity separate and distinct from the Bank. Most of the revenue of United results from dividends paid to it by the Bank. There are statutory and regulatory requirements applicable to the payment of dividends by the Bank, as well as by United to its shareholders.

Under the regulations of the DBF, a state bank with an accumulated deficit (negative retained earnings) may declare dividends (reduction in capital) by first obtaining the written permission of the DBF and FDIC. If a state bank has positive retained earnings, it may declare a dividend without DBF approval if it meets all the following requirements:

- (a) total classified assets as of the most recent examination of the bank do not exceed 80% of equity capital (as defined by regulation);
- (b) the aggregate amount of dividends declared or anticipated to be declared in the calendar year does not exceed 50% of the net profits after taxes but before dividends for the previous calendar year; and
- (c) the ratio of equity capital to adjusted assets is not less than 6%.

The payment of dividends by United and the Bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending upon the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The FDIC has issued a policy statement providing that insured banks should generally only pay dividends out of current operating earnings. In addition to the formal statutes and regulations, regulatory authorities consider the adequacy of the Bank's total capital in relation to its assets, deposits and other such items. Capital adequacy considerations could further limit the availability of dividends from the Bank.

Under rules adopted by the Federal Reserve in November 2011, known as the Comprehensive Capital Analysis and Review ("CCAR") Rules, bank holding companies with \$50 billion or more of total assets are required to submit annual capital plans to the Federal Reserve and generally may pay dividends and repurchase stock only under a capital plan as to which the Federal Reserve has not objected. The CCAR rules will not apply to United for so long as our total consolidated assets remain below \$50 billion. However, it is anticipated that United capital ratios will be important factors considered by the Federal Reserve in evaluating whether proposed payments of dividends or stock repurchases may be an unsafe or unsound practices.

Due to its accumulated deficit, the Bank must receive pre-approval from the DBF and FDIC to pay cash dividends (reduction in capital) to United in 2016. In 2015, 2014 and 2013, the Bank paid a cash dividend of \$77.5 million, \$129 million and \$50.0 million, respectively, to United as approved the DBF and FDIC. The dividends were paid out of capital surplus rather than the accumulated deficit. United declared cash dividends on its common stock in 2015 and 2014 of 22 cents and 11 cents, respectively, but did not declare any dividends in its common stock in 2013.

Capital Adequacy. Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Federal Reserve and the FDIC have implemented substantially identical risk-based rules for assessing bank and bank holding company capital adequacy. These regulations establish minimum capital standards in relation to assets and off-balance sheet exposures as adjusted for credit risk. "Total capital" is composed of Tier 1 capital and Tier 2 capital. "Tier 1 capital" includes common equity, retained earnings, qualifying non-cumulative perpetual preferred stock, a limited amount of qualifying cumulative perpetual stock at the holding company level, minority interests in equity accounts of consolidated subsidiaries, less goodwill, most intangible assets and certain other assets. "Tier 2 capital" includes, among other things, perpetual preferred stock and related surplus not meeting the Tier 1 capital definition, qualifying mandatorily convertible debt securities, qualifying subordinated debt and allowances for possible loan and lease losses, subject to limitations. The Federal Reserve and the FDIC use the leverage ratio in

tandem with the risk-based ratio to assess the capital adequacy of banks and bank holding companies. The Federal Reserve will require a bank holding company to maintain a leverage ratio well above minimum levels if it is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve. The FDIC, the Office of the Comptroller of the Currency (the "OCC") and the Federal Reserve also require banks to maintain capital well above minimum levels.

In July 2013, the Federal Reserve published the Basel III Capital Rules establishing a new comprehensive capital framework applicable to all depository institutions, bank holding companies with total consolidated assets of \$500 million or more and all savings and loan holding companies except for those that are substantially engaged in insurance underwriting or commercial activities (collectively, "banking organizations"). The rules implement the December 2010 framework proposed by the Basel Committee on Banking Supervision (the "Basel Committee"), known as "Basel III", for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act.

The Basel III Capital Rules substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions, including United and the Bank, compared to the prior U.S. risk-based capital rules. The Basel III Capital Rules:

- defined the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios;
- addressed risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replaced the prior risk-weighting approach, which was derived from the Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 "Basel II" capital accords;
- introduced a new capital measure called "common equity Tier 1" ("CET1");
- specified that Tier 1 capital consists of CET1 and "additional Tier 1 capital" instruments meeting specified requirements; and
- implemented the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.

The Basel III Capital Rules became effective for United and the Bank on January 1, 2015 subject to a phase in period.

The Basel III Capital Rules require United and the Bank to maintain:

a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a “capital conservation buffer” (which is added to the 4.5% CET1 ratio as that buffer is phased in over four years to 2.5%, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation);

a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6%, plus the capital conservation buffer (which is added to the 6% Tier 1 capital ratio as that buffer is phased in over four years to 2.5%, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);

a minimum ratio of total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8%, plus the capital conservation buffer (which is added to the 8% total capital ratio as that buffer is phased in over four years to 2.5%, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation); and

a minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average assets.

In addition, Section 38 of the Federal Deposit Insurance Act implemented the prompt corrective action provisions that Congress enacted as a part of the Federal Deposit Insurance Corporation Improvement Act of 1991 (the “1991 Act”). The “prompt corrective action” provisions set forth five regulatory zones in which all banks are placed largely based on their capital positions. Regulators are permitted to take increasingly harsh action as a bank’s financial condition declines. The FDIC is required to resolve a bank when its ratio of tangible equity to total assets reaches 2%. Better capitalized institutions are generally subject to less onerous regulation and supervision than banks with lesser amounts of capital.

The FDIC has adopted regulations implementing the prompt corrective action provisions of the 1991 Act, as revised by the Basel III Capital Rules effective January 1, 2015, which place financial institutions in the following five categories based upon capitalization ratios: (1) a “well-capitalized” institution has a Total risk-based capital ratio of at least 10%, a Tier 1 risk-based ratio of at least 8%, a CET1 risk-based ratio of 6.5% and a leverage ratio of at least 5%; (2) an “adequately capitalized” institution has a Total risk-based capital ratio of at least 8%, a Tier 1 risk-based ratio of at least 6%, a CET1 risk-based ratio of 4.5% and a leverage ratio of at least 4%; (3) an “undercapitalized” institution has a Total risk-based capital ratio of under 8%, a Tier 1 risk-based ratio of under 6%, a CET1 risk-based ratio of under 4.5% or a leverage ratio of under 4%; (4) a “significantly undercapitalized” institution has a Total risk-based capital ratio of under 6%, a Tier 1 risk-based ratio of under 4%, a CET1 risk-based ratio of under 3% or a leverage ratio of under 3%; and (5) a “critically undercapitalized” institution has a ratio of tangible equity to total assets of 2% or less. Institutions in any of the three undercapitalized categories would be prohibited from declaring dividends or making capital distributions. The FDIC regulations also allow it to “downgrade” an institution to a lower capital category based on supervisory factors other than capital.

As of December 31, 2015, the FDIC categorized the Bank as “well-capitalized” under current regulations.

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Under prior capital standards, the effects of accumulated other comprehensive

income items included in capital were excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive items are not excluded; however, certain banking organizations, including United and the Bank, may make a one-time permanent election to continue to exclude these items. United and the Bank made this election in first quarter 2015 in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of United's available-for-sale securities portfolio. The Basel III Capital Rules also eliminate the inclusion of certain instruments, such as trust preferred securities, from Tier 1 capital of bank holding companies. Instruments issued prior to May 19, 2010 are grandfathered for bank holding companies with consolidated assets of \$15 billion or less (subject to the 25% of Tier 1 capital limit).

The "capital conservation buffer" is designed to absorb losses during periods of economic stress. Banking organizations with a ratio of CET1 to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and will be phased-in over a four-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a four-year period increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

The Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. Consistent with the Dodd-Frank Act, the Basel III Capital Rules replace the ratings-based approach to securitization exposures, which is based on external credit ratings, with the simplified supervisory formula approach in order to determine the appropriate risk weights for these exposures. Alternatively, banking organizations may use the existing gross-up approach to assign securitization exposures to a risk weight category or choose to assign such exposures a 1,250% risk weight. In addition, the Basel III Capital Rules provide more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increase the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

Management believes that, as of December 31, 2015, United and the Bank would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis as if such requirements were currently in effect.

Consumer Protection Laws. The Dodd-Frank Act centralized responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau (“CFPB”), and giving it the power to promulgate and enforce federal consumer protection laws. Depository institutions are subject to the CFPB’s rule writing authority, and existing federal bank regulatory agencies retain examination and enforcement authority for such institutions. The CFPB and United’s existing federal regulator, the FDIC, are focused on the following:

- risks to consumers and compliance with the federal consumer financial laws;
- the markets in which firms operate and risks to consumers posed by activities in those markets;
- depository institutions that offer a wide variety of consumer financial products and services;
 - depository institutions with a more specialized focus; and
- non-depository companies that offer one or more consumer financial products or services.

Stress Testing. As required by the Dodd-Frank Act, the federal bank regulatory agencies have implemented stress testing requirements for certain financial institutions, including bank holding companies and state chartered banks, with more than \$10 billion in total consolidated assets. Although these requirements do not apply to institutions with \$10 billion or less in total consolidated assets, the federal bank regulatory agencies emphasize that all banking organizations, regardless of size, should have the capacity to analyze the potential impact of adverse market conditions or outcomes on the organization’s financial condition. Based on this regulatory guidance, United and the Bank will be expected to consider the institution’s interest rate risk management, commercial real estate concentrations and other credit-related information, and funding and liquidity management during this analysis of adverse outcomes.

Volcker Rule. The Dodd-Frank Act amended the BHC Act to require the federal bank regulatory agencies to adopt rules that prohibit banks and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies (defined as hedge funds and private equity funds). The statutory provision is commonly called the “Volcker Rule”. The Federal Reserve adopted final rules implementing the Volcker Rule on December 10, 2013. Although United continues to evaluate the impact of the Volcker Rule and the final rules adopted by the Federal Reserve thereunder, United does not currently anticipate that the Volcker Rule will have a material effect on its operations and the operations of its subsidiaries, including the Bank, as United does not engage in businesses prohibited by the Volcker Rule. United may incur costs to adopt additional policies and systems to ensure compliance with the Volcker Rule.

Durbin Amendment. The Dodd-Frank Act included provisions which restrict interchange fees to those which are “reasonable and proportionate” for certain debit card issuers and limits the ability of networks and issuers to restrict debit card transaction routing. This statutory provision is known as the “Durbin Amendment”. The Federal Reserve

issued final rules implementing the Durbin Amendment on June 29, 2011. In the final rules, interchange fees for debit card transactions were capped at \$0.21 plus five basis points in order to be eligible for a safe harbor such that the fee is conclusively determined to be reasonable and proportionate. Another related rule also permits an additional \$0.01 per transaction “fraud prevention adjustment” to the interchange fee if certain Federal Reserve standards are implemented, including an annual review of fraud prevention policies and procedures. With respect to network exclusivity and merchant routing restrictions, it is now required that all debit cards participate in at least two unaffiliated networks so that the transactions initiated using those debit cards will have at least two independent routing channels. The interchange fee restrictions contained in the Durbin Amendment, and the rules promulgated thereunder, apply to debit card issuers with \$10 billion or more in total consolidated assets. United’s total consolidated assets as of December 31, 2015 were \$9.63 billion, which is below the Durbin Amendment’s \$10 billion threshold. It is expected, however, that United’s normal business growth will cause its total assets to exceed the Durbin Amendment’s \$10 billion threshold in the near future. United is still evaluating the impact of complying with the Durbin Amendment.

Incentive Compensation. The federal bank regulatory agencies have issued guidance on incentive compensation policies (the “Incentive Compensation Guidance”) intended to ensure that the incentive compensation policies of financial institutions do not undermine the safety and soundness of such institutions by encouraging excessive risk-taking. The Incentive Compensation Guidance, which covers all employees that have the ability to materially affect the risk profile of an institution, either individually or as part of a group, is based upon the key principles that a financial institution’s incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the institution’s ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the institution’s board of directors.

The Federal Reserve will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of financial institutions, such as United, that are not “large, complex banking organizations.” These reviews will be tailored to each financial institution based on the scope and complexity of the institution’s activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the financial institution’s supervisory ratings, which can affect the institution’s ability to make acquisitions and take other actions. Enforcement actions may be taken against a financial institution if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the institution’s safety and soundness and the institution is not taking prompt and effective measures to correct the deficiencies.

The scope and content of federal bank regulatory agencies’ policies on executive compensation are continuing to develop and are likely to continue evolving in the near future. It cannot be determined at this time whether compliance with such policies will adversely affect United’s ability to hire, retain and motivate its key employees.

Cybersecurity. Recent cyber attacks against banks and other financial institutions that resulted in unauthorized access to confidential customer information have prompted the federal bank regulatory agencies to issue extensive guidance on cybersecurity. These agencies are likely to devote more resources to this part of their safety and soundness examination than they may have in the past.

Commercial Real Estate. The federal bank regulatory agencies, including the FDIC, restrict concentrations in commercial real estate lending and have noted that recent increases in banks’ commercial real estate concentrations have created safety and soundness concerns in the current economic downturn. The regulatory guidance mandates certain minimal risk management practices and categorizes banks with defined levels of such concentrations as banks requiring elevated examiner scrutiny. The Bank has concentrations in commercial real estate loans in excess of those defined levels. Although management believes that United’s credit processes and procedures meet the risk management standards dictated by this guidance, regulatory outcomes could effectively limit increases in the real estate concentrations in the Bank’s loan portfolio and require additional credit administration and management costs associated with those portfolios.

Source of Strength Doctrine. Federal Reserve regulations and policy requires bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Under this policy, United is expected to commit resources to support the Bank.

Loans. Inter-agency guidelines adopted by federal bank regulatory agencies mandate that financial institutions establish real estate lending policies with maximum allowable real estate loan-to-value limits, subject to an allowable amount of non-conforming loans as a percentage of capital.

Transactions with Affiliates. Under federal law, all transactions between and among a state nonmember bank and its affiliates, which include holding companies, are subject to Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder. Generally, these requirements limit these transactions to a percentage of the bank's capital and require all of them to be on terms at least as favorable to the bank as transactions with non-affiliates. In addition, a bank may not lend to any affiliate engaged in non-banking activities not permissible for a bank holding company or acquire shares of any affiliate that is not a subsidiary. The FDIC is authorized to impose additional restrictions on transactions with affiliates if necessary to protect the safety and soundness of a bank. The regulations also set forth various reporting requirements relating to transactions with affiliates.

Financial Privacy. In accordance with the GLB Act, federal banking regulatory agencies adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering Initiatives and the USA Patriot Act. A major focus of governmental policy on financial institutions in recent years has been aimed at combating terrorist financing. This has generally been accomplished by amending existing anti-money laundering laws and regulations. The U.S. Department of the Treasury ("Treasury") has issued a number of implementing regulations which apply various requirements of the USA Patriot Act of 2001 to the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Future Legislation. Various legislation affecting financial institutions and the financial industry is from time to time introduced in Congress. Such legislation may change banking statutes and the operating environment of United and its subsidiaries in substantial and unpredictable ways, and could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance depending upon whether any of this potential legislation will be enacted, and if enacted, the effect that it or any implementing regulations would have on the financial condition or results of operations of United or any of its subsidiaries. With the current economic environment, the nature and extent of future legislative and regulatory changes affecting financial institutions is not known at this time.

Executive Officers of United

Senior executives of United are elected by the Board of Directors annually and serve at the pleasure of the Board of Directors.

The senior executive officers of United, and their ages, positions with United, past five year employment history and terms of office as of February 1, 2016, are as follows:

Name (age)	Position with United and Employment History	Officer of United Since
Jimmy C. Tallent (63)	Chairman and Chief Executive Officer (2015 - present); President, Chief Executive Officer and Director (1988 - 2015)	1988
H. Lynn Harton (54)	President and Chief Operating Officer and Director (2015 - present); Executive Vice President and Chief Operating Officer (2012 - 2015); prior to joining United was Executive Vice President and Special Assistant to the Chief Executive Officer of Toronto-Dominion Bank (2010 - 2012); President and Chief Executive Officer (2009 - 2010), Chief Commercial Banking Officer (2008 - 2009), Chief Risk and Chief Credit Officer (2007 - 2008) of South Financial Group	2012
Rex S. Schuette (66)	Executive Vice President and Chief Financial Officer (2001 - present)	2001
Bill M. Gilbert (63)	President, Community Banking (2015-present); Director of Banking (2013 - 2015); Regional President of North Georgia and Coastal Georgia (2011 - 2013); Senior Vice President of Retail Banking (2003 - 2011)	2000
Bradley J. Miller (45)	Executive Vice President, Chief Risk Officer and General Counsel (2015 - present); Senior Vice President and General Counsel (2007 - 2015)	2007
Robert A. Edwards (51)	Executive Vice President and Chief Credit Officer (2015 - present); prior to joining United was Senior Vice President and Executive Credit Officer of Toronto-Dominion Bank (2010 - 2015); Executive Vice President and Chief Credit Officer of South Financial Group (2008 - 2010)	2015
Richard W. Bradshaw (54)	President, Specialized Lending (2014 - present); prior to joining United was Senior Vice President, Head of United States SBA Programs of Toronto-Dominion Bank (2010 - 2014); Executive Vice President, Director of Corporate Financial Services of Carolina First Bank (2009 - 2010)	2014

None of the above officers are related and there are no arrangements or understandings between them and any other person pursuant to which any of them was elected as an officer, other than arrangements or understandings with directors or officers of United acting solely in their capacities as such.

ITEM 1A. RISK FACTORS.

An investment in United's common stock involves risk. Investors should carefully consider the risks described below and all other information contained in this Form 10-K and the documents incorporated by reference before deciding to purchase common stock. It is possible that risks and uncertainties not listed below may arise or become material in the future and affect United's business.

As a financial services company, adverse conditions in the general business or economic environment could have a material adverse effect on our financial condition and results of operations.

Adverse changes in business and economic conditions generally or specifically in the markets in which we operate could adversely impact our business, including causing one or more of the following negative developments:

- a decrease in the demand for loans and other products and services offered by us;
 - a decrease in the value of our loans secured by residential or commercial real estate;
 - a permanent impairment of our assets, such as our deferred tax assets; or
- an increase in the number of customers or other counterparties who default on their loans or other obligations to us, which could result in a higher level of nonperforming assets, net charge-offs and provision for loan losses.

For example, if we are unable to continue to generate sufficient taxable income in the future, then we may not be able to fully realize the benefits of our deferred tax assets. Such a development or one or more other negative developments resulting from adverse conditions in the general business or economic environment, some of which are described above, could have a material adverse effect on our financial condition and results of operations.

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

We perform credit stress testing on our capital position no less than annually. Under the stress test, we estimate our loan losses (loan charge-offs), resources available to absorb those losses and any necessary additions to capital that would be required under the "more adverse" stress test scenario.

The results of these stress tests involve many assumptions about the economy and future loan losses and default rates, and may not accurately reflect the impact on our financial condition if the economy were to deteriorate. Any

deterioration of the economy could result in credit losses significantly higher, with a corresponding impact on our financial condition and capital, than those predicted by our internal stress test.

Our industry and business may be adversely affected by conditions in the financial markets and economic conditions generally.

In recent years, we have faced a challenging and uncertain economic environment, including a major recession in the U.S. economy. A return of recessionary conditions and/or a deterioration of national economic conditions could adversely affect the financial condition and operating performance of financial institutions. Specifically, declines in real estate values and sales volumes and increased unemployment levels may result in higher than expected loan delinquencies, increases in levels of non-performing and classified assets and a decline in demand for products and services offered by financial institutions. Uncertainty regarding economic conditions may also result in changes in consumer and business spending, borrowing and savings habits, which could cause us to incur losses and may adversely affect our results of operations and financial condition.

Our ability to raise additional capital may be limited, which could affect our liquidity and be dilutive to existing shareholders.

We may be required or choose to raise additional capital, including for strategic, regulatory or other reasons. Depending on the capital markets, traditional sources of capital may not be available to us on reasonable terms if we needed to raise additional capital. In such case, there is no guarantee that we will be able to successfully raise additional capital at all or on terms that are favorable or otherwise not dilutive to existing shareholders.

Capital resources and liquidity are essential to our businesses and could be negatively impacted by disruptions in our ability to access other sources of funding.

Capital resources and liquidity are essential to the Bank. We depend on access to a variety of sources of funding to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our customers. Sources of funding available to us, and upon which we rely as regular components of our liquidity and funding management strategy, include traditional and brokered deposits, inter-bank borrowings, Federal Funds purchased, repurchase agreements and Federal Home Loan Bank advances. We also raise funds from time to time in the form of either short-or long-term borrowings or equity issuances.

Our capital resources and liquidity could be negatively impacted by disruptions in our ability to access these sources of funding. The cost of brokered and other out-of-market deposits and potential future regulatory limits on the interest rate we pay for brokered deposits could make them unattractive sources of funding. Further, factors that we cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, could impair our ability to access sources of funds. Other financial institutions may be unwilling to extend credit to banks because of concerns about the banking industry and the economy generally and there may not be a viable market for raising short or long-term debt or equity capital. In addition, our ability to raise funding could be impaired if lenders develop a negative perception of our long-term or short-term financial prospects. Such negative perceptions could be developed if we are downgraded or put on (or remain on) negative watch by the rating agencies, we suffer a decline in the level of our business activity or regulatory authorities take significant action against us, among other reasons.

Among other things, if we fail to remain “well-capitalized” for bank regulatory purposes, because we do not qualify under the minimum capital standards or the FDIC otherwise downgrades our capital category, it could affect customer confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on common and preferred stock and trust preferred securities, and our ability to make acquisitions, and we would not be able to accept brokered deposits without prior FDIC approval. To be “well-capitalized”, a bank must generally maintain a common equity Tier 1 capital ratio of 6.5%, Tier 1 leverage capital ratio of 5%, Tier 1 risk-based capital ratio of 8% and total risk-based capital ratio of 10%. In addition, our regulators may require us to maintain higher capital levels. Our failure to remain “well-capitalized” or to maintain any higher capital requirements imposed on us could negatively affect our business, results of operations and financial condition.

If we are unable to raise funds using the methods described above, we would likely need to finance or liquidate unencumbered assets to meet maturing liabilities. We may be unable to sell some of our assets, or we may have to sell assets at a discount from market value, either of which could adversely affect our results of operations and financial condition.

In addition, United is a legal entity separate and distinct from the Bank and depends on subsidiary service fees and dividends from the Bank to fund its payment of dividends to its common and preferred shareholders and of interest and principal on its outstanding debt and trust preferred securities. The Bank is also subject to other laws that authorize regulatory authorities to prohibit or reduce the flow of funds from the Bank to United and the Bank's negative retained earnings position requires written consent of the Bank's regulators before it can pay a dividend. Any inability of United to pay its obligations, or need to defer the payment of any such obligations, could have a material adverse effect on our business, operations, financial condition, and the value of our common stock.

Changes in the cost and availability of funding due to changes in the deposit market and credit market, or the way in which we are perceived in such markets, may adversely affect financial condition or results of operations.

In general, the amount, type and cost of our funding, including from other financial institutions, the capital markets and deposits, directly impacts our operating costs and our assets growth and therefore, can positively or negatively affect our financial condition or results of operations. A number of factors could make funding more difficult, more expensive or unavailable on any terms, including, but not limited to, our operating losses, our ability to remain "well capitalized," events that adversely impact our reputation, enforcement actions, disruptions in the capital markets, events that adversely impact the financial services industry, changes affecting our assets, interest rate fluctuations, general economic conditions and the legal, regulatory, accounting and tax environments. Also, we compete for funding with other financial institutions, many of which are substantially larger, and have more capital and other resources than we do. In addition, as some of these competitors consolidate with other financial institutions, their competitive advantages may increase. Competition from these institutions may also increase the cost of funds.

Our business is subject to the success of the local economies and real estate markets in which we operate.

Our success significantly depends on the growth in population, income levels, loans and deposits and on stability in real estate values in our markets. If the communities in which we operate do not grow or if prevailing economic conditions locally or nationally do not improve significantly, our business may be adversely affected. If market and economic conditions deteriorate, this may lead to valuation adjustments on our loan portfolio and losses on defaulted loans and on the sale of other real estate owned. Additionally, such adverse economic conditions in our market areas, specifically decreases in real estate property values due to the nature of our loan portfolio, more than 75% of which is secured by real estate, could reduce our growth rate, affect the ability of our customers to repay their loans and generally affect our financial condition and results of operations. We are less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of more diverse economies.

Our concentration of residential construction and development loans is subject to unique risks that could adversely affect our results of operations and financial condition.

Our residential construction and development loan portfolio was \$352 million at December 31, 2015, comprising 6% of total loans. Of this amount, \$154 million is secured by developed lots and \$30 million is secured by raw land or land in the process of development. Residential construction and development loans are often riskier than home equity loans or residential mortgage loans to individuals. Poor economic conditions could result in decreased demand for residential housing, which, in turn, would adversely affect the development and construction efforts of residential real estate developer borrowers. Consequently, economic downturns adversely affect the ability of residential real estate developer borrowers to repay these loans and the value of property used as collateral for such loans. A sustained weak economy could also result in higher levels of nonperforming loans in other categories, such as commercial and industrial loans, which may result in additional losses. As a result, these loans could represent higher risk due to slower sales and reduced cash flow that affect the borrowers' ability to repay on a timely basis which could result in a sharp increase in our total net charge-offs and require us to significantly increase our allowance for loan losses, any of which could have a material adverse effect on our financial condition or results of operations.

Our concentration of commercial real estate loans is subject to risks that could adversely affect our results of operations and financial condition.

Our commercial real estate loan portfolio was \$2.32 billion at December 31, 2015, comprising 39% of total loans. Commercial real estate loans typically involve larger loan balances than compared to residential mortgage loans. The repayment of loans secured by commercial real estate is dependent upon both the successful operation of the commercial project and the business operated out of that commercial real estate site, as over half of the commercial real estate loans are for owner-occupied properties. If the cash flows from the project are reduced or if the borrower's business is not successful, a borrower's ability to repay the loan may be impaired. This cash flow shortage may result in the failure to make loan payments. In such cases, we may be compelled to modify the terms of the loan. In addition, the nature of these loans is such that they are generally less predictable and more difficult to evaluate and monitor. As a result, repayment of these loans may be subject to adverse conditions in the real estate market or economy. In addition, many economists believe that the potential for deterioration in income producing commercial real estate may occur through rising vacancy rates or declining absorption rates of existing square footage and/or units. As a result, these loans could represent higher risk due to slower sales and reduced cash flow that affect the borrowers' ability to repay on a timely basis, could result in a sharp increase in our total net charge-offs and could require us to significantly increase our allowance for loan losses, any of which could have a material adverse effect on our financial condition or results of operations.

Changes in prevailing interest rates may negatively affect net income and the value of our assets.

Changes in prevailing interest rates may negatively affect the level of our net interest revenue, the primary component of our net income. Federal Reserve policies, including interest rate policies, determine in large part our cost of funds for lending and investing and the return we earn on those loans and investments, both of which affect our net interest revenue. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in the interest rates may also negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings. In addition, an increase in interest rates may decrease the demand for loans.

United's reported financial results depend on the accounting and reporting policies of United, the application of which requires significant assumptions, estimates and judgments.

United's accounting and reporting policies are fundamental to the methods by which we record and report our financial condition and results of operations. United's management must make significant assumptions and estimates and exercise significant judgment in selecting and applying many of these accounting and reporting policies so they comply with accounting principles generally accepted in the United States of America ("GAAP") and reflect management's judgment of the most appropriate manner to report United's financial condition and results. In some cases, management must select a policy from two or more alternatives, any of which may be reasonable under the circumstances, which may result in United reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting United's financial condition and results. They require management to make difficult, subjective and complex assumptions, estimates and judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions and estimates. These critical accounting policies relate to the allowance for loan losses, fair value measurement, and income taxes. Because of the uncertainty of assumptions and estimates involved in these matters, United may be required to do one or more of the following: significantly increase the allowance for loan losses and/or sustain credit losses that are significantly higher than the reserve provided; significantly decrease the carrying value of loans, foreclosed property or other assets or liabilities to reflect a reduction in their fair value; or, significantly increase or decrease accrued taxes and the value of our deferred tax assets.

If our allowance for credit losses is not sufficient to cover actual loan losses, earnings would decrease.

Our loan customers may not repay their loans according to their terms and the collateral securing the payment of these loans may be insufficient to assure repayment. We may experience significant loan losses which would have a material adverse effect on our operating results. Our management makes various assumptions and judgments about the collectability of the loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. We maintain an allowance for credit losses in an attempt to cover any probable incurred loan losses in the loan portfolio. In determining the size of the allowance, our management relies on an analysis of the loan portfolio based on historical loss experience, volume and types of loans, trends in classification, volume and real estate values, trends in delinquencies and non-accruals, national and local economic conditions and other pertinent information. As a result of these considerations, we have from time to time increased our allowance for credit losses. For the year ended December 31, 2015, we recorded a provision for credit losses of \$3.70 million compared to \$8.50 million and \$65.5 million for the years ended December 31, 2014 and 2013, respectively. If those assumptions are incorrect, the allowance may not be sufficient to cover future loan losses and adjustments may be necessary to allow for different economic conditions or adverse developments in the loan portfolio.

Reductions in interchange fees would reduce our non-interest income.

We earn interchange fees on certain debit card transactions, including approximately \$17.7 million in fees during 2015. The Durbin Amendment to the Dodd-Frank Act has limited the amount of interchange fees that may be charged for these transactions. Although the Durbin Amendment is not currently applicable to United because our total consolidated assets as of December 31, 2015 were less than \$10 billion, it is likely that the Durbin Amendment will be applicable to United in the near future due to normal business growth. Complying with the Durbin Amendment would reduce United's non-interest income from interchange fees, which could have a material adverse effect on our financial condition or results of operations.

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

When we make loans to individuals or entities, we rely upon information supplied by borrowers and other third parties, including information contained in the applicant's loan application, property appraisal reports, title information and the borrower's net worth, liquidity and cash flow information. While we attempt to verify information provided through available sources, we cannot be certain all such information is correct or complete. Our reliance on incorrect or incomplete information could have a material adverse effect on our financial condition or results of operations.

Competition from financial institutions and other financial service providers may adversely affect our profitability.

The banking business is highly competitive and we experience competition in each of our markets from many other financial institutions. We compete with banks, credit unions, savings and loan associations, mortgage banking firms, securities brokerage firms, insurance companies, money market funds and other mutual funds, as well as community, super-regional, national and international financial institutions that operate offices in our market areas and elsewhere. We compete with these institutions both in attracting deposits and in making loans. Many of our competitors are well-established, larger financial institutions that are able to operate profitably with a narrower net interest margin and have a more diverse revenue base. We may face a competitive disadvantage as a result of our smaller size, more limited geographic diversification and inability to spread costs across broader markets. Although we compete by concentrating marketing efforts in our primary markets with local advertisements, personal contacts and greater flexibility and responsiveness in working with local customers, customer loyalty can be easily influenced by a competitor's new products and our strategy may or may not continue to be successful. We may also be affected by the marketplace loosening of credit underwriting standards and structures.

We may face risks with respect to future expansion and acquisitions.

We may engage in de novo branch expansion and, if the appropriate business opportunity becomes available, we may seek to acquire other financial institutions or parts of those institutions. These involve a number of risks, including:

- the potential inaccuracy of the estimates and judgments used to evaluate credit, operations, management and market risks with respect to an acquired branch or institution, a new branch office or a new market;
- the time and costs of evaluating new markets, hiring or retaining experienced local management and opening new offices and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- the incurrence and possible impairment of goodwill associated with an acquisition and possible adverse effects on results of operations;

- the loss of key employees and customers of an acquired branch or institution;
- the difficulty or failure to successfully integrate the acquired financial institution or portion of the institution; and
- the temporary disruption of our business or the business of the acquired institution.

Changes in laws and regulations or failures to comply with such laws and regulations may adversely affect our financial condition and results of operations.

We and our subsidiary bank are heavily regulated by federal and state authorities. This regulation is designed primarily to protect depositors, federal deposit insurance funds and the banking system as a whole, but not shareholders. Congress and state legislatures and federal and state regulatory authorities continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including interpretation and implementation of statutes, regulations or policies could affect us in substantial and unpredictable ways, including limiting the types of financial services and products we may offer or increasing the ability of non-banks to offer competing financial services and products. Any regulatory changes or scrutiny could increase or decrease the cost of doing business, limit or expand our permissible activities, or affect the competitive balance among banks, credit unions, savings and loan associations and other institutions. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any regulations, would have on our business, financial condition, or results of operations.

Federal and state regulators have the ability to impose or request that we consent to substantial sanctions, restrictions and requirements on our banking and nonbanking subsidiaries if they determine, upon examination or otherwise, violations of laws, rules or regulations with which we or our subsidiaries must comply, or weaknesses or failures with respect to general standards of safety and soundness. Such enforcement may be formal or informal and can include directors' resolutions, memoranda of understanding, cease and desist or consent orders, civil money penalties and termination of deposit insurance and bank closures. Enforcement actions may be taken regardless of the capital level of the institution. In particular, institutions that are not sufficiently capitalized in accordance with regulatory standards may also face capital directives or prompt corrective action. Enforcement actions may require certain corrective steps (including staff additions or changes), impose limits on activities (such as lending, deposit taking, acquisitions or branching), prescribe lending parameters (such as loan types, volumes and terms) and require additional capital to be raised, any of which could adversely affect our financial condition and results of operations. Enforcement actions, including the imposition of monetary penalties, may have a material impact on our financial condition or results of operations, and damage to our reputation, and loss of our holding company status. In addition, compliance with any such action could distract management's attention from our operations, cause us to incur significant expenses, restrict us from engaging in potentially profitable activities, and limit our ability to raise capital. Closure of the Bank would result in a total loss of your investment.

We face a risk of noncompliance with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The federal Bank Secrecy Act, USA Patriot Act of 2001 and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by Treasury to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal bank regulatory agencies, as well as the U.S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. Federal bank regulatory agencies and state bank regulators also have begun to focus on compliance with Bank Secrecy Act and anti-money laundering regulations. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, which would negatively impact our business, financial condition and results of operations.

The short-term and long-term impact of the changing regulatory capital requirements is uncertain.

The Basel III Capital Rules include new minimum risk-based capital and leverage ratios, which are being phased in and modify the capital and asset definitions for purposes of calculating those ratios. Among other things, the Basel III Capital Rules established a new common equity Tier 1 minimum capital requirement of 4.5%, a higher minimum Tier 1 capital to risk-weighted assets requirement of 6% and a higher total capital to risk-weighted assets of 8%. In addition, the Basel III Capital Rules provide, to be considered “well-capitalized”, a new common equity Tier 1 capital requirement of 6.5% and a higher Tier 1 capital to risk-weighted assets requirement of 8%. Moreover, the Basel III Capital Rules limit a banking organization’s capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” consisting of an additional 2.5% of common equity Tier 1 capital in addition to the 4.5% minimum common equity Tier 1 requirement and the other amounts necessary to the minimum risk-based capital requirements that will be phased in and fully effective in 2019.

The application of the more stringent capital requirements described above could, among other things, result in lower returns on invested capital, require the raising of additional capital, and result in additional regulatory actions if we were to be unable to comply with such requirements. Furthermore, the imposition of liquidity requirements under the Basel III Capital Rules could result in our having to lengthen the term of our funding, restructure our business models, and/or increase our holdings of liquid assets. Implementation of changes to asset risk weightings for risk based capital calculations, items included or deducted in calculating regulatory capital and/or additional capital conservation buffers could result in us modifying our business strategy and could limit our ability to pay dividends.

Our ability to fully utilize deferred tax assets could be impaired.

We reported a net deferred tax asset of \$198 million as of December 31, 2015, which includes approximately \$156 million of deferred tax benefits related to federal and state operating loss carry-forwards. Our ability to use such assets is dependent on our ability to generate future earnings within the operating loss carry-forward periods, which are generally 20 years. If we do not realize taxable earnings within the carry-forward periods, our deferred tax asset would be permanently impaired. Additionally, our ability to use such assets to offset future tax liabilities could be permanently impaired if cumulative common stock transactions over a rolling three-year period resulted in an ownership change under Section 382 of the Internal Revenue Code. There is no guarantee that our tax benefits preservation plan will prevent us from experiencing an ownership change under Section 382. Our inability to utilize these deferred tax assets (benefits) would have a material adverse effect on our financial condition and results of operations.

We could be subject to changes in tax laws, regulations and interpretations or challenges to our income tax provision.

We compute our income tax provision based on enacted tax rates in the jurisdictions in which we operate. Any change in enacted tax laws, rules or regulatory or judicial interpretations, any adverse outcome in connection with tax audits in any jurisdiction or any change in the pronouncements relating to accounting for income taxes could adversely affect our effective tax rate, tax payments and results of operations. In addition, changes in enacted tax laws, such as adoption of a lower income tax rate in any of the jurisdictions in which we operate, could impact our ability to obtain the future tax benefits represented by our deferred tax assets.

System failure or cybersecurity breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.

We rely heavily on communications and information systems to conduct our business. The computer systems and network infrastructure we use could be vulnerable to unforeseen hardware and cybersecurity issues. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure that causes an interruption in our operations could have an adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect the computer systems and network infrastructure we use, including our Internet banking activities, against damage from physical break-ins, cybersecurity breaches and other disruptive problems caused by the Internet or users. Such problems could jeopardize the security of our customers personal information and other information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us, subject us to additional regulatory scrutiny, damage our reputation, result in a loss of customers, or inhibit current and potential customers from our Internet banking services,

any of all of which could have a material adverse effect on our results of operations and financial condition. Although we have security measures designed to mitigate the possibility of break-ins, breaches and other disruptive problems, including firewalls and penetration testing, there can be no assurance that such security measures will be effective in preventing such problems.

Our lack of geographic diversification increases our risk profile.

Our operations are located principally in Georgia, western North Carolina, east Tennessee and South Carolina. As a result of this geographic concentration, our results depend largely upon economic and business conditions in this area. Deterioration in economic and business conditions in our service area could have a material adverse impact on the quality of our loan portfolio and the demand for our products and services, which in turn may have a material adverse effect on our results of operations.

Our interest-only home equity lines of credit expose us to increased lending risk.

At December 31, 2015, we had \$598 million of home equity line of credit loans, which represented 10% of our loan portfolio as of that date. Historically, United's home equity lines of credit generally had a 35 month or 10 year draw period with interest-only payment requirements for the term of the loan, a balloon payment requirement at the end of the draw period. Since June 2012, new home equity lines of credit generally have a 10 year interest only draw period followed by a 15 year amortized repayment period for any outstanding balance at the 10 year conversion date. United continues to offer a home equity line of credit with a 35 month draw period with interest-only payment requirements for the term of the loan with a balloon payment requirement at the end of the draw period. All home equity line of credit products, historically and currently available, have a maximum 80% combined loan to value ratio. Loan to value ratios are established on a case by case basis considering the borrower's credit profile and the collateral type – primary or secondary residence. These loans are also secured by a first or second lien on the underlying home.

In the case of interest-only loans, a borrower's monthly payment is subject to change when the loan converts to fully-amortizing status. Since the borrower's monthly payment may increase by a substantial amount even without an increase in prevailing market interest rates, the borrower might not be able to afford the increased monthly payment. In addition, interest-only loans have a large, balloon payment at the end of the loan term, which the borrower may be unable to pay. Also, real estate values may decline, dramatically reducing or even eliminating the borrower's equity, and credit standards may tighten in concert with the higher payment requirement, making it difficult for borrowers to sell their homes or refinance their loans to pay off their mortgage obligations. The risks can be magnified by United's limited ability to monitor the delinquency status of the first lien on the collateral. For these reasons, home equity lines of credit are considered to have an increased risk of delinquency, default and foreclosure than conforming loans and may result in higher levels of losses. The Bank mitigates these risks in its underwriting by calculating the fully amortizing principal and interest payment assuming 100% utilization and using that amount to determine the borrower's ability to pay.

We rely on third parties to provide key components of our business infrastructure.

Third parties provide key components of our business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. While we have selected these third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber attacks and security breaches at a vendor, failure of a vendor to provide services for any reason or poor performance of services, could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business. Financial or operational difficulties of a third party vendor could also hurt our operations if those difficulties interfere with the vendor's ability to serve us. Furthermore, our vendors could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to our business operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

There are no unresolved comments from the SEC staff regarding United's periodic or current reports under the Exchange Act.

ITEM 2. PROPERTIES.

The executive offices of United are located at 125 Highway 515 East, Blairsville, Georgia. United owns this property. The Bank conducts business from facilities primarily owned by the Bank or its subsidiaries, all of which are in a good

state of repair and appropriately designed for use as banking facilities. The Bank provides services or performs operational functions at 159 locations, of which 130 are owned and 29 are leased under operating leases. Note 8 to United's consolidated financial statements includes additional information regarding amounts invested in premises and equipment.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of operations, United and the Bank are defendants in various legal proceedings. Additionally, in the ordinary course of business, United and the Bank are subject to regulatory examinations and investigations. Based on our knowledge and advice of counsel, in the opinion of management, there is no such pending or threatened legal matter in which an adverse decision will result in a material adverse change in the consolidated financial condition or results of operations of United. No material proceedings terminated in the fourth quarter of 2015.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II**ITEM MARKET FOR UNITED'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIES.**

Stock. United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI". The closing price for the period ended December 31, 2015 was \$19.49. Below is a schedule of high, low and closing stock prices and average daily volume for all quarters in 2015 and 2014.

	2015				2014			
	High	Low	Close	Avg Daily Volume	High	Low	Close	Avg Daily Volume
First quarter	\$19.53	\$16.48	\$18.88	234,966	\$20.28	\$15.74	\$19.41	494,205
Second quarter	21.23	17.91	20.87	328,887	19.87	14.86	16.37	308,486
Third quarter	22.23	18.58	20.44	319,884	18.42	15.42	16.46	331,109
Fourth quarter	22.23	18.61	19.49	376,214	19.50	15.16	18.94	262,598

At January 31, 2016, there were 8,182 record shareholders and approximately 18,367 beneficial shareholders of United's common stock.

Dividends. United declared cash dividends of \$.22 and \$.11 per share on its common stock in 2015 and 2014, respectively. Federal and state laws and regulations impose restrictions on the ability of the Bank to pay dividends to United without prior approvals.

Additional information regarding dividends is included in Note 19 to the consolidated financial statements, under the heading of "Supervision and Regulation" in Part I of this report and in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Dividends."

Share Repurchases. United's Amended and Restated 2000 Key Employee Stock Option Plan allows option holders to exercise stock options by delivering previously acquired shares having a fair market value equal to the exercise price provided that the shares delivered must have been held by the option holder for at least six months. In addition, United may withhold a sufficient number of restricted stock shares at the time of vesting to cover payroll tax withholdings at the election of the restricted stock recipient. In 2015 and 2014, 74,275 and 74,644 shares, respectively, were withheld to cover payroll taxes owed at the time of restricted stock vesting. No shares were delivered to exercise stock options

in 2015 or 2014.

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Performance Graph. Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on United’s common stock against the cumulative total return on the Nasdaq Stock Market (U.S. Companies) Index and the Nasdaq Bank Stocks Index for the five-year period commencing December 31, 2010 and ending on December 31, 2015.

	Cumulative Total Return *					
	2010	2011	2012	2013	2014	2015
United Community Banks, Inc.	\$100	\$72	\$97	\$182	\$195	\$203
Nasdaq Stock Market (U.S.) Index	100	98	114	157	179	189
Nasdaq Bank Index	100	88	101	141	145	154

* Assumes \$100 invested on December 31, 2010 in United’s common stock and above noted indexes. Total return includes reinvestment of dividends at the closing stock price of the common stock on the dividend payment date and the closing values of stock and indexes as of December 31 of each year.

UNITED COMMUNITY BANKS, INC.

Item 6. Selected Financial Data

For the Years Ended December 31,

(in thousands, except per share data;
fully taxable equivalent)

INCOME SUMMARY

	2015	2014	2013	2012	2011
Net interest revenue (FTE)	\$258,700	\$224,418	\$219,641	\$229,758	\$238,670
Provision for credit losses	3,700	8,500	65,500	62,500	251,000
Fee revenue	72,529	55,554	56,598	56,112	44,907
Total revenue (FTE)	327,529	271,472	210,739	223,370	32,577
Expenses - operating ⁽¹⁾	193,243	162,865	174,304	186,774	261,599
Income (loss) before income tax expense (benefit)	134,286	108,607	36,435	36,596	(229,022)
- (FTE) operating ⁽¹⁾					
Income tax expense (benefit) - (FTE) operating ⁽¹⁾	51,101	40,987	(236,705)	2,740	(2,276)
Net income (loss) - operating ⁽¹⁾	83,185	67,620	273,140	33,856	(226,746)
Preferred dividends and discount accretion	67	439	12,078	12,148	11,838
Net income (loss) available to common shareholders - operating ⁽¹⁾	83,118	67,181	261,062	21,708	(238,584)
Merger-related and other charges, net of income tax benefit	11,607	-	-	-	-
Net income (loss) available to common shareholders - GAAP	\$71,511	\$67,181	\$261,062	\$21,708	\$(238,584)

PERFORMANCE MEASURES

Per common share:

Diluted income (loss) - operating ⁽¹⁾	\$1.27	\$1.11	\$4.44	\$.38	\$(5.97)
Diluted income (loss) - GAAP	1.09	1.11	4.44	.38	(5.97)
Cash dividends declared	.22	.11	-	-	-
Book value	14.02	12.20	11.30	6.67	6.62
Tangible book value ⁽³⁾	12.06	12.15	11.26	6.57	6.47

Key performance ratios:

Return on tangible common equity - operating ⁽¹⁾⁽²⁾⁽³⁾	10.24	%	9.32	%	47.35	%	6.27	%	(96.20)	%
Return on common equity - operating ⁽¹⁾⁽²⁾	9.48		9.17		46.72		5.43		(93.57)	
Return on common equity - GAAP ⁽²⁾	8.15		9.17		46.72		5.43		(93.57)	
Return on assets - operating ⁽¹⁾	.98		.91		3.86		.49		(3.15)	
Return on assets - GAAP	.85		.91		3.86		.49		(3.15)	
Dividend payout ratio - operating ⁽¹⁾	17.32		9.91		-		-		-	
Dividend payout ratio - GAAP	20.18		9.91		-		-		-	
Net interest margin (FTE)	3.30		3.26		3.30		3.51		3.52	
Efficiency ratio - operating ⁽¹⁾	58.51		58.26		63.14		65.43		92.27	
Efficiency ratio - GAAP	63.96		58.26		63.14		65.43		92.27	
Average equity to average assets	10.27		9.69		10.35		8.47		7.75	
Average tangible equity to average assets ⁽³⁾	9.74		9.67		10.31		8.38		7.62	

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Average tangible common equity to average assets (3)	9.66	9.60	7.55	5.54	3.74
Tangible common equity to risk-weighted assets (3)(4)	12.82	13.82	13.17	8.26	8.25
ASSET QUALITY					
Non-performing loans	\$22,653	\$17,881	\$26,819	\$109,894	\$127,479
Foreclosed properties	4,883	1,726	4,221	18,264	32,859
Total non-performing assets (NPAs)	27,536	19,607	31,040	128,158	160,338
Allowance for loan losses	68,448	71,619	76,762	107,137	114,468
Net charge-offs	6,259	13,879	93,710	69,831	311,227
Allowance for loan losses to loans	1.14 %	1.53 %	1.77 %	2.57 %	2.79 %
Allowance for loan losses to loans, excluding acquired loans	1.35	1.53	1.77	2.57	2.79
Net charge-offs to average loans	.12	.31	2.22	1.69	7.33
NPAs to loans and foreclosed properties	.46	.42	.72	3.06	3.87
NPAs to total assets	.29	.26	.42	1.88	2.30
AVERAGE BALANCES (\$ in millions)					
Loans	\$5,298	\$4,450	\$4,254	\$4,166	\$4,307
Investment securities	2,368	2,274	2,190	2,089	1,999
Earning assets	7,834	6,880	6,649	6,547	6,785
Total assets	8,462	7,436	7,074	6,865	7,189
Deposits	7,055	6,228	6,027	5,885	6,275
Shareholders' equity	869	720	732	582	557
Common shares - Basic (<i>thousands</i>)	65,488	60,588	58,787	57,857	39,943
Common shares - Diluted (<i>thousands</i>)	65,492	60,590	58,845	57,857	39,943
AT YEAR-END (\$ in millions)					
Loans	\$5,995	\$4,672	\$4,329	\$4,175	\$4,110
Investment securities	2,656	2,198	2,312	2,079	2,120
Total assets	9,626	7,567	7,425	6,802	6,983
Deposits	7,881	6,327	6,202	5,952	6,098
Shareholders' equity	1,018	740	796	581	575
Common shares outstanding (<i>thousands</i>)	71,484	60,259	59,432	57,741	57,561

(1) Excludes merger-related charges and impairment losses on surplus bank property. (2) 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). (3) Excludes effect of acquisition related intangibles and associated amortization. (4) December 31, 2015 calculated under Basel III rules, which became effective January 1, 2015.

UNITED COMMUNITY BANKS, INC.
Financial Highlights - continued
Selected Financial Data (Continued)

(in thousands, except per share data; fully taxable equivalent)	2015				2014			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
INCOME SUMMARY								
Interest revenue (FTE)	\$79,646	\$71,120	\$66,134	\$62,909	\$64,353	\$63,338	\$61,783	\$60,495
Interest expense	5,598	5,402	4,817	5,292	6,021	6,371	6,833	6,326
Net interest revenue (FTE)	74,048	65,718	61,317	57,617	58,332	56,967	54,950	54,169
Provision for credit losses	300	700	900	1,800	1,800	2,000	2,200	2,500
Fee revenue	21,284	18,297	17,266	15,682	14,823	14,412	14,143	12,176
Total revenue (FTE)	95,032	83,315	77,683	71,499	71,355	69,379	66,893	63,845
Expenses - operating ⁽¹⁾	56,410	48,525	45,247	43,061	41,919	41,364	40,532	39,050
Income before income tax expense - (FTE) operating ⁽¹⁾	38,622	34,790	32,436	28,438	29,436	28,015	26,361	24,795
Income tax expense - (FTE) operating ⁽¹⁾	14,822	13,064	12,447	10,768	11,189	10,399	10,004	9,395
Net income - operating ⁽¹⁾	23,800	21,726	19,989	17,670	18,247	17,616	16,357	15,400
Preferred dividends and discount accretion	25	25	17	-	-	-	-	439
Net income available to common shareholders - operating ⁽¹⁾	23,775	21,701	19,972	17,670	18,247	17,616	16,357	14,961
Merger-related and other charges, net of income tax benefit	5,592	3,839	2,176	-	-	-	-	-
Net income available to common shareholders - GAAP	\$18,183	\$17,862	\$17,796	\$17,670	\$18,247	\$17,616	\$16,357	\$14,961
PERFORMANCE MEASURES								
Per common share:								
Diluted income - operating ⁽¹⁾	\$.33	\$.33	\$.32	\$.29	\$.30	\$.29	\$.27	\$.25
Diluted income - GAAP	.25	.27	.28	.29	.30	.29	.27	.25
Cash dividends declared	.06	.06	.05	.05	.05	.03	.03	-
Book value	14.02	13.95	12.95	12.58	12.20	12.15	11.94	11.66
Tangible book value ⁽³⁾	12.06	12.08	12.66	12.53	12.15	12.10	11.91	11.63
Key performance ratios:								
Return on tangible common equity - operating ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	10.87 %	10.29 %	10.20 %	9.46 %	9.74 %	9.55 %	9.15 %	8.81 %
Return on common equity - operating ⁽¹⁾⁽²⁾⁽⁴⁾	9.18	9.54	9.90	9.34	9.60	9.41	8.99	8.64

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Return on common equity - GAAP ⁽²⁾⁽⁴⁾	7.02	7.85	8.83	9.34	9.60	9.41	8.99	8.64
Return on assets - operating ⁽¹⁾⁽⁴⁾	.99	1.00	1.00	.94	.96	.95	.88	.85
Return on assets - GAAP ⁽⁴⁾	.76	.82	.89	.94	.96	.95	.88	.85
Dividend payout ratio - operating ⁽¹⁾	18.18	18.18	15.63	17.24	16.67	10.34	11.11	-
Dividend payout ratio - GAAP	24.00	22.22	17.86	17.24	16.67	10.34	11.11	-
Net interest margin (FTE) ⁽⁴⁾	3.34	3.26	3.30	3.31	3.31	3.32	3.21	3.21
Efficiency ratio - operating ⁽¹⁾	59.41	57.81	57.59	59.15	57.47	57.96	58.65	59.05
Efficiency ratio - GAAP	68.97	64.65	61.63	59.15	57.47	57.96	58.65	59.05
Average equity to average assets	10.68	10.39	10.05	9.86	9.76	9.85	9.61	9.52
Average tangible equity to average assets ⁽³⁾	9.40	9.88	9.91	9.82	9.72	9.83	9.58	9.50
Average tangible common equity to average assets ⁽³⁾	9.29	9.77	9.83	9.82	9.72	9.83	9.58	9.22
Tangible common equity to risk-weighted assets ⁽³⁾⁽⁵⁾	12.82	13.08	13.24	13.53	13.82	14.10	13.92	13.63
ASSET QUALITY								
Nonperforming loans	\$22,653	\$20,064	\$18,805	\$19,015	\$17,881	\$18,745	\$20,724	\$25,250
Foreclosed properties	4,883	7,669	2,356	1,158	1,726	3,146	2,969	5,594
Total nonperforming assets (NPAs)	27,536	27,733	21,161	20,173	19,607	21,891	23,693	30,844
Allowance for loan losses	68,448	69,062	70,129	70,007	71,619	71,928	73,248	75,223
Net charge-offs	1,302	1,417	978	2,562	2,509	3,155	4,175	4,039
Allowance for loan losses to loans	1.14 %	1.15 %	1.36 %	1.46 %	1.53 %	1.57 %	1.66 %	1.73 %
Allowance for loan losses to loans, excl. acquired loans	1.35	1.37	1.42	1.46	1.53	1.57	1.66	1.73
Net charge-offs to average loans ⁽⁴⁾	.09	.10	.08	.22	.22	.28	.38	.38
NPAs to loans and foreclosed properties	.46	.46	.41	.42	.42	.48	.54	.71
NPAs to total assets	.29	.29	.26	.26	.26	.29	.32	.42
AVERAGE BALANCES (\$ in millions)								
Loans	\$5,975	\$5,457	\$5,017	\$4,725	\$4,621	\$4,446	\$4,376	\$4,356
Investment securities	2,607	2,396	2,261	2,203	2,222	2,231	2,326	2,320
Earning assets	8,792	8,009	7,444	7,070	7,013	6,820	6,861	6,827
Total assets	9,558	8,634	8,017	7,617	7,565	7,374	7,418	7,384
Deposits	8,028	7,135	6,669	6,369	6,383	6,143	6,187	6,197
Shareholders' equity	1,021	897	806	751	738	726	713	703
Common shares - basic (thousands)	72,135	66,294	62,549	60,905	60,830	60,776	60,712	60,059
Common shares - diluted (thousands)	72,140	66,300	62,553	60,909	60,833	60,779	60,714	60,061

AT PERIOD-END (*\$ in millions*)

Loans	\$5,995	\$6,024	\$5,174	\$4,788	\$4,672	\$4,569	\$4,410	\$4,356
Investment securities	2,656	2,457	2,322	2,201	2,198	2,222	2,190	2,302
Total assets	9,626	9,414	8,246	7,664	7,567	7,526	7,352	7,398
Deposits	7,881	7,905	6,808	6,438	6,327	6,241	6,164	6,248
Shareholders' equity	1,018	1,013	827	764	740	736	722	704
Common shares outstanding (<i>thousands</i>)	71,484	71,472	62,700	60,309	60,259	60,248	60,139	60,092

(1) Excludes merger-related charges and impairment losses on surplus bank property. (2) Net income available to common shareholders, which is net of preferred stock dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss). (3) Excludes effect of acquisition related intangibles and associated amortization. (4) Annualized. (5) December 31, September 30, June 30 and March 31, 2015 calculated under Basel III rules, which became effective January 1, 2015.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

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

Operating earnings (loss) and operating earnings (loss) per diluted share are non-GAAP performance measures. United's management believes that operating performance measures are useful in analyzing the Company's financial performance trends since they exclude items that are generally non-recurring in nature and therefore most of the discussion in this section will refer to operating performance measures. A reconciliation of these operating performance measures to GAAP performance measures is included in the table on pages 31 through 34.

On September 1, 2015, United completed the acquisition of Palmetto Bancshares, Inc. ("Palmetto") and its wholly-owned bank subsidiary The Palmetto Bank. On May 1, 2015, United completed the acquisition of MoneyTree Corporation ("MoneyTree") and its wholly-owned bank subsidiary First National Bank ("FNB"). The acquired entities' results are included in United's consolidated results beginning on the respective acquisition dates.

United reported net income of \$71.6 million, or \$1.09 per diluted share, in 2015, compared with \$67.6 million, or \$1.11 per share in 2014 and \$273 million, or \$4.44 per share, in 2013. Earnings for 2013 were significantly impacted by the reversal of a \$272 million valuation allowance on United's net deferred tax asset and a large bulk sale of classified assets. Excluding merger-related and impairment losses on surplus bank property, operating net income in 2015 was \$83.2 million, or \$1.27 per diluted share.

Fully taxable equivalent net interest revenue was \$259 million for 2015, compared to \$224 million in 2014. The increase was primarily due to acquisition-related and organic loan growth.

Net interest margin increased four basis points to 3.30% in 2015 from 3.26% in 2014 due primarily to higher loan volume and a decrease in the cost of funds. The 21 basis point decrease in the average loan yield was more than offset by higher loan volume, the 12 basis point reduction in the average rate paid on interest bearing liabilities and a higher yield on the taxable investment securities. United's average yield on its taxable investment securities portfolio increased 6 basis points from 2014, partly as a result of a change in the investment portfolio mix and partly as a result

of balance sheet management activities late in the second quarter of 2014. The balance sheet management activities, which included restructuring interest rate swaps, selling investment securities and repaying high cost wholesale borrowings, had the effect of lowering United's funding costs and increasing the yield on the investment securities portfolio.

As of December 31, 2015, United's allowance for loan losses was \$68.4 million, or 1.14% of loans, compared with \$71.6 million, or 1.53% of loans, at the end of 2014. In accordance with the accounting guidance for business combinations, there was no allowance for loan losses brought forward on loans acquired from Palmetto or MoneyTree, as estimated credit deterioration was included in the determination of fair value at acquisition date. At December 31, 2015, United recorded no allowance for loan losses on loans acquired from Palmetto or MoneyTree as there was no evidence of credit deterioration beyond that which was incorporated in the determination of fair value at acquisition date. Nonperforming assets of \$27.5 million were .29% of total assets at December 31, 2015 compared to .26% as of December 31, 2014. The increase year over year was primarily attributable to foreclosed properties assumed in connection with the Palmetto acquisition.

Fee revenue of \$72.5 million was up \$17.0 million, or 31%, from 2014. The increase was primarily due to the Palmetto acquisition, higher mortgage fees and an increase in gains from sales of government guaranteed loans. Mortgage loan and related fees increased \$6.07 million from 2014 due to United's emphasis on growing its mortgage business by recruiting lenders in metropolitan markets and continued strong refinancing activity. In 2015, United closed \$494 million in mortgage loans compared with \$276 million in 2014. In 2015, 55%, or \$272 million, of the closed loans were for home purchases versus 63%, or \$174 million in 2014. Fee revenue is shown in more detail in Table 4 on page 38. Fee revenue for 2015 included \$6.28 million in gains from sales of government guaranteed loans compared to \$2.62 million for 2014. Customer derivative fees increased \$984,000 to \$1.71 million due to increased demand for this product. Deposit service charges and fees were up \$3.75 million mostly due to higher interchange fee revenue.

For 2015, operating expenses of \$211 million were up \$48.4 million, or 30%, from 2014, largely due to the addition of Palmetto and MoneyTree operating expenses since acquisition. Salaries and employee benefits expense was up \$15.7 million reflecting United's investment in additional staff and new teams to expand the specialized lending area as well as higher incentive compensation in connection with increased lending activity and improvement in earnings performance. Operating expenses for 2015 included merger related charges of \$12.0 million and impairment charges on real estate purchased in prior years for future branch expansion of \$5.97 million.

Loans at December 31, 2015 were \$6 billion, up \$1.32 billion from the end of 2014, primarily due to the acquisitions of Palmetto and MoneyTree combined with solid growth in our community banks and specialized lending areas. Deposits were up \$1.55 billion to \$7.88 billion, as United focused on increasing low cost core transaction deposits which grew \$524 million in 2015, excluding public funds deposits and acquisitions. At the end of 2015, total equity capital was \$1.02 billion, up \$279 million from December 31, 2014, reflecting equity issued for acquisitions of \$224 million and net income of \$71.6 million, partially offset by the payment of dividends on United's common stock of \$14.8 million. At December 31, 2015, all of United's regulatory capital ratios were significantly above well capitalized levels.

Critical Accounting Policies

The accounting and reporting policies of United and its subsidiaries are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The more critical accounting and reporting policies include United's accounting for the allowance for loan losses, fair value measurements and income taxes. Application of these principles requires management to make estimates or judgments that affect the amounts reported in the financial statements and the accompanying notes. These estimates are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates or judgments. Certain policies inherently have a greater reliance on the use of estimates, and as such have a greater possibility of producing results that could be materially different than originally reported.

Estimates or judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon future events. Carrying assets and liabilities at fair value results in more financial statement volatility. The fair values and the information used to record the valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third-party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal cash flow modeling techniques.

The most significant accounting policies for United are presented in Note 1 to the consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management views critical accounting policies to be those that are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant effect on the financial statements.

Management considers the following accounting policies to be critical accounting policies:

Allowance for Credit Losses

The allowance for credit losses is an estimate and represents management's estimate of probable incurred credit losses in the loan portfolio and unfunded loan commitments. It consists of two components: the allowance for loan losses and the allowance for unfunded commitments. Estimating the amount of the allowance for credit losses requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on non-impaired loans based on historical loss experience, management's evaluation of the current loan portfolio, and consideration of current economic trends, events and conditions. The loan portfolio also represents the largest asset type on the consolidated balance sheet. Loan losses are charged against the allowance, while recoveries of amounts previously charged off are credited to the allowance. A provision for credit losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

The allowance for loan losses is an estimate of probable incurred losses in the loan portfolio and is based on analyses developed through specific credit allocations for individual loans and historical loss experience for each loan category. The specific credit allocations are based on impairment analyses of all nonaccrual loans over \$500,000, accruing substandard loans in relationships over \$2 million and troubled debt restructurings ("TDRs"), which are all considered impaired loans. These analyses involve judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The historical loss element is determined using the weighted average of actual losses incurred over the prior eight quarters for each type of loan, multiplied by an estimated loss emergence period. The historical loss experience is adjusted for known changes in economic trends, events and conditions and credit quality trends such as changes in the amount of past due and nonperforming loans. The resulting loss allocation factors are applied to the balance of each type of loan after removing the balance of impaired loans and other specifically allocated loans from each category. The loss allocation factors are updated quarterly.

Prior to 2014, United reported an unallocated portion of the allowance. In 2014, United incorporated a loss emergence period into its allowance analysis which resulted in the full allocation of the previously unallocated allowance. Management's use of the loss emergence period is an estimate of the period of time from the first evidence of loss incurrence through the period of time until such losses are confirmed (or charged-off).

There are many factors affecting the allowance for credit losses; some are quantitative while others require qualitative judgment. Although management believes its processes for determining the allowance adequately considers all the potential factors that could potentially result in credit losses, the process includes subjective elements and may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provision for loan losses could be required that could adversely affect earnings or financial position in future periods.

Additional information on United's loan portfolio and allowance for credit losses can be found in the sections of Management's Discussion and Analysis titled "Asset Quality and Risk Elements" and "Nonperforming Assets" and in the sections of Part I, Item 1 titled "Lending Policy" and "Loan Review and Nonperforming Assets". Note 1 to the consolidated financial statements includes additional information on United's accounting policies related to the allowance for loan losses.

Fair Value Measurements

United's impaired loans and foreclosed assets may be measured and carried at fair value, the determination of which requires management to make assumptions, estimates and judgments. At December 31, 2015, the percentage of total assets measured at fair value was 24%. See Note 23 "Fair Value" in the consolidated financial statements herein for additional disclosures regarding the fair value of our assets and liabilities.

When a loan is considered individually impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. In addition, foreclosed assets are carried at the lower of cost, fair value, less cost to sell, or listed selling price less cost to sell, following foreclosure. Fair value is defined by GAAP "as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date." GAAP further defines an "orderly transaction" as "a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets. It is not a forced transaction (for example, a forced liquidation or distress sale)." Although management believes its processes for determining the value of impaired loans and foreclosed properties are appropriate and allow United to arrive at a fair value, the processes require management judgment and assumptions and the value of such assets at the time they are revalued or divested may be significantly different from management's determination of fair value. In addition, because of subjectivity in fair value determinations, there may be grounds for differences in opinions, which may result in disagreements between management and the Bank's regulators, disagreements which could cause the Bank to change its judgments about fair value.

The fair values for available-for-sale and held-to-maturity securities are generally based upon quoted market prices or observable market prices for similar instruments. United utilizes a third-party pricing service to assist with determining the fair value of its securities portfolio. The pricing service uses observable inputs when available including benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids and offers. These values take into account recent market activity as well as other market observable data such as interest rate, spread and prepayment information. When market observable data is not available, which generally occurs due to the lack of liquidity for certain securities, the valuation of the security is subjective and may involve substantial judgment by management. United periodically reviews available-for-sale securities that are in an unrealized loss position to determine whether other-than-temporary impairment exists. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost-basis. The primary factors United considers in determining whether impairment is other-than-temporary are long term expectations and recent experience regarding

principal and interest payments, and United's ability and intent to hold the security until the amortized cost basis is recovered.

United uses derivatives primarily to manage interest rate risk. The fair values of derivative financial instruments are determined based on quoted market prices, dealer quotes and internal pricing models that are primarily sensitive to market observable data. However, United does evaluate the level of these observable inputs and there are some instances, with highly structured transactions, where United has determined that the inputs not directly observable. This is discussed covered in Note 23 to the Financial Statements. United mitigates the credit risk by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide collateral to United when their unsecured loss positions exceed certain negotiated limits.

As United has expanded its SBA lending and subsequent loan sales activities, a servicing asset has been recognized (per ASC 860). This asset is recorded at fair value on recognition, and United has elected to carry this asset at fair value for subsequent reporting. Given the nature of the asset, the key valuation inputs are unobservable and United discloses this asset as level 3 item in Note 23.

As of December 31, 2015, United had \$750,000 of available-for-sale securities, \$3.71 million in servicing assets for government guaranteed loans and \$9.41 million in derivative financial instruments that were valued using unobservable inputs. The sum of these items represents less than .14% of total assets. United also had \$15.8 million in derivative financial instruments recorded as liabilities that were valued using unobservable inputs, which represent .18% of total liabilities.

Income Tax Accounting

Income tax liabilities or assets are established for the amount of taxes payable or refundable for the current or prior years. Deferred tax liabilities and assets are also established for the future tax consequences of events that have been recognized in the financial statements or tax returns. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and deductions that can be carried forward (used) in future years. The valuation of current and deferred tax liabilities and assets is considered critical as it requires management to make estimates based on provisions of the enacted tax laws. The assessment of tax assets and liabilities involves the use of estimates, assumptions, interpretations, and judgments concerning certain accounting pronouncements and federal and state tax codes. There can be no assurance that future events, such as court decisions or positions of regulatory agencies and federal and state taxing authorities, will not differ from management's current assessment, the impact of which could be significant to the consolidated results of operations and reported earnings.

At December 31, 2015, United reported a net deferred tax asset totaling \$198 million, net of a valuation allowance of \$4.28 million. Accounting Standards Codification Topic 740, *Income Taxes*, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. United's management considers both positive and negative evidence. In making such judgments, significant weight is given to evidence that can be objectively verified.

Regulatory risk-based capital rules limit the amount of deferred tax assets that a bank or bank holding company can include in Tier 1 capital. Generally, deferred tax assets that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of deferred tax liabilities, are excluded from CET1 and Tier 1 capital. Deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of deferred tax liabilities, that exceed certain thresholds are excluded from CET1 and Tier 1 capital.

Mergers and Acquisitions

United selectively engages in the evaluation of strategic partnerships. Mergers and acquisitions present opportunities to enter new markets with an established presence and a capable management team already in place or enhance our market share in markets where we already have an established presence. United employs certain criteria to ensure that any merger or acquisition candidate meets strategic growth and earnings objectives that will build future franchise value for shareholders. Additionally, the criteria include ensuring that management of a potential partner shares United's community banking philosophy of premium service quality and operates in attractive markets with excellent opportunities for further organic growth.

On September 1, 2015, United completed the acquisition of Palmetto and its wholly-owned bank subsidiary The Palmetto Bank. Palmetto operated 25 branches in South Carolina. In connection with the acquisition, United acquired \$1.15 billion of assets and assumed \$1.02 billion of liabilities. Total consideration transferred was \$244 million of common equity and cash. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$114 million.

On May 1, 2015, United completed the acquisition of MoneyTree and its wholly-owned bank subsidiary FNB. FNB operated ten branches in east Tennessee. In connection with the acquisition, United acquired \$459 million of assets and assumed \$410 million of liabilities and \$9.99 million of preferred stock. Total consideration transferred was \$54.6 million of common equity and cash. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$14.7 million.

On June 26, 2014, United completed the acquisition of substantially all of the assets of Business Carolina, Inc., a specialty 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.

United will continue to evaluate potential transactions as they are presented.

GAAP Reconciliation and Explanation

This Form 10-K contains non-GAAP financial 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, operating expense, operating income (loss), operating earnings (loss) per share and operating earnings (loss) per diluted share. Management uses these and other 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, as well as comparison to financial results for prior periods. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled financial measures used by other companies. A reconciliation of these operating performance measures to GAAP performance measures is included on the tables on pages 31 through 34.

In 2015, United recorded merger-related charges and impairment losses on real estate purchased in prior years for future branch expansion that totaled \$18.0 million. Operating performance measures exclude the effect of the merger-related and other charges, because management believes that performance measures including those charges do not reflect overall trends in United's earnings and financial performance. Management believes these non-GAAP operating performance measures provide users of United's financial information with a meaningful measure for assessing United's financial results over time, and provide a meaningful comparison to financial results for prior periods.

The following table contains a reconciliation of net operating income to GAAP net income.

UNITED COMMUNITY BANKS, INC.

Table 1 - Non-GAAP Performance Measures Reconciliation - Annual

Selected Financial Information

(in thousands, except per share data; fully taxable equivalent)	For the Twelve Months Ended December 31,				
	2015	2014	2013	2012	2011
Interest revenue reconciliation					
Interest revenue - taxable equivalent	\$279,809	\$249,969	\$247,323	\$267,667	\$304,308
Taxable equivalent adjustment	(1,277)	(1,537)	(1,483)	(1,690)	(1,707)
Interest revenue (GAAP)	\$278,532	\$248,432	\$245,840	\$265,977	\$302,601
Net interest revenue reconciliation					
Net interest revenue - taxable equivalent	\$258,700	\$224,418	\$219,641	\$229,758	\$238,670
Taxable equivalent adjustment	(1,277)	(1,537)	(1,483)	(1,690)	(1,707)
Net interest revenue (GAAP)	\$257,423	\$222,881	\$218,158	\$228,068	\$236,963
Total revenue reconciliation					
Total operating revenue	\$327,529	\$271,472	\$210,739	\$223,370	\$32,577
Taxable equivalent adjustment	(1,277)	(1,537)	(1,483)	(1,690)	(1,707)
Total revenue (GAAP)	\$326,252	\$269,935	\$209,256	\$221,680	\$30,870
Expense reconciliation					
Expenses - operating	\$193,243	\$162,865	\$174,304	\$186,774	\$261,599
Merger-related and other charges	17,995	-	-	-	-
Expenses (GAAP)	\$211,238	\$162,865	\$174,304	\$186,774	\$261,599
Income before taxes reconciliation					

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Income before taxes - operating	\$134,286	\$108,607	\$36,435	\$36,596	\$(229,022)
Taxable equivalent adjustment	(1,277)	(1,537)	(1,483)	(1,690)	(1,707)
Merger-related and other charges	(17,995)	-	-	-	-
Income before taxes (GAAP)	\$115,014	\$107,070	\$34,952	\$34,906	\$(230,729)
Income tax expense reconciliation					
Income tax expense - operating	\$51,101	\$40,987	\$(236,705)	\$2,740	\$(2,276)
Taxable equivalent adjustment	(1,277)	(1,537)	(1,483)	(1,690)	(1,707)
Merger-related and other charges, tax benefit	(6,388)	-	-	-	-
Income tax expense (GAAP)	\$43,436	\$39,450	\$(238,188)	\$1,050	\$(3,983)
Net income reconciliation					
Net income - operating	\$83,185	\$67,620	\$273,140	\$33,856	\$(226,746)
Merger-related and other charges, net of income tax benefit	(11,607)	-	-	-	-
Net income (GAAP)	\$71,578	\$67,620	\$273,140	\$33,856	\$(226,746)
Net income available to common shareholders reconciliation					
Net income available to common shareholders - operating	\$83,118	\$67,181	\$261,062	\$21,708	\$(238,584)
Merger-related and other charges, net of income tax benefit	(11,607)	-	-	-	-
Net income available to common shareholders (GAAP)	\$71,511	\$67,181	\$261,062	\$21,708	\$(238,584)

UNITED COMMUNITY BANKS, INC.

Table 1 (Continued) - Non-GAAP Performance Measures Reconciliation - Annual

Selected Financial Information

(in thousands, except per share data; fully taxable equivalent)	For the Twelve Months Ended December 31,				
	2015	2014	2013	2012	2011
Diluted income per common share reconciliation					
Diluted income per common share - operating	\$1.27	\$1.11	\$4.44	\$.38	\$(5.97)
Merger-related and other charges	(.18)	-	-	-	-
Diluted income per common share (GAAP)	\$1.09	\$1.11	\$4.44	\$.38	\$(5.97)
Book value per common share reconciliation					
Tangible book value per common share	\$12.06	\$12.15	\$11.26	\$6.57	\$6.47
Effect of goodwill and other intangibles	1.96	.05	.04	.10	.15
Book value per common share (GAAP)	\$14.02	\$12.20	\$11.30	\$6.67	\$6.62
Return on tangible common equity reconciliation					
Return on tangible common equity - operating	10.24%	9.32 %	47.35%	6.27 %	(96.20)%
Effect of goodwill and other intangibles	(.76)	(.15)	(.63)	(.84)	2.63
Return on common equity - operating	9.48	9.17	46.72	5.43	(93.57)
Merger-related and other charges	(1.33)	-	-	-	-
Return on common equity (GAAP)	8.15 %	9.17 %	46.72%	5.43 %	(93.57)%
Return on assets reconciliation					
Return on assets - operating	.98 %	.91 %	3.86 %	.49 %	(3.15)%
Merger-related and other charges	(.13)	-	-	-	-
Return on assets (GAAP)	.85 %	.91 %	3.86 %	.49 %	(3.15)%
Allowance for loan losses to loans reconciliation					
Allowance for loan losses to loans, excl. acquired loans	1.35 %	1.53 %	1.77 %	2.57 %	2.79 %
Effect of removing acquired loans from ratio	(.21)	-	-	-	-
Allowance for loan losses to loans (GAAP)	1.14 %	1.53 %	1.77 %	2.57 %	2.79 %
Dividend payout ratio reconciliation					
Dividend payout ratio - operating	17.32%	9.91 %	- %	- %	- %
Merger-related and other charges	2.86	-	-	-	-
Dividend payout ratio (GAAP)	20.18%	9.91 %	- %	- %	- %
Efficiency ratio reconciliation					
Efficiency ratio - operating	58.51%	58.26%	63.14%	65.43%	92.27 %
Merger-related and other charges	5.45	-	-	-	-

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Efficiency ratio (GAAP)	63.96 %	58.26 %	63.14 %	65.43 %	92.27 %
Average equity to assets reconciliation					
Tangible common equity to assets	9.66 %	9.60 %	7.55 %	5.54 %	3.74 %
Effect of preferred equity	.08	.07	2.76	2.84	3.88
Tangible equity to assets	9.74	9.67	10.31	8.38	7.62
Effect of goodwill and other intangibles	.53	.02	.04	.09	.13
Equity to assets (GAAP)	10.27 %	9.69 %	10.35 %	8.47 %	7.75 %
Tangible common equity to risk-weighted assets reconciliation ⁽¹⁾					
Tangible common equity to risk-weighted assets	12.82 %	13.82 %	13.18 %	8.26 %	8.25 %
Effect of other comprehensive income	.38	.35	.39	.51	(.03)
Effect of deferred tax limitation	(2.05)	(3.11)	(4.26)	-	-
Effect of trust preferred	.08	1.00	1.04	1.15	1.18
Effect of preferred equity	.15	-	2.39	4.24	4.29
Basel III intangibles transition adjustment	.10	-	-	-	-
Basel III disallowed investments	(.03)	-	-	-	-
Tier I capital ratio (Regulatory)	11.45 %	12.06 %	12.74 %	14.16 %	13.69 %

⁽¹⁾ December 31, 2015 calculated under Basel III rules, which became effective January 1, 2015.

UNITED COMMUNITY BANKS, INC.

Table 1 (Continued) - Non-GAAP Performance Measures Reconciliation - Quarterly

Selected Financial Information

(in thousands, except per share data; fully taxable equivalent)	2015				2014			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest revenue reconciliation								
Interest revenue - taxable equivalent	\$79,646	\$71,120	\$66,134	\$62,909	\$64,353	\$63,338	\$61,783	\$60,495
Taxable equivalent adjustment	(284)	(292)	(326)	(375)	(398)	(405)	(377)	(357)
Interest revenue (GAAP)	\$79,362	\$70,828	\$65,808	\$62,534	\$63,955	\$62,933	\$61,406	\$60,138
Net interest revenue reconciliation								
Net interest revenue - taxable equivalent	\$74,048	\$65,718	\$61,317	\$57,617	\$58,332	\$56,967	\$54,950	\$54,169
Taxable equivalent adjustment	(284)	(292)	(326)	(375)	(398)	(405)	(377)	(357)
Net interest revenue (GAAP)	\$73,764	\$65,426	\$60,991	\$57,242	\$57,934	\$56,562	\$54,573	\$53,812
Total revenue reconciliation								
Total operating revenue	\$95,032	\$83,315	\$77,683	\$71,499	\$71,355	\$69,379	\$66,893	\$63,845
Taxable equivalent adjustment	(284)	(292)	(326)	(375)	(398)	(405)	(377)	(357)
Total revenue (GAAP)	\$94,748	\$83,023	\$77,357	\$71,124	\$70,957	\$68,974	\$66,516	\$63,488
Expense reconciliation								
Expenses - operating	\$56,410	\$48,525	\$45,247	\$43,061	\$41,919	\$41,364	\$40,532	\$39,050
Merger-related and other charges	9,078	5,744	3,173	-	-	-	-	-
Expenses (GAAP)	\$65,488	\$54,269	\$48,420	\$43,061	\$41,919	\$41,364	\$40,532	\$39,050
Income before taxes reconciliation								
Income before taxes - operating	\$38,622	\$34,790	\$32,436	\$28,438	\$29,436	\$28,015	\$26,361	\$24,795
Taxable equivalent adjustment	(284)	(292)	(326)	(375)	(398)	(405)	(377)	(357)
Merger-related and other charges	(9,078)	(5,744)	(3,173)	-	-	-	-	-
Income before taxes (GAAP)	\$29,260	\$28,754	\$28,937	\$28,063	\$29,038	\$27,610	\$25,984	\$24,438
Income tax expense reconciliation								
Income tax expense - operating	\$14,822	\$13,064	\$12,447	\$10,768	\$11,189	\$10,399	\$10,004	\$9,395
Taxable equivalent adjustment	(284)	(292)	(326)	(375)	(398)	(405)	(377)	(357)
Merger-related and other charges, tax benefit	(3,486)	(1,905)	(997)	-	-	-	-	-
Income tax expense (GAAP)	\$11,052	\$10,867	\$11,124	\$10,393	\$10,791	\$9,994	\$9,627	\$9,038

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Net income reconciliation								
Net income - operating	\$23,800	\$21,726	\$19,989	\$17,670	\$18,247	\$17,616	\$16,357	\$15,400
Merger-related and other charges, net of income tax benefit	(5,592)	(3,839)	(2,176)	-	-	-	-	-
Net income (GAAP)	\$18,208	\$17,887	\$17,813	\$17,670	\$18,247	\$17,616	\$16,357	\$15,400
Net income available to common shareholders reconciliation								
Net income available to common shareholders - operating	\$23,775	\$21,701	\$19,972	\$17,670	\$18,247	\$17,616	\$16,357	\$14,961
Merger-related and other charges, net of income tax benefit	(5,592)	(3,839)	(2,176)	-	-	-	-	-
Net income available to common shareholders (GAAP)	\$18,183	\$17,862	\$17,796	\$17,670	\$18,247	\$17,616	\$16,357	\$14,961
Diluted income per common share reconciliation								
Diluted income per common share - operating	\$.33	\$.33	\$.32	\$.29	\$.30	\$.29	\$.27	\$.25
Merger-related and other charges	(.08)	(.06)	(.04)	-	-	-	-	-
Diluted income per common share (GAAP)	\$.25	\$.27	\$.28	\$.29	\$.30	\$.29	\$.27	\$.25
Book value per common share reconciliation								
Tangible book value per common share	\$12.06	\$12.08	\$12.66	\$12.53	\$12.15	\$12.10	\$11.91	\$11.63
Effect of goodwill and other intangibles	1.96	1.87	.29	.05	.05	.05	.03	.03
Book value per common share (GAAP)	\$14.02	\$13.95	\$12.95	\$12.58	\$12.20	\$12.15	\$11.94	\$11.66

UNITED COMMUNITY BANKS, INC.

Table 1 (Continued) - Non-GAAP Performance Measures Reconciliation - Quarterly

Selected Financial Information

(in thousands, except per share data; fully taxable equivalent)	2015				2014			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Return on tangible common equity reconciliation								
Return on tangible common equity - operating	10.87 %	10.29 %	10.20 %	9.46 %	9.74 %	9.55 %	9.15 %	8.81 %
Effect of goodwill and other intangibles	(1.69)	(.75)	(.30)	(.12)	(.14)	(.14)	(.16)	(.17)
Return on common equity - operating	9.18	9.54	9.90	9.34	9.60	9.41	8.99	8.64
Merger-related and other charges	(2.16)	(1.69)	(1.07)	-	-	-	-	-
Return on common equity (GAAP)	7.02 %	7.85 %	8.83 %	9.34 %	9.60 %	9.41 %	8.99 %	8.64 %
Return on assets reconciliation								
Return on assets - operating	.99 %	1.00 %	1.00 %	.94 %	.96 %	.95 %	.88 %	.85 %
Merger-related and other charges	(.23)	(.18)	(.11)	-	-	-	-	-
Return on assets (GAAP)	.76 %	.82 %	.89 %	.94 %	.96 %	.95 %	.88 %	.85 %
Allowance for loan losses to loans reconciliation								
Allowance for loan losses to loans, excl. acquired loans	1.35 %	1.37 %	1.42 %	1.46 %	1.53 %	1.57 %	1.66 %	1.73 %
Effect of removing acquired loans from ratio	(.21)	(.22)	(.06)	-	-	-	-	-
Allowance for loan losses to loans (GAAP)	1.14 %	1.15 %	1.36 %	1.46 %	1.53 %	1.57 %	1.66 %	1.73 %
Dividend payout ratio reconciliation								
Dividend payout ratio - operating	18.18 %	18.18 %	15.63 %	17.24 %	16.67 %	10.34 %	11.11 %	- %
Merger-related and other charges	5.82	4.04	2.23	-	-	-	-	-
Dividend payout ratio (GAAP)	24.00 %	22.22 %	17.86 %	17.24 %	16.67 %	10.34 %	11.11 %	- %
Efficiency ratio reconciliation								
Efficiency ratio - operating	59.41 %	57.81 %	57.59 %	59.15 %	57.47 %	57.96 %	58.65 %	59.05 %
Merger-related and other charges	9.56	6.84	4.04	-	-	-	-	-
Efficiency ratio (GAAP)	68.97 %	64.65 %	61.63 %	59.15 %	57.47 %	57.96 %	58.65 %	59.05 %

Average equity to assets
reconciliation

Tangible common equity to assets	9.29 %	9.77 %	9.83 %	9.82 %	9.72 %	9.83 %	9.58 %	9.22 %
Effect of preferred equity	.11	.11	.08	-	-	-	-	.28
Tangible equity to assets	9.40	9.88	9.91	9.82	9.72	9.83	9.58	9.50
Effect of goodwill and other intangibles	1.28	.51	.14	.04	.04	.02	.03	.02
Equity to assets (GAAP)	10.68 %	10.39 %	10.05 %	9.86 %	9.76 %	9.85 %	9.61 %	9.52 %

Tangible common equity to risk-weighted assets reconciliation ⁽¹⁾

Tangible common equity to risk-weighted assets	12.82 %	13.08 %	13.24 %	13.53 %	13.82 %	14.10 %	13.92 %	13.63 %
Effect of other comprehensive income	.38	.23	.28	.19	.35	.34	.53	.36
Effect of deferred tax limitation	(2.05)	(2.24)	(2.49)	(2.86)	(3.11)	(3.39)	(3.74)	(3.92)
Effect of trust preferred	.08	.08	.63	.67	1.00	1.02	1.04	1.03
Effect of preferred equity	.15	.15	.17	-	-	-	-	-
Basel III intangibles transition adjustment	.10	.13	.06	.04	-	-	-	-
Basel III disallowed investments	(.03)	(.03)	(.03)	(.04)	-	-	-	-
Tier I capital ratio (Regulatory)	11.45 %	11.40 %	11.86 %	11.53 %	12.06 %	12.07 %	11.75 %	11.10 %

⁽¹⁾ December 31, September 30, June 30 and March 31, 2015 calculated under Basel III rules, which became effective January 1, 2015.

Results of Operations

United reported net income of \$71.6 million for the year ended December 31, 2015. This compared to net income of \$67.6 million in 2014. Diluted earnings per common share for 2015 were \$1.09, compared to diluted earnings per common share for 2014 of \$1.11.

Net Interest Revenue (Taxable Equivalent)

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and other liabilities) is the single largest component of United's revenue. United actively manages this revenue source to provide optimal levels of revenue while balancing interest rate, credit, and liquidity risks. Taxable equivalent net interest revenue totaled \$259 million in 2015, an increase of \$34.3 million, or 15%, from 2014. Taxable equivalent net interest revenue for 2014 increased \$4.78 million, or 2%, from 2013.

The combination of growth in the loan portfolio and lower interest costs on deposits and borrowed funds were responsible for the growth in net interest revenue in 2015. The acquisition of Palmetto on September 1, 2015 and MoneyTree on May 1, 2015 also contributed to the increase as the acquired entities' results are included in consolidated results beginning on the acquisition date.

In the second quarter of 2014, United restructured its balance sheet to improve its net interest margin and increase net interest revenue. The second quarter 2014 balance sheet restructure included the sale of approximately \$237 million in securities which were mostly low-yielding, variable-rate collateralized mortgage obligations ("CMOs") and fixed rate corporate bonds that had been swapped to a floating rate. Improvement in the credit spreads on corporate bonds allowed United to sell the securities at an attractive gain that was used to repay \$44 million in structured repurchase agreements that were paying a 4% interest rate. About \$120 million of the proceeds from the sales of securities was reinvested in fixed-rate mortgage-backed securities ("MBS") and higher yielding floating rate collateralized loan obligations to offset the impact of the decrease in interest revenue on the sold securities. These actions in the second quarter of 2014, along with strong loan growth, were primarily responsible for the increase in net interest revenue and stabilizing the net interest margin.

Also in the second quarter of 2014, as a result of improvement in the interest sensitivity position, United effectively terminated \$300 million notional in pay-fixed, forward-starting swaps that were serving as cash flow hedges of LIBOR based wholesale borrowings and indexed money market deposits. The swaps were entered into in 2012 in anticipation of rising interest rates and had forward start dates that took effect in the first and second quarters of 2014. Changes in United's balance sheet since that time made the hedges no longer necessary to achieve a neutral interest sensitivity position. The termination of the cash flow hedges in the second quarter of 2014 lowered United's deposit and wholesale borrowings costs and also contributed to the increase in net interest revenue and improvement in the net interest margin. United effectively terminated another \$100 million notional in pay-fixed swaps that were serving as cash flow hedges of LIBOR based money market deposits late in the fourth quarter of 2014. In the first quarter of 2015, United terminated its one remaining \$175 million notional pay-fixed swap that was serving as a cash flow hedge of LIBOR-based money market deposits.

Average interest bearing liabilities in 2015 increased \$493 million, or 10%, from the prior year as United's funding needs increased with the increase in loans and a larger securities portfolio. Average noninterest bearing deposits increased \$394 million from 2014 to 2015 providing much of United's 2015 funding needs. The average cost of interest bearing liabilities for 2015 was .38% compared to .50% for 2014, reflecting United's concerted efforts to reduce deposit pricing coupled with the termination of hedges mentioned above. Also contributing to the overall lower rate on interest bearing liabilities was a shift in the mix of deposits away from more expensive time deposits toward lower-rate transaction deposits. United was able to reduce the effective rate on brokered deposits by swapping the fixed rate on longer-term brokered time deposits to LIBOR minus a spread. In 2015 and 2013, this hedging program resulted in a negative rate on brokered certificates of deposit. In addition, during 2015 United redeemed higher-rate trust preferred securities and issued lower-rate senior notes.

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

For 2015, 2014 and 2013, United's net interest spread was 3.19%, 3.13%, and 3.16%, respectively, while the net interest margin was 3.30%, 3.26%, and 3.30%, respectively. Although loan yields continued to decline in 2015 due to competitive pricing pressure on new and renewed loans and a shift in loan mix to more floating rate loans, this decline was offset by an increase in the yield on investment securities and a decrease in the cost of deposits and borrowed funds. The increase in the yield on investment securities was due to a combination of a change in the investment portfolio mix and the balance sheet restructuring activities in mid-2014. The decrease in both ratios from 2013 to 2014 was due to lower yields on loans, which were not completely offset by the increase in the taxable investment securities yield and the decrease in rates paid for deposits and other interest bearing liabilities.

The following table shows the relationship between interest revenue and interest expense and the average balances of interest-earning assets and interest-bearing liabilities.

Table 2 - Average Consolidated Balance Sheet and Net Interest Margin Analysis

For the Years Ended December 31,

(In thousands, fully taxable equivalent)

	2015			2014			2013		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:									
Interest-earning assets:									
Loans ⁽¹⁾⁽²⁾	\$5,297,687	\$223,713	4.22%	\$4,450,268	\$197,039	4.43%	\$4,254,159	\$201,278	4.73%
Taxable securities ⁽³⁾	2,342,533	51,143	2.18	2,255,084	47,755	2.12	2,169,024	40,331	1.86
Tax-exempt securities ⁽¹⁾⁽³⁾	25,439	1,154	4.54	19,279	1,209	6.27	21,228	1,354	6.38
Federal funds sold and other interest-earning assets	168,494	3,799	2.25	155,803	3,966	2.55	204,303	4,360	2.13
Total interest-earning assets	7,834,153	279,809	3.57	6,880,434	249,969	3.63	6,648,714	247,323	3.72
Non-interest-earning assets:									
Allowance for loan losses	(71,001)			(75,237)			(95,411)		
Cash and due from banks	81,244			67,818			63,174		
Premises and equipment	174,835			161,391			167,424		
Other assets ⁽³⁾	442,878			401,240			290,098		
Total assets	\$8,462,109			\$7,435,646			\$7,073,999		
Liabilities and Shareholders' Equity:									
Interest-bearing liabilities:									
Interest-bearing deposits:									
NOW	\$1,563,911	\$1,505	.10	\$1,396,373	\$1,651	.12	\$1,285,842	\$1,759	.14
Money market	1,678,765	3,466	.21	1,389,837	3,060	.22	1,315,385	2,210	.17
Savings deposits	372,414	98	.03	277,351	81	.03	244,725	133	.05

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Time deposits	1,269,360	4,823	.38	1,362,873	7,009	.51	1,628,572	10,965	.67
Brokered deposits	269,162	(1,067)	(.40)	293,657	124	.04	219,215	(501)	(.23)
Total interest-bearing deposits	5,153,612	8,825	.17	4,720,091	11,925	.25	4,693,739	14,566	.31
Federal funds purchased, repurchase agreements, & other short-term borrowings	49,301	364	.74	74,541	2,160	2.90	66,561	2,071	3.11
Federal Home Loan Bank advances	250,404	1,743	.70	175,481	912	.52	32,604	68	.21
Long-term debt	139,979	10,177	7.27	129,865	10,554	8.13	131,081	10,977	8.37
Total borrowed funds	439,684	12,284	2.79	379,887	13,626	3.59	230,246	13,116	5.70
Total interest-bearing liabilities	5,593,296	21,109	.38	5,099,978	25,551	.50	4,923,985	27,682	.56
Non-interest-bearing liabilities:									
Non-interest-bearing deposits	1,901,521			1,507,944			1,333,199		
Other liabilities	97,890			107,523			84,506		
Total liabilities	7,592,707			6,715,445			6,341,690		
Shareholders' equity	869,402			720,201			732,309		
Total liabilities and shareholders' equity	\$8,462,109			\$7,435,646			\$7,073,999		
Net interest revenue		\$258,700			\$224,418			\$219,641	
Net interest-rate spread			3.19%			3.13%			3.16%
Net interest margin ⁽⁴⁾			3.30%			3.26%			3.30%

Interest revenue on tax-exempt securities and loans has been increased to reflect comparable interest on taxable securities and loans. The rate used was 39%, reflecting the statutory federal rate and the federal tax adjusted state tax rate.

(2) Included in the average balance of loans outstanding are loans where the accrual of interest has been discontinued.

(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of \$11.4 million, \$3.36 million and \$4.36 million in 2015, 2014 and 2013, respectively, are included in other assets for purposes of this presentation.

(4) Net interest margin is taxable equivalent net-interest revenue divided by average interest-earning assets.

The following table shows the relative effect on net interest revenue of changes in the average outstanding balances (volume) of interest-earning assets and interest-bearing liabilities and the rates earned and paid by United on such assets and liabilities.

Table 3 - Change in Interest Revenue and Interest Expense

(in thousands, fully taxable equivalent)

	2015 Compared to 2014			2014 Compared to 2013		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Loans	\$36,124	\$(9,450)	\$26,674	\$9,030	\$(13,269)	\$(4,239)
Taxable securities	1,884	1,504	3,388	1,650	5,774	7,424
Tax-exempt securities	329	(384)	(55)	(123)	(22)	(145)
Federal funds sold and other interest-earning assets	308	(475)	(167)	(1,145)	751	(394)
Total interest-earning assets	38,645	(8,805)	29,840	9,412	(6,766)	2,646
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW	184	(330)	(146)	143	(251)	(108)
Money Market	606	(200)	406	131	719	850
Savings deposits	26	(9)	17	16	(68)	(52)
Time deposits	(455)	(1,731)	(2,186)	(1,616)	(2,340)	(3,956)
Brokered deposits	(9)	(1,182)	(1,191)	(125)	750	625
Total interest-bearing deposits	352	(3,452)	(3,100)	(1,451)	(1,190)	(2,641)
Federal funds purchased, repurchase agreements & other short-term borrowings	(561)	(1,235)	(1,796)	237	(148)	89
Federal Home Loan Bank advances	463	368	831	630	214	844
Long-term debt	785	(1,162)	(377)	(101)	(322)	(423)
Total borrowed funds	687	(2,029)	(1,342)	766	(256)	510
Total interest-bearing liabilities	1,039	(5,481)	(4,442)	(685)	(1,446)	(2,131)
Increase (decrease) in net interest revenue	\$37,606	\$(3,324)	\$34,282	\$10,097	\$(5,320)	\$4,777

Any variance attributable jointly to volume and rate changes is allocated to the volume and rate variance in proportion to the relationship of the absolute dollar amount of the change in each.

Provision for Credit Losses

The provision for credit losses is based on management's evaluation of probable incurred losses in the loan portfolio and unfunded loan commitments as measured by analysis of the allowance for credit losses at the end of each reporting period. The provision for credit losses was \$3.70 million in 2015, compared with \$8.50 million in 2014, and \$65.5 million in 2013. The amount of provision recorded in each year was the amount required such that the total allowance for credit losses reflected the appropriate balance, in the estimation of management, and was sufficient to cover incurred losses in the loan portfolio. In 2015, the provision for loan losses decreased partly due to lower levels of charge offs along with increased recoveries. In 2014, the provision for loan losses was down substantially from 2013 reflecting the significant improvement in credit measures following the second quarter 2013 sale of classified assets. The ratio of net loan charge-offs to average outstanding loans for 2015 was .12% compared with .31% for 2014 and 2.22% for 2013.

In the fourth quarter of 2013, United established an allowance for unfunded loan commitments which is included in other liabilities in the consolidated balance sheet. The allowance for unfunded loan commitments represents probable incurred losses on unfunded loan commitments that are expected to result in outstanding loan balances. The allowance for unfunded loan commitments was established through the provision for credit losses. At December 31, 2015, the allowance for unfunded commitments was \$2.54 million compared with \$1.93 million at December 31, 2014 and \$2.17 million at December 31, 2013.

Over the past three years, United has experienced a significant improvement in credit quality and corresponding credit measures. During the second quarter of 2013, United sold classified assets totaling approximately \$172 million, including a bulk sale of \$131 million. The classified asset sales and a general improving trend reduced United's nonperforming assets to \$31.0 million as of December 31, 2013. Credit quality continued to improve through 2014 with nonperforming assets decreasing further to \$19.6 million at December 31, 2014. Nonperforming assets increased slightly at December 31, 2015, primarily due the assumption of foreclosed property from the Palmetto acquisition. Additional discussion on credit quality and the allowance for loan losses is included in the "Asset Quality and Risk Elements" and "Critical Accounting Policies" sections of this report, as well as Note 1 to the consolidated financial statements.

Fee Revenue

Fee revenue was \$72.5 million in 2015, compared with \$55.6 million in 2014 and \$56.6 million in 2013. The following table presents the components of fee revenue.

Table 4 - Fee Revenue

For the Years Ended December 31,

(in thousands)

	2015	2014	2013	Change 2015-2014	
Overdraft fees	\$12,503	\$11,871	\$12,425	5	%
ATM and debit card interchange fees	17,667	15,295	14,509	16	
Other service charges and fees	6,655	5,907	5,063	13	
Service charges and fees	36,825	33,073	31,997	11	
Mortgage loan and related fees	13,592	7,520	9,925	81	
Brokerage fees	5,041	4,807	4,465	5	
Gains from sales of government guaranteed loans	6,276	2,615	-	140	
Customer derivatives	1,713	729	1,599	135	
Securities gains, net	2,255	4,871	186		
Losses on prepayment of borrowings	(1,294)	(4,446)	-		
Other	8,121	6,385	8,426	27	
Total fee revenue	\$72,529	\$55,554	\$56,598	31	

Service charges and fees of \$36.8 million were up \$3.75 million, or 11%, from 2014. The increase was primarily due to higher ATM and debit card interchange fees which have grown due to higher transaction volume, including the effect of the acquisitions. Overdraft fees and other service charges also benefited from the acquisitions in 2015. The decrease in overdraft fees in 2014 from 2013 reflected lower customer utilization of United's courtesy overdraft services. The increase in ATM and debit card interchange fees and other service charges from 2013 to 2014 was due to higher transaction volume as deposits have increased and new service fees introduced on January 1, 2014, respectively.

Mortgage loan and related fees of \$13.6 million were up \$6.07 million, or 81%, from 2014. In 2015, United closed 2,538 mortgage loans totaling \$494 million compared with 1,639 loans totaling \$276 million in 2014. The increase reflects United's focus on growing the mortgage business by recruiting new mortgage lenders in key metropolitan markets and an increase in refinancing activity. In 2015, new home purchase mortgages of \$272 million accounted for

55% of production volume compared with \$174 million, or 63%, of production volume in 2014 and \$144 million, or 48%, of production volume in 2013.

Brokerage fees of \$5.04 million increased \$234,000, or 5%, from 2014. Brokerage fees have increased over the last two years as a result of United's focus in growing its advisory services business.

In the second quarter of 2014, United completed its acquisition of Business Carolina, Inc., a specialty lending business headquartered in Columbia, South Carolina that specializes in SBA and USDA lending. Since that time, United brought in new leadership, including lenders and support staff, in its specialized lending area to increase its share of government guaranteed lending programs. United's SBA and USDA lending strategy includes the selective sale of the guaranteed portion of certain loans at attractive premiums. In 2015 and 2014, United recognized gains of \$6.28 million and \$2.62 million, respectively, from the sale of the guaranteed portion of SBA and USDA loans totaling \$70.7 million for 2015 compared to \$28.3 million for 2014.

Fees from customer swap transactions earned under United's back-to-back customer swap program of \$1.71 million were up \$984,000 in 2015 from 2014 due to stronger demand for this product following slower growth in 2014 compared to 2013. United provides interest rate swaps to commercial customers who desire fixed rate loans. United makes a floating rate loan to those customers and enters into an interest rate swap contract with the customer to swap the floating rate to a fixed rate. United then enters into an offsetting swap with a swap dealer with terms that mirror the customer swap. The fixed and variable legs of the customer and dealer swaps offset leaving United with the equivalent of a variable rate loan.

United recognized net securities gains of \$2.26 million, \$4.87 million and \$186,000 during 2015, 2014 and 2013, respectively. In 2015, United incurred \$1.29 million in debt prepayment charges due to the redemption of \$49.3 million in trust preferred securities with an average rate of approximately 9% and prepayment of \$6 million in structured repurchase agreements with an average rate of 4%. United also recognized losses from the prepayment of structured repurchase agreements totaling \$4.45 million in 2014. The losses were part of the same balance sheet management activities and had the effect of offsetting the securities gains in each respective period.

Other fee revenue of \$8.12 million for 2015 was up \$1.74 million from 2014, primarily due to volume driven increases in income from bank owned life insurance and merchant services combined with gains on sales of former branch facilities.

Operating Expense

The following table presents the components of operating expenses.

Table 5 - Operating Expenses

For the Years Ended December 31,

(in thousands)

	2015	2014	2013	Change 2015-2014	
Salaries and employee benefits	\$116,688	\$100,941	\$96,233	16	%
Communications and equipment	15,273	12,523	13,233	22	
Occupancy	15,372	13,513	13,930	14	
Advertising and public relations	3,667	3,461	3,718	6	
Postage, printing and supplies	4,273	3,542	3,283	21	
Professional fees	10,175	7,907	9,617	29	
Foreclosed property - foreclosure and carrying costs	670	1,338	3,163	(50))
Foreclosed property - writedowns and (gains) losses from sales	(638)	(704)	4,706	(9))
FDIC assessments and other regulatory charges	5,106	4,792	9,219	7	
Amortization of intangibles	2,444	1,348	2,031	81	
Merger-related and other charges	17,995	-	-		
Other	20,213	14,204	15,171	42	
Total operating expenses	\$211,238	\$162,865	\$174,304	30	

Operating expenses were \$211 million in 2015 as compared to \$163 million in 2014 and \$174 million in 2013. The increase mostly reflects the inclusion of the operating expenses of the two acquired banks from their respective acquisition dates, higher salaries and employee benefits expense resulting from investing in specialized lending areas and other strategic hiring, impairment on bank premises and merger-related charges.

Salaries and employee benefits expense for 2015 was \$117 million, an increase of \$15.7 million, or 16%, from 2014. The increase was due to a number of factors including investments in additional staff and new teams to expand specialized lending and new talent in other key areas, additional staff resulting from the Palmetto and MoneyTree acquisitions and higher incentives due to increased loan production and obtaining higher earnings performance targets. Full time equivalent headcount totaled 1,883 at December 31, 2015 compared to 1,506 at December 31, 2014, an increase of 377 full time equivalent positions, with 316 coming from the Palmetto and MoneyTree acquisitions.

Communications and equipment expense of \$15.3 million for 2015 was up \$2.75 million, or 22%, from 2014 due to higher software maintenance costs and acquisition-related increases. The decrease in 2014 from 2013 reflects lower software maintenance costs and lower equipment rental charges reflecting United's shift from leasing copier and printing equipment to purchasing those items.

Occupancy expense of \$15.4 million for 2015 was up \$1.86 million, or 14%, compared to 2014, primarily due to an increase in locations due to acquisition and expansion into additional metropolitan areas. The decrease from 2013 to 2014 was primarily related to a \$400,000 charge in 2013 to write off leasehold improvements on a branch lease that was consolidated into another branch.

Postage, printing and supplies expense for 2015 was \$4.27 million, an increase of 21% from 2014, partly due to acquisitions. The increase from 2013 to 2014 was primarily due to higher printing and forms charges related to increased business activity.

Professional fees were \$10.2 million for 2015, up \$2.27 million, or 29%, from 2014. The increase was primarily due to higher legal and consulting fees relating to various corporate projects, including projects to enhance our productivity as well as model validations and improvements to our regulatory compliance function. Professional fees decreased \$1.71 million in 2014 from 2013, mostly due to higher legal costs in 2013 associated with the classified asset sales in the second quarter of 2013.

FDIC assessments and other regulatory charges expense for 2015 was \$5.11 million, an increase of \$314,000, or 7%, from 2014 due to a larger balance sheet. Amortization of intangibles increased due to acquisition related core deposit intangibles.

Merger-related and other charges of \$18.0 million included \$12.0 million of merger-related charges, primarily severance, conversion costs and legal and professional fees related to the Palmetto and MoneyTree acquisitions, and \$5.97 million of impairment on real estate purchased in prior years for future branch expansion.

Other expenses totaled \$20.2 million for 2015, an increase of \$6.01 million from 2014, mostly due to higher lending support costs due to increased lending activity, higher ATM and internet banking costs due to higher volume and

higher servicing costs on United's indirect auto lending portfolio due to growth in that portfolio. The decrease from 2013 to 2014 was primarily the result of the release of \$1.20 million of the litigation reserve established in 2012.

Income Taxes

Income tax expense was \$43.4 million in 2015, compared to income tax expense of \$39.5 million in 2014 and income tax benefit of \$238 million in 2013. Income tax expense for 2015 and 2014 represents an effective tax rate of 37.8% and 36.8%, respectively. The 2013 tax benefit was primarily due to the second quarter reversal of \$272 million of the deferred tax asset valuation allowance. The effective tax rate (as a percentage of pre-tax earnings) was not meaningful for 2013 due to the reversal of the valuation allowance on United's deferred tax asset. The tax rate for 2016 is expected to be approximately 37.9% reflecting the mix of taxable and tax-exempt income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and their respective tax basis including operating losses and tax credit carryforwards. Net deferred tax assets (deferred tax assets net of deferred tax liabilities and valuation allowance) are reported in the consolidated balance sheet as a component of total assets.

Accounting Standards Codification Topic 740, *Income Taxes*, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. The determination of whether a valuation allowance for deferred tax assets is appropriate is subject to considerable judgment and requires an evaluation of all positive and negative evidence with more weight given to evidence that can be objectively verified. Each quarter, management considers both positive and negative evidence and analyzes changes in near-term market conditions as well as other factors which may impact future operating results.

Based on all evidence considered, as of December 31, 2015 and 2014, management concluded that it was more likely than not that the net deferred tax asset would be realized. With continuous improvements in credit quality, quarterly earnings for the past several years have closely followed management's forecast for these periods, excluding the impact of the discretionary sales of classified assets in the second quarter of 2013. The improvement in management's ability to produce reliable forecasts, continuous and significant improvements in credit quality, and a sustained period of profitability were given appropriate weighting in our analysis, and such evidence was considered sufficient to overcome the weight of the negative evidence related to the significant operating losses in prior years.

Management expects to generate higher levels of future taxable income and believes this will allow for full utilization of United's net operating loss carryforwards within three to seven years, which is well within the statutory carryforward periods. In determining whether management's projections of future taxable income are reliable, management considered objective evidence supporting the forecast assumptions as well as recent experience demonstrating management's ability to reasonably project future results of operations.

Additional information regarding income taxes, including a reconciliation of the differences between the recorded income tax provision and the amount of income tax computed by applying the statutory federal income tax rate to income before income taxes, can be found in Note 16 to the consolidated financial statements.

Fourth Quarter 2015 Discussion

Taxable equivalent net interest revenue for the fourth quarter of 2015 increased \$15.7 million, or 27%, to \$74.0 million from the same period a year ago, primarily due to acquisition-related growth in the loan portfolio, a higher yield on the securities portfolio and an eleven basis point decrease in the average rate on interest-bearing liabilities. The yield on the securities portfolio increased partly due to the restructuring of a corporate bond in fourth quarter 2015, while the rate on interest-bearing liabilities decreased partly due to Palmetto's low cost deposit base and United's prepayment of higher-rate debt during 2015. The net interest margin increased three basis points from the fourth quarter of 2014 to 3.34% for the fourth quarter of 2015.

The fourth quarter of 2015 provision for credit losses was \$300,000, compared to \$1.80 million for the fourth quarter of 2014. The decrease was primarily due to overall improvement in portfolio credit quality, including strong recoveries of previously charged off loans. Fourth quarter 2015 net charge offs were \$1.30 million compared with \$2.51 million in fourth quarter 2014.

The following table presents the components of fee revenue for the fourth quarters of 2015 and 2014.

Table 6 - Quarterly Fee Revenue

(in thousands)

	Three Months Ended December 31,		Change %
	2015	2014	
Overdraft fees	\$ 3,872	\$ 2,936	32
ATM and debit card fees	5,445	3,977	37
Other service charges and fees	2,183	1,533	42
Service charges and fees	11,500	8,446	36
Mortgage loan and related fees	3,290	2,111	56
Brokerage fees	1,058	1,176	(10)
Gains on sales of government guaranteed loans	1,995	926	115
Customer derivatives	399	78	412
Securities gains, net	378	208	
Other	2,664	1,878	42
Total fee revenue	\$ 21,284	\$ 14,823	44

Fee revenue for the fourth quarter of 2015 of \$21.3 million increased \$6.46 million, or 44%, from \$14.8 million for the fourth quarter of 2014. Service charges and fees on deposit accounts of \$11.5 million increased \$3.05 million, or 36%, from \$8.45 million for the fourth quarter of 2014, primarily due to the Palmetto and MoneyTree acquisitions. Mortgage fees of \$3.29 million increased \$1.18 million, or 56%, from \$2.11 million in the fourth quarter of 2014 due to higher loan origination volume. United closed \$138 million in mortgage loans in the fourth quarter of 2015, of which 55% were for new home purchases, compared to \$77.4 million in the fourth quarter of 2014, of which 63% were for new home purchases. Sales of \$25.1 million in government guaranteed loans in fourth quarter 2015 resulted in net gains of \$2 million, compared to \$15.8 million sold in fourth quarter 2014, resulting in net gains of \$926,000. Customer derivative fees increased in the fourth quarter of 2015 compared with a year ago due to an increase in customer demand for the product. Other fee revenue of \$2.66 million increased \$786,000, or 42%, from the fourth quarter of 2014, partially due to volume driven increases in income from bank owned life insurance and safe deposit box fees, and other banking service fees, some of which are related to the Palmetto and MoneyTree acquisitions.

The following table presents operating expenses for the fourth quarters of 2015 and 2014.

Table 7 - Quarterly Operating Expenses

(in thousands)

	Three Months Ended		
	December 31,		Change %
	2015	2014	
Salaries and employee benefits	32,939	26,592	24
Communications and equipment	4,735	3,153	50
Occupancy	4,666	3,448	35
Advertising and public relations	978	802	22
Postage, printing and supplies	1,293	1,086	19
Professional fees	3,331	2,034	64
FDIC assessments and other regulatory charges	1,463	883	66
Merger-related and other charges	9,078	-	
Other	7,005	3,921	79
Total operating expenses	\$ 65,488	\$ 41,919	56

Operating expenses of \$65.5 million increased 56% from \$41.9 million for the fourth quarter of 2014, largely due to the inclusion of the operating expenses of the two acquired banks, as well as merger-related charges and impairment charges on real estate purchased in prior years for future branch expansion. Salaries and employee benefit costs of \$32.9 million were up \$6.35 million from the fourth quarter of 2014, due primarily to additional staff resulting from the Palmetto and MoneyTree acquisitions and investment in additional staff and new teams to expand specialized lending and new talent in other key areas, as well as higher commissions and incentives due to business growth. Communications and equipment expenses of \$4.74 million were up \$1.58 million, or 50%, from \$3.15 million for the fourth quarter of 2014, partly due to higher software maintenance contract costs. Occupancy expense of \$4.67 million was up \$1.22 million for the fourth quarter of 2015 compared to 2014, primarily due to additional locations attributable to the acquisitions. Professional fees increased 64% to \$3.33 million in fourth quarter 2015 compared to fourth quarter 2014 due primarily to higher legal and consulting fees relating to various corporate projects to enhance productivity, model validations, and improve our regulatory compliance function. FDIC assessments and other regulatory charges increased to \$1.46 million from \$883,000 for the fourth quarter of 2014 due to balance sheet growth during the year. Merger-related and other charges of \$9.08 million included \$3.11 million of merger charges primarily related to the Palmetto acquisition and \$5.97 million of impairment charges on bank-owned real estate acquired in prior years for expansion. Other expenses of \$7.01 million were up 79% from the fourth quarter of 2014, partly due to an increase in amortization expense related to acquired intangibles, an increase in ATM and internet banking costs due to higher volume, and higher servicing costs on United's indirect auto loan portfolio due to growth in that portfolio. Other expenses in the fourth quarter of 2014 included the reversal of \$1.20 million of a previously established litigation reserve.

Balance Sheet Review

Total assets at December 31, 2015 were \$9.63 billion, an increase of \$2.06 billion, or 27%, from December 31, 2014. On a daily average basis, total assets increased \$1.03 billion, or 14%, from 2014 to 2015. Average interest earning assets for 2015 and 2014 were \$7.83 billion and \$6.88 billion, respectively.

Loans

Substantially all of United's loans are to customers located in the immediate market areas of its community banks in Georgia, North Carolina, South Carolina and Tennessee, including customers who have a seasonal residence in United's market areas, except for specific specialized lending strategies such as SBA and franchise lending. More than 77% of the loans are secured by real estate. In 2014, commercial loan growth began to return to pre-crisis levels reflecting United's specialized lending initiatives. Consumer installment loans also increased due to purchases of indirect auto loans. Loans also increased due to the acquisitions of Palmetto and MoneyTree in 2015. Total loans averaged \$5.30 billion in 2015, compared with \$4.45 billion in 2014, an increase of 19%. At December 31, 2015, total loans were \$6 billion, an increase of \$1.32 billion, or 28%, from December 31, 2014.

The following table presents the composition of United's loan portfolio for the last five years.

Table 8 - Loans Outstanding

As of December 31,

(in thousands)

	2015	2014	2013	2012	2011
Loans by Category					
Owner occupied commercial real estate	\$1,493,966	\$1,163,480	\$1,133,543	\$1,131,544	\$1,111,502
Income producing commercial real estate	823,729	598,537	623,167	681,821	709,912
Commercial & industrial	785,417	710,256	471,961	458,246	428,249
Commercial construction	342,078	196,030	148,903	154,769	164,155
Total commercial	3,445,190	2,668,303	2,377,574	2,426,380	2,413,818
Residential mortgage	1,029,663	865,789	875,077	829,566	834,759
Home equity lines of credit	597,806	465,872	440,887	384,637	300,143
Residential construction	351,700	298,627	328,579	381,677	448,391
Consumer installment	115,111	104,899	111,045	114,309	112,503
Indirect auto	455,971	268,629	196,104	38,439	-
Total loans	\$5,995,441	\$4,672,119	\$4,329,266	\$4,175,008	\$4,109,614
	2015	2014	2013	2012	2011
Loans by Market					
North Georgia	\$1,125,123	\$1,163,479	\$1,240,234	\$1,363,723	\$1,425,811
Atlanta MSA	1,259,377	1,243,535	1,235,378	1,203,937	1,143,647
North Carolina	548,591	552,527	571,971	579,085	597,446
Coastal Georgia	536,598	455,709	423,045	400,022	346,189
Gainesville MSA	254,016	257,449	254,655	261,406	264,567
East Tennessee	504,277	280,312	279,587	282,863	255,949
South Carolina	819,560	29,786	3,787	-	-
Specialized Lending	491,928	420,693	124,505	45,533	76,005
Indirect auto	455,971	268,629	196,104	38,439	-
Total loans	\$5,995,441	\$4,672,119	\$4,329,266	\$4,175,008	\$4,109,614

As of December 31, 2015, United's 25 largest credit relationships consisted of loans and loan commitments ranging from \$27.5 million to \$14.9 million, with an aggregate total credit exposure of \$461 million. Total credit exposure includes \$132 million in unfunded commitments and \$328 million in balances outstanding, excluding participations sold. United had only eight lending relationships whose total credit exposure exceeded \$20 million of which only two relationships were in excess of \$25 million.

The following table sets forth the maturity distribution of commercial and construction loans, including the interest rate sensitivity for loans maturing after one year.

Table 9 - Loan Portfolio Maturity

As of December 31, 2015

(in thousands)

	Maturity			Total	Rate Structure for Loans Maturing Over One Year	
	One Year or Less	One through Five Years	Over Five Years		Fixed Rate	Floating Rate
Commercial (commercial and industrial)	\$232,987	\$ 405,021	\$ 147,409	\$785,417	\$ 273,651	\$ 278,779
Construction (commercial and residential)	273,856	273,598	146,324	693,778	155,898	264,024
Total	\$506,843	\$ 678,619	\$293,733	\$1,479,195	\$ 429,549	\$ 542,803

Asset Quality and Risk Elements

United manages asset quality and controls credit risk through review and oversight of the loan portfolio as well as adherence to policies designed to promote sound underwriting and loan monitoring practices. United’s credit administration function is responsible for monitoring asset quality and Board of Directors approved portfolio limits, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures among all of the community banks and specialized lending areas. Additional information on United’s credit administration function is included in Item 1 under the heading “Loan Review and Nonperforming Assets.”

United classifies performing loans as “substandard” when there is a well-defined weakness or weaknesses that jeopardizes the repayment by the borrower and there is a distinct possibility that United could sustain some loss if the deficiency is not corrected.

United’s home equity lines generally require the payment of interest only for a set period after origination. After this initial period, the outstanding balance begins amortizing and requires the payment of both principal and interest. At December 31, 2015 and 2014, the funded portion of home equity lines totaled \$598 million and \$466 million, respectively. Approximately 3% of the home equity loans at December 31, 2015 were amortizing. Of the \$598 million in balances outstanding at December 31, 2015, \$359 million, or 60%, were first liens. At December 31, 2015, 57% of the total available home equity lines were drawn upon.

United monitors the performance of its home equity loans and lines secured by second liens similar to other consumer loans and utilizes assumptions specific to these loans in determining the necessary allowance. United also receives notification when the first lien holder is in the process of foreclosure and upon that notification, United obtains valuations to determine if any additional charge-offs or reserves are warranted.

The table below presents performing classified loans for the last five years.

Table 10 - Performing Classified Loans

(in thousands)

December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
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By Category

Owner occupied commercial real estate	\$ 39,886	\$ 46,401	\$ 43,083	\$ 64,936	\$ 78,969
Income producing commercial real estate	30,047	20,560	34,642	52,607	\$ 64,089
Commercial & industrial	5,967	7,863	9,589	18,477	15,753
Commercial construction	1,406	3,566	16,758	19,285	18,510
Total commercial	77,306	78,390	104,072	155,305	177,321
Residential mortgage	30,519	31,831	44,022	55,355	65,649
Home equity	6,968	5,296	7,967	9,824	10,793
Residential construction	10,764	10,920	14,104	37,804	71,955
Consumer installment	757	1,382	2,538	3,653	2,751
Indirect auto	1,213	574	-	-	-
Total	\$ 127,527	\$ 128,393	\$ 172,703	\$ 261,941	\$ 328,469

By Market

North Georgia	\$ 46,668	\$ 55,821	\$ 69,510	\$ 105,851	\$ 134,945
Atlanta MSA	25,723	31,201	42,955	75,305	88,614
North Carolina	14,087	16,479	18,954	28,657	40,302
Coastal Georgia	5,187	15,642	18,561	17,421	24,985
Gainesville MSA	566	1,109	14,916	19,251	17,338
East Tennessee	9,522	5,933	7,591	13,131	11,446
South Carolina	23,620	-	-	-	-
Specialized lending	941	1,634	216	2,325	10,839
Indirect auto	1,213	574	-	-	-
Total loans	\$ 127,527	\$ 128,393	\$ 172,703	\$ 261,941	\$ 328,469

At December 31, 2015, performing classified loans totaled \$128 million and decreased \$866,000 from December 31, 2014. The decrease from 2014 reflects a general declining trend, partially offset by an increase due to the acquisitions in 2015. Performing classified loans have been on a downward trend as credit conditions have continued to improve and problem credits are resolved.

Reviews of classified performing and non-performing loans, TDRs, past due loans and larger credits, are conducted on a regular basis and are designed to identify risk migration and potential charges to the allowance for loan losses. These reviews are presented by the responsible lending officers and specific action plans are discussed along with the financial strength of borrowers, the value of the applicable collateral, past loan loss experience, anticipated loan losses, changes in risk profile, the effect of prevailing economic conditions on the borrower and other factors specific to the borrower and its industry. In addition to United's internal loan review, United also uses external loan review to ensure the objectivity of the loan review process.

The provision for credit losses charged to earnings is based upon management's judgment of the amount necessary to maintain the allowance at a level appropriate to absorb probable incurred losses in the loan portfolio at the balance sheet date. The amount each quarter is dependent upon many factors, including growth and changes in the composition of the loan portfolio, net charge-offs, delinquencies, management's assessment of loan portfolio quality, the value of collateral, and other macro-economic factors and trends. The evaluation of these factors is performed quarterly by management through an analysis of the appropriateness of the allowance for loan losses. The decreases in the provision and the declining level of the allowance for loan losses compared to the previous periods reflects stabilizing trends in substandard and nonperforming loans as well as charge-off levels. Further, the declining balance of the allowance for loan losses over the last several quarters reflects an overall improving trend in the credit quality of the loan portfolio. A general improvement in economic conditions in United's market also contributed to the lower level of provision and allowance for loan losses.

The allocation of the allowance for credit losses is based on historical data, subjective judgment and estimates and, therefore, is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur. In 2014, United incorporated a loss emergence period into its allowance for loan losses analysis. The increase in precision resulting from the loss emergence period resulted in full allocation of the previously unallocated portion of the allowance.

The following table summarizes the allocation of the allowance for credit losses for each of the past five years.

Table 11 - Allocation of Allowance for Credit Losses

As of December 31,

(in thousands)

2015		2014		2013		2012		2011	
Amount	%*	Amount	%*	Amount	%*	Amount	%*	Amount	%*
\$24,967	39	\$26,337	38	\$24,338	41	\$27,847	43	\$31,644	44

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Commercial (secured by real estate)										
Commercial & industrial	4,442	13	3,255	15	6,527	11	5,537	11	5,681	10
Commercial construction	5,583	6	4,747	4	3,669	3	8,389	4	6,097	4
Total commercial	34,992	58	34,339	57	34,534	55	41,773	58	43,422	58
Residential mortgage	23,274	27	24,885	29	20,974	30	26,642	29	29,076	28
Residential construction	7,961	6	10,603	6	12,532	8	26,662	9	30,379	11
Consumer installment	2,221	9	1,792	8	2,479	7	2,747	4	2,124	3
Unallocated	-		-		6,243		9,313		9,467	
Total allowance for loan losses	68,448	100	71,619	100	76,762	100	107,137	100	114,468	100
Allowance for unfunded commitments	2,542		1,930		2,165		-		-	
Total allowance for credit losses	\$70,990		\$73,549		\$78,927		\$107,137		\$114,468	

* Loan balance in each category, expressed as a percentage of total loans.

The following table presents a summary of changes in the allowance for credit losses for each of the past five years.

Table 12 - Allowance for Credit Losses

Years Ended December 31,

(in thousands)

	2015	2014	2013	2012	2011
Balance beginning of period	\$71,619	\$76,762	\$107,137	\$114,468	\$174,695
Charge-offs:					
Owner occupied commercial real estate	2,096	3,136	24,965	10,280	50,401
Income producing commercial real estate	522	1,611	11,505	12,782	9,067
Commercial & industrial	1,358	2,145	18,914	2,424	24,890
Commercial construction	507	235	6,483	5,411	55,730
Residential mortgage	3,178	7,502	8,840	12,885	46,439
Home equity lines of credit	1,094	2,314	3,437	4,377	7,268
Residential construction	2,291	3,176	23,049	24,260	118,916
Consumer installment	1,597	2,008	2,184	2,198	3,594
Indirect auto	772	540	277	16	-
Total loans charged-off	13,415	22,667	99,654	74,633	316,305
Recoveries:					
Owner occupied commercial real estate	358	3,056	1,305	557	222
Income producing commercial real estate	697	725	640	135	226
Commercial & industrial	2,174	1,698	1,888	1,104	967
Commercial construction	77	6	69	111	203
Residential mortgage	1,662	1,110	611	675	660
Home equity lines of credit	226	287	104	124	78
Residential construction	832	627	173	1,272	1,678
Consumer installment	1,044	1,226	1,114	824	1,044
Indirect auto	86	54	40	-	-
Total recoveries	7,156	8,789	5,944	4,802	5,078
Net charge-offs	6,259	13,878	93,710	69,831	311,227
Provision for loan losses	3,088	8,735	63,335	62,500	251,000
Allowance for loan losses at end of period	68,448	71,619	76,762	107,137	114,468
Allowance for unfunded commitments at beginning of period	1,930	2,165	-	-	-
Provision for unfunded commitments	612	(235)	2,165	-	-
Allowance for unfunded commitments at end of period	2,542	1,930	2,165	-	-
Allowance for credit losses	\$70,990	\$73,549	\$78,927	\$107,137	\$114,468

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Total loans ⁽¹⁾ :									
At year-end	\$5,995,441	\$4,672,119	\$4,329,266	\$4,175,008	\$4,109,614				
Average	5,297,687	4,440,868	4,228,235	4,123,530	4,244,305				
Allowance for loan losses as a percentage of year-end loans	1.14	% 1.53	% 1.77	% 2.57	% 2.79				
As a percentage of average loans:									
Net charge-offs	.12	.31	2.22	1.69	7.33				
Provision for loan losses	.06	.20	1.50	1.52	5.91				

⁽¹⁾ Excludes loans acquired through the 2009 FDIC assisted acquisition of Southern Community Bank that are covered by loss sharing agreements.

The allowance for credit losses, which includes a portion related to unfunded commitments, totaled \$71.0 million at December 31, 2015 compared with \$73.5 million at December 31, 2014. At December 31, 2015, the allowance for loan losses was \$68.4 million, or 1.14% of total loans, compared with \$71.6 million, or 1.53% of loans at December 31, 2014. The decrease in the allowance for credit losses is consistent with the overall improving trends in credit quality of the loan portfolio.

In accordance with the accounting guidance for business combinations, there was no allowance for loan losses brought forward on loans acquired from Palmetto or MoneyTree, as credit deterioration was included in the determination of fair value at acquisition date. At December 31, 2015, United recorded no allowance for loan losses on loans acquired from Palmetto or FNB as there was no evidence of credit deterioration beyond that which was incorporated into the determination of fair value at acquisition date. At December 31, 2015, for acquired loans that had no evidence of credit deterioration at the time of acquisition, the remaining unaccreted fair value discount was \$7.03 million.

Management believes that the allowance for credit losses at December 31, 2015 reflects the probable incurred losses in the loan portfolio and unfunded loan commitments. This assessment involves uncertainty and judgment; therefore, the adequacy of the allowance for credit losses cannot be determined with precision and may be subject to change in future periods. The amount of any changes could be significant if management's assessment of loan quality or collateral values changes substantially with respect to one or more loan relationships or portfolios. In addition, bank regulatory authorities, as part of their periodic examination of the Bank, may require adjustments to the provision for credit losses in future periods if, in their opinion, the results of their review warrant such additions. See the "Critical Accounting Policies" section for additional information on the allowance for credit losses.

Nonperforming Assets

Nonperforming loans totaled \$22.7 million at December 31, 2015, compared with \$17.9 million at December 31, 2014. At December 31, 2015 and 2014, the ratio of nonperforming loans to total loans was .38%. Nonperforming assets, which include nonperforming loans and foreclosed properties, totaled \$27.5 million at December 31, 2015, compared with \$19.6 million at December 31, 2014.

United's policy is to place loans on nonaccrual status when, in the opinion of management, the full principal and interest on a loan is not likely to be collected or when the loan becomes 90 days past due and is not well secured and in the process of collection. When a loan is placed on nonaccrual status, interest previously accrued but not collected is reversed against current interest revenue. Interest payments received on nonaccrual loans are applied to reduce outstanding principal.

Purchased Credit Impaired ("PCI") loans accounted for under ASC Topic 310-30 are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. However, these loans are considered as performing, even though they may be contractually past due, as any non-payment of contractual principal or interest is considered in the periodic re-estimation of expected cash flows and is included in the resulting recognition of current period covered loan loss provision or future period yield adjustments. PCI loans were not classified as nonaccrual at December 31, 2015 as the carrying value of the respective loan or pool of loans cash flows were considered estimable and probable of collection. Therefore, interest revenue, through accretion of the difference between the carrying value of the loans and the expected cash flows, is being recognized on all PCI loans.

Generally, United does not commit to lend additional funds to customers whose loans are on nonaccrual status, although in certain isolated cases, United executes forbearance agreements whereby United will continue to fund construction loans to completion or other lines of credit as long as the borrower meets the conditions of the forbearance agreement. United may also fund other amounts necessary to protect the Bank's collateral such as amounts to pay past due property taxes and insurance coverage. The table below summarizes nonperforming assets at year-end for the last five years. For years prior to 2015, assets covered by loss-sharing agreements with the FDIC have been excluded from the table below. These assets were excluded from the review of nonperforming assets, as the loss-sharing agreements with the FDIC and purchase price adjustments to reflect credit losses effectively eliminate the likelihood of recognizing losses on the covered assets. The loss-sharing agreements were terminated and settled in early 2015.

Table 13 - Nonperforming Assets

As of December 31,

(in thousands)

	2015	2014	2013	2012	2011
Nonaccrual loans (NPLs)	\$22,653	\$17,881	\$26,819	\$109,894	\$127,479
Foreclosed properties	4,883	1,726	4,221	18,264	32,859
Total nonperforming assets (NPAs)	\$27,536	\$19,607	\$31,040	\$128,158	\$160,338
NPLs as a percentage of total loans	.38	% .38	% .62	% 2.63	% 3.10
NPAs as a percentage of loans and foreclosed properties	.46	.42	.72	3.06	3.87
NPAs as a percentage of total assets	.29	.26	.42	1.88	2.30

At December 31, 2015 and 2014 United had \$86.6 million and \$85.1 million, respectively, in loans with terms that have been modified in a TDR. Included therein were \$3.58 million and \$3.78 million, respectively, of TDRs that were not performing in accordance with their modified terms and were included in nonperforming loans. The remaining TDRs with an aggregate balance of \$83.0 million and \$81.3 million, respectively, were performing according to their modified terms and are therefore not considered to be nonperforming assets.

At December 31, 2015 and 2014, there were \$104 million and \$106 million, respectively, of loans classified as impaired under the definition outlined in the Accounting Standards Codification including TDRs which are by definition considered impaired. Included in impaired loans at December 31, 2015 and 2014 were \$32.7 million and \$25.5 million, respectively, that did not require specific reserves or had previously been charged down to net realizable value. The balance of impaired loans at December 31, 2015 of \$71.3 million had specific reserves that totaled \$6.80 million and the balance of impaired loans at December 31, 2014 of \$81.0 million had specific reserves that totaled \$9.88 million. The average recorded investment in impaired loans for 2015, 2014 and 2013 was \$107 million, \$109 million and \$115 million, respectively. During 2015, 2014 and 2013, United recognized \$4.96 million, \$5.04 million and \$6.72 million in interest revenue on impaired loans. United's policy is to discontinue the recognition of interest revenue for loans classified as impaired under ASC 310-10-35, *Receivables*, when a loan meets the criteria for nonaccrual status. Impaired loans decreased 2% from 2014 to 2015.

The following table summarizes nonperforming assets by category and market.

Table 14 - Nonperforming Assets by Category

(in thousands)

	December 31, 2015			December 31, 2014		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
BY CATEGORY						
Owner occupied commercial real estate	\$7,036	\$ 2,652	\$9,688	\$4,133	\$ 355	\$4,488
Income producing commercial real estate	2,595	-	2,595	717	-	717
Commercial & industrial	892	-	892	1,571	-	1,571
Commercial construction	328	437	765	83	15	98
Total commercial	10,851	3,089	13,940	6,504	370	6,874
Residential mortgage	8,555	1,242	9,797	8,196	1,183	9,379
Home equity	851	80	931	695	40	735
Residential construction	1,398	472	1,870	2,006	133	2,139
Consumer installment	212	-	212	134	-	134
Indirect auto	786	-	786	346	-	346
Total NPAs	\$22,653	\$ 4,883	\$27,536	\$17,881	\$ 1,726	\$19,607
Balance as a % of Unpaid Principal	71.4 %	34.2 %	59.8 %	69.9 %	54.1 %	68.1 %
BY MARKET						
North Georgia	\$5,167	\$ 1,612	\$6,779	\$5,669	\$ 711	\$6,380
Atlanta MSA	3,023	625	3,648	1,837	372	2,209
North Carolina	5,289	183	5,472	5,221	234	5,455
Coastal Georgia	2,079	-	2,079	799	105	904
Gainesville MSA	307	-	307	1,310	81	1,391
East Tennessee	3,448	157	3,605	1,414	201	1,615
South Carolina	323	2,306	2,629	-	-	-
Specialized Lending	2,231	-	2,231	1,285	22	1,307
Indirect auto	786	-	786	346	-	346
Total NPAs	22,653	4,883	27,536	\$17,881	\$ 1,726	\$19,607

The following table summarizes activity in nonperforming assets by year.

Table 15 - Activity in Nonperforming Assets

(in thousands)

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	2015			2014 ⁽¹⁾			2013 ⁽¹⁾		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
Beginning Balance	\$ 17,881	\$ 1,726	\$ 19,607	\$ 26,819	\$ 4,221	\$ 31,040	\$ 109,894	\$ 18,264	\$ 128,158
Acquisitions	-	4,225	4,225	-	-	-	-	-	-
Loans placed on non-accrual	32,187	-	32,187	33,637	-	33,637	43,867	-	43,867
Payments received	(14,478)	-	(14,478)	(14,108)	-	(14,108)	(60,035)	-	(60,035)
Loan charge-offs	(8,036)	-	(8,036)	(19,374)	-	(19,374)	(44,444)	-	(44,444)
Foreclosures	(4,901)	4,925	24	(9,093)	9,093	-	(22,463)	22,463	-
Capitalized costs	-	256	256	-	209	209	-	116	116
Note / property sales	-	(6,887)	(6,887)	-	(12,501)	(12,501)	-	(31,915)	(31,915)
Write downs	-	(243)	(243)	-	(691)	(691)	-	(3,065)	(3,065)
Net gains on sales	-	881	881	-	1,395	1,395	-	(1,642)	(1,642)
Ending Balance	\$ 22,653	\$ 4,883	\$ 27,536	\$ 17,881	\$ 1,726	\$ 19,607	\$ 26,819	\$ 4,221	\$ 31,040

⁽¹⁾ Excludes nonperforming loans and foreclosed property covered by loss sharing agreements with the FDIC related to the acquisition of SCB.

Foreclosed property is initially recorded at fair value, less estimated costs to sell. If the fair value, less estimated costs to sell at the time of foreclosure, is less than the loan balance, the deficiency is charged against the allowance for loan losses. If the lesser of fair value, less estimated costs to sell or the listed selling price, less the costs to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to foreclosed property expense. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property. Financed sales of foreclosed property are accounted for in accordance with ASC 360-20, *Real Estate Sales*.

In 2015, 2014 and 2013, United transferred \$4.93 million, \$9.09 million and \$22.5 million, respectively, of loans into foreclosed property. During 2015, 2014 and 2013, proceeds from sales of foreclosed properties were \$6.89 million, \$12.5 million, and \$31.9 million, respectively, which includes \$1.54 million, \$2.50 million, and \$3.49 million, respectively, of sales that were financed by United.

The gross additional interest revenue that would have been earned if the loans classified as nonaccrual had performed in accordance with the original terms was approximately \$1.11 million, \$1.71 million and \$2.11 million in 2015, 2014 and 2013, respectively. The gross additional interest income that would have been earned in 2015, 2014 and 2013 had performing TDRs performed in accordance with the original terms is immaterial.

Investment Securities

The composition of the investment securities portfolio reflects United's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of revenue. The investment securities portfolio also provides a balance to interest rate risk and credit risk in other categories of the balance sheet, while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits and borrowings, including repurchase agreements. Total investment securities at December 31, 2015 increased \$458 million from a year ago.

At December 31, 2015 and December 31, 2014, United had securities held-to-maturity with a carrying value of \$365 million and \$415 million, respectively, and securities available-for-sale totaling \$2.29 billion and \$1.78 billion, respectively. At December 31, 2015 and 2014, the securities portfolio represented approximately 28% and 29%, respectively, of total assets. At December 31, 2015, the average life of the investment portfolio was longer, with an effective duration of 2.92 years compared with 2.46 years at December 31, 2014.

The following table shows the carrying value of United's investment securities.

Table 16 - Carrying Value of Investment Securities

As of December 31,

(in thousands)

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	December 31, 2015		
	Available-for-Sale	Held-to-Maturity	Total Securities
U.S. Treasuries	\$ 168,706	\$ -	\$ 168,706
U.S. Government agencies	112,340	-	112,340
State and political subdivisions	56,268	62,073	118,341
Mortgage-backed securities	1,113,118	302,623	1,415,741
Corporate bonds	306,026	-	306,026
Asset-backed securities	533,242	-	533,242
Other	1,811	-	1,811
Total securities	\$2,291,511	\$ 364,696	\$ 2,656,207

	December 31, 2014		
	Available-for-Sale	Held-to-Maturity	Total Securities
U.S. Treasuries	\$ 105,709	\$ -	\$ 105,709
U.S. Government agencies	36,299	-	36,299
State and political subdivisions	20,233	48,157	68,390
Mortgage-backed securities	996,820	367,110	1,363,930
Corporate bonds	165,628	-	165,628
Asset-backed securities	455,928	-	455,928
Other	2,117	-	2,117
Total securities	\$1,782,734	\$ 415,267	\$ 2,198,001

The investment securities portfolio primarily consists of U.S. Treasury securities, U.S. Government agency securities, U.S. Government sponsored agency mortgage-backed securities, non-agency mortgage-backed securities, corporate securities, municipal securities and asset-backed securities. Mortgage-backed securities rely on the underlying pools of mortgage loans to provide a cash flow of principal and interest. The actual maturities of these securities will differ from the contractual maturities because the loans underlying the security can prepay. Decreases in interest rates will generally cause an acceleration of prepayment levels. In a declining or prolonged low interest rate environment, United may not be able to reinvest the proceeds from these prepayments in assets that have comparable yields. In a rising rate environment, the opposite occurs. Prepayments tend to slow and the weighted average life extends. This is referred to as extension risk, which can lead to lower levels of liquidity due to the delay of cash receipts, and can result in the holding of a below market yielding asset for a longer period of time. United's asset-backed securities include collateralized loan obligations and securities that are backed by student loans.

Management evaluates its securities portfolio each quarter to determine if any security is other than temporarily impaired. In making this evaluation, management considers its ability and intent to hold securities to recover current market losses. Losses on United's fixed income securities at December 31, 2015 primarily reflect the effect of changes in interest rates. United did not recognize any other than temporary impairment losses on its investment securities in 2015, 2014 or 2013.

At December 31, 2015, United had 53% of its total investment securities portfolio in mortgage backed securities, compared with 62% at December 31, 2014. United has continued to purchase mortgage-backed securities in order to obtain a favorable yield with low risk. United did not have securities of any issuer in excess of 10% of equity at year-end 2015 or 2014, excluding U.S. Government sponsored entities. Approximately 3% of the securities portfolio is rated below "A" or unrated and 17% of securities, excluding non-government agency securities, are rated "Aaa". See Note 6 to the consolidated financial statements for further discussion of investment portfolio and related fair value and maturity information.

Goodwill and Other Intangible Assets

United's core deposit intangibles representing the value of United's acquired deposit base, are amortizing intangible assets that are required to be tested for impairment only when events or circumstances indicate that impairment may exist. There were no events or circumstances that lead management to believe that any impairment exists in United's other intangible assets.

United's goodwill represents the premium paid for acquired companies above the fair value of the assets acquired and liabilities assumed, including separately identifiable intangible assets. United evaluates its goodwill annually, or more frequently if necessary, to determine if any impairment exists.

Deposits

United has initiated several deposit programs to improve core earnings by growing customer transaction deposit accounts and lowering overall pricing on deposit accounts to improve its net interest margin and increase net interest revenue. The programs were successful in increasing core transaction deposit accounts and allowing for the reduction of more costly time deposit balances. United's high level of service, as evidenced by its strong customer satisfaction scores, has been instrumental in attracting and retaining deposits.

Total customer deposits, excluding brokered deposits, as of December 31, 2015 were \$7.53 billion, an increase of \$1.63 billion from December 31, 2014. Total core deposits (demand, NOW, money market and savings deposits, excluding public funds deposits) of \$5.25 billion increased \$1.56 billion, or 42%, due to the Palmetto and MoneyTree acquisitions and the success of core deposit incentive programs.

Total time deposits, excluding brokered deposits, as of December 31, 2015 were \$1.28 billion, up \$26.1 million from December 31, 2014, primarily due to the acquisitions in 2015. United continued to offer low rates on certificates of deposit, allowing organic balances to decline and shift to lower cost transaction account deposits.

Brokered deposits totaled \$347 million as of December 31, 2015, a decrease of \$78.1 million from December 31, 2014, and included NOW accounts, money market deposits and certificates of deposit. Brokered certificates of deposit accounted for \$242 million and \$273 million of the balance at December 31, 2015 and 2014, respectively. United added long-term deposits to diversify the funding base. These are typically swapped to LIBOR minus a spread, which achieves low cost funding within our interest rate risk parameters.

The following table sets forth the scheduled maturities of time deposits of \$250,000 and greater and brokered time deposits.

Table 17 - Maturities of Time Deposits of \$250,000 and Greater and Brokered Time Deposits
As of December 31,
(in thousands)

	2015	2014 ⁽¹⁾
\$250,000 and greater:		
Three months or less	\$46,736	\$41,000
Three to six months	23,886	29,882
Six to twelve months	38,143	37,896
Over one year	30,180	26,534
Total	\$138,945	\$135,312
Brokered time deposits:		
Three months or less	\$-	\$-
Three to six months	-	-
Six to twelve months	-	-
Over one year	241,740	272,834
Total	\$241,740	\$272,834

⁽¹⁾ Updated from previous presentations to conform to the FDIC's insurance limit of \$250,000.

Borrowing Activities

The Bank is a shareholder in the Federal Home Loan Bank of Atlanta ("FHLB"). Through this affiliation, FHLB secured advances totaled \$430 million and \$270 million at December 31, 2015 and 2014, respectively. United anticipates continued use of this short and long-term source of funds. FHLB advances outstanding at December 31, 2015 had maturity dates in 2016 and interest rates of .60% or less. United will prepay advances from time to time as funding needs change. Additional information regarding FHLB advances, including scheduled maturities, is provided in Note 12 to the consolidated financial statements.

At December 31, 2015 and 2014, United had \$16.6 million and \$6 million in repurchase agreements outstanding. At December 31, 2015, the outstanding repurchase agreements were retail repurchase agreements offered to customers as an alternative investment tool to conventional savings deposits. In connection with the agreements, the client buys an interest in a pool of U.S. government, U.S. agency or state and municipal investment securities. Funds are swept daily between the client and the bank. Retail repurchase agreements are not insured deposits.

Liquidity Management

The objective of liquidity management is to ensure that sufficient funding is available, at reasonable cost, to meet the ongoing operational cash needs and to take advantage of revenue producing opportunities as they arise. While the desired level of liquidity will vary depending upon a variety of factors, it is the primary goal of United to maintain a sufficient level of liquidity in all expected economic environments. Liquidity is defined as the ability to convert assets into cash or cash equivalents without significant loss and the ability to raise additional funds by increasing liabilities. Liquidity management involves maintaining United's ability to meet the daily cash flow requirements of the Bank's customers, both depositors and borrowers.

In addition, because United's holding company is a separate entity and apart from the Bank, it must provide for its own liquidity. United's holding company is responsible for the payment of dividends declared for its common and preferred shareholders, and interest and principal on any outstanding debt or trust preferred securities. United's holding company currently has internal capital resources to meet these obligations. While United's holding company has access to the capital markets, the ultimate source of holding company liquidity is subsidiary service fees and dividends from the Bank, which are limited by applicable law and regulations. In 2015 and 2014, the Bank paid dividends of \$77.5 million and \$129 million, respectively, to the holding company. Also in 2015, the holding company received \$3.50 million in dividends from its captive insurance subsidiary, United Community Risk Management Services, Inc.

Two key objectives of asset/liability management are to provide for adequate liquidity in order to meet the needs of customers and to maintain an optimal balance between interest-sensitive assets and interest-sensitive liabilities to optimize net interest revenue in various interest rate environments. Daily monitoring of the sources and uses of funds is necessary to maintain a position that meets both requirements.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments and the maturities and sales of securities, as well as the ability to use these as collateral for borrowings on a secured basis. The Bank also maintains excess funds in short-term, interest-bearing assets that provide additional liquidity.

The liability section of the balance sheet provides liquidity through interest-bearing and noninterest-bearing deposit accounts. Federal funds purchased, Federal Reserve short-term borrowings, FHLB advances, and securities sold under agreements to repurchase are additional sources of liquidity and represent United's incremental borrowing capacity. These sources of liquidity are generally short-term in nature and are used as necessary to fund asset growth and meet other short-term liquidity needs.

The table below presents a summary of United's short-term borrowings over the last three years.

Table 18 - Short-Term Borrowings

As of December 31,
(in thousands)

	Period-end balance	Period end weighted- average interest rate	Maximum outstanding at any month- end	Average amounts outstanding during the year	Weighted- average rate for the year	
December 31, 2015						
Federal funds purchased	\$ -	-	% \$ 100,000	\$ 41,319	.34	%
Repurchase agreements	16,640	0.01	35,000	7,982	.21	
	\$ 16,640			\$ 49,301		
December 31, 2014						
Federal funds purchased	\$ -	-	% \$ 65,000	\$ 22,795	.32	%
Repurchase agreements	6,000	4.00	55,075	28,568	3.81	
Other	-	-	40,000	23,178	4.30	
	\$ 6,000			\$ 74,541		
December 31, 2013						
Federal funds purchased	\$ -	-	% \$ 70,000	\$ 13,327	.33	%
Repurchase agreements	53,241	4.00	54,164	53,234	3.81	
	\$ 53,241			\$ 66,561		

At December 31, 2015, United had sufficient qualifying collateral to increase FHLB advances by \$773 million and Federal Reserve discount window capacity of \$836 million. United also has the ability to raise substantial funds through brokered deposits. In addition to these wholesale sources, United has the ability to attract retail deposits at any time by competing more aggressively on pricing.

As disclosed in United's consolidated statement of cash flows, net cash provided by operating activities was \$112 million for the year ended December 31, 2015. Net income of \$71.6 million for the year included the deferred income tax expense of \$38.3 million, non-cash expenses for provision for credit losses of \$3.70 million, non-cash depreciation, amortization and accretion of \$22.7 million. Accrued expenses and other liabilities decreased \$10.6 million, while other assets and accrued interest receivable increased \$8.85 million and mortgage loans held for sale increased \$6.71 million. Net cash used in investing activities of \$400 million consisted primarily of \$839 million of purchases of securities available for sale, and a net increase in loans of \$475 million, offset by proceeds from sales of securities available for sale of \$354 million, maturities and calls of investment securities available for sale of \$284 million, maturities and calls of securities held to maturity of \$71.0 million, proceeds from note sales of \$190 million, and net cash received from acquisitions of \$35.5 million. The \$336 million of net cash provided by financing activities consisted primarily of a net increase in deposits of \$196 million, a net increase in FHLB advances of \$138 million and \$83.9 million proceeds from issuance of debt. This increase was partially offset by \$48.5 million paid to retire long-term debt, a \$18.4 million reduction in short-term borrowings and \$14.8 million in common stock dividends. In the opinion of management, United's liquidity position at December 31, 2015 was sufficient to meet its expected cash flow requirements.

The following table shows United's contractual obligations and other commitments.

Table 19 - Contractual Obligations and Other Commitments

As of December 31, 2015

(in thousands)

	Maturity By Years				
	Total	1 or Less	1 to 3	3 to 5	Over 5
Contractual Cash Obligations					
FHLB advances	\$430,125	\$430,125	\$-	\$-	\$-
Long-term debt	165,620	-	75,000	-	90,620
Operating leases	23,507	3,484	5,953	5,106	8,964
Total contractual cash obligations	\$619,252	\$433,609	\$80,953	\$5,106	\$99,584
Other Commitments					
Lines of credit	\$1,351,446	\$400,693	\$290,511	\$198,180	\$462,062
Commercial letters of credit	23,373	20,846	2,527	-	-
Uncertain tax positions	3,981	489	720	2,548	224
Total other commitments	\$1,378,800	\$422,028	\$293,758	\$200,728	\$462,286

The following table presents the contractual maturity of investment securities by maturity date and average yields based on amortized cost (for all obligations on a fully taxable basis). The composition and maturity / repricing distribution of the securities portfolio is subject to change depending on rate sensitivity, capital and liquidity needs.

Table 20 - Maturity of Available-for-Sale and Held-to-Maturity Investment Securities

As of December 31, 2015

(in thousands)

	Maturity By Years				Total
	1 or Less	1 to 5	5 to 10	Over 10	
Available-for-Sale					
U.S. Treasuries	\$-	\$94,194	\$74,512	\$-	\$168,706
U.S. Government agencies	-	19,897	92,443	-	112,340
State and political subdivisions	4,059	10,852	32,305	9,052	56,268

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Corporate bonds	-	197,798	77,329	30,899	306,026
Asset-backed securities	369,551	47,766	54,331	61,594	533,242
Other securities ⁽¹⁾	290,897	651,392	87,211	85,429	1,114,929
Total securities available-for-sale	\$664,507	\$1,021,899	\$418,131	\$186,974	\$2,291,511
Weighted average yield ⁽²⁾	2.17	% 2.24	% 2.45	% 2.57	% 2.28
Held-to-Maturity					
State and political subdivisions	\$3,506	\$15,500	\$21,235	\$21,832	\$62,073
Other securities ⁽¹⁾	101,087	161,960	28,979	10,597	302,623
Total securities held-to-maturity	\$104,593	\$177,460	\$50,214	\$32,429	\$364,696
Weighted average yield ⁽²⁾	2.15	% 2.97	% 3.32	% 3.65	% 2.84
Combined Portfolio					
U.S. Treasuries	\$-	\$94,194	\$74,512	\$-	\$168,706
U.S. Government agencies	-	19,897	92,443	-	112,340
State and political subdivisions	7,565	26,352	53,540	30,884	118,341
Corporate bonds	-	197,798	77,329	30,899	306,026
Asset-backed securities	369,551	47,766	54,331	61,594	533,242
Other securities ⁽¹⁾	391,984	813,352	116,190	96,026	1,417,552
Total securities available for sale	\$769,100	\$1,199,359	\$468,345	\$219,403	\$2,656,207
Weighted average yield ⁽²⁾	2.17	% 2.34	% 2.54	% 2.73	% 2.36

(1) Includes mortgage-backed securities

(2) Based on amortized cost, taxable equivalent basis

Off-Balance Sheet Arrangements

United is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of customers. These financial instruments include commitments to extend credit, letters of credit and financial guarantees.

A commitment to extend credit is an agreement to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Letters of credit and financial guarantees are conditional commitments issued to guarantee a customer's performance to a third party and have essentially the same credit risk as extending loan facilities to customers. Those commitments are primarily issued to local businesses.

The exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit, letters of credit and financial guarantees is represented by the contractual amount of these instruments. United uses the same credit underwriting procedures for making commitments, letters of credit and financial guarantees, as it uses for underwriting on-balance sheet instruments. United evaluates each customer's creditworthiness on a case-by-case basis and the amount of the collateral, if deemed necessary, is based on the credit evaluation. Collateral held varies, but may include unimproved and improved real estate, certificates of deposit, personal property or other acceptable collateral.

All of these instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The total amount of these instruments does not necessarily represent future cash requirements because a significant portion of these instruments expire without being used. United is not involved in off-balance sheet contractual relationships, other than those disclosed in this report, that could result in liquidity needs or other commitments, or that could significantly affect earnings. See Note 20 to the consolidated financial statements for additional information on off-balance sheet arrangements.

At December 31, 2015 and 2014, United had \$400 million and \$375 million, respectively, in offsetting repurchase agreements / reverse repurchase agreements that were netted in the consolidated balance sheet. United enters into these collateral swap arrangements from time to time as a source of additional revenue.

Capital Resources and Dividends

Shareholders' equity at December 31, 2015 was \$1.02 billion, an increase of \$279 million from December 31, 2014 primarily due to issuance of stock for the acquisitions of Palmetto and MoneyTree and year-to-date earnings partially offset by dividends declared and an increase in accumulated other comprehensive loss. Accumulated other comprehensive loss, which includes unrealized gains and losses on securities available-for-sale, the unrealized gains and losses on derivatives qualifying as cash flow hedges, and unamortized prior service cost and actuarial gains and losses on United's modified retirement plan, is excluded in the calculation of regulatory capital ratios.

United accrued \$67,000 and \$439,000, respectively, in dividends on outstanding preferred stock for the years ended December 31, 2015 and 2014.

Effective January 1, 2015, the Board of Governors of the Federal Reserve System and the FDIC implemented the Basel III Capital Rules establishing a new comprehensive capital framework applicable to all depository institutions, bank holding companies with total consolidated assets of \$500 million or more and all savings and loan holding companies except for those that are substantially engaged in insurance underwriting or commercial activities. Under the Basel III Capital Rules, minimum requirements increased for both the quantity and quality of capital held by United. The Basel III Capital Rules include a new common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5% and, for prompt corrective action purposes, a "well capitalized" ratio of 6.5%, raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6%, require a minimum ratio of Total Capital to risk-weighted assets of 8%, and require a minimum Tier 1 leverage ratio of 4%. A new capital conservation buffer, comprised of common equity Tier 1 capital, was also established above the regulatory minimum capital requirements. This capital conservation buffer will be phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increase each subsequent year by an additional 0.625% until reaching its final level of 2.5% on January 1, 2019. Strict eligibility criteria for regulatory capital instruments were also implemented under the Basel III Capital Rules. The Basel III Capital Rules also revise the definition and calculation of Tier 1 capital, Total Capital, and risk-weighted assets.

Under the risk-based capital guidelines, assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of the collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with the category. The resulting weighted values from each of the risk categories are added together, and generally this sum is the Company's total risk weighted assets. Risk-weighted assets for purposes of United's capital ratios are calculated under these guidelines.

Tier 1 capital consists of shareholders' equity, excluding accumulated other comprehensive income, intangible assets (goodwill and deposit-based intangibles), and disallowed deferred tax assets, plus qualifying capital securities. Tier 2 capital components include supplemental capital such as the qualifying portion of the allowance for loan losses and qualifying subordinated debt. Tier 1 capital plus Tier 2 capital is referred to as Total risk-based capital.

United has outstanding junior subordinated debentures related to trust preferred securities totaling \$5.62 million at December 31, 2015. The related trust preferred securities of \$5.45 million (excluding common securities) qualify as Tier 1 capital under risk-based capital guidelines provided that total trust preferred securities do not exceed certain quantitative limits. At December 31, 2015, all of United's trust preferred securities qualified as Tier 1 capital. Further information on United's trust preferred securities is provided in Note 13 to the consolidated financial statements.

The following table shows United's capital ratios, as calculated under regulatory guidelines in effect at the time, at December 31, 2015 and 2014:

Table 21 - Capital Ratios
(dollars in thousands)

	Regulatory Guidelines		Well Capitalized	United Community Banks, Inc. (consolidated)	United Community Bank
December 31, 2015 (Basel III)					
Risk-based ratios:					
Common equity tier 1 capital	4.5%	6.5	%	11.45	% 13.01
Tier 1 capital	6.0	8.0		11.45	13.01
Total capital	8.0	10.0		12.50	14.06
Tier 1 leverage ratio	4.0	5.0		8.34	9.47
Common equity tier 1 capital				\$ 773,677	\$ 877,169
Tier 1 capital				773,677	877,169
Total capital				844,667	948,159
Risk-weighted assets				6,755,011	6,743,560
Average total assets				9,282,243	9,264,133
December 31, 2014 (Basel I)					
Risk-based ratios:					
Tier 1 capital	4.0%	6.0	%	12.05	% 12.84
Total capital	8.0	10.0		13.30	14.09
Tier 1 leverage ratio	3.0	5.0		8.69	9.25
Tier 1 capital				\$ 642,663	\$ 683,332
Total capital				709,408	749,927
Risk-weighted assets				5,332,822	5,320,615
Average total assets				7,396,450	7,385,048

Effect of Inflation and Changing Prices

A bank's asset and liability structure is substantially different from that of an industrial firm in that primarily all assets and liabilities of a bank are monetary in nature, with relatively little investment in fixed assets or inventories. Inflation has an important effect on the growth of total assets and the resulting need to increase equity capital at higher than nominal rates in order to maintain an appropriate equity to assets ratio.

United's management believes the effect of inflation on financial results depends on United's ability to react to changes in interest rates and, by such reaction, reduce the inflationary effect on performance. United has an asset/liability management program to monitor and manage United's interest rate sensitivity position. In addition, periodic reviews of banking services and products are conducted to adjust pricing in view of current and expected costs.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Sensitivity Management

The absolute level and volatility of interest rates can have a significant effect on United's profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest revenue to changing interest rates, consistent with United's overall financial goals. Based on economic conditions, asset quality and various other considerations, management establishes tolerance ranges for interest rate sensitivity and manages within these ranges.

United's net interest revenue, and the fair value of its financial instruments, are influenced by changes in the level of interest rates. United limits its exposure to fluctuations in interest rates through policies established by its Asset/Liability Management Committee ("ALCO") and approved by the Board of Directors. ALCO meets periodically and has responsibility for formulating and recommending asset/liability management policies to the Board of Directors, formulating and implementing strategies to improve balance sheet positioning and/or earnings and reviewing United's interest rate sensitivity.

One of the tools management uses to estimate and manage the sensitivity of net interest revenue to changes in interest rates is an asset/liability simulation model. Resulting estimates are based upon a number of assumptions for each scenario, including the level of balance sheet growth, loan and deposit re-pricing characteristics and the rate of prepayments. ALCO periodically reviews the assumptions for accuracy based on historical data and future expectations, however, actual net interest revenue may differ from model results. The primary objective of the simulation model is to measure the potential change in net interest revenue over time using multiple interest rate scenarios. The base scenario assumes rates remain flat and is the scenario to which all others are compared to in order to measure the change in net interest revenue. Policy limits are based on immediate rate shock scenarios, as well as gradually rising and falling rate scenarios, which are compared to the base scenario. Another commonly analyzed scenario is a most-likely scenario that projects the expected change in rates based on the slope of the forward yield curve. Other scenarios analyzed may include delayed rate shocks, yield curve steepening or flattening or other variations in rate movements. While the primary policy scenarios focus on a twelve month time frame, longer time horizons are also modeled. All policy scenarios assume a static balance sheet.

United's policy is based on the 12-month impact on net interest revenue of interest rate shocks and ramps that increase from 100 to 400 basis points or decrease 100 basis points from the base scenario. In the shock scenarios, rates immediately change the full amount at the scenario onset. In the ramp scenarios, rates change by 25 basis points per month. United's policy limits the projected change in net interest revenue over the first 12 months to a 5% decrease for each 100 basis point change in the increasing and decreasing rate ramp and shock scenarios. Historically low rates on December 31, 2015 and 2014 made use of the down scenarios problematic. The following table presents United's interest sensitivity position at December 31, 2015 and 2014.

Table 22 - Interest Sensitivity

Change in Rates	Increase (Decrease) in Net Interest Revenue from Base Scenario at December 31,							
	2015				2014			
	Shock		Ramp		Shock		Ramp	
200 basis point increase	(0.06)%	0.28	%	1.7	%	2.0	%

Interest rate sensitivity is a function of the repricing characteristics of the portfolio of assets and liabilities. These repricing characteristics are the time frames within which the interest-earning assets and interest-bearing liabilities are subject to change in interest rates either at replacement, repricing or maturity. Interest rate sensitivity management focuses on the maturity structure of assets and liabilities and their repricing characteristics during periods of changes in market interest rates. Effective interest rate sensitivity management seeks to ensure that both assets and liabilities respond to changes in interest rates within an acceptable timeframe, thereby minimizing the potentially adverse effect of interest rate changes on net interest revenue.

United has some discretion in the extent and timing of deposit repricing depending upon the competitive pressures in the markets in which it operates. Changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. The interest rate spread between an asset and its supporting liability can vary significantly even when the timing of repricing for both the asset and the liability remains the same, due to the two instruments repricing according to different indices. This is commonly referred to as basis risk.

In order to manage its interest rate sensitivity, United periodically enters into off-balance sheet contracts that are considered derivative financial instruments. Derivative financial instruments can be a cost-effective and capital-effective means of modifying the repricing characteristics of on-balance sheet assets and liabilities. These contracts generally consist of interest rate swaps under which United pays a variable rate, (or fixed rate, as the case may be) and receives a fixed rate (or variable rate, as the case may be).

United's derivative financial instruments that are designated as accounting hedges are classified as either cash flow or fair value hedges. The change in fair value of cash flow hedges is recognized in other comprehensive income. Fair value hedges recognize in earnings both the effect of the change in the fair value of the derivative financial instrument and the offsetting effect of the change in fair value of the hedged asset or liability associated with the particular risk of that asset or liability being hedged. United has other derivative financial instruments that are not designated as accounting hedges but are used for interest rate risk management purposes and as an effective economic hedge. Derivative financial instruments that are not accounted for as an accounting hedge are marked to market through earnings.

In addition to derivative instruments, United uses a variety of balance sheet instruments to manage interest rate risk such as Investment Portfolio holdings, wholesale funding and bank-issued deposits.

From time to time, United will terminate hedging positions when conditions change and the position is no longer necessary to manage United's overall sensitivity to changes in interest rates. In those situations where the terminated contract was in an effective cash flow hedging relationship at the time of termination and the hedging relationship is expected to remain effective throughout the original term of the contract, the resulting gain or loss is amortized over the remaining life of the original contract as long as the forecasted hedged cash flows are expected to remain probable. For swap contracts, the gain or loss is amortized over the remaining original contract term using the straight line method of amortization. At December 31, 2015, United had \$3.62 million in losses from terminated derivative positions included in other comprehensive income that will be amortized into earnings over their remaining original contract terms. United expects that \$1.89 million will be reclassified as an increase to deposit and wholesale borrowings interest expense over the next twelve months related to these terminated cash flow hedges.

United's policy requires all non-customer derivative financial instruments be used only for asset/liability management through the hedging of specific transactions or positions, and not for trading or speculative purposes. Management believes that the risk associated with using derivative financial instruments to mitigate interest rate risk sensitivity is minimal and should not have any material unintended effect on our financial condition or results of operations. In order to mitigate potential credit risk, from time to time United may require the counterparties to derivative contracts to pledge securities as collateral to cover the net exposure.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of the registrant and report of independent registered public accounting firm are included herein on the pages that follow.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of United Community Banks, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and affected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the internal control over financial reporting as of December 31, 2015. In making this assessment, we used the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment, management concluded that as of December 31, 2015, United Community Banks, Inc.'s internal control over financial reporting is effective based on those criteria.

Our independent registered public accountants have audited the effectiveness of the company's internal control over financial reporting as stated in their report, which is included in Item 8 of this Annual Report on Form 10-K.

Jimmy C. Tallent	Rex S. Schuette
Chairman and Chief Executive Officer	Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

of United Community Banks, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of comprehensive income (loss), of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of United Community Banks, Inc. and its subsidiaries at December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally

accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

February 26, 2016

PricewaterhouseCoopers LLP, 1075 Peachtree St, Suite 2600, Atlanta, GA 30309
T: (678) 419 1000, F: (678) 419 1239, www.pwc.com/us

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Statement of Income

For the Years Ended December 31, 2015, 2014 and 2013

(in thousands, except per share data)

	2015	2014	2013
Interest revenue:			
Loans, including fees	\$223,256	\$196,279	\$200,893
Investment securities:			
Taxable	51,143	47,755	40,331
Tax exempt	705	738	827
Deposits in banks and short-term investments	3,428	3,660	3,789
Total interest revenue	278,532	248,432	245,840
Interest expense:			
Deposits:			
NOW	1,505	1,651	1,759
Money market	3,466	3,060	2,210
Savings	98	81	133
Time	3,756	7,133	10,464
Total deposit interest expense	8,825	11,925	14,566
Short-term borrowings	364	2,160	2,071
Federal Home Loan Bank advances	1,743	912	68
Long-term debt	10,177	10,554	10,977
Total interest expense	21,109	25,551	27,682
Net interest revenue	257,423	222,881	218,158
Provision for credit losses	3,700	8,500	65,500
Net interest revenue after provision for credit losses	253,723	214,381	152,658
Fee revenue:			
Service charges and fees	36,825	33,073	31,997
Mortgage loan and other related fees	13,592	7,520	9,925
Brokerage fees	5,041	4,807	4,465
Gains from sales of government guaranteed loans	6,276	2,615	-
Securities gains, net	2,255	4,871	186
Losses on prepayment of borrowings	(1,294)	(4,446)	-
Other	9,834	7,114	10,025
Total fee revenue	72,529	55,554	56,598
Total revenue	326,252	269,935	209,256
Operating expenses:			
Salaries and employee benefits	116,688	100,941	96,233
Occupancy	15,372	13,513	13,930

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Communications and equipment	15,273	12,523	13,233
FDIC assessments and other regulatory charges	5,106	4,792	9,219
Professional fees	10,175	7,907	9,617
Postage, printing and supplies	4,273	3,542	3,283
Advertising and public relations	3,667	3,461	3,718
Amortization of intangibles	2,444	1,348	2,031
Foreclosed property	32	634	7,869
Merger-related and other charges	17,995	-	-
Other	20,213	14,204	15,171
Total operating expenses	211,238	162,865	174,304
Income before income taxes	115,014	107,070	34,952
Income tax expense (benefit)	43,436	39,450	(238,188)
Net income	71,578	67,620	273,140
Preferred stock dividends	67	439	12,078
Net income available to common shareholders	\$71,511	\$67,181	\$261,062
Income per common share:			
Basic	\$1.09	\$1.11	\$4.44
Diluted	1.09	1.11	4.44
Weighted average common shares outstanding:			
Basic	65,488	60,588	58,787
Diluted	65,492	60,590	58,845

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income (Loss)

For the Years Ended December 31, 2015, 2014 and 2013

(in thousands, except per share data)

	2015			2014			2013		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$115,014	\$(43,436)	\$71,578	\$107,070	\$(39,450)	\$67,620	\$34,952	\$238,188	\$273,140
Other comprehensive income (loss):									
Unrealized (losses) gains on available-for-sale securities:									
Unrealized holding (losses) gains arising during period	(10,779)	4,004	(6,775)	12,550	(4,676)	7,874	(22,421)	8,475	(13,946)
Reclassification of securities from available-for-sale to held-to-maturity	-	-	-	-	-	-	8,306	(3,119)	5,187
Reclassification adjustment for gains included in net income	(2,255)	862	(1,393)	(4,871)	1,902	(2,969)	(186)	72	(114)
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	-	-	-	-	-	-	-	(2,963)	(2,963)

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allowance									
Net unrealized (losses) gains	(13,034)	4,866	(8,168)	7,679	(2,774)	4,905	(14,301)	2,465	(11,836)
Amortization of losses (gains) included in net income on available-for-sale securities transferred to held to maturity	1,702	(638)	1,064	1,656	(622)	1,034	(731)	282	(449)
Reclassification of securities from available-for-sale to held-to-maturity	-	-	-	-	-	-	(8,306)	3,119	(5,187)
Adjustment of valuation allowance for the change in deferred taxes arising from the amortization of gains included in net income on available-for-sale securities transferred to held-to-maturity and release of valuation allowance	-	-	-	-	-	-	-	1,293	1,293
Net unrealized gains (losses) Amounts reclassified into net income on cash flow hedges	1,702	(638)	1,064	1,656	(622)	1,034	(9,037)	4,694	(4,343)
Unrealized (losses) gains on derivative financial instruments accounted for as cash flow hedges	(471)	183	(288)	(8,437)	3,282	(5,155)	10,084	(3,923)	6,161
Adjustment of valuation allowance for the change in deferred taxes arising from	-	-	-	-	-	-	-	13,698	13,698

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unrealized gains and losses and amortization of gains included in net income on cash flow hedges and release of valuation allowance									
Net cash flow hedge activity	1,465	(570)	895	(6,427)	2,500	(3,927)	9,180	10,127	19,307
Amendments to defined benefit pension plan	(1,353)	526	(827)	-	-	-	-	-	-
Net actuarial gain (loss) on defined benefit pension plan	(125)	49	(76)	(1,933)	752	(1,181)	561	(218)	343
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	736	(286)	450	365	(142)	223	532	(207)	325
Net defined benefit pension plan activity	(742)	289	(453)	(1,568)	610	(958)	1,093	(425)	668
Total other comprehensive income (loss)	(10,609)	3,947	(6,662)	1,340	(286)	1,054	(13,065)	16,861	3,796
Comprehensive income (loss)	\$104,405	\$(39,489)	\$64,916	\$108,410	\$(39,736)	\$68,674	\$21,887	\$255,049	\$276,936

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

As of December 31, 2015 and 2014

(in thousands, except share data)

	2015	2014
Assets		
Cash and due from banks	\$86,912	\$77,180
Interest-bearing deposits in banks	153,451	89,074
Short-term investments	-	26,401
Cash and cash equivalents	240,363	192,655
Securities available-for-sale	2,291,511	1,782,734
Securities held-to-maturity (fair value \$371,658 and \$425,233)	364,696	415,267
Mortgage loans held for sale	24,231	13,737
Loans, net of unearned income	5,995,441	4,672,119
Less allowance for loan losses	(68,448)	(71,619)
Loans, net	5,926,993	4,600,500
Premises and equipment, net	178,165	159,390
Bank owned life insurance	105,493	81,294
Accrued interest receivable	25,786	20,103
Net deferred tax asset	197,613	215,503
Derivative financial instruments	20,082	20,599
Goodwill and other intangible assets	147,420	3,641
Other assets	103,755	61,563
Total assets	\$9,626,108	\$7,566,986
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Demand	\$2,204,755	\$1,574,317
NOW	1,975,884	1,504,887
Money market	1,599,637	1,273,283
Savings	471,129	292,308
Time	1,282,803	1,256,706
Brokered	346,881	425,011
Total deposits	7,881,089	6,326,512
Repurchase agreements	16,640	6,000
Federal Home Loan Bank advances	430,125	270,125

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Long-term debt	165,620	129,865
Derivative financial instruments	28,825	31,997
Unsettled securities purchases	-	5,425
Accrued expenses and other liabilities	85,524	57,485
Total liabilities	8,607,823	6,827,409
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$1 par value; 10,000,000 shares authorized; Series H, \$1,000 stated value; 9,992 and 0 shares issued and outstanding	9,992	-
Common stock, \$1 par value; 100,000,000 shares authorized; 66,198,477 and 50,178,605 shares issued and outstanding	66,198	50,178
Common stock, non-voting, \$1 par value; 26,000,000 shares authorized; 5,285,516 and 10,080,787 shares issued and outstanding	5,286	10,081
Common stock issuable; 458,953 and 357,983 shares	6,779	5,168
Capital surplus	1,286,361	1,080,508
Accumulated deficit	(330,879)	(387,568)
Accumulated other comprehensive loss	(25,452)	(18,790)
Total shareholders' equity	1,018,285	739,577
Total liabilities and shareholders' equity	\$9,626,108	\$7,566,986

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity

For the Years Ended December 31, 2015, 2014 and 2013

(in thousands except share data)

	Preferred Stock Series A	Series B	Series D	Series H	Common Stock	Non-Voting Common Stock	Common Stock Issuable	Capital Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income
Balance, December 31, 2012	\$217	\$178,557	\$16,613	\$-	\$42,424	\$15,317	\$3,119	\$1,057,951	\$(709,153)	\$(23,640)
Net income									273,140	
Other comprehensive income										3,796
Redemption of Series A preferred stock (21,700 shares)	(217)									
Redemption of Series B preferred stock (75,000 shares)		(75,000)								
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (62,978 common shares)					63			733		
Conversion of non-voting common stock to voting common stock (2,128,588 shares)					2,129	(2,129)				
					1,551			17,838		

Warrant exercise (1,551,126 shares)										
Amortization of stock options and restricted stock								3,045		
Vesting of restricted stock awards, net of shares surrendered to cover payroll taxes (55,328 common shares issued, 115,664 common shares deferred)				55			1,693	(1,929))	
Deferred compensation plan, net								177		
Shares issued from deferred compensation plan (21,455 common shares)				21			(1,059)	1,038		
Preferred stock dividends:										
Series A									(12))
Series B, including accretion	1,443								(10,401))
Series D									(1,665))
Balance, December 31, 2013	-	105,000	16,613	-	46,243	13,188	3,930	1,078,676	(448,091)	(19,844)
Net income									67,620	
Other comprehensive income										1,054
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					640			11,566		

market(640,000 shares)				
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (28,070 common shares)	28		441	
Conversion of non-voting common stock to voting common stock (3,107,419 shares)	3,107	(3,107)		
Warrant repurchase at fair value			(12,000)	
Amortization of stock options and restricted stock			4,304	
Vesting of restricted stock awards, net of shares surrendered to cover payroll taxes (146,548 common shares issued, 115,609 common shares deferred)	147		1,274	(2,736)
Deferred compensation plan, net, including dividend equivalents			234	
Shares issued from deferred compensation plan (13,223 common shares)	13		(270)	257
Common stock dividends (\$.11 per share)				(6,658)

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Preferred stock dividends:										
Series B									(159)	
Series D									(280)	
Balance, December 31, 2014	-	-	-	-	50,178	10,081	5,168	1,080,508	(387,568)	(18,790)
Net income									71,578	
Other comprehensive income										(6,662)
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (17,129 common shares)					17			286		
Conversion of non-voting common stock to voting common stock (4,795,271 shares)					4,795	(4,795)				
Common and preferred stock issued for acquisitions (11,058,515 common shares and 9,992 preferred shares)					9,992	11,059		203,092		
Amortization of stock options and restricted stock								4,403		
Vesting of restricted stock awards, net of shares surrendered to cover payroll taxes (120,692 common shares issued, 110,935 common shares deferred)					121		1,509	(3,113)		

Deferred compensation plan, net, including dividend equivalents							372	-			
Shares issued from deferred compensation plan (28,265 shares)				28			(270)	242			
Common stock dividends (\$.22 per share)										(14,822)	
Tax on option exercise and restricted stock vesting								943			
Preferred stock dividends, Series H										(67)	
Balance, December 31, 2015	\$-	\$-	\$-	\$9,992	\$66,198	\$5,286	\$6,779	\$1,286,361	\$(330,879)	\$(25,452)	

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2015, 2014 and 2013

(in thousands)

	2015	2014	2013
Operating activities:			
Net income	\$71,578	\$67,620	\$273,140
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	22,652	19,952	26,388
Provision for credit losses	3,700	8,500	65,500
Fixed asset impairment charge	5,969	-	-
Stock based compensation	4,403	4,304	3,045
Deferred income tax expense (benefit)	38,296	38,226	(241,655)
Securities gains, net	(2,255)	(4,871)	(186)
Losses on prepayment of borrowings	1,294	4,446	-
Gains from sales of government guaranteed loans	(6,276)	(2,615)	-
Net gains on sales of other assets	(663)	-	-
Net gains on sales and write downs of other real estate owned	(638)	(704)	4,706
Change in assets and liabilities:			
Increase in other assets and accrued interest receivable	(8,848)	(16,776)	(293)
(Decrease) increase in accrued expenses and other liabilities	(10,563)	(15,385)	42,505
(Increase) decrease in mortgage loans held for sale	(6,705)	(3,418)	18,502
Net cash provided by operating activities	111,944	99,279	191,652
Investing activities:			
Investment securities held-to-maturity:			
Proceeds from maturities and calls	70,962	64,791	63,985
Purchases	(20,000)	(173)	(8,481)
Investment securities available-for-sale:			
Proceeds from sales	353,860	419,201	39,731
Proceeds from maturities and calls	284,435	224,302	477,060
Purchases	(839,345)	(603,384)	(818,256)
Net increase in loans	(475,132)	(323,837)	(358,858)
Proceeds from loan sales	190,111	4,561	91,913
Net cash received (paid) for acquisitions	35,497	(31,261)	-
Funds (paid to) collected from FDIC under loss sharing agreements	(1,198)	2,662	5,882
Purchases of premises and equipment	(10,532)	(5,054)	(8,143)
Proceeds from sales of premises and equipment	5,546	3,137	3,946
Proceeds from sale of other real estate owned	5,352	10,175	28,430
Net cash used in investing activities	(400,444)	(234,880)	(482,791)

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Financing activities:			
Net increase in deposits	195,881	125,007	249,365
Net increase (decrease) in short-term borrowings	(18,437)	(51,687)	667
Proceeds from Federal Home Loan Bank advances	2,075,000	1,230,000	770,000
Repayment of Federal Home Loan Bank advances	(1,937,070)	(1,080,000)	(690,000)
Repayment of long-term debt	(48,521)	-	(35,000)
Proceeds from issuance of long-term debt	83,924	-	40,000
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	303	469	796
Proceeds from issuance of common stock, net of offering costs	-	12,206	-
Proceeds from warrant exercise	-	-	19,389
Repurchase of outstanding warrant at fair value	-	(12,000)	-
Retirement of preferred stock	-	(121,613)	(75,217)
Cash dividends on common stock	(14,822)	(1,810)	-
Cash dividends on preferred stock	(50)	(1,214)	(11,112)
Net cash provided by financing activities	336,208	99,358	268,888
Net change in cash and cash equivalents	47,708	(36,243)	(22,251)
Cash and cash equivalents at beginning of year	192,655	228,898	251,149
Cash and cash equivalents at end of year	\$240,363	\$192,655	\$228,898
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$21,604	\$25,669	\$26,139
Income taxes paid	4,203	3,046	2,362

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

The accounting principles followed by United Community Banks, Inc. (“United”) and its subsidiaries and the methods of applying these principles conform with accounting principles generally accepted in the United States of America (“GAAP”) and with general practices within the banking industry. The following is a description of the significant policies.

Organization and Basis of Presentation

At December 31, 2015, United was a bank holding company subject to the regulation of the Board of Governors of the Federal Reserve System (the “Federal Reserve”) whose principal business was conducted by its wholly-owned commercial bank subsidiary, United Community Bank (the “Bank”). United is subject to regulation under the Bank Holding Company Act of 1956. The consolidated financial statements include the accounts of United, the Bank and other wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Bank is a Georgia state chartered commercial bank that serves markets throughout north Georgia, coastal Georgia, the Atlanta-Sandy Springs-Roswell, Georgia and Gainesville, Georgia metropolitan statistical areas, western North Carolina, upstate South Carolina and east Tennessee and provides a full range of banking services. The Bank is insured and subject to the regulation of the Federal Deposit Insurance Corporation (“FDIC”) and is also subject to the regulation of the Georgia Department of Banking and Finance.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the balance sheet and revenue and expenses for the years then ended. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change are the determination of the allowance for loan losses, the valuation of

real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of goodwill and separately identifiable intangible assets associated with mergers and acquisitions, and the valuation of deferred tax assets.

Operating Segments

Operating segments are components of a business about which separate financial information is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. Public companies are required to report certain financial information about operating segments in interim and annual financial statements. United's community banking operations are divided among geographic regions and local community banks within those regions, those regions and banks have similar economic characteristics and are therefore aggregated into one operating segment for purposes of segment reporting.

Additionally United assessed other operating units to determine if they should be classified and reported as segments. They include Mortgage, Advisory Services and Specialized Lending. Each was assessed for separate reporting on both a qualitative and a quantitative basis in accordance with Financial Accounting Standards Boards ("FASB") Accounting Standards Codification Topic 280 Segment Reporting ("ASC 280"). Qualitatively, these business units are currently operating in the same geographic footprint as the community banks and face many of the same customers as the community banks. While the chief operating decision maker does have some separate financial information for these entities, they are currently viewed more as a product line extension of the community banks. However, management will continue to evaluate these business units for separate reporting as facts and circumstances change. On a quantitative basis, ASC 280 provides a threshold of 10% of Revenue, Net Income or Assets where a breach of any of these thresholds would trigger segment reporting. Under this requirement none of the entities reached the threshold.

Based on this analysis, United concluded that it has one operating and reportable segment.

Cash and Cash Equivalents

Cash equivalents include amounts due from banks, interest-bearing deposits in banks, federal funds sold, commercial paper, reverse repurchase agreements and short-term investments and are carried at cost. Federal funds are generally sold for one-day periods, interest-bearing deposits in banks are available on demand and commercial paper investments and reverse repurchase agreements mature within a period of less than 90 days. A portion of the cash on hand and on deposit with the Federal Reserve Bank of Atlanta was required to meet regulatory reserve requirements.

Investment Securities

United classifies its securities in one of three categories: trading, held-to-maturity or available-for-sale. United does not hold any trading securities that are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities for which United has the ability and intent to hold until maturity. All other securities are classified as available-for-sale.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Investment Securities, continued

Held-to-maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are reported in other comprehensive income as a separate component of shareholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from available-for-sale to held-to-maturity are included in the balance of accumulated other comprehensive income in the consolidated balance sheet. These unrealized holding gains or losses are amortized into income over the remaining life of the security as an adjustment to the yield in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security.

Management evaluates investment securities for other than temporary impairment on a quarterly basis. A decline in the fair value of available-for-sale and held-to-maturity securities below cost that is deemed other than temporary is charged to earnings for a decline in value deemed to be credit related. The decline in value attributed to non credit related factors is recognized in other comprehensive income and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses for securities classified as available-for-sale and held-to-maturity are included in net income and derived using the specific identification method for determining the cost of the securities sold.

Federal Home Loan Bank ("FHLB") stock is included in other assets at its original cost basis, as cost approximates fair value as there is no ready market for such investments.

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of aggregate cost or fair value. The amount by which cost exceeds fair value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net income for the period in which the change occurs. No valuation allowances were required at December 31, 2015 or 2014 since those loans have fair values that exceeded the recorded cost basis.

Loans

With the exception of purchased loans that are recorded at fair value on the date of acquisition, loans are stated at principal amount outstanding, net of any unearned revenue and net of any deferred loan fees and costs. Interest on loans is primarily calculated by using the simple interest method on daily balances of the principal amount outstanding.

Purchased Loans With Evidence of Credit Deterioration: United from time to time purchases loans, primarily through business combination transactions. Some of those purchased loans show evidence of credit deterioration since origination and are accounted for pursuant to ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. These purchased credit impaired (“PCI”) loans are recorded at their estimated fair value at date of purchase. After acquisition, further losses evidenced by decreases in expected cash flows are recognized by an increase in the allowance for loan losses.

PCI loans are aggregated into pools of loans based on common risk characteristics such as the type of loan, payment status, or collateral type. United estimates the amount and timing of expected cash flows for each purchased loan pool and the expected cash flows in excess of the amount paid are recorded as interest income over the remaining life of the pool (accretable yield). The excess of the pool’s contractual principal and interest over expected cash flows is not recorded (nonaccretable difference).

Over the life of the loan pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest revenue.

Nonaccrual Loans: The accrual of interest is discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged against interest revenue on loans. Interest payments are applied to reduce the principal balance on nonaccrual loans. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance and future payments are reasonably assured. Nonaccrual loans include smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Contractually delinquent PCI loans are not classified as nonaccrual as long as the related discount continues to be accreted.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Loans, continued

Impaired Loans: With the exception of PCI loans, 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. Individually impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Interest revenue on impaired loans is discontinued when the loans meet the criteria for nonaccrual status. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not considered impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

PCI loans are considered to be impaired when it is probable that United will be unable to collect all the cash flows expected at acquisition, plus additional cash flows expected to be collected arising from changes in estimates after acquisition. Loans that are accounted for in pools are evaluated collectively for impairment on a pool by pool basis based on expected pool cash flows. Discounts continue to be accreted as long as there are expected future cash flows in excess of the current carrying amount of the specifically-reviewed loan or pool.

Concentration of Credit Risk: Most of United's business activity is with customers located within the markets where it has banking operations. Therefore, United's exposure to credit risk is significantly affected by changes in the economy within its markets. More than 77% of United's loan portfolio is secured by real estate and is therefore susceptible to changes in real estate valuations.

Allowance for Credit Losses

The allowance for credit losses includes the allowance for loan losses and the allowance for unfunded commitments included in other liabilities. Increases to the allowance for loan losses and allowance for unfunded commitments are established through a provision for credit losses charged to income. Loans are charged against the allowance for loan losses when available information confirms that the collectability of the principal is unlikely. The allowance for loan losses represents an amount, which, in management's judgment, is adequate to absorb probable losses on existing loans as of the date of the balance sheet. The allowance for unfunded commitments represents expected losses on unfunded commitments and is reported in the consolidated balance sheet in other liabilities.

The allowance for loan losses is composed of general reserves, specific reserves, and PCI reserves. General reserves are determined by applying loss percentages to the individual loan categories that are based on actual historical loss experience. United uses an eight-quarter weighted average annualized historical loss rate for each major loan category multiplied by the estimated loss emergence period for each loan type. Additionally, the general economic and business conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, the findings of internal and external credit reviews and results from external bank regulatory examinations are considered in this evaluation. The need for specific reserves is evaluated on nonaccrual loan relationships greater than \$500,000, accruing relationships rated substandard that are greater than \$2 million and all troubled debt restructurings ("TDRs"). The specific reserves are determined on a loan-by-loan basis based on management's evaluation of United's exposure for each credit, given the current payment status of the loan and the value of any underlying collateral. Loans for which specific reserves are provided are excluded from the calculation of general reserves.

For PCI loans, a valuation allowance is established when it is probable that the Company will be unable to collect all the cash flows expected at acquisition plus additional cash flows expected to be collected arising from changes in estimate after acquisition.

The allocation of the allowance for loan losses is based on historical data, subjective judgment and estimates and, therefore, is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Allowance for Credit Losses, continued For purposes of determining general reserves, United segments the loan portfolio into broad categories with similar risk elements. Those categories and their specific risks are described below.

Owner occupied commercial real estate – Loans in this category are susceptible to declined in occupancy rates, business failure and general economic conditions are common risks for this segment of the loan portfolio.

Income producing commercial real estate – Common risks for this loan category are declines in general economic conditions, declines in real estate value and lack of suitable alternative use for the property.

Commercial & industrial – Risks to this loan category include industry concentrations and the inability to monitor the condition of the collateral which often consists of inventory, accounts receivable and other non real estate assets. Equipment and inventory obsolescence can also pose a risk. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to service debt.

Commercial construction – Risks common to commercial construction loans are cost overruns, changes in market demand for property, inadequate long-term financing arrangements and declines in real estate values.

Residential mortgage – Residential mortgage loans are susceptible to weakening general economic conditions and increases in unemployment rates and declining real estate values.

Home equity lines of credit – Risks common to home equity lines of credit are general economic conditions and declining real estate values which reduce or eliminate the borrower's home equity.

Residential construction – Residential construction loans are susceptible to the same risks as commercial construction loans. Changes in market demand for property leads to longer marketing times resulting in higher carrying costs, declining values, and higher interest rates.

Consumer installment – Risks common to consumer installment loans include regulatory risks, unemployment and changes in local economic conditions as well as the inability to monitor collateral consisting of personal property.

Indirect auto - Risks common to indirect auto loans include unemployment and changes in local economic conditions as well as the inability to monitor collateral.

Management outsources a significant portion of its loan review to ensure objectivity in the loan review process and to challenge and corroborate the loan grading system. The loan review function provides additional analysis used in determining the adequacy of the allowance for loan losses. To supplement the outsourced loan review, management also has an internal loan review department that is independent of the lending function.

Management believes the allowance for loan losses is appropriate at December 31, 2015. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review United's allowance for loan losses.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the related assets. Costs incurred for maintenance and repairs are expensed as incurred. The range of estimated useful lives for buildings and improvements is 10 to 40 years, for land improvements, 10 years, and for furniture and equipment, 3 to 10 years. United periodically reviews the carrying value of premises and equipment for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Foreclosed Properties

Foreclosed property is initially recorded at fair value, less cost to sell. If the fair value, less cost to sell at the time of foreclosure is less than the loan balance, the deficiency is recorded as a loan charge-off against the allowance for loan

losses. If the fair value, less cost to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to operating expenses. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property. Financed sales of foreclosed property are accounted for in accordance with Accounting Standards Codification Topic 360, Subtopic 20, *Real Estate Sales* (“ASC 360-20”).

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Goodwill and Other Intangible Assets

Goodwill is an asset representing the future economic benefits from other assets acquired that are not individually identified and separately recognized. Goodwill is measured as the excess of the consideration transferred, net of the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill is not amortized, but instead is tested for impairment annually or more frequently if events or circumstances exist that indicate a goodwill impairment test should be performed.

Other intangible assets, which are initially recorded at fair value, consist of core deposit intangible assets resulting from United's acquisitions. Core deposit intangible assets are amortized on a sum-of-the-years-digits basis over their estimated useful lives. United evaluates its other intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from United, the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets and United does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Servicing Rights

United records a separate servicing asset for Small Business Administration (“SBA”) loans, United States Department of Agriculture (“USDA”) loans, and residential mortgage loans when the loan is sold but servicing is retained. This asset represents the right to service the loans and receive a fee in compensation. Servicing assets are initially recorded at their fair value as a component of the sale proceeds. The fair value of the servicing assets is based on an analysis of discounted cash flows that incorporates estimates of (1) market servicing costs, (2) market-based prepayment rates, and (3) market profit margins. Servicing assets are included in other assets.

United has elected to subsequently measure the servicing assets for government guaranteed loans at fair value. There is no aggregation of the loans into pools for the valuation of the servicing asset, but rather the servicing asset value is measured at a loan level.

Residential mortgage servicing rights are subsequently measured using the amortization method which requires the servicing rights to be amortized to expense over the estimated life of the servicing right. These servicing rights are carried at the lower of amortized cost or estimated fair value. Impairment valuations are based on projections using a discounted cash flow method that includes assumptions regarding prepayments, interest rates, servicing costs and other factors. Impairment is measured on a disaggregated basis for each stratum of the servicing rights, which is segregated based on predominant risk characteristics including interest rate and loan type. Subsequent increases in value are recognized to the extent of previously recorded impairment for each stratum.

The rate of prepayment of loans serviced is the most significant estimate involved in the measurement process. Estimates of prepayment rates are based on market expectations of future prepayment rates, industry trends, and other considerations. Actual prepayment rates will differ from those projected by management due to changes in a variety of economic factors, including prevailing interest rates and the availability of alternative financing sources to borrowers. If actual prepayments of the loans being serviced were to occur more quickly than projected, the carrying value of servicing assets might have to be written down through a charge to earnings in the current period. If actual prepayments of the loans being serviced were to occur more slowly than had been projected, the carrying value of servicing assets could increase, and servicing income would exceed previously projected amounts.

Bank Owned Life Insurance

United has purchased life insurance policies on certain key executives and members of management. United has also received life insurance policies on members of acquired bank management teams through acquisitions of other banks. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other changes or other amounts due that are probable at settlement.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Income Taxes

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income taxes during the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of United's assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable earnings and prudent and feasible tax planning strategies. Management weighs both the positive and negative evidence, giving more weight to evidence that can be objectively verified.

The income tax benefit or expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

United recognizes interest and / or penalties related to income tax matters in income tax expense.

Derivative Instruments and Hedging Activities

United’s interest rate risk management strategy incorporates the use of derivative instruments to minimize fluctuations in net income that are caused by interest rate volatility. United’s goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that net interest revenue is not, on a material basis, adversely affected by movements in interest rates. United views this strategy as a prudent management of interest rate risk, such that net income is not exposed to undue risk presented by changes in interest rates.

In carrying out this part of its interest rate risk management strategy, United uses interest rate derivative contracts. The primary type of derivative contract used by United to manage interest rate risk is interest rate swaps. Interest rate swaps generally involve the exchange of fixed- and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date.

In addition, United originates certain residential mortgage loans with the intention of selling these loans. Between the time United enters into an interest-rate lock commitment to originate a residential mortgage loan that is to be held for sale and the time the loan is funded and eventually sold, the Company is subject to the risk of variability in market prices. United also enters into forward sale agreements to mitigate risk and to protect the expected gain on the eventual loan sale. Most of this activity is on a matched basis, with a loan sale commitment hedging a specific loan. The commitments to originate residential mortgage loans and forward loan sales commitments are freestanding derivative instruments.

United classifies its derivative financial instruments as either (1) a hedge of an exposure to changes in the fair value of a recorded asset or liability (“fair value hedge”), (2) a hedge of an exposure to changes in the cash flows of a recognized asset, liability or forecasted transaction (“cash flow hedge”), or (3) derivatives not designated as accounting hedges. Changes in the fair value of derivatives not designated as hedges are recognized in current period earnings. United has master netting agreements with the derivatives dealers with which it does business, but reflects gross assets and liabilities on the consolidated balance sheet.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Derivative Instruments and Hedging Activities, continued

United uses the long-haul method to assess hedge effectiveness. United documents, both at inception and over the life of the hedge, at least quarterly, its analysis of actual and expected hedge effectiveness. This analysis includes techniques such as regression analysis and hypothetical derivatives to demonstrate that the hedge has been, and is expected to be, highly effective in offsetting corresponding changes in the fair value or cash flows of the hedged item. For a qualifying fair value hedge, changes in the value of derivatives that have been highly effective as hedges are recognized in current period earnings along with the corresponding changes in the fair value of the designated hedged item attributable to the risk being hedged. For a qualifying cash flow hedge, the portion of changes in the fair value of the derivatives that have been highly effective are recognized in other comprehensive income until the related cash flows from the hedged item are recognized in earnings.

For fair value hedges and cash flow hedges, ineffectiveness is recognized in the same income statement line as interest accruals on the hedged item to the extent that changes in the value of the derivative instruments do not perfectly offset changes in the value of the hedged items. If the hedge ceases to be highly effective, United discontinues hedge accounting and recognizes the changes in fair value in current period earnings. If a derivative that qualifies as a fair value or cash flow hedge is terminated or the designation removed, the realized or then unrealized gain or loss is recognized into income over the life of the hedged item (fair value hedge) or over the time when the hedged item was forecasted to impact earnings (cash flow hedge). Immediate recognition in earnings is required upon sale or extinguishment of the hedged item (fair value hedge) or if it is probable that the hedged cash flows will not occur (cash flow hedge).

By using derivative instruments, United is exposed to credit and market risk. If the counterparty fails to perform, credit risk is represented by the fair value gain in a derivative. When the fair value of a derivative contract is positive, this situation generally indicates that the counterparty is obligated to pay United, and, therefore, creates a repayment risk for United. When the fair value of a derivative contract is negative, United is obligated to pay the counterparty and, therefore, has no repayment risk. United minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by United. United also requires the counterparties to pledge securities as collateral to cover the net exposure.

United's derivative activities are monitored by its Asset/Liability Management Committee ("ALCO") as part of that committee's oversight of United's asset/liability and treasury functions. ALCO is responsible for implementing various hedging strategies that are developed through its analysis of data from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the overall interest-rate risk management process.

United recognizes the fair value of derivatives as assets or liabilities in the financial statements. The accounting for the changes in the fair value of a derivative depends on the intended use of the derivative instrument at inception. The change in fair value of instruments used as fair value hedges is accounted for in the net income of the period simultaneous with accounting for the fair value change of the item being hedged. The change in fair value of the effective portion of cash flow hedges is accounted for in other comprehensive income rather than net income. Changes in fair value of derivative instruments that are not designated as a hedge are accounted for in the net income of the period of the change.

Acquisition Activities

United accounts for business combinations under the acquisition method of accounting. Assets acquired and liabilities assumed are measured and recorded at fair value at the date of acquisition, including identifiable intangible assets. If the fair value of net assets purchased exceeds the fair value of consideration paid, a bargain purchase gain is recognized at the date of acquisition. Conversely, if the consideration paid exceeds the fair value of the net assets acquired, goodwill is recognized at the acquisition date. Fair values are subject to refinement for a period not to exceed one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

The determination of the fair value of loans acquired takes into account credit quality deterioration and probability of loss; therefore, the related allowance for loan losses is not carried forward.

All identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Deposit liabilities and the related depositor relationship intangible assets may be exchanged in observable exchange transactions. As a result, the depositor relationship intangible asset is considered identifiable, because the separability criterion has been met.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Earnings Per Common Share

Basic earnings per common share is net income available to common shareholders divided by the weighted average number of shares of common stock outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Additionally, shares issuable to participants in United's deferred compensation plan are considered to be participating securities for purposes of calculating basic earnings per share. Diluted earnings per common share includes the dilutive effect of additional potential shares of common stock issuable under stock options, warrants and securities convertible into common stock.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the financial statements.

Dividend Restrictions

Banking regulations require maintaining certain capital levels and may limit dividends paid by the Bank to United or by United to shareholders. Specifically, dividends paid by the Bank to United require pre-approval of the Georgia Department of Banking and Finance and the FDIC while the Bank has an accumulated deficit (negative retained earnings).

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions as more fully disclosed in Note 23. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Stock-Based Compensation

United uses the fair value method of recognizing expense for stock-based compensation based on the fair value of option and restricted stock awards at the date of grant.

Reclassifications

Certain 2014 and 2013 amounts have been reclassified to conform to the 2015 presentation.

(2)

Accounting Standards Updates

In February 2015, the Financial Accounting Standards Board (“FASB”) issued 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 with early adoption 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 adoption of ASU 2015-02 is not expected to have a material effect on United’s 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 United’s consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair value

hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by ASC 820. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient. ASU 2015-07 is effective for fiscal years beginning after December 15, 2015, with retrospective application to all periods presented. Early application is permitted. The adoption of this update is not expected to have a material impact on United's consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Accounting Standards Updates, continued

In June 2015, the FASB issued ASU 2015-10: *Technical Corrections and Improvements*. The amendments in this Update cover a wide range of topics in the Codification including guidance clarification and reference corrections, simplification and minor improvements. Transition guidance varies based on the amendments. The amendments that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments will be effective upon issuance. United retrospectively applied the provisions of ASU 2015-10 during the second quarter of 2015, with no material impact on United's financial position or results of operations. The adoption of ASU 2015-10 did affect certain disclosures related to nonrecurring fair value measurements as presented in Note 23.

In July 2015, the FASB issued ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), and Health and Welfare Benefit Plans (Topic 965)*. The guidance in the update designates contract value as the only required measure for fully benefit-responsive investment contracts and simplifies the disclosure of investments by requiring that investments be grouped only by general type rather than disaggregated in multiple ways. The amendments are effective for fiscal years beginning after December 15, 2015, with earlier application permitted. The adoption of this update is not expected to have a material impact on United's consolidated financial statements.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*. The guidance in this update delays the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606): Summary and Amendments that Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs—Contracts with Customers (Subtopic 340-40)*, which supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. For public companies, ASU 2014-09 was originally effective for interim and annual periods beginning after December 15, 2016. ASU 2015-14 delays the effective date for public companies to interim and annual reporting periods beginning after December 15, 2017. United is currently assessing the impact that this guidance will have on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. The guidance in this update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment

amounts are determined. In addition, the acquirer will record, in the same period financial statements, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The update requires disclosure of amounts recorded in current-period earnings that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public entities, this update is effective for fiscal years beginning after December 15, 2015 with early application permitted. United applied the provisions of ASU 2015-16 during the third quarter of 2015, with no material impact on United's financial position or results of operations.

In January 2016, the FASB issued ASU 2016-1, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities*. The guidance in this update requires that equity investments (except those accounting for under the equity method of accounting) be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The guidance also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. In addition, the guidance addresses various disclosure and presentation issues related to financial instruments. For public entities, this update is effective for fiscal years beginning after December 15, 2017 with early application permitted. The adoption of this update is not expected to have a material impact on United's consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) Mergers and Acquisitions

Acquisition of Palmetto Bancshares, Inc.

On September 1, 2015, United completed the acquisition of Palmetto Bancshares, Inc. (“Palmetto”) and its wholly-owned bank subsidiary The Palmetto Bank. Palmetto operated 25 branches in South Carolina. In connection with the acquisition, United acquired \$1.15 billion of assets and assumed \$1.02 billion of liabilities. Total consideration transferred was \$244 million of common equity and cash. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$114 million, representing the intangible value of Palmetto’s business and reputation within the market it serves. None of the goodwill recognized is expected to be deductible for income tax purposes. United will amortize the related core deposit intangible of \$12.9 million using the sum-of-the-years-digits method over 12 years, which represents the expected useful life of the asset.

The fair value of the 8.7 million common shares issued as part of the consideration paid for Palmetto was determined on the basis of the closing market price of United’s common shares on the acquisition date. United’s operating results for the year ended December 31, 2015 include the operating results of the acquired assets and assumed liabilities for the period subsequent to the acquisition date of September 1, 2015.

The purchased assets and assumed liabilities were recorded at their acquisition date fair values and are summarized in the table below (*in thousands*).

	As Recorded by Palmetto	Fair Value <u>Adjustments</u> ⁽¹⁾	As Recorded by United
Assets			
Cash and cash equivalents	\$ 64,906	\$ -	\$ 64,906
Securities	208,407	(340)	208,067
Loans held for sale	2,356	91	2,447
Loans, net	802,111	(5,552)	796,559
Premises and equipment, net	21,888	(4,291)	17,597

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Bank owned life insurance	12,133	(148)	11,985
Accrued interest receivable	3,227	(346)	2,881
Net deferred tax asset	14,798	1,150		15,948
Core deposit intangible	-	12,900		12,900
Other assets	18,439	(4,234)	14,205
Total assets acquired	\$ 1,148,265	\$ (770)	\$ 1,147,495
Liabilities				
Deposits	\$ 989,296	\$ -		\$ 989,296
Short-term borrowings	13,537	-		13,537
Other liabilities	11,994	2,808		14,802
Total liabilities assumed	1,014,827	2,808		1,017,635
Excess of assets acquired over liabilities assumed	\$ 133,438			
Aggregate fair value adjustments		\$ (3,578)	
Consideration transferred				
Cash				74,003
Common stock issued (8,700,012 shares)				170,259
Total fair value of consideration transferred				244,262
Goodwill				\$ 114,402

(1) Fair values are preliminary and are subject to refinement for a period not to exceed one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

In fourth quarter 2015, within the one year measurement period, United received additional information regarding the fair values of loans, premises and equipment, other real estate owned (“OREO”), which is included in other assets in the table above, and certain other assets. As a result, the provisional values assigned to the acquired loans, premises and equipment, other real estate owned and other assets have been adjusted by an increase of \$535,000, a decrease of \$5.54 million, a decrease of \$1.57 million and a decrease of \$3.75 million, respectively. The tax effect of these adjustments was reflected as an increase to the deferred tax asset of \$3.48 million, with the net amount reflected as an increase to goodwill.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****(3) Mergers and Acquisitions, continued**

The following table presents additional information related to the acquired loan portfolio at acquisition date (*in thousands*):

	September 1, 2015
Accounted for pursuant to ASC 310-30:	
Contractually required principal and interest	\$ 63,623
Non-accretable difference	13,397
Cash flows expected to be collected	50,226
Accretable yield	4,306
Fair value	\$ 45,920
Excluded from ASC 310-30:	
Fair value	\$ 750,639
Gross contractual amounts receivable	859,628
Estimate of contractual cash flows not expected to be collected	7,733

Acquisition of MoneyTree Corporation

On May 1, 2015, United completed the acquisition of MoneyTree Corporation (“MoneyTree”) and its wholly-owned bank subsidiary, First National Bank (“FNB”). FNB operated ten branches in east Tennessee. In connection with the acquisition, United acquired \$459 million of assets and assumed \$410 million of liabilities and \$9.99 million of preferred stock. Total consideration transferred was \$54.6 million of common equity and cash. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$14.7 million, representing the intangible value of FNB’s business and reputation within the market it serves. None of the goodwill recognized is expected to be deductible for income tax purposes. United will amortize the related core deposit intangible of \$4.22 million using the sum-of-the-years-digits method over 6.67 years, which represents the expected useful life of the asset. The deposit premium of \$917,000 will be amortized using the effective yield method over 5 years, which represents the weighted average maturity of the underlying deposits.

The fair value of the 2.36 million common shares issued as part of the consideration paid for MoneyTree was determined on the basis of the closing market price of United's common shares on the acquisition date.

Upon completion of the acquisition, each share of preferred stock issued by MoneyTree as part of the Small Business Lending Fund ("SBLF") program of the U.S. Department of the Treasury (9,992 shares in the aggregate with a liquidation preference amount of \$1,000 per share) was converted automatically into one substantially identical share of preferred stock of the Company. See Note 21 for further information on preferred stock.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) Mergers and Acquisitions, continued

United's operating results for the year ended December 31, 2015 include the operating results of the acquired assets and assumed liabilities for the period subsequent to the acquisition date of May 1, 2015. The purchased assets and assumed liabilities were recorded at their acquisition date fair values, and are summarized in the table below (*in thousands*).

	As Recorded by MoneyTree	Fair Value <u>Adjustments</u> <u>(1)</u>	As Recorded by United
Assets			
Cash and cash equivalents	\$ 55,293	\$ -	\$ 55,293
Securities	127,123	(52)) 127,071
Loans held for sale	1,342	-	1,342
Loans, net	246,816	(2,464)) 244,352
Premises and equipment, net	9,497	1,362	10,859
Bank owned life insurance	11,194	-	11,194
Core deposit intangible	-	4,220	4,220
Other assets	5,462	(399)) 5,063
Total assets acquired	\$ 456,727	\$ 2,667	\$ 459,394
Liabilities			
Deposits	\$ 368,833	\$ 917	\$ 369,750
Short-term borrowings	15,000	-	15,000
Federal Home Loan Bank advances	22,000	70	22,070
Other liabilities	864	1,828	2,692
Total liabilities assumed	406,697	2,815	409,512
SBLF preferred stock assumed	9,992	-	9,992
Excess of assets acquired over liabilities and preferred stock assumed	\$ 40,038		
Aggregate fair value adjustments		\$ (148))
Consideration transferred			
Cash			10,699
Common stock issued (2,358,503 shares)			43,892
Total fair value of consideration transferred			54,591
Goodwill			\$ 14,701

(1) Fair values are preliminary and are subject to refinement for a period not to exceed one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

Since the acquisition date, within the one year measurement period, United received additional information regarding the fair value of premises and equipment. As a result, the provisional value assigned to the acquired premises and equipment has been reduced by \$2.40 million, partially offset by acquisition-related adjustments to deferred tax assets. The net of these adjustments was reflected as an increase in goodwill.

The following table presents additional information related to the acquired loan portfolio at acquisition date (*in thousands*):

	May 1, 2015
Accounted for pursuant to ASC 310-30:	
Contractually required principal and interest	\$ 15,152
Non-accretable difference	3,677
Cash flows expected to be collected	11,475
Accretable yield	1,029
Fair value	\$ 10,446
Excluded from ASC 310-30:	
Fair value	\$ 233,906
Gross contractual amounts receivable	258,931
Estimate of contractual cash flows not expected to be collected	1,231

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) Mergers and Acquisitions, continued

Pro forma information

The following table discloses the impact of the merger with Palmetto and MoneyTree since the respective acquisition dates through December 31, 2015. The table also presents certain pro forma information as if Palmetto and MoneyTree had been acquired on January 1, 2014. These results combine the historical results of Palmetto and MoneyTree with United's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not necessarily indicative of what would have occurred had the acquisition taken place on January 1, 2014.

Merger-related costs of \$12.0 million from the acquisitions have been excluded from the 2015 pro forma information presented below and included in the 2014 pro forma information presented below. Furthermore, no adjustments have been made to the pro forma information to eliminate the pre-acquisition provision for loan losses for 2015 or 2014 of Palmetto or MoneyTree. No adjustments have been made to reduce the impact of any OREO write downs recognized by Palmetto or MoneyTree in 2015 or 2014. In addition, expenses related to systems conversions and other costs of integration are expected to be recorded during the next several quarters. United expects to achieve further operating cost savings and other business synergies as a result of the acquisition which are not reflected in the pro forma amounts below. The actual results and pro forma information were as follows (*in thousands*):

	Revenue	Net Income
Actual MoneyTree from May 1, 2015 - December 31, 2015	\$ 8,373	\$ 3,806
Actual Palmetto from September 1, 2015 - December 31, 2015	17,887	7,010
2015 supplemental consolidated pro forma from January 1, 2015 - December 31,	367,349	85,182

2015		
2014 supplemental consolidated pro forma from January 1, 2014 - December 31, 2014	342,211	72,438

Acquisition of Business Carolina, Inc.

On June 26, 2014, United completed the acquisition of substantially all of the assets of Business Carolina, Inc., a specialty SBA / 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 did not identify any material separately identifiable intangible assets resulting from the acquisition.

(4)

Cash Flows

During 2015, 2014 and 2013, loans having a value of \$4.93 million, \$9.09 million and \$22.5 million, respectively, were transferred to foreclosed property.

United accounts for securities transactions on the trade date. There were no unsettled securities transactions at December 31, 2015. At December 31, 2014, United had purchased \$5.43 million in securities that had not settled. At December 31, 2013, United had sold \$4.60 million in securities and purchased \$29.6 million in securities that had not settled.

United also accounts for sales and purchases of government guaranteed loans on the trade date. At December 31, 2015, United had unsettled sales of government guaranteed loans of \$18.5 million. At December 31, 2015, United had unsettled purchases of government guaranteed loans of \$18.3 million. There were no unsettled government guaranteed loan transactions at December 31, 2014 or 2013.

During 2015, United acquired, through business combinations, assets with a fair value totaling \$1.74 billion and liabilities with a fair value totaling \$1.43 billion, for net assets acquired of \$309 million. Common and preferred stock issued pursuant to these business combinations in 2015 totaled \$214 million and \$9.99 million, respectively. During 2014, United acquired, through business combinations, assets with a fair value totaling \$31.3 million. United was not involved in any business combinations in 2013.