

UNITED COMMUNITY BANKS INC
Form 10-K
February 27, 2017

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, 2016

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)

58-1807304

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

125 Highway 515 East, Blairsville, Georgia

(Address of principal executive offices)

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: \$1,261,158,381 (based on shares held by non-affiliates at \$18.29 per share, the closing stock price on the Nasdaq stock market on June 30, 2016).

As of January 31, 2017, 70,960,282 shares of common stock were issued and outstanding. Also outstanding were presently exercisable options to acquire 70,607 shares, presently exercisable warrants to acquire 219,909 shares and 544,445 shares issuable under United Community Banks, Inc.'s deferred compensation plan.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2017 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, 2016, operated at 139 locations throughout the Atlanta-Sandy Springs-Roswell, Georgia, and Gainesville, Georgia metropolitan statistical areas, upstate and coastal South Carolina, north and coastal Georgia, western North Carolina, and east Tennessee. Also, United has a commercial loan office in Charlotte, North 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, senior living 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 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 2016, the Bank originated \$718 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 \$543 million in loans at December 31, 2016.

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 impact of lower federal income tax rates on the carrying amount of our deferred tax asset;
- 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 (the “Dodd-Frank Act”);

· 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 (the "FDIC").

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 and coastal 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 tables on the following pages display the respective percentage of total bank and thrift deposits for the last five years in each county where the Bank has deposit operations. The tables also indicate the Bank's ranking by deposit size in each county. All information in the tables was obtained from the FDIC 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 | | | | |
|--------------------------|--------------|------|------|------|------|----------------|------|------|------|------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Atlanta, Georgia MSA | | | | | | | | | | |
| Bartow | 8 % | 9 % | 11 % | 11 % | 9 % | 5 | 5 | 3 | 3 | 4 |
| Carroll | 11 | 10 | 7 | 7 | 6 | 4 | 4 | 5 | 5 | 6 |
| Cherokee | 5 | 4 | 5 | 4 | 5 | 9 | 9 | 9 | 9 | 9 |
| Cobb | 2 | 2 | 3 | 3 | 3 | 13 | 13 | 12 | 11 | 10 |
| Coweta | 3 | 2 | 2 | 2 | 2 | 10 | 10 | 10 | 11 | 10 |
| Dawson | 36 | 33 | 34 | 36 | 36 | 1 | 1 | 1 | 1 | 1 |
| DeKalb | 1 | 1 | 1 | 1 | 1 | 16 | 16 | 16 | 18 | 18 |
| Douglas | 1 | 1 | 2 | 2 | 2 | 11 | 11 | 11 | 12 | 12 |
| Fayette | 8 | 7 | 7 | 7 | 7 | 6 | 7 | 6 | 5 | 6 |
| Forsyth | 6 | 7 | 8 | 7 | 6 | 8 | 5 | 4 | 6 | 7 |
| Fulton | 1 | 1 | 1 | 1 | 1 | 20 | 21 | 21 | 20 | 20 |
| Gwinnett | 3 | 3 | 3 | 3 | 3 | 7 | 7 | 7 | 7 | 8 |
| Henry | 7 | 7 | 7 | 6 | 5 | 6 | 6 | 6 | 6 | 7 |
| Newton | 3 | 3 | 3 | 3 | 3 | 7 | 8 | 8 | 8 | 8 |
| Paulding | 4 | 4 | 4 | 4 | 5 | 9 | 9 | 9 | 9 | 6 |
| Pickens | 6 | 7 | 7 | 6 | 4 | 5 | 5 | 4 | 5 | 6 |
| Rockdale | 9 | 9 | 9 | 12 | 12 | 5 | 5 | 6 | 4 | 4 |
| Walton | 2 | 2 | 1 | 2 | 1 | 10 | 10 | 10 | 10 | 10 |
| Gainesville, Georgia MSA | | | | | | | | | | |
| Hall | 11 | 12 | 12 | 12 | 12 | 4 | 4 | 4 | 4 | 5 |
| North Georgia | | | | | | | | | | |
| Chattooga | 42 | 43 | 44 | 43 | 40 | 1 | 1 | 1 | 1 | 1 |
| Fannin | 56 | 57 | 55 | 50 | 49 | 1 | 1 | 1 | 1 | 1 |
| Floyd | 16 | 15 | 15 | 15 | 16 | 3 | 3 | 3 | 4 | 2 |
| Gilmer | 35 | 27 | 27 | 26 | 25 | 1 | 2 | 2 | 2 | 2 |
| Habersham | 22 | 22 | 22 | 23 | 22 | 2 | 2 | 2 | 2 | 2 |
| Jackson | 8 | 8 | 8 | 7 | 6 | 5 | 5 | 6 | 7 | 6 |
| Lumpkin | 30 | 30 | 29 | 29 | 29 | 1 | 1 | 2 | 2 | 2 |
| Rabun | 17 | 16 | 15 | 14 | 13 | 3 | 3 | 3 | 3 | 3 |
| Towns | 54 | 50 | 53 | 50 | 48 | 1 | 1 | 1 | 1 | 2 |
| Union | 84 | 87 | 84 | 84 | 83 | 1 | 1 | 1 | 1 | 1 |
| White | 48 | 47 | 47 | 48 | 44 | 1 | 1 | 1 | 1 | 1 |

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

| | Market Share | | | | | Rank in Market | | | | |
|-----------------|--------------|------|------|------|------|----------------|------|------|------|------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Tennessee | | | | | | | | | | |
| Blount | 1 | 2 | 1 | 1 | 1 | 12 | 12 | 14 | 12 | 11 |
| Bradley | 5 | 7 | 5 | 5 | 5 | 8 | 7 | 8 | 7 | 7 |
| Knox | 1 | 1 | 1 | 1 | 1 | 15 | 11 | 27 | 30 | 26 |
| Loudon | 49 | 51 | 15 | 15 | 13 | 1 | 1 | 3 | 3 | 3 |
| McMinn | | - | - | - | 3 | | - | - | - | 9 |
| Monroe | 2 | 3 | 3 | 3 | 4 | 7 | 7 | 8 | 8 | 7 |
| Roane | 9 | 9 | 9 | 9 | 8 | 5 | 6 | 6 | 5 | 6 |
| Coastal Georgia | | | | | | | | | | |
| Chatham | 2 | 2 | 2 | 2 | 1 | 9 | 9 | 9 | 9 | 10 |
| Glynn | 10 | 7 | 14 | 12 | 12 | 4 | 7 | 2 | 2 | 3 |
| Ware | 4 | 3 | 4 | 3 | 3 | 8 | 9 | 9 | 9 | 9 |
| North Carolina | | | | | | | | | | |
| Avery | 14 | 15 | 15 | 16 | 16 | 3 | 3 | 4 | 4 | 2 |
| Cherokee | 37 | 36 | 35 | 35 | 35 | 1 | 1 | 1 | 1 | 1 |
| Clay | 45 | 44 | 44 | 44 | 45 | 1 | 1 | 1 | 1 | 1 |
| Graham | 74 | 74 | 75 | 71 | 71 | 1 | 1 | 1 | 1 | 1 |
| Haywood | 10 | 11 | 10 | 11 | 10 | 6 | 6 | 6 | 6 | 5 |
| Henderson | 5 | 4 | 3 | 3 | 3 | 9 | 9 | 10 | 10 | 11 |
| Jackson | 30 | 31 | 30 | 28 | 25 | 1 | 1 | 1 | 1 | 1 |
| Macon | 5 | 4 | 6 | 7 | 8 | 5 | 6 | 6 | 5 | 5 |
| Mitchell | 42 | 41 | 36 | 34 | 36 | 1 | 1 | 1 | 1 | 1 |
| Swain | 17 | 15 | 15 | 17 | 21 | 2 | 2 | 2 | 2 | 2 |
| Transylvania | 17 | 17 | 16 | 14 | 15 | 3 | 3 | 3 | 3 | 3 |
| Watauga | 2 | 2 | 2 | 2 | 2 | 11 | 11 | 11 | 11 | 12 |
| Yancey | 19 | 19 | 19 | 20 | 18 | 2 | 2 | 3 | 2 | 2 |
| South Carolina | | | | | | | | | | |
| Abbeville | 10 | 10 | - | - | - | 5 | 5 | - | - | - |
| Anderson | 4 | 4 | - | - | - | 10 | 10 | - | - | - |
| Beaufort | 2 | - | - | - | - | 16 | - | - | - | - |
| Charleston | 2 | - | - | - | - | 13 | - | - | - | - |
| Cherokee | 10 | 11 | - | - | - | 5 | 5 | - | - | - |
| Dorchester | 4 | - | - | - | - | 9 | - | - | - | - |
| Greenville | 4 | 4 | 1 | - | - | 9 | 9 | 27 | - | - |
| Greenwood | 11 | 11 | - | - | - | 4 | 5 | - | - | - |
| Horry | 2 | - | - | - | - | 15 | - | - | - | - |
| Laurens | 34 | 35 | - | - | - | 1 | 1 | - | - | - |
| Oconee | 1 | 2 | - | - | - | 11 | 11 | - | - | - |
| Pickens | 1 | 1 | - | - | - | 13 | 12 | - | - | - |
| Spartanburg | 3 | 3 | - | - | - | 10 | 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 | 23.8 | % 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 | 18.5 | % 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 | 15.5 | % 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 | 9.2 | % Effect of rising interest rates; changes in market demand for property; deterioration of operating fundamentals; market's loosening of credit underwriting standards and structures; and fluctuations in both the debt and equity markets. |
| Residential mortgage | 12.4 | % 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 | 9.5 | % 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 | 2.7 | % Inadequate long-term financing arrangements; inventory levels; cost overruns, changes in market demand for property; rising interest rates. |
| | 1.8 | % |

| | | | |
|----------------------|-----|---|---|
| Consumer installment | | | Consumer sentiment; elevated unemployment and underemployment in many of our local markets; household income stagnation; and increases in consumer prices. |
| Indirect Auto | 6.6 | % | 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, 2016, the Bank's secured legal lending limit was \$268 million; however, the Board of Directors has established an internal lending guideline of \$28 million and an individual real estate project guideline of \$17 million.

Commercial Lending

United utilizes its Regional Credit Managers and Senior Credit Officers 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. For commercial loans less than \$250,000, United utilizes a centralized small business lending/underwriting department.

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 decisioned 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 significant 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 criticized 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 have minimal risk of loss other than fraud-related losses. 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. 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 estimated 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, 2016, United and its subsidiaries had 1,916 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's 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 practice.

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 2017. In 2016, 2015 and 2014, the Bank paid a cash dividend of \$41.5 million, \$77.5 million and \$129 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 2016, 2015 and 2014 of 30 cents, 22 cents and 11 cents, respectively.

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, 2016, 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, 2016, 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.

FDIC Insurance Assessments. The Bank’s deposits are insured by the FDIC through the Deposit Insurance Fund and therefore the Bank is subject to deposit insurance assessments as determined by the FDIC. The FDIC imposes a risk-based deposit premium assessment system, which was amended pursuant to the Federal Deposit Insurance Reform Act of 2005 and further amended by the Dodd-Frank Act. Under the risk-based deposit premium assessment system, the assessment rates for an insured depository institution are calculated based on a number of factors to measure the risk each institution poses to the Deposit Insurance Fund. The assessment rate is applied to total average assets less tangible equity. Under the current system, premiums are assessed quarterly and could increase if, for example, criticized loans and/or other higher risk assets increase or balance sheet liquidity decreases.

Effective July 2016, the FDIC published final rules to increase the Deposit Insurance Fund to the statutorily required minimum level of 1.35% by imposing on financial institutions with at least \$10 billion in assets a surcharge of 4.5 cents per \$100 of their assessment base (after making certain adjustments), to be assessed over a period of eight quarters. As of December 31, 2016, United's total assets exceeded \$10 billion and, accordingly, the Bank will be subject to this surcharge. If this surcharge is insufficient to increase the Deposit Insurance Fund reserve ratio to 1.35 percent by December 31, 2018, a one-time shortfall assessment will be imposed on financial institutions with total consolidated assets of \$10 billion or more on March 31, 2019.

In addition to ordinary assessments described above, the FDIC has the ability to impose special assessments in certain instances. The FDIC may also terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

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 total consolidated assets between \$10 billion and \$50 billion. Under these requirements, an applicable financial institution must conduct and publish annual stress tests that consider such 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. United must comply with these stress test requirements beginning with its formal filing in July 2018, and is currently preparing for such compliance.

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, 2016 were \$10.7 billion, which is above the Durbin Amendment’s \$10 billion threshold. United is required to comply with the interchange fee restrictions and other requirements contained in the Durbin Amendment by July 1, 2017, and is currently preparing for compliance with the Durbin Amendment by such date.

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. 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. 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, 2017, are as follows:

| Name (age) | Position with United and Employment History | Officer of United Since |
|-----------------------|---|-------------------------|
| Jimmy C. Tallent (64) | Chairman and Chief Executive Officer (2015 - present); President, Chief Executive Officer and Director (1988 - 2015) | 1988 |
| H. Lynn Harton (55) | 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) | 2012 |
| | Executive Vice President and Chief Financial Officer (2001 - present) | 2001 |

Rex S.
Schuette (67)

Bill M. Gilbert (64) President, Community Banking (2015-present); Director of Banking (2013 - 2015); Regional President of North Georgia and Coastal Georgia (2011 - 2000 2013)

Bradley J. Miller (46) Executive Vice President, Chief Risk Officer and General Counsel (2015 - present); Senior Vice President and General Counsel (2007 - 2015) 2007

Robert A. Edwards (52) Executive Vice President and Chief Credit Officer (2015 - present); prior to joining United was Senior Vice President and Executive Credit Officer of 2015 Toronto-Dominion Bank (2010 - 2015)

Richard W. Bradshaw (55) President, Specialized Lending (2014 - present); prior to joining United was Senior Vice President, Head of United States SBA Programs of 2014 Toronto-Dominion Bank (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 asset 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 76% 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 commercial purpose construction and development loans is subject to unique risks that could adversely affect our results of operations and financial condition.

Our commercial purpose construction and development loan portfolio was \$634 million at December 31, 2016, comprising 9.2% of total loans. Commercial purpose construction and development loans are often riskier than other loans because of the lack of ongoing income supporting the asset being financed. Consequently, economic downturns adversely affect the ability of real estate developer borrowers' ability to repay these loans and the value of property used as collateral for such loans in a more dramatic fashion. 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 \$2.93 billion at December 31, 2016, comprising 42% 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, 2016, we recorded a release of provision

for credit losses of \$800,000 compared to provision expense of \$3.70 million and \$8.50 million for the years ended December 31, 2015 and 2014, 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 could reduce our non-interest income.

We earn interchange fees on certain debit card transactions, including approximately \$20.8 million in fees during 2016. The Durbin Amendment to the Dodd-Frank Act has limited the amount of interchange fees that may be charged for these transactions. Because our total consolidated assets exceeded \$10 billion at December 31, 2016, the Durbin Amendment will be applicable to United in July 2017. Complying with the Durbin Amendment will reduce United's non-interest income from interchange fees.

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 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 asset values and 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 the 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 \$154 million as of December 31, 2016, which includes approximately \$108 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, 2016, we had \$655 million of home equity line of credit loans, which represented 9.5% 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 163 locations, of which 130 are owned and 33 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 2016.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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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, 2016 was \$29.62. Below is a schedule of high, low and closing stock prices and average daily volume for all quarters in 2016 and 2015.

| | 2016 | | | | 2015 | | | |
|----------------|---------|---------|---------|------------------|---------|---------|---------|------------------|
| | High | Low | Close | Avg Daily Volume | High | Low | Close | Avg Daily Volume |
| First quarter | \$19.27 | \$15.74 | \$18.47 | 440,759 | \$19.53 | \$16.48 | \$18.88 | 234,966 |
| Second quarter | 20.60 | 17.07 | 18.29 | 771,334 | 21.23 | 17.91 | 20.87 | 328,887 |
| Third quarter | 21.13 | 17.42 | 21.02 | 379,492 | 22.23 | 18.58 | 20.44 | 319,884 |
| Fourth quarter | 30.22 | 20.26 | 29.62 | 532,944 | 22.23 | 18.61 | 19.49 | 376,214 |

At January 31, 2017, there were 7,484 record shareholders and approximately 15,062 beneficial shareholders of United's common stock.

Dividends. United declared cash dividends of \$.30 and \$.22 per share on its common stock in 2016 and 2015, 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 20 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. On March 22, 2016, United announced that its Board of Directors had authorized a program to repurchase up to \$50 million of United's outstanding common stock through December 31, 2017. Under the program, the shares may be repurchased periodically in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws. The actual timing, number and value of shares repurchased under the program depends on a number of factors, including the market price of United's common stock, general market and economic conditions, and applicable legal requirements. As of December 31,

2016, the remaining authorization was \$36.3 million.

The following table contains information for shares repurchased during the fourth quarter of 2016.

| (Dollars in thousands, except for per share amounts) | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|--|----------------------------------|------------------------------|--|--|
| October 1, 2016 - October 31, 2016 | - | \$ - | - | \$ 36,342 |
| November 1, 2016 - November 30, 2016 | - | - | - | 36,342 |
| December 1, 2016 - December 31, 2016 | - | - | - | 36,342 |
| Total | - | \$ - | - | \$ 36,342 |

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 2016 and 2015, 57,628 and 74,275 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 2016 or 2015.

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, 2011 and ending on December 31, 2016.

| | Cumulative Total Return * | | | | | |
|----------------------------------|---------------------------|-------|-------|-------|-------|-------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| United Community Banks, Inc. | \$100 | \$135 | \$254 | \$273 | \$284 | \$437 |
| Nasdaq Stock Market (U.S.) Index | 100 | 116 | 160 | 182 | 192 | 207 |
| Nasdaq Bank Index | 100 | 116 | 161 | 165 | 176 | 238 |

* Assumes \$100 invested on December 31, 2011 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) | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|------------------|-----------------|-----------------|------------------|-----------------|
| INCOME SUMMARY | | | | | |
| Interest revenue | \$335,020 | \$278,532 | \$248,432 | \$245,840 | \$265,977 |
| Interest expense | 25,236 | 21,109 | 25,551 | 27,682 | 37,909 |
| Net interest revenue | 309,784 | 257,423 | 222,881 | 218,158 | 228,068 |
| Provision for credit losses | (800) | 3,700 | 8,500 | 65,500 | 62,500 |
| Fee revenue | 93,697 | 72,529 | 55,554 | 56,598 | 56,112 |
| Total revenue | 404,281 | 326,252 | 269,935 | 209,256 | 221,680 |
| Expenses | 241,289 | 211,238 | 162,865 | 174,304 | 186,774 |
| Income before income tax expense | 162,992 | 115,014 | 107,070 | 34,952 | 34,906 |
| Income tax expense (benefit) | 62,336 | 43,436 | 39,450 | (238,188) | 1,050 |
| Net income | 100,656 | 71,578 | 67,620 | 273,140 | 33,856 |
| Preferred dividends | 21 | 67 | 439 | 12,078 | 12,148 |
| Net income available to common shareholders - GAAP | \$100,635 | \$71,511 | \$67,181 | \$261,062 | \$21,708 |
| Merger-related and other charges | 8,122 | 17,995 | - | - | - |
| Income tax benefit of merger-related and other charges | (3,074) | (6,388) | - | - | - |
| Impairment of deferred tax asset on cancelled non-qualified stock options | 976 | - | - | - | - |
| Net income available to common shareholders - operating ⁽¹⁾ | \$106,659 | \$83,118 | \$67,181 | \$261,062 | \$21,708 |
| PERFORMANCE MEASURES | | | | | |
| Per common share: | | | | | |
| Diluted net income - GAAP | \$1.40 | \$1.09 | \$1.11 | \$4.44 | \$.38 |
| Diluted net income - operating ⁽¹⁾ | 1.48 | 1.27 | 1.11 | 4.44 | .38 |
| Cash dividends declared | .30 | .22 | .11 | - | - |
| Book value | 15.06 | 14.02 | 12.20 | 11.30 | 6.67 |
| Tangible book value ⁽³⁾ | 12.95 | 12.06 | 12.15 | 11.26 | 6.57 |
| Key performance ratios: | | | | | |
| Return on common equity - GAAP ⁽²⁾ | 9.41 | % 8.15 | % 9.17 | % 46.72 | % 5.43 |
| Return on common equity - operating ⁽¹⁾⁽²⁾ | 9.98 | 9.48 | 9.17 | 46.72 | 5.43 |
| Return on tangible common equity - operating ⁽¹⁾⁽²⁾⁽³⁾ | 11.86 | 10.24 | 9.32 | 47.35 | 6.27 |
| Return on assets - GAAP | 1.00 | .85 | .91 | 3.86 | .49 |
| Return on assets - operating ⁽¹⁾ | 1.06 | .98 | .91 | 3.86 | .49 |
| Dividend payout ratio - GAAP | 21.43 | 20.18 | 9.91 | - | - |

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| | | | | | |
|---|----------|----------|----------|----------|-----------|
| Dividend payout ratio - operating ⁽¹⁾ | 20.27 | 17.32 | 9.91 | - | - |
| Net interest margin (fully taxable equivalent) | 3.36 | 3.30 | 3.26 | 3.30 | 3.51 |
| Efficiency ratio - GAAP | 59.80 | 63.96 | 58.26 | 63.14 | 65.43 |
| Efficiency ratio - operating ⁽¹⁾ | 57.78 | 58.51 | 58.26 | 63.14 | 65.43 |
| Average equity to average assets | 10.54 | 10.27 | 9.69 | 10.35 | 8.47 |
| Average tangible equity to average assets ⁽³⁾ | 9.21 | 9.74 | 9.67 | 10.31 | 8.38 |
| Average tangible common equity to average assets ⁽³⁾ | 9.19 | 9.66 | 9.60 | 7.55 | 5.54 |
| Tangible common equity to risk-weighted assets ⁽³⁾ | 11.84 | 12.82 | 13.82 | 13.17 | 8.26 |
| ASSET QUALITY | | | | | |
| Nonperforming loans | \$21,539 | \$22,653 | \$17,881 | \$26,819 | \$109,894 |
| Foreclosed properties | 7,949 | 4,883 | 1,726 | 4,221 | 18,264 |
| Total nonperforming assets (NPAs) | 29,488 | 27,536 | 19,607 | 31,040 | 128,158 |
| Allowance for loan losses | 61,422 | 68,448 | 71,619 | 76,762 | 107,137 |
| Net charge-offs | 6,766 | 6,259 | 13,879 | 93,710 | 69,831 |
| Allowance for loan losses to loans | .89 | % 1.14 | % 1.53 | % 1.77 | % 2.57 |
| Net charge-offs to average loans | .11 | .12 | .31 | 2.22 | 1.69 |
| NPAs to loans and foreclosed properties | .43 | .46 | .42 | .72 | 3.06 |
| NPAs to total assets | .28 | .29 | .26 | .42 | 1.88 |
| AVERAGE BALANCES (\$ in millions) | | | | | |
| Loans | \$6,413 | \$5,298 | \$4,450 | \$4,254 | \$4,166 |
| Investment securities | 2,691 | 2,368 | 2,274 | 2,190 | 2,089 |
| Earning assets | 9,257 | 7,834 | 6,880 | 6,649 | 6,547 |
| Total assets | 10,054 | 8,462 | 7,436 | 7,074 | 6,865 |
| Deposits | 8,177 | 7,055 | 6,228 | 6,027 | 5,885 |
| Shareholders' equity | 1,059 | 869 | 720 | 732 | 582 |
| Common shares - basic (thousands) | 71,910 | 65,488 | 60,588 | 58,787 | 57,857 |
| Common shares - diluted (thousands) | 71,915 | 65,492 | 60,590 | 58,845 | 57,857 |
| AT PERIOD END (\$ in millions) | | | | | |
| Loans | \$6,921 | \$5,995 | \$4,672 | \$4,329 | \$4,175 |
| Investment securities | 2,762 | 2,656 | 2,198 | 2,312 | 2,079 |
| Total assets | 10,709 | 9,616 | 7,558 | 7,424 | 6,801 |
| Deposits | 8,638 | 7,873 | 6,335 | 6,202 | 5,952 |
| Shareholders' equity | 1,076 | 1,018 | 740 | 796 | 581 |
| Common shares outstanding (thousands) | 70,899 | 71,484 | 60,259 | 59,432 | 57,741 |

⁽¹⁾ Excludes merger-related charges, a 2016 deferred tax asset impairment charge related to cancelled non-qualified stock options and 2015 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.

UNITED COMMUNITY BANKS, INC.

Item 6. Selected Financial Data, continued

| | 2016 | | | | 2015 | | | |
|---|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| (in thousands, except per share data) | Fourth Quarter | Third Quarter | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | First Quarter |
| INCOME SUMMARY | | | | | | | | |
| Interest revenue | \$87,778 | \$85,439 | \$81,082 | \$80,721 | \$79,362 | \$70,828 | \$65,808 | \$62,117 |
| Interest expense | 6,853 | 6,450 | 6,164 | 5,769 | 5,598 | 5,402 | 4,817 | 5,500 |
| Net interest revenue | 80,925 | 78,989 | 74,918 | 74,952 | 73,764 | 65,426 | 60,991 | 57,617 |
| Provision for credit losses | - | (300) | (300) | (200) | 300 | 700 | 900 | 1,300 |
| Fee revenue | 25,233 | 26,361 | 23,497 | 18,606 | 21,284 | 18,297 | 17,266 | 15,500 |
| Total revenue | 106,158 | 105,650 | 98,715 | 93,758 | 94,748 | 83,023 | 77,357 | 71,117 |
| Expenses | 61,321 | 64,023 | 58,060 | 57,885 | 65,488 | 54,269 | 48,420 | 43,300 |
| Income before income tax expense | 44,837 | 41,627 | 40,655 | 35,873 | 29,260 | 28,754 | 28,937 | 28,817 |
| Income tax expense | 17,616 | 15,753 | 15,389 | 13,578 | 11,052 | 10,867 | 11,124 | 10,300 |
| Net income | 27,221 | 25,874 | 25,266 | 22,295 | 18,208 | 17,887 | 17,813 | 17,517 |
| Preferred dividends | - | - | - | 21 | 25 | 25 | 17 | - |
| Net income available to common shareholders – GAAP | \$27,221 | \$25,874 | \$25,266 | \$22,274 | \$18,183 | \$17,862 | \$17,796 | \$17,517 |
| Merger-related and other charges | 1,141 | 3,152 | 1,176 | 2,653 | 9,078 | 5,744 | 3,173 | - |
| Income tax benefit of merger-related and other charges | (432) | (1,193) | (445) | (1,004) | (3,486) | (1,905) | (997) | - |
| Impairment of deferred tax asset on cancelled non-qualified stock options | 976 | - | - | - | - | - | - | - |
| Net income available to common shareholders - operating ⁽¹⁾ | \$28,906 | \$27,833 | \$25,997 | \$23,923 | \$23,775 | \$21,701 | \$19,972 | \$17,517 |
| PERFORMANCE MEASURES | | | | | | | | |
| Per common share: | | | | | | | | |
| Diluted net income - GAAP | \$.38 | \$.36 | \$.35 | \$.31 | \$.25 | \$.27 | \$.28 | \$.29 |
| Diluted net income - operating ⁽¹⁾ | .40 | .39 | .36 | .33 | .33 | .33 | .32 | .29 |
| Cash dividends declared | .08 | .08 | .07 | .07 | .06 | .06 | .05 | .05 |
| Book value | 15.06 | 15.12 | 14.80 | 14.35 | 14.02 | 13.95 | 12.95 | 12.95 |
| Tangible book value ⁽³⁾ | 12.95 | 13.00 | 12.84 | 12.40 | 12.06 | 12.08 | 12.66 | 12.66 |
| Key performance ratios: | | | | | | | | |
| Return on common equity - GAAP ⁽²⁾⁽⁴⁾ | 9.89 % | 9.61 % | 9.54 % | 8.57 % | 7.02 % | 7.85 % | 8.83 % | 9.89 % |
| Return on common equity - operating ⁽¹⁾⁽²⁾⁽⁴⁾ | 10.51 | 10.34 | 9.81 | 9.20 | 9.18 | 9.54 | 9.90 | 9.89 |

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| | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|------|
| Return on tangible common equity - operating ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ | 12.47 | 12.45 | 11.56 | 10.91 | 10.87 | 10.29 | 10.20 | 9.9 |
| Return on assets - GAAP ⁽⁴⁾ | 1.03 | 1.00 | 1.04 | .93 | .76 | .82 | .89 | .9 |
| Return on assets - operating ⁽¹⁾⁽⁴⁾ | 1.10 | 1.08 | 1.07 | 1.00 | .99 | 1.00 | 1.00 | .9 |
| Dividend payout ratio - GAAP | 21.05 | 22.22 | 20.00 | 22.58 | 24.00 | 22.22 | 17.86 | 17 |
| Dividend payout ratio - operating ⁽¹⁾ | 20.00 | 20.51 | 19.44 | 21.21 | 18.18 | 18.18 | 15.63 | 17 |
| Net interest margin (fully taxable equivalent) ⁽⁴⁾ | 3.34 | 3.34 | 3.35 | 3.41 | 3.34 | 3.26 | 3.30 | 3.3 |
| Efficiency ratio - GAAP | 57.65 | 60.78 | 59.02 | 61.94 | 68.97 | 64.65 | 61.63 | 59 |
| Efficiency ratio - operating ⁽¹⁾ | 56.58 | 57.79 | 57.82 | 59.10 | 59.41 | 57.81 | 57.59 | 59 |
| Average equity to average assets | 10.35 | 10.38 | 10.72 | 10.72 | 10.68 | 10.39 | 10.05 | 9.9 |
| Average tangible equity to average assets ⁽³⁾ | 9.04 | 8.98 | 9.43 | 9.41 | 9.40 | 9.88 | 9.91 | 9.9 |
| Average tangible common equity to average assets ⁽³⁾ | 9.04 | 8.98 | 9.43 | 9.32 | 9.29 | 9.77 | 9.83 | 9.9 |
| Tangible common equity to risk-weighted assets ⁽³⁾ | 11.84 | 12.22 | 12.87 | 12.77 | 12.82 | 13.08 | 13.24 | 13 |
| ASSET QUALITY | | | | | | | | |
| Nonperforming loans | \$21,539 | \$21,572 | \$21,348 | \$22,419 | \$22,653 | \$20,064 | \$18,805 | \$19 |
| Foreclosed properties | 7,949 | 9,187 | 6,176 | 5,163 | 4,883 | 7,669 | 2,356 | 1, |
| Total nonperforming assets (NPAs) | 29,488 | 30,759 | 27,524 | 27,582 | 27,536 | 27,733 | 21,161 | 20 |
| Allowance for loan losses | 61,422 | 62,961 | 64,253 | 66,310 | 68,448 | 69,062 | 70,129 | 70 |
| Net charge-offs | 1,539 | 1,359 | 1,730 | 2,138 | 1,302 | 1,417 | 978 | 2, |
| Allowance for loan losses to loans | .89 % | .94 % | 1.02 % | 1.09 % | 1.14 % | 1.15 % | 1.36 % | 1.4 |
| Net charge-offs to average loans ⁽⁴⁾ | .09 | .08 | .11 | .14 | .09 | .10 | .08 | .2 |
| NPAs to loans and foreclosed properties | .43 | .46 | .44 | .45 | .46 | .46 | .41 | .4 |
| NPAs to total assets | .28 | .30 | .28 | .28 | .29 | .29 | .26 | .2 |
| AVERAGE BALANCES (\$ in millions) | | | | | | | | |
| Loans | \$6,814 | \$6,675 | \$6,151 | \$6,004 | \$5,975 | \$5,457 | \$5,017 | \$4, |
| Investment securities | 2,690 | 2,610 | 2,747 | 2,718 | 2,607 | 2,396 | 2,261 | 2, |
| Earning assets | 9,665 | 9,443 | 9,037 | 8,876 | 8,792 | 8,009 | 7,444 | 7, |
| Total assets | 10,484 | 10,281 | 9,809 | 9,634 | 9,558 | 8,634 | 8,017 | 7, |
| Deposits | 8,552 | 8,307 | 7,897 | 7,947 | 8,028 | 7,135 | 6,669 | 6, |
| Shareholders' equity | 1,085 | 1,067 | 1,051 | 1,033 | 1,021 | 897 | 806 | 75 |
| Common shares - basic (thousands) | 71,641 | 71,556 | 72,202 | 72,162 | 72,135 | 66,294 | 62,549 | 60 |
| Common shares - diluted (thousands) | 71,648 | 71,561 | 72,207 | 72,166 | 72,140 | 66,300 | 62,553 | 60 |