

UNITED COMMUNITY BANKS INC  
Form 10-Q  
November 06, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the Quarterly Period Ended September 30, 2017**

**OR**

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

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

**Commission file number 001-35095**

**UNITED COMMUNITY BANKS, INC.  
(Exact name of registrant as specified in its charter)**

**Georgia**

**58-1807304**

(State of Incorporation) (I.R.S. Employer Identification No.)

125 Highway 515 East  
Blairsville, Georgia 30512  
Address of Principal (Zip Code)  
Executive Offices

(706) 781-2265  
(Telephone Number)

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

YES  NO

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

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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

Emerging growth company

**If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "**

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

**YES " NO**

**Common stock, par value \$1 per share 73,405,731 shares outstanding as of October 31, 2017.**

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**Part I – Financial Information****UNITED COMMUNITY BANKS, INC.**  
**Consolidated Statement of Income (Unaudited)**

(in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest revenue:				
Loans, including fees	\$80,264	\$69,440	\$227,816	\$196,888
Investment securities, including tax exempt of \$671, \$134, \$1,307, and \$449	17,875	15,418	53,365	48,039
Deposits in banks and short-term investments	700	581	1,782	2,315
Total interest revenue	98,839	85,439	282,963	247,242
Interest expense:				
Deposits:				
NOW	700	452	1,932	1,381
Money market	1,953	1,347	4,938	3,661
Savings	34	43	89	102
Time	1,870	667	4,257	2,052
Total deposit interest expense	4,557	2,509	11,216	7,196
Short-term borrowings	36	98	177	278
Federal Home Loan Bank advances	1,709	1,015	4,603	2,731
Long-term debt	2,762	2,828	8,490	8,178
Total interest expense	9,064	6,450	24,486	18,383
Net interest revenue	89,775	78,989	258,477	228,859
(Release of) provision for credit losses	1,000	(300 )	2,600	(800 )
Net interest revenue after provision for credit losses	88,775	79,289	255,877	229,659
Fee revenue:				
Service charges and fees	8,220	10,819	29,525	31,460
Mortgage loan and other related fees	4,200	6,039	13,435	13,776
Brokerage fees	1,009	1,199	3,565	3,369
Gains from sales of SBA/USDA loans	2,806	2,479	7,391	6,517
Securities gains, net	188	261	190	922
Other	4,150	5,564	12,226	12,420
Total fee revenue	20,573	26,361	66,332	68,464
Total revenue	109,348	105,650	322,209	298,123
Operating expenses:				
Salaries and employee benefits	38,027	36,478	112,056	103,112

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Communications and equipment	4,547	4,919	14,443	13,602
Occupancy	4,945	5,132	14,802	14,393
Advertising and public relations	1,026	1,088	3,347	3,275
Postage, printing and supplies	1,411	1,451	4,127	4,029
Professional fees	2,976	3,160	8,391	9,049
FDIC assessments and other regulatory charges	2,127	1,412	4,758	4,453
Amortization of intangibles	1,212	1,119	3,085	3,116
Merger-related and other charges	3,176	3,152	7,060	6,981
Other	6,227	6,112	19,660	17,958
Total operating expenses	65,674	64,023	191,729	179,968
Net income before income taxes	43,674	41,627	130,480	118,155
Income tax expense	15,728	15,753	50,743	44,720
Net income	\$27,946	\$25,874	\$79,737	\$73,435
Net income available to common shareholders	\$27,719	\$25,874	\$79,078	\$73,414
Earnings per common share:				
Basic	\$.38	\$.36	\$1.10	\$1.02
Diluted	.38	.36	1.10	1.02
Weighted average common shares outstanding:				
Basic	73,151	71,556	72,060	71,992
Diluted	73,162	71,561	72,071	71,996

See accompanying notes to consolidated financial statements.

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

<i>(in thousands)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
<b><u>2017</u></b>						
Net income	\$ 43,674	\$(15,728 )	\$ 27,946	\$ 130,480	\$(50,743 )	\$ 79,737
Other comprehensive income:						
Unrealized gains on available-for-sale securities:						
Unrealized holding gains arising during period	1,016	(355 )	661	18,644	(7,036 )	11,608
Reclassification adjustment for gains included in net income	(188 )	73	(115 )	(190 )	72	(118 )
Net unrealized gains	828	(282 )	546	18,454	(6,964 )	11,490
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	278	(105 )	173	849	(319 )	530
Amortization of losses included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	150	(58 )	92	740	(288 )	452
Reclassification of disproportionate tax effect related to terminated cash flow hedges	-	-	-	-	3,400	3,400
Net cash flow hedge activity	150	(58 )	92	740	3,112	3,852
Net actuarial loss on defined benefit pension plan	-	-	-	(718 )	280	(438 )
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	200	(78 )	122	600	(235 )	365
Net defined benefit pension plan activity	200	(78 )	122	(118 )	45	(73 )
Total other comprehensive income	1,456	(523 )	933	19,925	(4,126 )	15,799
Comprehensive income	\$ 45,130	\$(16,251 )	\$ 28,879	\$ 150,405	\$(54,869 )	\$ 95,536
<b><u>2016</u></b>						
Net income	\$ 41,627	\$(15,753 )	\$ 25,874	\$ 118,155	\$(44,720 )	\$ 73,435
Other comprehensive income:						
Unrealized gains on available-for-sale securities:						
Unrealized holding gains arising during period	4,927	(1,927 )	3,000	37,990	(14,488 )	23,502
	(261 )	101	(160 )	(922 )	348	(574 )

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Reclassification adjustment for gains included in net income						
Net unrealized gains	4,666	(1,826 )	2,840	37,068	(14,140 )	22,928
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	663	(237 )	426	1,601	(596 )	1,005
Amortization of losses included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	466	(181 )	285	1,426	(555 )	871
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	167	(65 )	102	501	(195 )	306
Total other comprehensive income	5,962	(2,309 )	3,653	40,596	(15,486 )	25,110
Comprehensive income	\$ 47,589	\$ (18,062 )	\$ 29,527	\$ 158,751	\$ (60,206 )	\$ 98,545

See accompanying notes to consolidated financial statements.

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

(in thousands, except share and per share data)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
Cash and due from banks	\$ 98,396	\$ 99,489
Interest-bearing deposits in banks	148,449	117,859
Cash and cash equivalents	246,845	217,348
Securities available for sale	2,540,470	2,432,438
Securities held to maturity (fair value \$310,446 and \$333,170)	306,741	329,843
Mortgage loans held for sale (includes \$30,093 and \$27,891 at fair value)	30,292	29,878
Loans, net of unearned income	7,202,937	6,920,636
Less allowance for loan losses	(58,605 )	(61,422 )
Loans, net	7,144,332	6,859,214
Premises and equipment, net	193,915	189,938
Bank owned life insurance	167,680	143,543
Accrued interest receivable	29,573	28,018
Net deferred tax asset	128,731	154,336
Derivative financial instruments	20,972	23,688
Goodwill and other intangible assets	182,716	156,222
Other assets	136,760	144,189
<b>Total assets</b>		