

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

FORM 10-Q

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

For the Quarterly Period Ended June 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
(State of Incorporation)

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

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

30512
(Zip Code)

(706) 781-2265
(Telephone Number)

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

YES NO

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

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 70,982,727 shares outstanding as of July 31, 2017.

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Part I – Financial Information

UNITED COMMUNITY BANKS, INC.

Consolidated Statement of Income (Unaudited)

<i>(in thousands, except per share data)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest revenue:				
Loans, including fees	\$ 74,825	\$ 63,472	\$ 147,552	\$ 127,448
Investment securities, including tax exempt of \$357, \$149, \$636, and \$315	17,778	16,833	35,490	32,621
Deposits in banks and short-term investments	563	777	1,082	1,734
Total interest revenue	93,166	81,082	184,124	161,803
Interest expense:				
Deposits:				
NOW	635	444	1,232	929
Money market	1,559	1,206	2,985	2,314
Savings	28	30	55	59
Time	1,379	743	2,387	1,385
Total deposit interest expense	3,601	2,423	6,659	4,687
Short-term borrowings	101	93	141	180
Federal Home Loan Bank advances	1,464	983	2,894	1,716
Long-term debt	2,852	2,665	5,728	5,350
Total interest expense	8,018	6,164	15,422	11,933
Net interest revenue	85,148	74,918	168,702	149,870
(Release of) provision for credit losses	800	(300)	1,600	(500)
Net interest revenue after provision for credit losses	84,348	75,218	167,102	150,370
Fee revenue:				
Service charges and fees	10,701	10,515	21,305	20,641
Mortgage loan and other related fees	4,811	4,448	9,235	7,737
Brokerage fees	1,146	1,117	2,556	2,170
Gains from sales of SBA/USDA loans	2,626	2,801	4,585	4,038
Securities gains, net	4	282	2	661
Other	4,397	4,334	8,076	6,856
Total fee revenue	23,685	23,497	45,759	42,103
Total revenue	108,033	98,715	212,861	192,473
Operating expenses:				
Salaries and employee benefits	37,338	33,572	74,029	66,634
Communications and equipment	4,978	4,393	9,896	8,683
Occupancy	4,908	4,538	9,857	9,261
Advertising and public relations	1,260	1,323	2,321	2,187
Postage, printing and supplies	1,346	1,298	2,716	2,578
Professional fees	2,371	3,189	5,415	5,889
FDIC assessments and other regulatory charges	1,348	1,517	2,631	3,041
Amortization of intangibles	900	987	1,873	1,997
Merger-related and other charges	1,830	1,176	3,884	3,829
Other	6,950	6,067	13,433	11,846
Total operating expenses	63,229	58,060	126,055	115,945
Net income before income taxes	44,804	40,655	86,806	76,528
Income tax expense	16,537	15,389	35,015	28,967
Net income	28,267	25,266	51,791	47,561
Preferred stock dividends and discount accretion	-	-	-	21
Net income available to common shareholders	\$ 28,267	\$ 25,266	\$ 51,791	\$ 47,540
Earnings per common share:				
Basic	\$.39	\$.35	\$.72	\$.66
Diluted	.39	.35	.72	.66
Weighted average common shares outstanding:				
Basic	71,810	72,202	71,798	72,187
Diluted	71,820	72,207	71,809	72,191

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
2017						
Net income	\$ 44,804	\$ (16,537)	\$ 28,267	\$ 86,806	\$ (35,015)	\$ 51,791
Other comprehensive income:						
Unrealized gains on available-for-sale securities:						
Unrealized holding gains arising during period	11,120	(4,217)	6,903	17,628	(6,681)	10,947
Reclassification adjustment for gains included in net income	(4)	-	(4)	(2)	(1)	(3)
Net unrealized gains	11,116	(4,217)	6,899	17,626	(6,682)	10,944
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	261	(98)	163	571	(214)	357
Amortization of losses included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	177	(69)	108	590	(230)	360
Reclassification of disproportionate tax effect related to terminated cash flow hedges	-	-	-	-	3,400	3,400
Net cash flow hedge activity	177	(69)	108	590	3,170	3,760
Net actuarial gain (loss) on defined benefit pension plan	82	(32)	50	(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	400	(157)	243
Net defined benefit pension plan activity	282	(110)	172	(318)	123	(195)
Total other comprehensive income	11,836	(4,494)	7,342	18,469	(3,603)	14,866
Comprehensive income	\$ 56,640	\$ (21,031)	\$ 35,609	\$ 105,275	\$ (38,618)	\$ 66,657
2016						
Net income	\$ 40,655	\$ (15,389)	\$ 25,266	\$ 76,528	\$ (28,967)	\$ 47,561
Other comprehensive income:						
Unrealized gains on available-for-sale securities:						
Unrealized holding gains arising during period	21,366	(8,105)	13,261	33,063	(12,561)	20,502
Reclassification adjustment for gains included in net income	(282)	106	(176)	(661)	247	(414)
Net unrealized gains	21,084	(7,999)	13,085	32,402	(12,314)	20,088
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	473	(178)	295	938	(359)	579
Amortization of losses included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	460	(179)	281	960	(374)	586
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	167	(65)	102	334	(130)	204
Total other comprehensive income	22,184	(8,421)	13,763	34,634	(13,177)	21,457
Comprehensive income	\$ 62,839	\$ (23,810)	\$ 39,029	\$ 111,162	\$ (42,144)	\$ 69,018

See accompanying notes to consolidated financial statements.

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

<i>(in thousands, except share and per share data)</i>	June 30, 2017	December 31, 2016
ASSETS		
Cash and due from banks	\$ 103,616	\$ 99,489
Interest-bearing deposits in banks	129,570	117,859
Cash and cash equivalents	233,186	217,348
Securities available for sale	2,474,592	2,432,438
Securities held to maturity (fair value \$316,583 and \$333,170)	312,002	329,843
Mortgage loans held for sale (includes \$24,109 and \$27,891 at fair value)	25,711	29,878
Loans, net of unearned income	7,040,932	6,920,636
Less allowance for loan losses	(59,500)	(61,422)
Loans, net	6,981,432	6,859,214
Premises and equipment, net	189,614	189,938
Bank owned life insurance	155,026	143,543
Accrued interest receivable	26,938	28,018
Net deferred tax asset	119,594	154,336
Derivative financial instruments	21,640	23,688
Goodwill and other intangible assets	154,350	156,222
Other assets	143,325	144,189
Total assets	\$ 10,837,410	\$ 10,708,655
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand	\$ 2,818,668	\$ 2,637,004
NOW	1,874,850	1,989,763
Money market	1,808,736	1,846,440
Savings	581,706	549,713
Time	1,273,112	1,287,142
Brokered	378,663	327,496
Total deposits	8,735,735	8,637,558
Short-term borrowings	-	5,000
Federal Home Loan Bank advances	669,065	709,209
Long-term debt	175,363	175,078
Derivative financial instruments	24,260	27,648
Accrued expenses and other liabilities	100,346	78,427
Total liabilities	9,704,769	9,632,920
Shareholders' equity:		
Common stock, \$1 par value; 150,000,000 shares authorized; 70,980,916 and 70,899,114 shares issued and outstanding	70,981	70,899
Common stock issuable; 550,449 and 519,874 shares	8,062	7,327
Capital surplus	1,277,822	1,275,849
Accumulated deficit	(212,607)	(251,857)
Accumulated other comprehensive loss	(11,617)	(26,483)
Total shareholders' equity	1,132,641	1,075,735
Total liabilities and shareholders' equity	\$ 10,837,410	\$ 10,708,655

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
For the Six Months Ended June 30,

<i>(in thousands, except share and per share data)</i>	Preferred Stock Series H	Common Stock	Non-Voting Common Stock	Common Stock Issuable	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2015	\$ 9,992	\$ 66,198	\$ 5,286	\$ 6,779	\$ 1,286,361	\$ (330,879)	\$ (25,452)	\$ 1,018,285
Net income						47,561		47,561
Other comprehensive income							21,457	21,457
Redemption of Series H preferred stock (9,992 shares)	(9,992)							(9,992)
Common stock issued to dividend reinvestment plan and employee benefit plans (10,360 shares)		10			164			174
Conversion of non-voting common stock to voting (4,026,724 shares)		4,027	(4,027)					-
Amortization of stock option and restricted stock awards					1,826			1,826
Vesting of restricted stock, net of shares surrendered to cover payroll taxes (41,909 shares issued, 65,011 shares deferred)		42		941	(1,585)			(602)
Purchases of common stock (460,000 shares)		(460)			(7,741)			(8,201)
Deferred compensation plan, net, including dividend equivalents				204				204
Shares issued from deferred compensation plan (45,538 shares)		46		(1,273)	1,227			-
Common stock dividends (\$.14 per share)						(10,085)		(10,085)
Tax on restricted stock vesting					(869)			(869)
Preferred stock dividends: Series H						(21)		(21)
Balance, June 30, 2016	<u>\$ -</u>	<u>\$ 69,863</u>	<u>\$ 1,259</u>	<u>\$ 6,651</u>	<u>\$ 1,279,383</u>	<u>\$ (293,424)</u>	<u>\$ (3,995)</u>	<u>\$ 1,059,737</u>
Balance, December 31, 2016	\$ -	\$ 70,899	\$ -	\$ 7,327	\$ 1,275,849	\$ (251,857)	\$ (26,483)	\$ 1,075,735
Net income						51,791		51,791
Other comprehensive income							14,866	14,866
Common stock issued to dividend reinvestment plan and to employee benefit plans (8,569 shares)		9			207			216
Amortization of stock option and restricted stock awards					3,149			3,149
Vesting of restricted stock, net of shares surrendered to cover payroll taxes (40,954 shares issued, 58,784 shares deferred)		41		887	(1,612)			(684)
Deferred compensation plan, net, including dividend equivalents				216				216
Shares issued from deferred compensation plan (32,279 shares)		32		(368)	229			(107)
Common stock dividends (\$.18 per share)						(12,978)		(12,978)
Cumulative effect of change in accounting principle						437		437
Balance, June 30, 2017	<u>\$ -</u>	<u>\$ 70,981</u>	<u>\$ -</u>	<u>\$ 8,062</u>	<u>\$ 1,277,822</u>	<u>\$ (212,607)</u>	<u>\$ (11,617)</u>	<u>\$ 1,132,641</u>

See accompanying notes to consolidated financial statements.

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

(in thousands)	Six Months Ended	
	June 30,	
	2017	2016
Operating activities:		
Net income	\$ 51,791	\$ 47,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	12,932	14,378
(Release of) provision for credit losses	1,600	(500)
Stock based compensation	3,149	1,826
Deferred income tax expense	35,685	29,423
Securities gains, net	(2)	(661)
Gains from sales of SBA/USDA loans	(4,585)	(4,038)
Net losses (gains) and write downs on sales of other real estate owned	471	(328)
Changes in assets and liabilities:		
Other assets and accrued interest receivable	(425)	(54,559)
Accrued expenses and other liabilities	(7,191)	3,679
Mortgage loans held for sale	4,167	(5,921)
Net cash provided by operating activities	97,592	30,860
Investing activities:		
Investment securities held to maturity:		
Proceeds from maturities and calls of securities held to maturity	31,369	30,374
Purchases of securities held to maturity	(13,433)	(1,000)
Investment securities available for sale:		
Proceeds from sales of securities available for sale	94,650	88,297
Proceeds from maturities and calls of securities available for sale	309,054	199,086
Purchases of securities available for sale	(412,407)	(308,799)
Net increase in loans	(115,952)	(313,917)
Purchase of bank owned life insurance	(10,000)	-
Proceeds from sales of premises and equipment	5	987
Purchases of premises and equipment	(11,687)	(9,913)
Proceeds from sale of other real estate	5,781	2,817
Net cash used in investing activities	(122,620)	(312,068)
Financing activities:		
Net change in deposits	98,694	(15,566)
Net change in short-term borrowings	(5,000)	(16,640)
Proceeds from FHLB advances	2,710,000	4,720,000
Repayments of FHLB advances	(2,750,000)	(4,415,000)
Cash paid for shares withheld to cover payroll taxes upon vesting of restricted stock	(791)	(602)
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	216	174
Retirement of preferred stock	-	(9,992)
Purchase of common stock	-	(3,756)
Cash dividends on common stock	(12,253)	(10,085)
Cash dividends on preferred stock	-	(46)
Net cash provided by financing activities	40,866	248,487
Net change in cash and cash equivalents	15,838	(32,721)
Cash and cash equivalents at beginning of period	217,348	240,363
Cash and cash equivalents at end of period	\$ 233,186	\$ 207,642
Supplemental disclosures of cash flow information:		
Interest paid	\$ 15,346	\$ 13,161
Income taxes paid	4,651	2,637
Significant non-cash investing and financing transactions:		
Unsettled securities purchases	20,269	-
Unsettled government guaranteed loan sales	26,107	22,614
Unsettled government guaranteed loan purchases	-	5,010
Unsettled purchases of common stock	-	4,445
Transfers of loans to foreclosed properties	1,042	4,312

See accompanying notes to consolidated financial statements.

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

Note 1 – Accounting Policies

The accounting and financial reporting policies of United Community Banks, Inc. (“United”) and its subsidiaries conform to accounting principles generally accepted in the United States (“GAAP”) and reporting guidelines of banking regulatory authorities and regulators. The accompanying interim consolidated financial statements have not been audited. All material intercompany balances and transactions have been eliminated. A more detailed description of United’s accounting policies is included in its Annual Report on Form 10-K for the year ended December 31, 2016.

Effective January 1, 2017, management elected to begin measuring residential mortgage servicing rights at fair value. The cumulative effect adjustment of this election to retained earnings, net of income tax effect, was \$437,000.

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

Certain 2016 amounts have been reclassified to conform to the 2017 presentation. As discussed in the Form 10-K for the year ended December 31, 2016, certain loan balances previously shown as retail loans were reclassified to several commercial categories to better align the reporting with the business purpose or underlying credit risk of the loans, rather than the collateral type. The reclassifications moved residential mortgages and home equity lines from the residential mortgage and home equity lines of credit categories to the owner-occupied and income-producing commercial real estate categories. Although these loans were secured by one-to-four family residential properties, their purpose was commercial since they included residential home rental property and business purpose loans secured by the borrower’s primary residence. In addition, residential construction loans were reclassified to the commercial construction category. These reclassified loans are to builders and developers of residential properties. Reclassifying these balances better aligned the loan categories with the management of credit risk. For the three and six months ended June 30, 2016, historic charge-offs and recoveries on these same loans have been reclassified, as well as the corresponding allowance for loan loss balances, average impaired loan balances, and new troubled debt restructurings.

Note 2 – Accounting Standards Updates and Recently Adopted Standards

Accounting Standards Updates

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. This ASU provides guidance on the recognition of revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and will be applied retrospectively either to each prior reporting period or with a cumulative effect recognized at the date of initial application. Because the guidance does not apply to revenue associated with financial instruments, including loans and securities, United does not expect the new revenue recognition guidance to have a material impact on the consolidated financial statements. United continues to evaluate the changes in disclosures required by the new guidance.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This update requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. For public entities, this update is effective for fiscal years beginning after December 15, 2018, with modified retrospective application to prior periods presented. Upon adoption, United expects to report higher assets and liabilities as a result of including leases on the consolidated balance sheet. At December 31, 2016, future minimum lease payments amounted to \$29.1 million. United does not expect the new guidance to have a material impact on the consolidated statement of income or the consolidated statement of shareholders’ equity.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new guidance replaces the incurred loss impairment methodology in current GAAP with an expected credit loss methodology and requires consideration of a broader range of information to determine credit loss estimates. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Purchased credit impaired loans will receive an allowance account at the acquisition date that represents a component of the purchase price allocation. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses, with such allowance limited to the amount by which fair value is below amortized cost. Application of this update will primarily be on a modified retrospective approach, although the guidance for debt securities for which an other-than-temporary impairment has been recognized before the effective date and for loans previously covered by ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality* will be applied on a prospective basis. For public entities, this update is effective for fiscal years beginning after December 15, 2019. Upon adoption, United expects that the allowance for credit losses will be higher given the change to estimated losses for the estimated life of the financial asset, however management is still in the process of determining the magnitude of the increase. Management has begun developing a project plan to ensure it is prepared for implementation by the effective date.

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

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires that an employer disaggregate the service cost component from the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost and allow only the service cost component to be eligible for capitalization. For public entities, this update is effective for fiscal years beginning after December 15, 2017, with retrospective presentation of the service cost and other components and prospective application for any capitalization of service cost. The adoption of this update is not expected to have a material impact on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. This update shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. For securities held at a discount, the discount will continue to be amortized to maturity. For public entities, this update is effective for fiscal years beginning after December 15, 2018, with modified retrospective application. The adoption of this update is not expected to have a material impact on the consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*. This update clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Specifically, modification accounting should be applied unless the fair value of the modified award is the same as the original award immediately before modification, the vesting conditions of the modified award are the same as the original award immediately before modification, and the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before modification. For public entities, this update is effective for fiscal years beginning after December 15, 2017, with prospective application. The adoption of this update is not expected to have a material impact on the consolidated financial statements.

Recently Adopted Standards

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This update simplified several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. United adopted this standard effective January 1, 2017, with no material impact on the consolidated financial statements, although management expects more volatility in the effective tax rate as excess tax benefits and deficiencies on stock compensation transactions flow through income tax expense rather than capital surplus. United prospectively adopted the amendment requiring that excess tax benefits and deficiencies be recognized as income tax expense or benefit in the income statement and as an operating activity in the statement of cash flows. In addition, United elected to account for forfeitures as they occur, rather than estimate the number of awards expected to vest. United retrospectively implemented the clarification that cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity.

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

Note 3 – Balance Sheet Offsetting and Repurchase Agreements Accounted for as Secured Borrowings

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

The following table presents a summary of amounts outstanding under reverse repurchase agreements and derivative financial instruments including those entered into in connection with the same counterparty under master netting agreements as of the dates indicated (*in thousands*).

<u>June 30, 2017</u>	<u>Gross</u> <u>Amounts of</u> <u>Recognized</u> <u>Assets</u>	<u>Gross</u> <u>Amounts</u> <u>Offset on the</u> <u>Balance Sheet</u>	<u>Net Asset</u> <u>Balance</u>	<u>Gross Amounts not Offset</u> <u>in the Balance Sheet</u>		<u>Net</u> <u>Amount</u>
				<u>Financial</u> <u>Instruments</u>	<u>Collateral</u> <u>Received</u>	
Repurchase agreements / reverse repurchase agreements	\$ 200,000	\$ (200,000)	\$ -	\$ -	\$ -	\$ -
Derivatives	21,640	-	21,640	(2,331)	(2,102)	17,207
Total	<u>\$ 221,640</u>	<u>\$ (200,000)</u>	<u>\$ 21,640</u>	<u>\$ (2,331)</u>	<u>\$ (2,102)</u>	<u>\$ 17,207</u>

Weighted average interest rate of reverse repurchase agreements 1.79%

	<u>Gross</u> <u>Amounts of</u> <u>Recognized</u> <u>Liabilities</u>	<u>Gross</u> <u>Amounts</u> <u>Offset on the</u> <u>Balance Sheet</u>	<u>Net Liability</u> <u>Balance</u>	<u>Gross Amounts not Offset</u> <u>in the Balance Sheet</u>		<u>Net</u> <u>Amount</u>
				<u>Financial</u> <u>Instruments</u>	<u>Collateral</u> <u>Pledged</u>	
Repurchase agreements / reverse repurchase agreements	\$ 200,000	\$ (200,000)	\$ -	\$ -	\$ -	\$ -
Derivatives	24,260	-	24,260	(2,331)	(19,099)	2,830
Total	<u>\$ 224,260</u>	<u>\$ (200,000)</u>	<u>\$ 24,260</u>	<u>\$ (2,331)</u>	<u>\$ (19,099)</u>	<u>\$ 2,830</u>

Weighted average interest rate of repurchase agreements .95%

<u>December 31, 2016</u>	<u>Gross</u> <u>Amounts of</u> <u>Recognized</u> <u>Liabilities</u>	<u>Gross</u> <u>Amounts</u> <u>Offset on the</u> <u>Balance Sheet</u>	<u>Net Asset</u> <u>Balance</u>	<u>Gross Amounts not Offset</u> <u>in the Balance Sheet</u>		<u>Net</u> <u>Amount</u>
				<u>Financial</u> <u>Instruments</u>	<u>Collateral</u> <u>Received</u>	
Repurchase agreements / reverse repurchase agreements	\$ 150,000	\$ (150,000)	\$ -	\$ -	\$ -	\$ -
Derivatives	23,688	-	23,688	(3,485)	(3,366)	16,837
Total	<u>\$ 173,688</u>	<u>\$ (150,000)</u>	<u>\$ 23,688</u>	<u>\$ (3,485)</u>	<u>\$ (3,366)</u>	<u>\$ 16,837</u>

Weighted average interest rate of reverse repurchase agreements 1.78%

	<u>Gross</u> <u>Amounts of</u> <u>Recognized</u> <u>Liabilities</u>	<u>Gross</u> <u>Amounts</u> <u>Offset on the</u> <u>Balance Sheet</u>	<u>Net Liability</u> <u>Balance</u>	<u>Gross Amounts not Offset</u> <u>in the Balance Sheet</u>		<u>Net</u> <u>Amount</u>
				<u>Financial</u> <u>Instruments</u>	<u>Collateral</u> <u>Pledged</u>	
Repurchase agreements / reverse repurchase agreements	\$ 150,000	\$ (150,000)	\$ -	\$ -	\$ -	\$ -
Derivatives	27,648	-	27,648	(3,485)	(18,505)	5,658
Total	<u>\$ 177,648</u>	<u>\$ (150,000)</u>	<u>\$ 27,648</u>	<u>\$ (3,485)</u>	<u>\$ (18,505)</u>	<u>\$ 5,658</u>

Weighted average interest rate of repurchase agreements .88%

At June 30, 2017, United recognized the right to reclaim cash collateral of \$19.1 million and the obligation to return cash collateral of \$2.10 million. At December 31, 2016, United recognized the right to reclaim cash collateral of \$18.5 million and the obligation to return cash collateral of \$3.37 million. The right to reclaim cash collateral and the obligation to return cash collateral were included in the consolidated balance sheet in other assets and other liabilities, respectively.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
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The following table presents additional detail regarding repurchase agreements accounted for as secured borrowings and the securities underlying these agreements as of the dates indicated (*in thousands*).

As of June 30, 2017	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30 to 90 Days	91 to 110 days	Total
Mortgage-backed securities	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 200,000
Total	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 200,000

Gross amount of recognized liabilities for repurchase agreements in offsetting disclosure	\$ 200,000
Amounts related to agreements not included in offsetting disclosure	\$ -

As of December 31, 2016	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30 to 90 Days	91 to 110 days	Total
Mortgage-backed securities	\$ -	\$ -	\$ 50,000	\$ 100,000	\$ 150,000
Total	\$ -	\$ -	\$ 50,000	\$ 100,000	\$ 150,000

Gross amount of recognized liabilities for repurchase agreements in offsetting disclosure	\$ 150,000
Amounts related to agreements not included in offsetting disclosure	\$ -

United is obligated to promptly transfer additional securities if the market value of the securities falls below the repurchase agreement price. United manages this risk by maintaining an unpledged securities portfolio that it believes is sufficient to cover a decline in the market value of the securities sold under agreements to repurchase.

Note 4 – Securities

The amortized cost basis, unrealized gains and losses and fair value of securities held-to-maturity as of the dates indicated are as follows (*in thousands*).

As of June 30, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions	\$ 52,938	\$ 2,259	\$ -	\$ 55,197
Mortgage-backed securities ⁽¹⁾	259,064	4,003	1,681	261,386
Total	\$ 312,002	\$ 6,262	\$ 1,681	\$ 316,583
As of December 31, 2016				
State and political subdivisions	\$ 57,134	\$ 2,197	\$ 249	\$ 59,082
Mortgage-backed securities ⁽¹⁾	272,709	4,035	2,656	274,088
Total	\$ 329,843	\$ 6,232	\$ 2,905	\$ 333,170

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

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The cost basis, unrealized gains and losses, and fair value of securities available-for-sale as of the dates indicated are presented below (*in thousands*).

As of June 30, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasuries	\$ 170,294	\$ 633	\$ 8	\$ 170,919
U.S. Government agencies	37,191	449	21	37,619
State and political subdivisions	112,161	1,022	48	113,135
Mortgage-backed securities ⁽¹⁾	1,502,050	12,199	9,063	1,505,186
Corporate bonds	305,983	2,845	350	308,478
Asset-backed securities	335,631	2,679	237	338,073
Other	1,182	-	-	1,182
Total	\$ 2,464,492	\$ 19,827	\$ 9,727	\$ 2,474,592

As of December 31, 2016				
U.S. Treasuries	\$ 170,360	\$ 20	\$ 764	\$ 169,616
U.S. Government agencies	21,053	6	239	20,820
State and political subdivisions	74,555	176	554	74,177
Mortgage-backed securities ⁽¹⁾	1,397,435	8,924	14,677	1,391,682
Corporate bonds	306,824	591	2,023	305,392
Asset-backed securities	468,742	2,798	1,971	469,569
Other	1,182	-	-	1,182
Total	\$ 2,440,151	\$ 12,515	\$ 20,228	\$ 2,432,438

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

Securities with a carrying value of \$1.30 billion and \$1.45 billion were pledged to secure public deposits, derivatives and other secured borrowings at June 30, 2017 and December 31, 2016, respectively.

The following table summarizes held-to-maturity securities in an unrealized loss position as of the dates indicated (*in thousands*).

As of June 30, 2017	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mortgage-backed securities	\$ 96,520	\$ 1,681	\$ -	\$ -	\$ 96,520	\$ 1,681
Total unrealized loss position	\$ 96,520	\$ 1,681	\$ -	\$ -	\$ 96,520	\$ 1,681
As of December 31, 2016						
State and political subdivisions	\$ 18,359	\$ 249	\$ -	\$ -	\$ 18,359	\$ 249
Mortgage-backed securities	118,164	2,656	-	-	118,164	2,656
Total unrealized loss position	\$ 136,523	\$ 2,905	\$ -	\$ -	\$ 136,523	\$ 2,905

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
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The following table summarizes available-for-sale securities in an unrealized loss position as of the dates indicated (*in thousands*).

As of June 30, 2017	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasuries	\$ 40,521	\$ 8	\$ -	\$ -	\$ 40,521	\$ 8
U.S. Government agencies	1,800	21	-	-	1,800	21
State and political subdivisions	7,529	48	-	-	7,529	48
Mortgage-backed securities	510,944	8,527	24,183	536	535,127	9,063
Corporate bonds	31,089	160	810	190	31,899	350
Asset-backed securities	54,517	127	11,511	110	66,028	237
Total unrealized loss position	\$ 646,400	\$ 8,891	\$ 36,504	\$ 836	\$ 682,904	\$ 9,727

As of December 31, 2016

U.S. Treasuries	\$ 145,229	\$ 764	\$ -	\$ -	\$ 145,229	\$ 764
U.S. Government agencies	19,685	239	-	-	19,685	239
State and political subdivisions	61,782	554	-	-	61,782	554
Mortgage-backed securities	810,686	13,952	26,279	725	836,965	14,677
Corporate bonds	228,504	1,597	15,574	426	244,078	2,023
Asset-backed securities	54,477	540	115,338	1,431	169,815	1,971
Total unrealized loss position	\$ 1,320,363	\$ 17,646	\$ 157,191	\$ 2,582	\$ 1,477,554	\$ 20,228

At June 30, 2017, there were 94 available-for-sale securities and 35 held-to-maturity securities that were in an unrealized loss position. United does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of their amortized cost basis. Unrealized losses at June 30, 2017 were primarily attributable to changes in interest rates and spread relationships.

Management evaluates securities for other-than-temporary impairment on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. No impairment charges were recognized during the three or six months ended June 30, 2017 or 2016.

Realized gains and losses are derived using the specific identification method for determining the cost of securities sold. The following table summarizes available-for-sale securities sales activity for the three and six months ended June 30, 2017 and 2016 (*in thousands*).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Proceeds from sales	\$ 70,453	\$ 26,992	\$ 94,650	\$ 88,297
Gross gains on sales	\$ 227	\$ 285	\$ 325	\$ 958
Gross losses on sales	(223)	(3)	(323)	(297)
Net gains on sales of securities	\$ 4	\$ 282	\$ 2	\$ 661
Income tax expense attributable to sales	\$ -	\$ 106	\$ (1)	\$ 247

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The amortized cost and fair value of held-to-maturity and available-for-sale securities at June 30, 2017, by contractual maturity, are presented in the following table (*in thousands*).

	<u>Available-for-Sale</u>		<u>Held-to-Maturity</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
US Treasuries:				
1 to 5 years	\$ 140,387	\$ 140,972	\$ -	\$ -
5 to 10 years	29,907	29,947	-	-
	<u>170,294</u>	<u>170,919</u>	<u>-</u>	<u>-</u>
US Government agencies:				
Within 1 year	11,697	11,697	-	-
1 to 5 years	2,109	2,124	-	-
5 to 10 years	17,878	18,050	-	-
More than 10 years	5,507	5,748	-	-
	<u>37,191</u>	<u>37,619</u>	<u>-</u>	<u>-</u>
State and political subdivisions:				
Within 1 year	500	512	4,249	4,290
1 to 5 years	30,293	30,353	14,231	14,790
5 to 10 years	24,489	24,612	17,744	19,320
More than 10 years	56,879	57,658	16,714	16,797
	<u>112,161</u>	<u>113,135</u>	<u>52,938</u>	<u>55,197</u>
Corporate bonds:				
1 to 5 years	258,544	261,026	-	-
5 to 10 years	46,439	46,642	-	-
More than 10 years	1,000	810	-	-
	<u>305,983</u>	<u>308,478</u>	<u>-</u>	<u>-</u>
Asset-backed securities:				
1 to 5 years	9,085	9,286	-	-
5 to 10 years	182,229	183,531	-	-
More than 10 years	144,317	145,256	-	-
	<u>335,631</u>	<u>338,073</u>	<u>-</u>	<u>-</u>
Other:				
More than 10 years	1,182	1,182	-	-
	<u>1,182</u>	<u>1,182</u>	<u>-</u>	<u>-</u>
Total securities other than mortgage-backed securities:				
Within 1 year	12,197	12,209	4,249	4,290
1 to 5 years	440,418	443,761	14,231	14,790
5 to 10 years	300,942	302,782	17,744	19,320
More than 10 years	208,885	210,654	16,714	16,797
Mortgage-backed securities	<u>1,502,050</u>	<u>1,505,186</u>	<u>259,064</u>	<u>261,386</u>
	<u>\$ 2,464,492</u>	<u>\$ 2,474,592</u>	<u>\$ 312,002</u>	<u>\$ 316,583</u>

Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
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Note 5 – Loans and Allowance for Credit Losses

Major classifications of loans are summarized as of the dates indicated as follows (*in thousands*).

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Owner occupied commercial real estate	\$ 1,722,883	\$ 1,650,360
Income producing commercial real estate	1,342,149	1,281,541
Commercial & industrial	1,088,375	1,069,715
Commercial construction	586,405	633,921
Total commercial	4,739,812	4,635,537
Residential mortgage	880,418	856,725
Home equity lines of credit	665,252	655,410
Residential construction	193,117	190,043
Consumer installment	113,324	123,567
Indirect auto	449,009	459,354
Total loans	7,040,932	6,920,636
Less allowance for loan losses	(59,500)	(61,422)
Loans, net	<u>\$ 6,981,432</u>	<u>\$ 6,859,214</u>

At June 30, 2017 and December 31, 2016, loans totaling \$3.62 billion and \$3.33 billion, respectively, were pledged as collateral to secure Federal Home Loan Bank advances and other contingent funding sources.

At June 30, 2017, the carrying value and outstanding balance of purchased credit impaired (“PCI”) loans accounted for under ASC 310-30 were \$46.8 million and \$68.8 million, respectively. At December 31, 2016, the carrying value and outstanding balance of PCI loans were \$62.8 million and \$87.9 million, respectively. The following table presents changes in the value of the accretable yield for PCI loans for the periods indicated (*in thousands*):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of period	\$ 7,762	\$ 4,144	\$ 7,981	\$ 4,279
Accretion	(1,412)	(626)	(3,102)	(1,942)
Reclassification from nonaccretable difference	3,827	806	4,716	1,453
Changes in expected cash flows that do not affect nonaccretable difference	1,188	1,013	1,770	1,547
Balance at end of period	<u>\$ 11,365</u>	<u>\$ 5,337</u>	<u>\$ 11,365</u>	<u>\$ 5,337</u>

In addition to the accretable yield on PCI loans, the fair value adjustments on purchased loans outside the scope of ASC 310-30 are also accreted to interest revenue over the life of the loans. At June 30, 2017 and December 31, 2016, the remaining accretable fair value marks on loans acquired through a business combination and not accounted for under ASC 310-30 were \$5.51 million and \$7.14 million, respectively. In addition, indirect auto loans purchased at a premium outside of a business combination have a remaining premium of \$10.8 million and \$11.4 million, respectively, as of June 30, 2017 and December 31, 2016. During the three and six months ended June 30, 2017, United purchased indirect auto loans of \$40.5 million and \$81.7 million, respectively. During the three and six months ended June 30, 2016, United purchased indirect auto loans of \$40.9 million and \$111 million, respectively.

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

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The following table presents the balance and activity in the allowance for credit losses by portfolio segment for the periods indicated (*in thousands*).

Three Months Ended June 30,	2017					2016				
	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance
Owner occupied commercial real estate	\$ 15,669	\$ (158)	\$ 120	\$ (209)	\$ 15,422	\$ 17,990	\$ (869)	\$ 69	\$ (1,515)	\$ 15,675
Income producing commercial real estate	8,878	(203)	20	659	9,354	8,962	(305)	224	(198)	8,683
Commercial & industrial	3,725	(598)	244	249	3,620	3,149	(223)	615	(339)	3,202
Commercial construction	12,790	(361)	20	(1,411)	11,038	13,213	(75)	273	(314)	13,097
Residential mortgage	9,071	(131)	105	753	9,798	10,200	(617)	128	1,618	11,329
Home equity lines of credit	4,530	(424)	171	313	4,590	5,931	(469)	216	(431)	5,247
Residential construction	3,267	(70)	123	(236)	3,084	4,764	(219)	8	298	4,851
Consumer installment	609	(457)	195	237	584	773	(390)	229	111	723
Indirect auto	2,004	(313)	94	225	2,010	1,328	(366)	41	443	1,446
Total allowance for loan losses	60,543	(2,715)	1,092	580	59,500	66,310	(3,533)	1,803	(327)	64,253
Allowance for unfunded commitments	2,002	-	-	220	2,222	2,342	-	-	27	2,369
Total allowance for credit losses	<u>62,545</u>	<u>(2,715)</u>	<u>1,092</u>	<u>800</u>	<u>61,722</u>	<u>\$ 68,652</u>	<u>\$ (3,533)</u>	<u>\$ 1,803</u>	<u>\$ (300)</u>	<u>\$ 66,622</u>

Six Months Ended June 30,	2017					2016				
	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance
Owner occupied commercial real estate	\$ 16,446	\$ (183)	\$ 357	\$ (1,198)	\$ 15,422	\$ 18,016	\$ (1,468)	\$ 190	\$ (1,063)	\$ 15,675
Income producing commercial real estate	8,843	(1,100)	47	1,564	9,354	11,548	(582)	327	(2,610)	8,683
Commercial & industrial	3,810	(814)	612	12	3,620	4,433	(795)	904	(1,340)	3,202
Commercial construction	13,405	(563)	592	(2,396)	11,038	9,553	(362)	393	3,513	13,097
Residential mortgage	8,545	(673)	117	1,809	9,798	12,719	(713)	139	(816)	11,329
Home equity lines of credit	4,599	(895)	220	666	4,590	5,956	(1,192)	307	176	5,247
Residential construction	3,264	(70)	132	(242)	3,084	4,002	(278)	51	1,076	4,851
Consumer installment	708	(899)	402	373	584	828	(697)	435	157	723
Indirect auto	1,802	(733)	149	792	2,010	1,393	(599)	72	580	1,446
Total allowance for loan losses	61,422	(5,930)	2,628	1,380	59,500	68,448	(6,686)	2,818	(327)	64,253
Allowance for unfunded commitments	2,002	-	-	220	2,222	2,542	-	-	(173)	2,369
Total allowance for credit losses	<u>\$ 63,424</u>	<u>\$ (5,930)</u>	<u>\$ 2,628</u>	<u>\$ 1,600</u>	<u>\$ 61,722</u>	<u>\$ 70,990</u>	<u>\$ (6,686)</u>	<u>\$ 2,818</u>	<u>\$ (500)</u>	<u>\$ 66,622</u>

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The following table represents the recorded investment in loans by portfolio segment and the balance of the allowance for loan losses assigned to each segment based on the method of evaluating the loans for impairment as of the dates indicated (*in thousands*).

	Allowance for Loan Losses							
	June 30, 2017				December 31, 2016			
	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance
Owner occupied commercial real estate	\$ 1,512	\$ 13,910	\$ -	\$ 15,422	\$ 1,746	\$ 14,700	\$ -	\$ 16,446
Income producing commercial real estate	956	8,398	-	9,354	885	7,919	39	8,843
Commercial & industrial	30	3,590	-	3,620	58	3,752	-	3,810
Commercial construction	187	10,851	-	11,038	168	13,218	19	13,405
Residential mortgage	1,195	8,603	-	9,798	517	7,997	31	8,545
Home equity lines of credit	5	4,585	-	4,590	2	4,597	-	4,599
Residential construction	81	3,003	-	3,084	64	3,198	2	3,264
Consumer installment	8	571	5	584	12	696	-	708
Indirect auto	30	1,980	-	2,010	-	1,802	-	1,802
Total allowance for loan losses	4,004	55,491	5	59,500	3,452	57,879	91	61,422
Allowance for unfunded commitments	-	2,222	-	2,222	-	2,002	-	2,002
Total allowance for credit losses	<u>\$ 4,004</u>	<u>\$ 57,713</u>	<u>\$ 5</u>	<u>\$ 61,722</u>	<u>\$ 3,452</u>	<u>\$ 59,881</u>	<u>\$ 91</u>	<u>\$ 63,424</u>

	Loans Outstanding							
	June 30, 2017				December 31, 2016			
	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance
Owner occupied commercial real estate	\$ 30,244	\$ 1,679,080	\$ 13,559	\$ 1,722,883	\$ 31,421	\$ 1,600,355	\$ 18,584	\$ 1,650,360
Income producing commercial real estate	28,613	1,291,170	22,366	1,342,149	30,459	1,225,763	25,319	1,281,541
Commercial & industrial	1,845	1,086,250	280	1,088,375	1,915	1,066,764	1,036	1,069,715
Commercial construction	6,357	575,920	4,128	586,405	5,050	620,543	8,328	633,921
Residential mortgage	14,672	861,395	4,351	880,418	13,706	836,624	6,395	856,725
Home equity lines of credit	384	663,390	1,478	665,252	63	653,337	2,010	655,410
Residential construction	1,547	191,085	485	193,117	1,594	187,516	933	190,043
Consumer installment	298	112,895	131	113,324	290	123,118	159	123,567
Indirect auto	1,283	447,726	-	449,009	1,165	458,189	-	459,354
Total loans	<u>\$ 85,243</u>	<u>\$ 6,908,911</u>	<u>\$ 46,778</u>	<u>\$ 7,040,932</u>	<u>\$ 85,663</u>	<u>\$ 6,772,209</u>	<u>\$ 62,764</u>	<u>\$ 6,920,636</u>

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

Each quarter, management prepares an analysis of the allowance for credit losses to determine the appropriate balance that measures and quantifies the amount of probable incurred losses in the loan portfolio and unfunded loan commitments. The allowance is comprised of specific reserves on individually impaired loans, which are determined as described above, and general reserves which are determined based on historical loss experience as adjusted for current trends and economic conditions multiplied by a loss emergence period factor.

Management calculates the loss emergence period for each pool of loans based on the weighted average length of time between the date a loan first exceeds 30 days past due and the date the loan is charged off.

On junior lien home equity loans, management has limited ability to monitor the delinquency status of the first lien unless the first lien is also held by United. As a result, management applies the weighted average historical loss factor for this category and appropriately adjusts it to reflect the increased risk of loss from these credits.

Management carefully reviews the resulting loss factors for each category of the loan portfolio and evaluates whether qualitative adjustments are necessary to take into consideration recent credit trends such as increases or decreases in past due, nonaccrual, criticized and classified loans, and other macro environmental factors such as changes in unemployment rates, lease vacancy rates and trends in property values and absorption rates.

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Management believes that its method of determining the balance of the allowance for credit losses provides a reasonable and reliable basis for measuring and reporting losses that are incurred in the loan portfolio as of the reporting date.

When a loan officer determines that a loan is uncollectible, he or she is responsible for recommending that the loan be placed on nonaccrual status, evaluating the loan for impairment, and, if necessary, fully or partially charging off the loan. Full or partial charge-offs may also be recommended by the Collections Department, the Special Assets Department, the Loss Mitigation Department and the Foreclosure/OREO Department. Nonaccrual real estate loans are generally charged down to fair value less costs to sell at the time they are placed on nonaccrual status.

Commercial and consumer asset quality committees meet monthly to review charge-offs that have occurred during the previous month. Participants include the Chief Credit Officer, Senior Risk Officers, Senior Credit Officers, and Regional Credit Managers.

Generally, closed-end retail loans (installment and residential mortgage loans) past due 90 cumulative days are written down to their collateral value less estimated selling costs. Open-end (revolving) unsecured retail loans which are past due 90 cumulative days from their contractual due date are generally charged-off.

The following table presents loans individually evaluated for impairment by class of loans as of the dates indicated (*in thousands*).

	June 30, 2017			December 31, 2016		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded:						
Owner occupied commercial real estate	\$ 7,712	\$ 7,290	\$ -	\$ 9,171	\$ 8,477	\$ -
Income producing commercial real estate	14,997	14,997	-	16,864	16,864	-
Commercial & industrial	634	634	-	421	334	-
Commercial construction	3,187	2,349	-	845	841	-
Total commercial	26,530	25,270	-	27,301	26,516	-
Residential mortgage	2,695	2,674	-	630	628	-
Home equity lines of credit	391	208	-	-	-	-
Residential construction	222	167	-	-	-	-
Consumer installment	30	30	-	-	-	-
Indirect auto	200	179	-	1,165	1,165	-
Total with no related allowance recorded	30,068	28,528	-	29,096	28,309	-
With an allowance recorded:						
Owner occupied commercial real estate	23,362	22,954	1,512	23,574	22,944	1,746
Income producing commercial real estate	13,642	13,616	956	13,681	13,595	885
Commercial & industrial	1,297	1,211	30	1,679	1,581	58
Commercial construction	4,200	4,008	187	4,739	4,209	168
Total commercial	42,501	41,789	2,685	43,673	42,329	2,857
Residential mortgage	12,284	11,998	1,195	13,565	13,078	517
Home equity lines of credit	296	176	5	63	63	2
Residential construction	1,450	1,380	81	1,947	1,594	64
Consumer installment	270	268	8	293	290	12
Indirect auto	1,108	1,104	30	-	-	-
Total with an allowance recorded	57,909	56,715	4,004	59,541	57,354	3,452
Total	\$ 87,977	\$ 85,243	\$ 4,004	\$ 88,637	\$ 85,663	\$ 3,452

As of June 30, 2017 and December 31, 2016, \$3.23 million and \$2.90 million, respectively, of specific reserves were allocated to customers whose loan terms have been modified in TDRs. United committed to lend additional amounts totaling up to \$95,000 at both June 30, 2017 and December 31, 2016 to customers with outstanding loans that are classified as TDRs.

The modification of the TDR terms included one or a combination of the following: a reduction of the stated interest rate of the loan or an extension of the amortization period that would not otherwise be considered in the current market for new debt with similar risk characteristics; a restructuring of the borrower's debt into an "A/B note structure" where the A note would fall within the borrower's ability to pay and the remainder would be included in the B note; a mandated bankruptcy restructuring; or interest-only payment terms greater than 90 days where the borrower is unable to amortize the loan. Modified PCI loans are not accounted for as TDRs because they are not separated from the pools, and as such are not classified as impaired loans.

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Loans modified under the terms of a TDR during the three and six months ended June 30, 2017 and 2016 are presented in the table below. In addition, the following table presents loans modified under the terms of a TDR that defaulted (became 90 days or more delinquent) during the periods presented and were initially restructured within one year prior to default (*dollars in thousands*).

	New TDRs							TDRs Modified Within the Previous Twelve Months That Have Subsequently Defaulted	
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment by Type of Modification				Number of Contracts		
			Rate Reduction	Structure	Other	Total			
Three Months Ended June 30, 2017									
Owner occupied commercial real estate	3	\$ 1,860	\$ -	\$ 1,860	\$ -	\$ 1,860	-	-	
Income producing commercial real estate	1	226	-	-	226	226	-	-	
Commercial & industrial	1	28	-	28	-	28	-	-	
Commercial construction	-	-	-	-	-	-	-	-	
Total commercial	5	2,114	-	1,888	226	2,114	-	-	
Residential mortgage	5	483	-	483	-	483	-	-	
Home equity lines of credit	1	296	-	-	176	176	-	-	
Residential construction	-	-	-	-	-	-	-	-	
Consumer installment	-	-	-	-	-	-	-	-	
Indirect auto	-	-	-	-	-	-	-	-	
Total loans	11	\$ 2,893	\$ -	\$ 2,371	\$ 402	\$ 2,773	-	-	
Six Months Ended June 30, 2017									
Owner occupied commercial real estate	3	\$ 1,860	\$ -	\$ 1,860	\$ -	\$ 1,860	-	-	
Income producing commercial real estate	1	226	-	-	226	226	-	-	
Commercial & industrial	2	53	-	53	-	53	-	-	
Commercial construction	-	-	-	-	-	-	-	-	
Total commercial	6	2,139	-	1,913	226	2,139	-	-	
Residential mortgage	12	836	-	836	-	836	2	655	
Home equity lines of credit	1	296	-	-	176	176	-	-	
Residential construction	1	40	40	-	-	40	-	-	
Consumer installment	1	6	-	6	-	6	-	-	
Indirect auto	-	-	-	-	-	-	-	-	
Total loans	21	\$ 3,317	\$ 40	\$ 2,755	\$ 402	\$ 3,197	2	\$ 655	
Three Months Ended June 30, 2016									
Owner occupied commercial real estate	4	\$ 1,042	\$ -	\$ 1,042	\$ -	\$ 1,042	1	\$ 252	
Income producing commercial real estate	-	-	-	-	-	-	-	-	
Commercial & industrial	2	749	-	749	-	749	-	-	
Commercial construction	1	169	-	169	-	169	-	-	
Total commercial	7	1,960	-	1,960	-	1,960	1	252	
Residential mortgage	10	1,628	1,543	83	-	1,626	1	85	
Home equity lines of credit	1	38	38	-	-	38	-	-	
Residential construction	4	260	45	77	82	204	-	-	
Consumer installment	-	-	-	-	-	-	-	-	
Indirect auto	10	235	-	-	235	235	-	-	
Total loans	32	\$ 4,121	\$ 1,626	\$ 2,120	\$ 317	\$ 4,063	2	\$ 337	
Six Months Ended June 30, 2016									
Owner occupied commercial real estate	7	\$ 1,691	\$ -	\$ 1,691	\$ -	\$ 1,691	2	\$ 499	
Income producing commercial real estate	-	-	-	-	-	-	-	-	
Commercial & industrial	3	946	-	946	-	946	-	-	
Commercial construction	2	235	-	169	66	235	-	-	
Total commercial	12	2,872	-	2,806	66	2,872	2	499	
Residential mortgage	17	2,427	1,957	432	-	2,389	1	85	
Home equity lines of credit	1	38	38	-	-	38	-	-	
Residential construction	4	260	45	77	82	204	-	-	
Consumer installment	1	20	-	20	-	20	-	-	
Indirect auto	18	474	-	-	474	474	-	-	
Total loans	53	\$ 6,091	\$ 2,040	\$ 3,335	\$ 622	\$ 5,997	3	\$ 584	

TDRs that subsequently default and are placed on nonaccrual are charged down to the fair value, less costs of disposal, of the collateral consistent with United's policy for nonaccrual loans.

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The average balances of impaired loans and income recognized on impaired loans while they were considered impaired are presented below for the periods indicated (*in thousands*).

	2017			2016		
	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received
Three Months Ended June 30,						
Owner occupied commercial real estate	\$ 30,825	\$ 371	\$ 376	\$ 34,098	\$ 398	\$ 408
Income producing commercial real estate	28,768	359	347	26,831	323	333
Commercial & industrial	1,877	26	17	2,706	35	35
Commercial construction	6,670	70	77	6,326	65	69
Total commercial	68,140	826	817	69,961	821	845
Residential mortgage	14,742	130	147	18,217	205	207
Home equity lines of credit	552	2	4	101	1	1
Residential construction	1,563	23	24	1,698	28	32
Consumer installment	307	6	6	320	6	5
Indirect auto	1,137	14	14	867	11	11
Total	\$ 86,441	\$ 1,001	\$ 1,012	\$ 91,164	\$ 1,072	\$ 1,101

Six Months Ended June 30,

Owner occupied commercial real estate	\$ 30,342	\$ 716	\$ 712	\$ 33,897	\$ 846	\$ 874
Income producing commercial real estate	28,589	710	692	27,117	638	667
Commercial & industrial	1,908	53	45	2,546	65	61
Commercial construction	5,836	123	130	5,909	135	139
Total commercial	66,675	1,602	1,579	69,469	1,684	1,741
Residential mortgage	14,175	268	290	16,776	362	359
Home equity lines of credit	308	3	5	82	2	2
Residential construction	1,591	46	47	1,558	48	49
Consumer installment	297	11	12	331	12	12
Indirect auto	1,130	28	28	826	22	22
Total	\$ 84,176	\$ 1,958	\$ 1,961	\$ 89,042	\$ 2,130	\$ 2,185

Nonaccrual loans include both homogeneous loans that are collectively evaluated for impairment and individually evaluated impaired loans based on the size of the loan. United's policy is to place loans on nonaccrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in full or when the loan becomes 90 days past due and is not well secured and in the process of collection. When a loan is classified on nonaccrual status, interest previously accrued but not collected is reversed against current interest revenue. Principal and interest payments received on a nonaccrual loan are applied to reduce the loan's recorded investment.

PCI loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. However, these loans are considered to be performing, even though they may be contractually past due, as any non-payment of contractual principal or interest is considered in the periodic re-estimation of expected cash flows and is included in the resulting recognition of current period loan loss provision or future period yield adjustments. The accrual of interest is discontinued on PCI loans if management can no longer reliably estimate future cash flows on the loan. No PCI loans were classified as nonaccrual at June 30, 2017 or December 31, 2016 as the carrying value of the respective loan or pool of loans cash flows were considered estimable and probable of collection. Therefore, interest revenue, through accretion of the difference between the carrying value of the loans and the expected cash flows, is being recognized on all PCI loans.

The gross additional interest revenue that would have been earned if the loans classified as nonaccrual had performed in accordance with the original terms was approximately \$246,000 and \$170,000 for the three months ended June 30, 2017 and 2016, respectively, and \$523,000 and \$425,000 for the six months ended June 30, 2017 and 2016, respectively.

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The following table presents the recorded investment in nonaccrual loans by loan class as of the dates indicated (*in thousands*).

	June 30, 2017	December 31, 2016
Owner occupied commercial real estate	\$ 5,248	\$ 7,373
Income producing commercial real estate	2,587	1,324
Commercial & industrial	1,010	966
Commercial construction	2,530	1,538
Total commercial	11,375	11,201
Residential mortgage	7,886	6,368
Home equity lines of credit	2,152	1,831
Residential construction	287	776
Consumer installment	121	88
Indirect auto	1,274	1,275
Total	<u>\$ 23,095</u>	<u>\$ 21,539</u>

Excluding PCI loans, substantially all loans more than 90 days past due were on nonaccrual status at June 30, 2017 and December 31, 2016. The following table presents the aging of the recorded investment in past due loans by class of loans as of the dates indicated (*in thousands*).

As of June 30, 2017	Loans Past Due			Total	Loans Not		Total
	30 - 59 Days	60 - 89 Days	> 90 Days		Past Due	PCI Loans	
Owner occupied commercial real estate	\$ 1,707	\$ 407	\$ 3,320	\$ 5,434	\$ 1,703,890	\$ 13,559	\$ 1,722,883
Income producing commercial real estate	784	42	1,086	1,912	1,317,871	22,366	1,342,149
Commercial & industrial	1,384	2,103	136	3,623	1,084,472	280	1,088,375
Commercial construction	415	15	872	1,302	580,975	4,128	586,405
Total commercial	4,290	2,567	5,414	12,271	4,687,208	40,333	4,739,812
Residential mortgage	5,691	1,456	3,085	10,232	865,835	4,351	880,418
Home equity lines of credit	2,759	236	597	3,592	660,182	1,478	665,252
Residential construction	1,066	59	54	1,179	191,453	485	193,117
Consumer installment	349	92	51	492	112,701	131	113,324
Indirect auto	878	297	827	2,002	447,007	-	449,009
Total loans	<u>\$ 15,033</u>	<u>\$ 4,707</u>	<u>\$ 10,028</u>	<u>\$ 29,768</u>	<u>\$ 6,964,386</u>	<u>\$ 46,778</u>	<u>\$ 7,040,932</u>

As of December 31, 2016

Owner occupied commercial real estate	\$ 2,195	\$ 1,664	\$ 3,386	\$ 7,245	\$ 1,624,531	\$ 18,584	\$ 1,650,360
Income producing commercial real estate	1,373	355	330	2,058	1,254,164	25,319	1,281,541
Commercial & industrial	943	241	178	1,362	1,067,317	1,036	1,069,715
Commercial construction	452	14	292	758	624,835	8,328	633,921
Total commercial	4,963	2,274	4,186	11,423	4,570,847	53,267	4,635,537
Residential mortgage	7,221	1,799	1,700	10,720	839,610	6,395	856,725
Home equity lines of credit	1,996	101	957	3,054	650,346	2,010	655,410
Residential construction	950	759	51	1,760	187,350	933	190,043
Consumer installment	633	117	35	785	122,623	159	123,567
Indirect auto	1,109	301	909	2,319	457,035	-	459,354
Total loans	<u>\$ 16,872</u>	<u>\$ 5,351</u>	<u>\$ 7,838</u>	<u>\$ 30,061</u>	<u>\$ 6,827,811</u>	<u>\$ 62,764</u>	<u>\$ 6,920,636</u>

Risk Ratings

United categorizes commercial loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current industry and economic trends, among other factors. United analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continual basis. United uses the following definitions for its risk ratings:

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.

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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.

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.

Loss. Loans categorized as Loss have the same characteristics as Doubtful; however, probability of loss is certain. Loans classified as Loss are charged off.

Consumer Purpose Loans. United applies a pass / fail grading system to all consumer purpose loans. Under the pass / fail grading system, consumer purpose loans that become past due 90 days or are in bankruptcy are classified as “fail” and all other loans are classified as “pass”. For reporting purposes, consumer purpose loans classified as “fail” are reported in the substandard column and all other consumer purpose loans are reported in the “pass” column.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans.

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Based on the most recent analysis performed, the risk category of loans by class of loans as of the dates indicated is as follows (*in thousands*).

As of June 30, 2017	Pass	Watch	Substandard	Doubtful / Loss	Total
Owner occupied commercial real estate	\$ 1,653,111	\$ 24,946	\$ 31,267	\$ -	\$ 1,709,324
Income producing commercial real estate	1,278,582	17,724	23,477	-	1,319,783
Commercial & industrial	1,071,805	8,089	8,201	-	1,088,095
Commercial construction	569,643	5,598	7,036	-	582,277
Total commercial	4,573,141	56,357	69,981	-	4,699,479
Residential mortgage	856,196	-	19,871	-	876,067
Home equity lines of credit	656,701	-	7,073	-	663,774
Residential construction	190,544	-	2,088	-	192,632
Consumer installment	112,503	-	690	-	113,193
Indirect auto	446,038	-	2,971	-	449,009
Total loans, excluding PCI loans	\$ 6,835,123	\$ 56,357	\$ 102,674	\$ -	\$ 6,994,154
Owner occupied commercial real estate	\$ 984	\$ 4,167	\$ 8,408	\$ -	\$ 13,559
Income producing commercial real estate	11,939	8,860	1,567	-	22,366
Commercial & industrial	84	140	56	-	280
Commercial construction	2,962	864	302	-	4,128
Total commercial	15,969	14,031	10,333	-	40,333
Residential mortgage	3,407	-	944	-	4,351
Home equity lines of credit	666	-	812	-	1,478
Residential construction	464	-	21	-	485
Consumer installment	73	-	58	-	131
Indirect auto	-	-	-	-	-
Total PCI loans	\$ 20,579	\$ 14,031	\$ 12,168	\$ -	\$ 46,778
As of December 31, 2016					
Owner occupied commercial real estate	\$ 1,577,301	\$ 18,029	\$ 36,446	\$ -	\$ 1,631,776
Income producing commercial real estate	1,220,626	8,502	27,094	-	1,256,222
Commercial & industrial	1,055,282	4,188	9,209	-	1,068,679
Commercial construction	612,900	6,166	6,527	-	625,593
Total commercial	4,466,109	36,885	79,276	-	4,582,270
Residential mortgage	829,844	-	20,486	-	850,330
Home equity lines of credit	647,425	-	5,975	-	653,400
Residential construction	185,643	-	3,467	-	189,110
Consumer installment	122,736	-	672	-	123,408
Indirect auto	456,717	-	2,637	-	459,354
Total loans, excluding PCI loans	\$ 6,708,474	\$ 36,885	\$ 112,513	\$ -	\$ 6,857,872
Owner occupied commercial real estate	\$ 2,044	\$ 3,444	\$ 13,096	\$ -	\$ 18,584
Income producing commercial real estate	13,236	8,474	3,609	-	25,319
Commercial & industrial	216	160	660	-	1,036
Commercial construction	3,212	1,265	3,851	-	8,328
Total commercial	18,708	13,343	21,216	-	53,267
Residential mortgage	5,189	-	1,206	-	6,395
Home equity lines of credit	1,094	-	916	-	2,010
Residential construction	898	-	35	-	933
Consumer installment	159	-	-	-	159
Indirect auto	-	-	-	-	-
Total PCI loans	\$ 26,048	\$ 13,343	\$ 23,373	\$ -	\$ 62,764

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Note 6 – Reclassifications Out of Accumulated Other Comprehensive Income

The following table presents the details regarding amounts reclassified out of accumulated other comprehensive income for the periods indicated (*in thousands*).

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income				Affected Line Item in the Statement Where Net Income is Presented
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
	2017	2016	2017	2016	
Realized gains on available-for-sale securities:					
	\$ 4	\$ 282	\$ 2	\$ 661	Securities gains, net
	-	(106)	1	(247)	Tax expense
	<u>\$ 4</u>	<u>\$ 176</u>	<u>\$ 3</u>	<u>\$ 414</u>	Net of tax
Amortization of losses included in net income on available-for-sale securities transferred to held to maturity:					
	\$ (261)	\$ (473)	\$ (571)	\$ (938)	Investment securities interest revenue
	98	178	214	359	Tax benefit
	<u>\$ (163)</u>	<u>\$ (295)</u>	<u>\$ (357)</u>	<u>\$ (579)</u>	Net of tax
Gains included in net income on derivative financial instruments accounted for as cash flow hedges:					
Amortization of losses on de-designated positions	\$ -	\$ -	\$ -	\$ (7)	Deposits in banks and short-term investments interest revenue
Amortization of losses on de-designated positions	(149)	(151)	(298)	(342)	Money market deposit interest expense
Amortization of losses on de-designated positions	(28)	(309)	(292)	(611)	Federal Home Loan Bank advances interest expense
	(177)	(460)	(590)	(960)	Total before tax
	69	179	230	374	Tax benefit
	<u>\$ (108)</u>	<u>\$ (281)</u>	<u>\$ (360)</u>	<u>\$ (586)</u>	Net of tax
Reclassification of disproportionate tax effect related to terminated cash flow hedges:					
	\$ -	\$ -	\$ (3,400)	\$ -	Income tax expense
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan:					
Prior service cost	\$ (140)	\$ (125)	\$ (280)	\$ (250)	Salaries and employee benefits expense
Actuarial losses	(60)	(42)	(120)	(84)	Salaries and employee benefits expense
	(200)	(167)	(400)	(334)	Total before tax
	78	65	157	130	Tax benefit
	<u>\$ (122)</u>	<u>\$ (102)</u>	<u>\$ (243)</u>	<u>\$ (204)</u>	Net of tax
Total reclassifications for the period	<u>\$ (389)</u>	<u>\$ (502)</u>	<u>\$ (957)</u>	<u>\$ (955)</u>	Net of tax

Amounts shown above in parentheses reduce earnings.

Note 7 – Earnings Per Share

United is required to report on the face of the consolidated statement of income, earnings per common share with and without the dilutive effects of potential common stock issuances from instruments such as options, convertible securities and warrants. Basic earnings per common share is based on the weighted average number of common shares outstanding during the period while the effects of potential common shares outstanding during the period are included in diluted earnings per common share.

During the six months ended June 30, 2016, United accrued dividends of \$21,000 on its Series H preferred stock. The Series H preferred stock was redeemed in the first quarter of 2016; accordingly, United did not accrue any dividends in 2017 or the second quarter of 2016.

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The following table sets forth the computation of basic and diluted earnings per share for the periods indicated (*in thousands, except per share data*).

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net income available to common shareholders	\$ 28,267	\$ 25,266	\$ 51,791	\$ 47,540
Weighted average shares outstanding:				
Basic	71,810	72,202	71,798	72,187
Effect of dilutive securities				
Stock options	10	5	11	4
Diluted	71,820	72,207	71,809	72,191
Net income per common share:				
Basic	\$.39	\$.35	\$.72	\$.66
Diluted	\$.39	\$.35	\$.72	\$.66

At June 30, 2017, United had the following potentially dilutive stock options and warrants outstanding: a warrant to purchase 219,909 shares of common stock at \$61.40 per share; 63,404 shares of common stock issuable upon exercise of stock options granted to employees with a weighted average exercise price of \$25.45; and 595,188 shares of common stock issuable upon the vesting of restricted stock unit awards.

At June 30, 2016, United had the following potentially dilutive stock options and warrants outstanding: a warrant to purchase 219,909 shares of common stock at \$61.40 per share; 187,541 shares of common stock issuable upon exercise of stock options granted to employees with a weighted average exercise price of \$77.65; and 581,760 shares of common stock issuable upon the vesting of restricted stock unit awards.

Note 8 – Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

United is exposed to certain risks arising from both its business operations and economic conditions. United principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. United manages interest rate risk primarily by managing the amount, sources, and duration of its investment securities portfolio and wholesale funding and through the use of derivative financial instruments. Specifically, United enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Derivative financial instruments are used to manage differences in the amount, timing, and duration of known or expected cash receipts and known or expected cash payments principally related to loans, investment securities, wholesale borrowings and deposits.

In conjunction with the FASB's fair value measurement guidance, United made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a gross basis.

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The table below presents the fair value of derivative financial instruments as of the dates indicated as well as their classification on the consolidated balance sheet (*in thousands*).

Derivatives designated as hedging instruments under ASC 815

Interest Rate Products	Balance Sheet Location	Fair Value	
		June 30, 2017	December 31, 2016
Fair value hedge of corporate bonds	Derivative assets	\$ 47	\$ 265
		<u>\$ 47</u>	<u>\$ 265</u>
Fair value hedge of brokered CDs	Derivative liabilities	\$ 1,713	\$ 1,980
		<u>\$ 1,713</u>	<u>\$ 1,980</u>

Derivatives not designated as hedging instruments under ASC 815

Interest Rate Products	Balance Sheet Location	Fair Value	
		June 30, 2017	December 31, 2016
Customer derivative positions	Derivative assets	\$ 4,499	\$ 5,266
Dealer offsets to customer derivative positions	Derivative assets	4,641	3,869
Mortgage banking - loan commitment	Derivative assets	1,424	1,552
Mortgage banking - forward sales commitment	Derivative assets	119	534
Bifurcated embedded derivatives	Derivative assets	10,432	10,225
Interest rate caps	Derivative assets	478	-
Offsetting positions for de-designated hedges	Derivative assets	-	1,977
		<u>\$ 21,593</u>	<u>\$ 23,423</u>
Customer derivative positions	Derivative liabilities	\$ 3,327	\$ 3,897
Dealer offsets to customer derivative positions	Derivative liabilities	4,723	5,328
Risk participations	Derivative liabilities	21	26
Mortgage banking - forward sales commitment	Derivative liabilities	119	96
Dealer offsets to bifurcated embedded derivatives	Derivative liabilities	14,030	14,341
De-designated hedges	Derivative liabilities	327	1,980
		<u>\$ 22,547</u>	<u>\$ 25,668</u>

Customer derivative positions are between United and certain commercial loan customers with offsetting positions to dealers under a back-to-back swap/cap program. United also has three interest rate swap contracts that are not designated as hedging instruments but are economic hedges of market-linked brokered certificates of deposit. The market-linked brokered certificates of deposit contain embedded derivatives that are bifurcated from the host instruments and are marked to market through earnings. The fair value marks on the market linked swaps and the bifurcated embedded derivatives tend to move in opposite directions with changes in 90-day LIBOR and therefore provide an economic hedge.

To accommodate customers, United occasionally enters into credit risk participation agreements with counterparty banks to accept a portion of the credit risk related to interest rate swaps. This allows customers to execute an interest rate swap with one bank while allowing for the distribution of the credit risk among participating members. Credit risk participation agreements arise when United contracts with other financial institutions, as a guarantor, to share credit risk associated with certain interest rate swaps. These agreements provide for reimbursement of losses resulting from a third party default on the underlying swap. These transactions are typically executed in conjunction with a participation in a loan with the same customer. Collateral used to support the credit risk for the underlying lending relationship is also available to offset the risk of the credit risk participation.

In addition, United originates certain residential mortgage loans with the intention of selling these loans. Between the time United enters into an interest-rate lock commitment to originate a residential mortgage loan that is to be held for sale and the time the loan is funded and eventually sold, United is subject to the risk of variability in market prices. United enters into forward sale agreements to mitigate risk and to protect the expected gain on the eventual loan sale. Most of this hedging activity is executed on a matched basis, with a loan sale commitment hedging a specific loan. The commitments to originate residential mortgage loans and forward loan sales commitments are freestanding derivative instruments. Beginning late in the third quarter of 2016 for newly originated mortgage loans, United began to account for the underlying loans at fair value pursuant to the fair value option, and these loans are not reflected in the table above. Fair value adjustments on these derivative instruments are recorded within mortgage loan and other related fee income in the consolidated statement of income.

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In the second quarter of 2017, United purchased interest rate caps with a notional amount of \$200 million to serve as an economic macro hedge of exposure to rising interest rates.

Cash Flow Hedges of Interest Rate Risk

At June 30, 2017 and December 31, 2016 United did not have any active cash flow hedges. Changes in balance sheet composition and interest rate risk position made cash flow hedges no longer necessary as protection against rising interest rates. The loss remaining in other comprehensive income on the de-designated swaps is being amortized into earnings over the original term of the swaps as the forecasted transactions that the swaps were originally designated to hedge are still expected to occur. United expects that \$591,000 will be reclassified as an increase to interest expense over the next twelve months related to these cash flow hedges.

The table below presents the effect of cash flow hedges on the consolidated statement of income for the periods indicated (*in thousands*).

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)		Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)			Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)		
	2017	2016	Location	2017	2016	Location	2017	2016
Three Months Ended June 30,								
Interest rate swaps	\$ -	\$ -	Interest expense	\$ (177)	\$ (460)	Interest expense	\$ -	\$ -
Six Months Ended June 30,								
Interest rate swaps	\$ -	\$ -	Interest expense	\$ (590)	\$ (960)	Interest expense	\$ -	\$ -

Fair Value Hedges of Interest Rate Risk

United is exposed to changes in the fair value of certain of its fixed-rate obligations due to changes in interest rates. United uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in interest rates. Interest rate swaps designated as fair value hedges of brokered deposits involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreements without the exchange of the underlying notional amount. Interest rate swaps designated as fair value hedges of fixed-rate investments involve the receipt of variable-rate payments from a counterparty in exchange for United making fixed-rate payments over the life of the instrument without the exchange of the underlying notional amount. At June 30, 2017, United had four interest rate swaps with a notional amount of \$40.7 million that were designated as fair value hedges of interest rate risk and were pay-variable / receive-fixed swaps hedging the changes in the fair value of fixed-rate brokered time deposits resulting from changes in interest rates. Also at June 30, 2017, United had one interest rate swap with a notional value of \$30 million that was designated as a pay-fixed / receive-variable fair value hedge of changes in the fair value of a fixed-rate corporate bond. At December 31, 2016, United had one interest rate swap with an aggregate notional amount of \$12.8 million that was designated as a fair value hedge of interest rate risk and was pay-variable / receive-fixed, hedging the changes in the fair value of fixed-rate brokered time deposits resulting from changes in interest rates. Also at December 31, 2016, United had one interest rate swap with a notional value of \$30 million that was designated as a pay-fixed / receive-variable fair value hedge of changes in the fair value of a fixed-rate corporate bond.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. United includes the gain or loss on the hedged items in the same income statement line item as the offsetting loss or gain on the related derivatives. During the three and six months ended June 30, 2017, United recognized net losses of \$327,000 and \$452,000, respectively, related to ineffectiveness in the fair value hedging relationships. During the three and six months ended June 30, 2016, United recognized net gains of \$216,000 and \$854,000, respectively, related to ineffectiveness in the fair value hedging relationships. United also recognized net reductions of interest expense of \$65,000 and \$97,000, respectively, for the three and six months ended June 30, 2017 and net reductions of interest expense of \$448,000 and \$1.24 million, respectively, for the three and six months ended June 30, 2016 related to fair value hedges of brokered time deposits, which includes net settlements on the derivatives. United recognized reductions of interest revenue on securities during the three and six months ended June 30, 2017 of \$80,000 and \$173,000, respectively, and reductions of interest revenue on securities during the three and six months ended June 30, 2016 of \$117,000 and \$246,000, respectively, related to fair value hedges of corporate bonds.

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The table below presents the effect of derivatives in fair value hedging relationships on the consolidated statement of income for the periods indicated (*in thousands*).

	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative		Amount of Gain (Loss) Recognized in Income on Hedged Item	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Three Months Ended June 30,					
Fair value hedges of brokered CDs	Interest expense	\$ 73	\$ 720	\$ (344)	\$ (413)
Fair value hedges of corporate bonds	Interest revenue	(323)	(793)	267	702
		<u>\$ (250)</u>	<u>\$ (73)</u>	<u>\$ (77)</u>	<u>\$ 289</u>
Six Months Ended June 30,					
Fair value hedges of brokered CDs	Interest expense	\$ (201)	\$ 3,271	\$ (155)	\$ (2,213)
Fair value hedges of corporate bonds	Interest revenue	(217)	(2,407)	121	2,203
		<u>\$ (418)</u>	<u>\$ 864</u>	<u>\$ (34)</u>	<u>\$ (10)</u>

In certain cases, the estate of deceased brokered certificate of deposit holders may put the certificate of deposit back to United at par upon the death of the holder. When these estate puts occur, a gain or loss is recognized for the difference between the fair value and the par amount of the deposits put back. The change in the fair value of brokered time deposits that are being hedged in fair value hedging relationships reported in the table above includes gains and losses from estate puts and such gains and losses are included in the amount of reported ineffectiveness gains or losses.

Derivatives Not Designated as Hedging Instruments under ASC 815

The table below presents the gains and losses recognized in income on derivatives not designated as hedging instruments under ASC 815 for the periods indicated (*in thousands*).

	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative			
		Three Months Ended June 30,		Six Months Ended June 30,	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Customer derivatives and dealer offsets	Other fee revenue	\$ 775	\$ 1,082	\$ 1,250	\$ 1,837
Bifurcated embedded derivatives and dealer offsets	Other fee revenue	119	(120)	206	(416)
Interest rate caps	Other fee revenue	90	-	90	-
De-designated hedges	Other fee revenue	28	-	4	-
Mortgage banking derivatives	Mortgage loan revenue	(1,000)	-	(876)	-
Risk participations	Other fee revenue	1	-	5	-
		<u>\$ 13</u>	<u>\$ 962</u>	<u>\$ 679</u>	<u>\$ 1,421</u>

Credit-Risk-Related Contingent Features

United manages its credit exposure on derivatives transactions by entering into a bilateral credit support agreement with each counterparty. The credit support agreements require collateralization of exposures beyond specified minimum threshold amounts. The details of these agreements, including the minimum thresholds, vary by counterparty. As of June 30, 2017, collateral totaling \$19.1 million was pledged toward derivatives in a liability position.

United's agreements with each of its derivative counterparties contain a provision where if either party defaults on any of its indebtedness, then it could also be declared in default on its derivative obligations. The agreements with derivatives counterparties also include provisions that if not met, could result in United being declared in default. United has agreements with certain of its derivative counterparties that contain a provision where if United fails to maintain its status as a well-capitalized institution or is subject to a prompt corrective action directive, the counterparty could terminate the derivative positions and United would be required to settle its obligations under the agreements.

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Note 9 – Stock-Based Compensation

United has an equity compensation plan that allows for grants of incentive stock options, nonqualified stock options, restricted stock and restricted stock unit awards (also referred to as “nonvested stock” awards), stock awards, performance share awards or stock appreciation rights. Options granted under the plan can have an exercise price no less than the fair market value of the underlying stock at the date of grant. The general terms of the plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain options, restricted stock and restricted stock unit awards provide for accelerated vesting if there is a change in control (as defined in the plan). Through June 30, 2017, incentive stock options, nonqualified stock options, restricted stock and restricted stock unit awards, base salary stock grants and performance share awards have been granted under the plan. As of June 30, 2017, 2.16 million additional shares remained available for grant under the plan.

The following table shows stock option activity for the first six months of 2017.

<u>Options</u>	<u>Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value (\$000)</u>
Outstanding at December 31, 2016	72,665	\$ 34.34		
Expired	(1,538)	147.60		
Cancelled	(7,723)	84.78		
Outstanding at June 30, 2017	<u>63,404</u>	25.45	3.5	\$ 346
Exercisable at June 30, 2017	<u>57,154</u>	26.44	3.1	275

The fair value of each option is estimated on the date of grant using the Black-Scholes model. No stock options were granted during the six months ended June 30, 2017 and 2016.

United’s stock option exercise patterns were significantly impacted by the past economic downturn, which rendered most of United’s outstanding options worthless to the grantee. Therefore, historical exercise patterns do not provide a reasonable basis for determining the expected life of new option grants. United therefore uses the formula provided in ASC 718-10-S99 to determine the expected life of options.

United recognized \$15,000 in compensation expense related to stock options during both the six months ended June 30, 2017 and 2016. The amount of compensation expense was determined based on the fair value of the options at the time of grant, multiplied by the number of options granted that were expected to vest, which was then amortized over the vesting period. No options were exercised during the first six months of 2017 or 2016.

The table below presents restricted stock units activity for the first six months of 2017.

<u>Restricted Stock Unit Awards</u>	<u>Shares</u>	<u>Weighted- Average Grant- Date Fair Value</u>	<u>Weighted- Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value (\$000)</u>
Outstanding at December 31, 2016	690,970	\$ 18.60		
Granted	37,737	27.30		
Vested	(123,554)	17.08		\$ 3,557
Cancelled	(9,965)	19.99		
Outstanding at June 30, 2017	<u>595,188</u>	19.58	2.5	16,546

Compensation expense for restricted stock units is based on the fair value of restricted stock unit awards at the time of grant, which is equal to the value of United’s common stock on the date of grant. United recognizes the impact of forfeitures as they occur. The value of restricted stock unit awards is amortized into expense over the vesting period. For the six months ended June 30, 2017 and 2016, expense of \$3.02 million and \$1.76 million, respectively, was recognized related to employee restricted stock unit awards. Of the expense recognized related to restricted stock unit awards during the six months ended June 30, 2017, \$696,000 relates to the modification of existing awards resulting from an acceleration of vesting of unvested awards due to retirement which was recognized in merger-related and other charges. The remaining expense of \$2.33 million was recognized in compensation expense. In addition, for the six months ended June 30, 2017 and 2016, \$113,000 and \$51,000, respectively, was recognized in other operating expense for restricted stock unit awards granted to members of United’s board of directors.

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As of June 30, 2017, there was \$7.72 million of unrecognized expense related to non-vested stock options and restricted stock unit awards granted under the plan. That cost is expected to be recognized over a weighted-average period of 2.51 years.

Note 10 – Common and Preferred Stock Issued / Common Stock Issuable

United sponsors a Dividend Reinvestment and Share Purchase Plan (“DRIP”) that allows participants who already own United’s common stock to purchase additional shares directly from United. The DRIP also allows participants to automatically reinvest their quarterly dividends in additional shares of common stock without a commission. In the six months ended June 30, 2017 and 2016, 1,714 shares and 1,775 shares, respectively, were issued through the DRIP.

In addition, United has an Employee Stock Purchase Program (“ESPP”) that allows eligible employees to purchase shares of common stock at a 10% discount, with no commission charges. During the first six months of 2017 and 2016, United issued 6,855 shares and 8,585 shares, respectively, through the ESPP.

United offers its common stock as an investment option in its deferred compensation plan. United also allows for the deferral of restricted stock unit awards. The common stock component of the deferred compensation plan is accounted for as an equity instrument and is reflected in the consolidated financial statements as common stock issuable. The deferred compensation plan does not allow for diversification once an election is made to invest in United’s common stock and settlement must be accomplished in shares at the time the deferral period is completed. At June 30, 2017 and December 31, 2016, 550,449 and 519,874 shares of common stock, respectively, were issuable under the deferred compensation plan.

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. During the first six months of 2017, United did not repurchase any shares under the program. As of June 30, 2017, \$36.3 million of United’s outstanding common stock may be repurchased under the program.

Note 11 – Income Taxes

The income tax provision for the three and six months ended June 30, 2017 was \$16.5 million and \$35.0 million, respectively, which represents an effective tax rate of 36.9% and 40.3%, respectively, for each period. The income tax provision for the three and six months ended June 30, 2016 was \$15.4 million and \$29.0 million, respectively, which represents an effective tax rate of 37.9% for both periods. Upon reversal of United’s former full deferred tax valuation allowance in 2013, certain disproportionate tax effects were retained in accumulated other comprehensive income (loss). During the first quarter of 2017, with the maturity and termination of certain dedesignated cash flow hedges, the disproportionate tax effect associated with these hedges was reversed and recorded as a tax expense of \$3.40 million, which was the primary reason for the increase in the effective tax rate compared to the first six months of 2016.

At June 30, 2017 and December 31, 2016, United maintained a valuation allowance on its net deferred tax asset of \$4.09 million and \$3.88 million, respectively. Management assesses the valuation allowance recorded against its net deferred tax asset at each reporting period. The determination of whether a valuation allowance for its net deferred tax asset is appropriate is subject to considerable judgment and requires an evaluation of all the positive and negative evidence.

United evaluated the need for a valuation allowance at June 30, 2017. Based on the assessment of all the positive and negative evidence, management concluded that it is more likely than not that nearly all of its net deferred tax asset will be realized based upon future taxable income. The remaining valuation allowance of \$4.09 million is related to specific state income tax credits that have short carryforward periods and are expected to expire unused.

The valuation allowance could fluctuate in future periods based on the assessment of the positive and negative evidence. Management's conclusion at June 30, 2017 that it was more likely than not that the net deferred tax asset of \$120 million will be realized is based upon internal forecasts that consider historical performance, various internal estimates and assumptions, as well as certain external data all of which management believes to be reasonable although inherently subject to significant judgment. If actual results differ significantly from the current estimates of future taxable income, even if caused by adverse macro-economic conditions, the valuation allowance may need to be increased for some or all of its net deferred tax asset. Such an increase to the net deferred tax asset valuation allowance could have a material adverse effect on United’s financial condition and results of operations.

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United is subject to income taxation in the United States and various state jurisdictions. United's federal and state income tax returns are filed on a consolidated basis. Currently, no years for which United filed a federal income tax return are under examination by the IRS, and there are no state tax examinations currently in progress. United is no longer subject to income tax examinations from state and local income tax authorities for years before 2013. Although it is not possible to know the ultimate outcome of future examinations, management believes that the liability recorded for uncertain tax positions is appropriate. At June 30, 2017 and December 31, 2016, unrecognized income tax benefits totaled \$4.11 million and \$3.89 million, respectively.

Note 12 – Assets and Liabilities Measured at Fair Value

Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, United uses a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). United has processes in place to review the significant valuation inputs and to reassess how the instruments are classified in the valuation framework.

Fair Value Hierarchy

Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that United has the ability to access.

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. United's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following is a description of the valuation methodologies used for assets and liabilities recorded at fair value.

Securities Available-for-Sale

Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, United States Department of Treasury ("Treasury") securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds, corporate debt securities and asset-backed securities and are valued based on observable inputs that include: quoted market prices for similar assets, quoted market prices that are not in an active market, or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the securities. Securities classified as Level 3 include asset-backed securities in less liquid markets. Securities classified as Level 3 are valued based on estimates obtained from broker-dealers and are not directly observable.

Deferred Compensation Plan Assets and Liabilities

Included in other assets in the consolidated balance sheet are assets related to employee deferred compensation plans. The assets associated with these plans are invested in mutual funds and classified as Level 1. Deferred compensation liabilities, also classified as Level 1, are carried at the fair value of the obligation to the employee, which mirrors the fair value of the invested assets and is included in other liabilities in the consolidated balance sheet.

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Mortgage Loans Held for Sale

Beginning in the third quarter of 2016, United elected the fair value option for newly originated mortgage loans held for sale. United elected the fair value option for its portfolio of mortgage loans held for sale in order to reduce certain timing differences and better match changes in fair values of the loans with changes in the value of derivative instruments used to economically hedge them. The fair value of mortgage loans held for sale is determined using quoted prices for a similar asset, adjusted for specific attributes of that loan (Level 2).

Loans

United does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if repayment of the loan is dependent upon the sale of the underlying collateral.

Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with ASC 820, *Fair Value Measures and Disclosures*, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, United records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, United records the impaired loan as nonrecurring Level 3.

Derivative Financial Instruments

United uses interest rate swaps and interest rate floors to manage its interest rate risk. The valuation of these instruments is typically determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. United also uses best effort and mandatory delivery forward loan sale commitments to hedge risk in its mortgage lending business.

To comply with the provisions of ASC 820, United incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, United has considered the effect of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although management has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2017, management had assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. Derivatives classified as Level 3 included structured derivatives for which broker quotes, used as a key valuation input, were not observable consistent with a Level 2 disclosure. The fair value of risk participations incorporates Level 3 inputs to evaluate the likelihood of customer default. The fair value of interest rate lock commitments, which is related to mortgage loan commitments, is categorized as Level 3 based on unobservable inputs for commitments that United does not expect to fund.

Servicing Rights for SBA/USDA Loans

United recognizes servicing rights upon the sale of Small Business Administration and United States Department of Agriculture ("SBA/USDA") loans sold with servicing retained. Management has elected to carry this asset at fair value. Given the nature of the asset, the key valuation inputs are unobservable and management classifies this asset as Level 3.

Residential Mortgage Servicing Rights

United recognizes servicing rights upon the sale of residential mortgage loans sold with servicing retained. Effective January 1, 2017, management has elected to carry this asset at fair value. Given the nature of the asset, the key valuation inputs are unobservable and management classifies this asset as Level 3. The cumulative effect adjustment of this election to retained earnings, net of income tax effect, was \$437,000.

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Pension Plan Assets

For information on the fair value of pension plan assets, see Note 18 in the Annual Report on Form 10-K for the year ended December 31, 2016.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents United's assets and liabilities measured at fair value on a recurring basis as of the dates indicated, aggregated by the level in the fair value hierarchy within which those measurements fall (*in thousands*).

June 30, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Securities available for sale:				
U.S. Treasuries	\$ 170,919	\$ -	\$ -	\$ 170,919
U.S. Government agencies	-	37,619	-	37,619
State and political subdivisions	-	113,135	-	113,135
Mortgage-backed securities	-	1,505,186	-	1,505,186
Corporate bonds	-	307,668	810	308,478
Asset-backed securities	-	338,073	-	338,073
Other	-	1,182	-	1,182
Mortgage loans held for sale	-	24,109	-	24,109
Deferred compensation plan assets	5,149	-	-	5,149
Servicing rights for SBA/USDA loans	-	-	6,640	6,640
Residential mortgage servicing rights	-	-	6,499	6,499
Derivative financial instruments	-	9,784	11,856	21,640
Total assets	<u>\$ 176,068</u>	<u>\$ 2,336,756</u>	<u>\$ 25,805</u>	<u>\$ 2,538,629</u>
Liabilities:				
Deferred compensation plan liability	\$ 5,149	\$ -	\$ -	\$ 5,149
Derivative financial instruments	-	8,169	16,091	24,260
Total liabilities	<u>\$ 5,149</u>	<u>\$ 8,169</u>	<u>\$ 16,091</u>	<u>\$ 29,409</u>
December 31, 2016				
	Level 1	Level 2	Level 3	Total
Assets:				
Securities available for sale:				
U.S. Treasuries	\$ 169,616	\$ -	\$ -	\$ 169,616
U.S. Agencies	-	20,820	-	20,820
State and political subdivisions	-	74,177	-	74,177
Mortgage-backed securities	-	1,391,682	-	1,391,682
Corporate bonds	-	304,717	675	305,392
Asset-backed securities	-	469,569	-	469,569
Other	-	1,182	-	1,182
Mortgage loans held for sale	-	27,891	-	27,891
Deferred compensation plan assets	4,161	-	-	4,161
Servicing rights for SBA/USDA loans	-	-	5,752	5,752
Derivative financial instruments	-	11,911	11,777	23,688
Total assets	<u>\$ 173,777</u>	<u>\$ 2,301,949</u>	<u>\$ 18,204</u>	<u>\$ 2,493,930</u>
Liabilities:				
Deferred compensation plan liability	\$ 4,161	\$ -	\$ -	\$ 4,161
Derivative financial instruments	-	11,301	16,347	27,648
Total liabilities	<u>\$ 4,161</u>	<u>\$ 11,301</u>	<u>\$ 16,347</u>	<u>\$ 31,809</u>

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
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The following table shows a reconciliation of the beginning and ending balances for the periods indicated for assets measured at fair value on a recurring basis using significant unobservable inputs that are classified as Level 3 values (*in thousands*).

	2017					2016				
	Derivative Asset	Derivative Liability	Servicing rights for SBA/USDA loans	Residential mortgage servicing rights	Securities Available- for-Sale	Derivative Asset	Derivative Liability	Servicing rights for SBA/USDA loans	Securities Available- for-Sale	
Three Months Ended June 30,										
Balance at beginning of period	\$ 12,649	\$ 16,580	\$ 5,997	\$ 5,971	\$ 675	\$ 3,915	\$ 10,151	\$ 3,898	\$ 650	
Additions	-	-	668	947	-	-	-	801	-	
Sales and settlements	(702)	(964)	(36)	(74)	-	-	-	(73)	-	
Other comprehensive income	-	-	-	-	135	-	-	-	(150)	
Amounts included in earnings - fair value adjustments	(91)	475	11	(345)	-	(1,258)	(2,620)	(11)	-	
Balance at end of period	<u>\$ 11,856</u>	<u>\$ 16,091</u>	<u>\$ 6,640</u>	<u>\$ 6,499</u>	<u>\$ 810</u>	<u>\$ 2,657</u>	<u>\$ 7,531</u>	<u>\$ 4,615</u>	<u>\$ 500</u>	
Six Months Ended June 30,										
Balance at beginning of period	\$ 11,777	\$ 16,347	\$ 5,752	\$ -	\$ 675	\$ 9,418	\$ 15,794	\$ 3,712	\$ 750	
Transfer from amortization method to fair value	-	-	-	5,070	-	-	-	-	-	
Additions	-	-	1,221	1,813	-	-	-	1,100	-	
Sales and settlements	(1,086)	(1,514)	(299)	(114)	-	-	-	(171)	-	
Other comprehensive income	-	-	-	-	135	-	-	-	(250)	
Amounts included in earnings - fair value adjustments	1,165	1,258	(34)	(270)	-	(6,761)	(8,263)	(26)	-	
Balance at end of period	<u>\$ 11,856</u>	<u>\$ 16,091</u>	<u>\$ 6,640</u>	<u>\$ 6,499</u>	<u>\$ 810</u>	<u>\$ 2,657</u>	<u>\$ 7,531</u>	<u>\$ 4,615</u>	<u>\$ 500</u>	

The following table presents quantitative information about Level 3 fair value measurements for fair value on a recurring basis as of the dates indicated (*in thousands*).

Level 3 Assets	Fair Value		Valuation Technique	Unobservable Inputs	Weighted Average	
	June 30, 2017	December 31, 2016			June 30, 2017	December 31, 2016
Servicing rights for SBA/USDA loans	\$ 6,640	\$ 5,752	Discounted cash flow	Discount rate Prepayment rate	12.1% 7.7%	11.0% 7.12%
Residential mortgage servicing rights	6,499	-	Discounted cash flow	Discount rate Prepayment rate	10.0% 10.1%	N/A N/A
Corporate bonds	810	675	Indicative bid provided by a broker	Multiple factors, including but not limited to, current operations, financial condition, cash flows, and recently executed financing transactions related to the company	N/A	N/A
Derivative assets - mortgage	1,424	1,552	Internal model	Pull through rate	80%	80%
Derivative assets - other	10,432	10,225	Dealer priced	Dealer priced	N/A	N/A
Derivative liabilities - risk participations	21	26	Internal model	Probable exposure rate Probability of default rate	.32% 1.80%	.35% 1.80%
Derivative liabilities - other	16,070	16,321	Dealer priced	Dealer priced	N/A	N/A

Fair Value Option

At June 30, 2017, mortgage loans held for sale for which the fair value option was elected had an aggregate fair value and outstanding principal balance of \$24.1 million and \$23.3 million, respectively. At December 31, 2016, mortgage loans held for sale for which the fair value option was elected had an aggregate fair value and outstanding principal balance of \$27.9 million and \$27.6 million, respectively. Interest income on these loans is calculated based on the note rate of the loan and is recorded in interest revenue. During the three and six months ended June 30, 2017, net gains resulting from changes in fair value of these loans of \$192,000 and \$444,000, respectively, were recorded in mortgage loan and other related fees. These changes in fair value were mostly offset by hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk. During the three and six months ended June 30, 2016, no such gains were recorded.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
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Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

United may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the application of the lower of the amortized cost or fair value accounting or write-downs of individual assets due to impairment. The following table presents the fair value hierarchy and carrying value of all assets that were still held as of June 30, 2017 and December 31, 2016, for which a nonrecurring fair value adjustment was recorded during the year-to-date periods presented (*in thousands*).

June 30, 2017	Level 1	Level 2	Level 3	Total
Loans	\$ -	\$ -	\$ 8,625	\$ 8,625
December 31, 2016				
Loans	\$ -	\$ -	\$ 7,179	\$ 7,179

Loans that are reported above as being measured at fair value on a nonrecurring basis are generally impaired loans that have either been partially charged off or have specific reserves assigned to them. Nonaccrual impaired loans that are collateral dependent are generally written down to 80% of appraised value which considers the estimated costs to sell. Specific reserves are established for impaired loans based on appraised value of collateral or discounted cash flows, although only those specific reserves based on the fair value of collateral are considered nonrecurring fair value adjustments.

Assets and Liabilities Not Measured at Fair Value

For financial instruments that have quoted market prices, those quotes are used to determine fair value. Financial instruments that have no defined maturity, have a remaining maturity of 180 days or less, or reprice frequently to a market rate, are assumed to have a fair value that approximates reported book value, after taking into consideration any applicable credit risk. If no market quotes are available, financial instruments are valued by discounting the expected cash flows using an estimated current market interest rate for the financial instrument. For off-balance sheet derivative instruments, fair value is estimated as the amount that United would receive or pay to terminate the contracts at the reporting date, taking into account the current unrealized gains or losses on open contracts.

Cash and cash equivalents and repurchase agreements have short maturities and therefore the carrying value approximates fair value. Due to the short-term settlement of accrued interest receivable and payable, the carrying amount closely approximates fair value.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect the premium or discount on any particular financial instrument that could result from the sale of United's entire holdings. All estimates are inherently subjective in nature. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include the mortgage banking operation, brokerage network, deferred income taxes, premises and equipment and goodwill. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Off-balance sheet instruments (commitments to extend credit and standby letters of credit) for which draws can be reasonably predicted are generally short-term in maturity and are priced at variable rates. Therefore, the estimated fair value associated with these instruments is immaterial.

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

The carrying amount and fair values as of the dates indicated for other financial instruments that are not measured at fair value on a recurring basis are as follows (*in thousands*).

June 30, 2017	Carrying Amount	Fair Value Level			Total
		Level 1	Level 2	Level 3	
Assets:					
Securities held to maturity	\$ 312,002	\$ -	\$ 316,583	\$ -	\$ 316,583
Loans, net	6,981,432	-	-	6,898,237	6,898,237
Mortgage loans held for sale	1,602	-	1,627	-	1,627
Liabilities:					
Deposits	8,735,735	-	8,736,957	-	8,736,957
Federal Home Loan Bank advances	669,065	-	668,997	-	668,997
Long-term debt	175,363	-	-	176,721	176,721
December 31, 2016					
Assets:					
Securities held to maturity	\$ 329,843	\$ -	\$ 333,170	\$ -	\$ 333,170
Loans, net	6,859,214	-	-	6,824,229	6,824,229
Mortgage loans held for sale	1,987	-	2,018	-	2,018
Residential mortgage servicing rights	4,372	-	-	5,175	5,175
Liabilities:					
Deposits	8,637,558	-	8,635,811	-	8,635,811
Federal Home Loan Bank advances	709,209	-	709,174	-	709,174
Long-term debt	175,078	-	-	175,750	175,750

Note 13 – Commitments and Contingencies

United is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of these instruments reflect the extent of involvement United has in particular classes of financial instruments. The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit written is represented by the contractual amount of these instruments. United uses the same credit policies in making commitments and conditional obligations as it uses for underwriting on-balance sheet instruments. In many cases, collateral or other security is required to support financial instruments with credit risk.

The following table summarizes the contractual amount of off-balance sheet instruments as of the dates indicated (*in thousands*).

	June 30, 2017	December 31, 2016
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 1,675,090	\$ 1,542,186
Letters of credit	28,108	26,862

United's wholly-owned bank subsidiary, United Community Bank (the "Bank"), holds minor investments in certain limited partnerships for Community Reinvestment Act purposes. As of June 30, 2017, the Bank had invested \$3.81 million in these limited partnerships and had committed to fund an additional \$5.69 million related to future capital calls.

United, in the normal course of business, is subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. Although it is not possible to predict the outcome of these lawsuits, or the range of any possible loss, management, after consultation with legal counsel, does not anticipate that the ultimate aggregate liability, if any, arising from these lawsuits will have a material adverse effect on United's financial position or results of operations.

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

Note 14 – Mergers and Acquisitions

Four Oaks Fincorp, Inc.

On June 27, 2017, United announced that it had reached a definitive merger agreement to acquire Four Oaks Fincorp, Inc. (“FOFN”) and its wholly-owned bank subsidiary, Four Oaks Bank & Trust Company. As of March 31, 2017, FOFN had total assets of \$737 million, loans of \$513 million and deposits of \$560 million. Four Oaks Bank & Trust Company, which currently operates 14 banking offices in the Raleigh, North Carolina metropolitan statistical area, will merge into and operate under the brand of United Community Bank, United’s wholly-owned bank subsidiary.

Under the terms of the merger agreement, which has been unanimously approved by the Boards of Directors of both companies, FOFN shareholders will receive .6178 shares of United common stock and \$1.90 for each share of FOFN common stock. Based on United’s closing price of \$26.48 per share on June 23, 2017, the aggregate deal value is approximately \$124 million.

The merger, which is subject to regulatory approval, the approval of shareholders of FOFN, and other customary conditions, is expected to close in the fourth quarter of 2017.

HCSB Financial Corporation

On July 31, 2017, United completed its previously announced acquisition of HCSB Financial Corporation (“HCSB”) and its wholly-owned bank subsidiary, Horry County State Bank. As of March 31, 2017, HCSB had total assets of \$384 million, loans of \$229 million and deposits of \$322 million. Horry County State Bank, which operated eight branches in the Myrtle Beach-Conway-North Myrtle Beach area of South Carolina, will operate under the HCSB brand until system conversions are completed in the fourth quarter of 2017, at which time it will begin to operate as United Community Bank.

Under the terms of the merger agreement, HCSB shareholders received .0050 shares of United common stock for each share of HCSB common stock, or an aggregate of approximately \$69 million, based on United’s closing price of \$27.76 on July 31, 2017.

The acquisition will be accounted for as a business combination. Due to the timing of the acquisition, United is currently in the process of completing the purchase accounting and has not made all of the remaining disclosures required by ASC 805-10-50, such as the fair value of assets acquired and supplemental pro forma information, which will be disclosed in subsequent filings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, (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 forma", "seeks", "intends", or "anticipates", 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 or events, 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 experiences may differ materially from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experiences to differ from those projected include, but are not limited to, the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2016 as well as 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;
- 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-Q. The financial statements and information contained herein have not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

Overview

The following discussion is intended to provide insight into the results of operations and financial condition of United Community Banks, Inc. (“United”) and its subsidiaries and should be read in conjunction with the consolidated financial statements and accompanying notes.

United is a bank holding company registered with the Board of Governors of the Federal Reserve under the Bank Holding Company Act of 1956 that was incorporated under the laws of the State of Georgia in 1987 and commenced operations in 1988. At June 30, 2017, United had total consolidated assets of \$10.8 billion, total loans of \$7.04 billion, total deposits of \$8.74 billion, and shareholders’ equity of \$1.13 billion.

United conducts substantially all of its operations through its wholly-owned Georgia bank subsidiary, United Community Bank (the “Bank”), which as of June 30, 2017, operated at 134 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, as well as a commercial loan office in Charlotte, North Carolina.

On July 1, 2016, United completed its previously announced acquisition of Tidelands Bancshares, Inc. (“Tidelands”) and its wholly-owned bank subsidiary, Tidelands Bank. Tidelands’ results are included in United’s consolidated results beginning on the acquisition date.

United reported net income of \$28.3 million, or \$.39 per diluted share, for the second quarter of 2017, compared to net income of \$25.3 million, or \$.35 per diluted share, for the second quarter of 2016. For the six months ended June 30, 2017, United reported net income of \$51.8 million, or \$.72 per diluted share, compared to \$47.6 million, or \$.66 per diluted share, for the first six months of 2016. The increase in earnings per share resulted from an increase in net interest revenue and fee revenue, partially offset by an increase in operating expenses.

Net interest revenue increased to \$85.1 million for the second quarter of 2017, compared to \$74.9 million for the second quarter of 2016, primarily due to higher loan volume, much of which resulted from the acquisition of Tidelands. Net interest margin increased to 3.47% for the three months ended June 30, 2017 from 3.35% for the same period in 2016 mostly due to the effect of rising interest rates on floating rate loans and investment securities. Growth in the loan portfolio also led to a more favorable earning asset mix. For the six months ended June 30, 2017, net interest revenue was \$169 million and the net interest margin was 3.46% compared to net interest revenue of \$150 million and net interest margin of 3.38% for the same period in 2016.

The provision for credit losses was \$800,000 for the second quarter of 2017, compared to a release of provision of \$300,000 for the second quarter of 2016. For the six months ended June 30, 2017, the provision for credit losses was \$1.60 million, compared to a release of provision of \$500,000 for the same period in 2016. Net charge-offs for the second quarter of 2017 were \$1.62 million, compared to \$1.73 million for the second quarter of 2016. Recoveries of previously charged-off amounts remained at elevated levels, with second quarter 2017 being the ninth consecutive quarter of recoveries greater than \$1 million.

As of June 30, 2017, the allowance for loan losses was \$59.5 million, or .85% of loans, compared to \$61.4 million, or .89% of loans, at December 31, 2016 reflecting continued asset quality improvement. Nonperforming assets of \$25.8 million were .24% of total assets at June 30, 2017, down from .28% at December 31, 2016 primarily due to sales of foreclosed properties received through the Tidelands acquisition. During the second quarter of 2017, \$8.11 million in loans were placed on nonaccrual compared with \$6.79 million in the second quarter of 2016.

Fee revenue of \$23.7 million for the second quarter of 2017 was up \$188,000, or 1%, from the second quarter of 2016. Gains from the sales of Small Business Administration and United States Department of Agriculture (“SBA/USDA”) loans decreased \$175,000 in the second quarter of 2017 compared to the second quarter of 2016. Mortgage fees of \$4.81 million for the second quarter of 2017 increased from \$4.45 million in the second quarter of 2016. For the first six months of 2017, fee revenue of \$45.8 million increased \$3.66 million, or 9%, from the same period in 2016, primarily due to the same factors that affected the quarterly results.

For the second quarter and first half of 2017, operating expenses of \$63.2 million and \$126 million, respectively, were up \$5.17 million and \$10.1 million from the same periods of 2016, primarily due to the addition of Tidelands operating expenses since acquisition. Salaries and benefits expense increased \$3.77 million from second quarter 2016 and \$7.40 million from the first half of 2016, also due to the addition of Tidelands and higher incentives and commissions in connection with increased lending activities and improvement in earnings performance.

Recent Developments

On June 27, 2017, United announced that it had reached a definitive merger agreement to acquire Four Oaks Fincorp, Inc. (“FOFN”) and its wholly-owned bank subsidiary, Four Oaks Bank & Trust Company. As of March 31, 2017, FOFN had total assets of \$737 million, loans of \$513 million and deposits of \$560 million. Four Oaks Bank & Trust Company, which currently operates 14 banking offices in the Raleigh, North Carolina metropolitan statistical area, will merge into and operate under the brand of United Community Bank, United’s wholly-owned bank subsidiary.

Under the terms of the merger agreement, which has been unanimously approved by the Boards of Directors of both companies, FOFN shareholders will receive .6178 shares of United common stock and \$1.90 for each share of FOFN common stock. Based on United’s closing price of \$26.48 per share on June 23, 2017, the aggregate deal value is approximately \$124 million.

The merger, which is subject to regulatory approval, the approval of shareholders of FOFN, and other customary conditions, is expected to close in the fourth quarter of 2017.

On July 31, 2017, United completed its previously announced acquisition of HCSB Financial Corporation (“HCSB”) and its wholly-owned bank subsidiary, Horry County State Bank. As of March 31, 2017, HCSB had total assets of \$384 million, loans of \$229 million and deposits of \$322 million. Horry County State Bank, which operated eight branches in the Myrtle Beach-Conway-North Myrtle Beach area of South Carolina, will operate under the HCSB brand until system conversions are completed in the fourth quarter of 2017, at which time it will begin to operate as United Community Bank. The acquisition date fair value of purchased assets and liabilities has not yet been finalized.

Under the terms of the merger agreement, HCSB shareholders received .0050 shares of United common stock for each share of HCSB common stock, or an aggregate of approximately \$69 million, based on United’s closing price of \$27.76 on July 31, 2017.

Critical Accounting Policies

The accounting and reporting policies of United are in accordance with accounting principles generally accepted in the United States (“GAAP”) and conform to general practices within the banking industry. The more critical accounting and reporting policies include United’s accounting for the allowance for loan losses, fair value measurements, and income taxes which involve the use of estimates and require significant judgments to be made by management. Different assumptions in the application of these policies could result in material changes in United’s consolidated financial position or consolidated results of operations. See “Asset Quality and Risk Elements” herein for additional discussion of United’s accounting methodologies related to the allowance for loan losses.

GAAP Reconciliation and Explanation

This Form 10-Q contains financial information determined by methods other than in accordance with GAAP. Such non-GAAP financial information includes the following measures: “tangible book value per common share,” “average tangible equity to average assets,” “tangible equity to assets,” “average tangible common equity to average assets,” “tangible common equity to assets” and “tangible common equity to risk-weighted assets.” In addition, management presents non-GAAP operating performance measures, which exclude merger-related and other items that are not part of United’s ongoing business operations. Operating performance measures include “expenses – operating,” “net income – operating,” “net income available to common shareholders – operating,” “diluted net income per common share – operating,” “return on common equity – operating,” “return on tangible common equity – operating,” “return on assets – operating,” “dividend payout ratio – operating” and “efficiency ratio – operating.” Management has developed internal processes and procedures to capture and account for merger-related and other charges and those charges are reviewed with the audit committee of United’s Board of Directors each quarter. Management uses these non-GAAP measures because it believes they may provide useful supplemental information for evaluating United’s operations and performance over periods of time, as well as in managing and evaluating United’s business and in discussions about United’s operations and performance. Management believes these non-GAAP measures may also provide users of United’s financial information with a meaningful measure for assessing United’s financial results and credit trends, as well as a comparison to financial results for prior periods. These non-GAAP measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP and are not necessarily comparable to other similarly titled measures used by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable measures as reported in accordance with GAAP are included in the table on page 43.

Results of Operations

United reported net income of \$28.3 million for the second quarter of 2017. This compared to net income of \$25.3 million for the same period in 2016. For the second quarter of 2017, diluted earnings per common share were \$.39 compared to \$.35 for the second quarter of 2016. For the six months ended June 30, 2017, United reported net income of \$51.8 million compared to net income of \$47.6 million for the same period in 2016.

United reported operating net income of \$29.4 million and \$57.6 million, respectively, for the second quarter and first half of 2017, compared to \$26.0 million and \$49.9 million, respectively, for the same periods in 2016. For the second quarter of 2017, operating net income excludes merger-related and executive retirement charges, which, net of the associated income tax benefit, totaled \$1.16 million. For the first half of 2017, operating net income excludes merger-related and executive retirement charges and the release from accumulated other comprehensive income of the disproportionate tax effect related to cash flow hedges, which, net of tax, totaled \$2.45 million and \$3.40 million, respectively. For the second quarter and first half of 2016, operating net income excludes merger-related charges, which, net of tax, totaled \$731,000 and \$2.38 million, respectively.

Table 1 - Financial Highlights
Selected Financial Information

(in thousands, except per share data)	2017		2016			Second Quarter 2017-2016 Change	For the Six Months Ended June 30,		YTD 2017-2016 Change
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter		2017	2016	
INCOME SUMMARY									
Interest revenue	\$ 93,166	\$ 90,958	\$ 87,778	\$ 85,439	\$ 81,082		\$ 184,124	\$ 161,803	
Interest expense	8,018	7,404	6,853	6,450	6,164		15,422	11,933	
Net interest revenue	85,148	83,554	80,925	78,989	74,918	14%	168,702	149,870	13%
Provision for credit losses	800	800	-	(300)	(300)		1,600	(500)	
Fee revenue	23,685	22,074	25,233	26,361	23,497	1	45,759	42,103	9
Total revenue	108,033	104,828	106,158	105,650	98,715	9	212,861	192,473	11
Expenses	63,229	62,826	61,321	64,023	58,060	9	126,055	115,945	9
Income before income tax expense	44,804	42,002	44,837	41,627	40,655	10	86,806	76,528	13
Income tax expense	16,537	18,478	17,616	15,753	15,389	7	35,015	28,967	21
Net income	28,267	23,524	27,221	25,874	25,266	12	51,791	47,561	9
Preferred dividends	-	-	-	-	-		-	21	
Net income available to common shareholders - GAAP	\$ 28,267	\$ 23,524	\$ 27,221	\$ 25,874	\$ 25,266	12	\$ 51,791	\$ 47,540	9
Adjustments:									
Merger-related and other charges	1,830	2,054	1,141	3,152	1,176		3,884	3,829	
Income tax benefit of merger-related and other charges	(675)	(758)	(432)	(1,193)	(445)		(1,433)	(1,449)	
Impairment of deferred tax asset on canceled non-qualified stock options	-	-	976	-	-		-	-	
Release of disproportionate tax effects lodged in OCI	-	3,400	-	-	-		3,400	-	
Net income available to common shareholders - operating ⁽¹⁾	\$ 29,422	\$ 28,220	\$ 28,906	\$ 27,833	\$ 25,997	13	\$ 57,642	\$ 49,920	15
PERFORMANCE MEASURES									
Per common share:									
Diluted net income - GAAP	\$.39	\$.33	\$.38	\$.36	\$.35	11	\$.72	\$.66	9
Diluted net income - operating ⁽¹⁾	.41	.39	.40	.39	.36	14	.80	.69	16
Cash dividends declared	.09	.09	.08	.08	.07		.18	.14	
Book value	15.83	15.40	15.06	15.12	14.80	7	15.83	14.80	7
Tangible book value ⁽³⁾	13.74	13.30	12.95	13.00	12.84	7	13.74	12.84	7
Key performance ratios:									
Return on common equity - GAAP ⁽²⁾⁽⁴⁾	9.98%	8.54%	9.89%	9.61%	9.54%		9.27%	9.06%	
Return on common equity - operating ⁽¹⁾⁽²⁾⁽⁴⁾	10.39	10.25	10.51	10.34	9.81		10.32	9.51	
Return on tangible common equity - operating ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	12.19	12.10	12.47	12.45	11.56		12.15	11.24	
Return on assets - GAAP ⁽⁴⁾	1.06	.89	1.03	1.00	1.04		.98	.98	
Return on assets - operating ⁽¹⁾⁽⁴⁾	1.10	1.07	1.10	1.08	1.07		1.09	1.03	
Dividend payout ratio - GAAP	23.08	27.27	21.05	22.22	20.00		25.00	21.21	
Dividend payout ratio - operating ⁽¹⁾	21.95	23.08	20.00	20.51	19.44		22.50	20.29	
Net interest margin (fully taxable equivalent) ⁽⁴⁾	3.47	3.45	3.34	3.34	3.35		3.46	3.38	
Efficiency ratio - GAAP	57.89	59.29	57.65	60.78	59.02		58.58	60.44	
Efficiency ratio - operating ⁽¹⁾	56.21	57.35	56.58	57.79	57.82		56.77	58.45	
Average equity to average assets	10.49	10.24	10.35	10.38	10.72		10.36	10.72	
Average tangible equity to average assets ⁽³⁾	9.23	8.96	9.04	8.98	9.43		9.09	9.42	
Average tangible common equity to average assets ⁽³⁾	9.23	8.96	9.04	8.98	9.43		9.09	9.38	
Tangible common equity to risk-weighted assets ⁽³⁾	12.44	12.07	11.84	12.22	12.87		12.44	12.87	
ASSET QUALITY									
Nonperforming loans	\$ 23,095	\$ 19,812	\$ 21,539	\$ 21,572	\$ 21,348	8	\$ 23,095	\$ 21,348	8
Foreclosed properties	2,739	5,060	7,949	9,187	6,176	(56)	2,739	6,176	(56)
Total nonperforming assets (NPAs)	25,834	24,872	29,488	30,759	27,524	(6)	25,834	27,524	(6)
Allowance for loan losses	59,500	60,543	61,422	62,961	64,253	(7)	59,500	64,253	(7)
Net charge-offs	1,623	1,679	1,539	1,359	1,730	(6)	3,302	3,868	(15)
Allowance for loan losses to loans	.85%	.87%	.89%	.94%	1.02%		.85%	1.02%	
Net charge-offs to average loans ⁽⁴⁾	.09	.10	.09	.08	.11		.10	.13	
NPAs to loans and foreclosed properties	.37	.36	.43	.46	.44		.37	.44	
NPAs to total assets	.24	.23	.28	.30	.28		.24	.28	
AVERAGE BALANCES (\$ in millions)									
Loans	\$ 6,980	\$ 6,904	\$ 6,814	\$ 6,675	\$ 6,151	13	\$ 6,942	\$ 6,077	14
Investment securities	2,775	2,822	2,690	2,610	2,747	1	2,798	2,733	2
Earning assets	9,899	9,872	9,665	9,443	9,037	10	9,885	8,956	10
Total assets	10,704	10,677	10,484	10,281	9,809	9	10,691	9,721	10
Deposits	8,659	8,592	8,552	8,307	7,897	10	8,626	7,922	9
Shareholders' equity	1,123	1,093	1,085	1,067	1,051	7	1,108	1,042	6
Common shares - basic (thousands)	71,810	71,700	71,641	71,556	72,202	(1)	71,798	72,187	(1)
Common shares - diluted (thousands)	71,820	71,708	71,648	71,561	72,207	(1)	71,809	72,191	(1)
AT PERIOD END (\$ in millions)									
Loans	\$ 7,041	\$ 6,965	\$ 6,921	\$ 6,725	\$ 6,287	12	\$ 7,041	\$ 6,287	12
Investment securities	2,787	2,767	2,762	2,560	2,677	4	2,787	2,677	4
Total assets	10,837	10,732	10,709	10,298	9,928	9	10,837	9,928	9
Deposits	8,736	8,752	8,638	8,442	7,857	11	8,736	7,857	11

Shareholders' equity	1,133	1,102	1,076	1,079	1,060	7	1,133	1,060	7
Common shares outstanding (thousands)	70,981	70,973	70,899	70,861	71,122	-	70,981	71,122	-

⁽¹⁾ Excludes merger-related and other charges, a first quarter 2017 release of disproportionate tax effects lodged in OCI and a fourth quarter 2016 deferred tax asset impairment charge related to cancelled non-qualified stock options. ⁽²⁾ Net income available to common shareholders, which is net of preferred stock dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss). ⁽³⁾ Excludes effect of acquisition related intangibles and associated amortization. ⁽⁴⁾ Annualized.

UNITED COMMUNITY BANKS, INC.
**Table 1 (Continued) Non-GAAP Performance Measures Reconciliation
Selected Financial Information**

<i>(in thousands, except per share data)</i>	2017		2016			For the Six Months Ended June 30,	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	2017	2016
Expense reconciliation							
Expenses (GAAP)	\$ 63,229	\$ 62,826	\$ 61,321	\$ 64,023	\$ 58,060	\$ 126,055	\$ 115,945
Merger-related and other charges	(1,830)	(2,054)	(1,141)	(3,152)	(1,176)	(3,884)	(3,829)
Expenses - operating	<u>\$ 61,399</u>	<u>\$ 60,772</u>	<u>\$ 60,180</u>	<u>\$ 60,871</u>	<u>\$ 56,884</u>	<u>\$ 122,171</u>	<u>\$ 112,116</u>
Net income reconciliation							
Net income (GAAP)	\$ 28,267	\$ 23,524	\$ 27,221	\$ 25,874	\$ 25,266	\$ 51,791	\$ 47,561
Merger-related and other charges	1,830	2,054	1,141	3,152	1,176	3,884	3,829
Income tax benefit of merger-related and other charges	(675)	(758)	(432)	(1,193)	(445)	(1,433)	(1,449)
Impairment of deferred tax asset on canceled non-qualified stock options	-	-	976	-	-	-	-
Release of disproportionate tax effects lodged in OCI	-	3,400	-	-	-	3,400	-
Net income - operating	<u>\$ 29,422</u>	<u>\$ 28,220</u>	<u>\$ 28,906</u>	<u>\$ 27,833</u>	<u>\$ 25,997</u>	<u>\$ 57,642</u>	<u>\$ 49,941</u>
Net income available to common shareholders reconciliation							
Net income available to common shareholders (GAAP)	\$ 28,267	\$ 23,524	\$ 27,221	\$ 25,874	\$ 25,266	\$ 51,791	\$ 47,540
Merger-related and other charges	1,830	2,054	1,141	3,152	1,176	3,884	3,829
Income tax benefit of merger-related and other charges	(675)	(758)	(432)	(1,193)	(445)	(1,433)	(1,449)
Impairment of deferred tax asset on canceled non-qualified stock options	-	-	976	-	-	-	-
Release of disproportionate tax effects lodged in OCI	-	3,400	-	-	-	3,400	-
Net income available to common shareholders - operating	<u>\$ 29,422</u>	<u>\$ 28,220</u>	<u>\$ 28,906</u>	<u>\$ 27,833</u>	<u>\$ 25,997</u>	<u>\$ 57,642</u>	<u>\$ 49,920</u>
Diluted income per common share reconciliation							
Diluted income per common share (GAAP)	\$.39	\$.33	\$.38	\$.36	\$.35	0.72	\$.66
Merger-related and other charges	.02	.01	.01	.03	.01	.03	.03
Impairment of deferred tax asset on canceled non-qualified stock options	-	-	.01	-	-	-	-
Release of disproportionate tax effects lodged in OCI	-	.05	-	-	-	.05	-
Diluted income per common share - operating	<u>\$.41</u>	<u>\$.39</u>	<u>\$.40</u>	<u>\$.39</u>	<u>\$.36</u>	<u>\$.80</u>	<u>\$.69</u>
Book value per common share reconciliation							
Book value per common share (GAAP)	\$ 15.83	\$ 15.40	\$ 15.06	\$ 15.12	\$ 14.80	\$ 15.83	\$ 14.80
Effect of goodwill and other intangibles	(2.09)	(2.10)	(2.11)	(2.12)	(1.96)	(2.09)	(1.96)
Tangible book value per common share	<u>\$ 13.74</u>	<u>\$ 13.30</u>	<u>\$ 12.95</u>	<u>\$ 13.00</u>	<u>\$ 12.84</u>	<u>\$ 13.74</u>	<u>\$ 12.84</u>
Return on tangible common equity reconciliation							
Return on common equity (GAAP)	9.98%	8.54%	9.89%	9.61%	9.54%	9.27%	9.06%
Merger-related and other charges	.41	.47	.26	.73	.27	.44	.45
Impairment of deferred tax asset on canceled non-qualified stock options	-	-	.36	-	-	-	-
Release of disproportionate tax effects lodged in OCI	-	1.24	-	-	-	.61	-
Return on common equity - operating	<u>10.39</u>	<u>10.25</u>	<u>10.51</u>	<u>10.34</u>	<u>9.81</u>	<u>10.32</u>	<u>9.51</u>
Effect of goodwill and other intangibles	1.80	1.85	1.96	2.11	1.75	1.83	1.73
Return on tangible common equity - operating	<u>12.19%</u>	<u>12.10%</u>	<u>12.47%</u>	<u>12.45%</u>	<u>11.56%</u>	<u>12.15%</u>	<u>11.24%</u>
Return on assets reconciliation							
Return on assets (GAAP)	1.06%	.89%	1.03%	1.00%	1.04%	.98%	.98%
Merger-related and other charges	.04	.05	.03	.08	.03	.05	.05
Impairment of deferred tax asset on canceled non-qualified stock options	-	-	.04	-	-	-	-
Release of disproportionate tax effects lodged in OCI	-	.13	-	-	-	.06	-
Return on assets - operating	<u>1.10%</u>	<u>1.07%</u>	<u>1.10%</u>	<u>1.08%</u>	<u>1.07%</u>	<u>1.09%</u>	<u>1.03%</u>
Dividend payout ratio reconciliation							
Dividend payout ratio (GAAP)	23.08%	27.27%	21.05%	22.22%	20.00%	25.00%	21.21%
Merger-related and other charges	(1.13)	(.98)	(.54)	(1.71)	(.56)	(1.00)	(.92)
Impairment of deferred tax asset on canceled non-qualified stock options	-	-	(.51)	-	-	-	-
Release of disproportionate tax effects lodged in OCI	-	(3.21)	-	-	-	(1.50)	-
Dividend payout ratio - operating	<u>21.95%</u>	<u>23.08%</u>	<u>20.00%</u>	<u>20.51%</u>	<u>19.44%</u>	<u>22.50%</u>	<u>20.29%</u>
Efficiency ratio reconciliation							
Efficiency ratio (GAAP)	57.89%	59.29%	57.65%	60.78%	59.02%	58.58%	60.44%
Merger-related and other charges	(1.68)	(1.94)	(1.07)	(2.99)	(1.20)	(1.81)	(1.99)
Efficiency ratio - operating	<u>56.21%</u>	<u>57.35%</u>	<u>56.58%</u>	<u>57.79%</u>	<u>57.82%</u>	<u>56.77%</u>	<u>58.45%</u>
Average equity to assets reconciliation							
Equity to assets (GAAP)	10.49%	10.24%	10.35%	10.38%	10.72%	10.36%	10.72%
Effect of goodwill and other intangibles	(1.26)	(1.28)	(1.31)	(1.40)	(1.29)	(1.27)	(1.30)
Tangible equity to assets	9.23	8.96	9.04	8.98	9.43	9.09	9.42
Effect of preferred equity	-	-	-	-	-	-	(.04)
Tangible common equity to assets	<u>9.23%</u>	<u>8.96%</u>	<u>9.04%</u>	<u>8.98%</u>	<u>9.43%</u>	<u>9.09%</u>	<u>9.38%</u>
Tangible common equity to risk-weighted assets reconciliation							
Tier 1 capital ratio (Regulatory)	11.91%	11.46%	11.23%	11.04%	11.44%	11.91%	11.44%
Effect of other comprehensive income	(.15)	(.24)	(.34)	-	(.06)	(.15)	(.06)
Effect of deferred tax limitation	.95	1.13	1.26	1.50	1.63	.95	1.63
Effect of trust preferred	(.25)	(.25)	(.25)	(.26)	(.08)	(.25)	(.08)
Basel III intangibles transition adjustment	(.02)	(.03)	(.06)	(.06)	(.06)	(.02)	(.06)
Tangible common equity to risk-weighted assets	<u>12.44%</u>	<u>12.07%</u>	<u>11.84%</u>	<u>12.22%</u>	<u>12.87%</u>	<u>12.44%</u>	<u>12.87%</u>

Net Interest Revenue

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and borrowed funds) is the single largest component of total revenue. Management seeks to optimize this revenue while balancing interest rate, credit and liquidity risks. Net interest revenue for the second quarter of 2017 was \$85.1 million. Taxable equivalent net interest revenue for the second quarter of 2017 was \$85.5 million, which represents an increase of \$10.4 million from the same period in 2016. The combination of the larger earning asset base from the acquisition of Tideland and growth in the loan portfolio were responsible for the increase in net interest revenue.

Average loans increased \$829 million, or 13%, from the second quarter of last year, while the yield on loans increased 15 basis points, reflecting the effect of rising interest rates on the floating rate loans in the portfolio.

Average interest-earning assets for the second quarter of 2017 increased \$862 million, or 10%, from the second quarter of 2016, which was due primarily to the increase in loans, including the acquisition of Tideland loans. Average investment securities for the second quarter of 2017 increased \$27.9 million from a year ago, partially due to the Tideland acquisition. The average yield on the taxable investment portfolio increased 11 basis points from a year ago, primarily due to the impact of higher short-term interest rates on the floating rate portion of the securities portfolio as well as accelerated discount accretion on called asset-backed securities and a higher reinvestment rate on maturing fixed rate investments.

Average interest-bearing liabilities of \$6.74 billion for the second quarter of 2017 increased \$458 million from the second quarter of 2016. Average non-interest-bearing deposits increased \$347 million from the second quarter of 2016 to \$2.73 billion for the second quarter of 2017. The average cost of interest-bearing liabilities for the second quarter of 2017 was .48% compared to .39% for the same period in 2016, reflecting higher average rates on money market deposits, NOW deposits, time deposits and brokered time deposits.

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

For the second quarters of 2017 and 2016, the net interest spread was 3.31% and 3.23%, while the net interest margin was 3.47% and 3.35%, respectively. The increase in the net interest margin reflects the impact of higher short-term interest rates on floating-rate loans and securities, while deposit pricing increased only slightly from the prior year. Additionally, United was able to improve its overall yield on interest-earning assets through growth in the loan portfolio, which had a positive impact on the composition of interest-earning assets, and higher yields on fixed rate investments.

For the first six months of 2017, net interest revenue was \$169 million, an increase of \$18.8 million, or 13%, from the first six months of 2016. Similarly, fully taxable equivalent net interest revenue for the first six months of 2017 was \$169 million, an increase of \$19.0 million, or 13%, from the first six months of 2016. Average earning assets increased 10% to \$9.89 billion during the first six months of 2017 compared to the same period a year ago, primarily due to the increase in loans, including the acquisition of Tideland loans. The yield on earning assets increased 12 basis points to 3.76% in the first six months of 2017 primarily due to higher loan and securities yields. The higher loan portfolio yield reflects the effect of rising interest rates on the floating rate loans in the portfolio. Investment yield increased 15 basis points for the first six months of 2017 compared to the same period in 2016, which further improved the net interest margin. The rate on interest-bearing liabilities over the same period increased eight basis points. The higher yield on interest-earning assets more than offset the higher cost of interest-bearing liabilities and resulted in an eight basis point increase in the net interest margin from the first half of 2016 to the first half of 2017.

The following tables show the relationship between interest revenue and expense, and the average amounts of interest-earning assets and interest-bearing liabilities for the periods indicated.

Table 2 - Average Consolidated Balance Sheets and Net Interest Analysis
For the Three Months Ended June 30,

<i>(dollars in thousands, fully taxable equivalent (FTE))</i>	2017			2016		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (FTE) ⁽¹⁾⁽²⁾	\$ 6,979,980	\$ 74,811	4.30%	\$ 6,150,654	\$ 63,485	4.15%
Taxable securities ⁽³⁾	2,719,390	17,421	2.56	2,720,061	16,684	2.45
Tax-exempt securities (FTE) ⁽¹⁾⁽³⁾	55,992	584	4.17	27,434	244	3.56
Federal funds sold and other interest-earning assets	143,143	743	2.08	138,622	912	2.63
Total interest-earning assets (FTE)	9,898,505	93,559	3.79	9,036,771	81,325	3.62
Non-interest-earning assets:						
Allowance for loan losses	(61,163)			(66,104)		
Cash and due from banks	104,812			94,920		
Premises and equipment	192,906			182,609		
Other assets ⁽³⁾	569,435			560,357		
Total assets	\$ 10,704,495			\$ 9,808,553		
Liabilities and Shareholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW	\$ 1,901,890	635	.13	\$ 1,755,726	444	.10
Money market	2,064,143	1,559	.30	1,866,913	1,206	.26
Savings	575,960	28	.02	497,973	30	.02
Time	1,274,009	1,136	.36	1,205,066	675	.23
Brokered time deposits	111,983	243	.87	187,481	68	.15
Total interest-bearing deposits	5,927,985	3,601	.24	5,513,159	2,423	.18
Federal funds purchased and other borrowings	37,317	101	1.09	11,000	93	3.40
Federal Home Loan Bank advances	594,815	1,464	.99	589,246	983	.67
Long-term debt	175,281	2,852	6.53	164,020	2,665	6.53
Total borrowed funds	807,413	4,417	2.19	764,266	3,741	1.97
Total interest-bearing liabilities	6,735,398	8,018	.48	6,277,425	6,164	.39
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	2,731,217			2,383,894		
Other liabilities	114,873			96,067		
Total liabilities	9,581,488			8,757,386		
Shareholders' equity	1,123,007			1,051,167		
Total liabilities and shareholders' equity	\$ 10,704,495			\$ 9,808,553		
Net interest revenue (FTE)		\$ 85,541			\$ 75,161	
Net interest-rate spread (FTE)			3.31%			3.23%
Net interest margin (FTE) ⁽⁴⁾			3.47%			3.35%

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

(2) Included in the average balance of loans outstanding are loans where the accrual of interest has been discontinued and loans that are held for sale.

(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of \$6.58 million in 2017 and \$12.3 million in 2016 are included in other assets for purposes of this presentation.

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

Table 3 - Average Consolidated Balance Sheets and Net Interest Analysis

For the Six Months Ended June 30,

<i>(dollars in thousands, fully taxable equivalent (FTE))</i>	2017			2016		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (FTE) ⁽¹⁾⁽²⁾	\$ 6,942,130	\$ 147,552	4.29%	\$ 6,077,111	\$ 127,529	4.22%
Taxable securities ⁽³⁾	2,749,339	34,854	2.54	2,704,309	32,306	2.39
Tax-exempt securities (FTE) ⁽¹⁾⁽³⁾	49,125	1,041	4.24	28,590	516	3.61
Federal funds sold and other interest-earning assets	144,577	1,407	1.95	146,192	1,965	2.69
Total interest-earning assets (FTE)	9,885,171	184,854	3.76	8,956,202	162,316	3.64
Non-interest-earning assets:						
Allowance for loan losses	(61,414)			(67,289)		
Cash and due from banks	102,048			90,278		
Premises and equipment	191,509			181,350		
Other assets ⁽³⁾	573,281			560,813		
Total assets	\$ 10,690,595			\$ 9,721,354		
Liabilities and Shareholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW	\$ 1,930,624	1,232	.13	\$ 1,821,100	929	.10
Money market	2,064,792	2,985	.29	1,853,749	2,314	.25
Savings	568,339	55	.02	489,106	59	.02
Time	1,269,005	1,951	.31	1,232,378	1,492	.24
Brokered time deposits	105,199	436	.84	210,347	(107)	(.10)
Total interest-bearing deposits	5,937,959	6,659	.23	5,606,680	4,687	.17
Federal funds purchased and other borrowings	28,225	141	1.01	22,953	180	1.58
Federal Home Loan Bank advances	637,728	2,894	.92	467,708	1,716	.74
Long-term debt	175,212	5,728	6.59	164,720	5,350	6.53
Total borrowed funds	841,165	8,763	2.10	655,381	7,246	2.22
Total interest-bearing liabilities	6,779,124	15,422	.46	6,262,061	11,933	.38
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	2,687,665			2,315,468		
Other liabilities	115,808			101,694		
Total liabilities	9,582,597			8,679,223		
Shareholders' equity	1,107,998			1,042,131		
Total liabilities and shareholders' equity	\$ 10,690,595			\$ 9,721,354		
Net interest revenue (FTE)		\$ 169,432			\$ 150,383	
Net interest-rate spread (FTE)			3.30%			3.26%
Net interest margin (FTE) ⁽⁴⁾			3.46%			3.38%

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

(2) Included in the average balance of loans outstanding are loans where the accrual of interest has been discontinued and loans that are held for sale.

(3) Securities available for sale are shown at amortized cost. Pretax unrealized gains of \$638 thousand in 2017 and \$7.28 million in 2016 are included in other assets for purposes of this presentation.

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

The following table shows the relative effect on net interest revenue for changes in the average outstanding amounts (volume) of interest-earning assets and interest-bearing liabilities and the rates earned and paid on such assets and liabilities (rate). Variances resulting from a combination of changes in rate and volume are allocated in proportion to the absolute dollar amounts of the change in each category.

Table 4 - Change in Interest Revenue and Expense

(in thousands)

	Three Months Ended June 30, 2017 Compared to 2016 Increase (decrease) Due to Changes in			Six Months Ended June 30, 2017 Compared to 2016 Increase (decrease) Due to Changes in		
	Volume	Rate	Total	Volume	Rate	Total
	Interest-earning assets:					
Loans (FTE)	\$ 8,816	\$ 2,510	\$ 11,326	\$ 18,366	\$ 1,657	\$ 20,023
Taxable securities	(4)	741	737	545	2,003	2,548
Tax-exempt securities (FTE)	292	48	340	423	102	525
Federal funds sold and other interest-earning assets	29	(198)	(169)	(21)	(537)	(558)
Total interest-earning assets (FTE)	9,133	3,101	12,234	19,313	3,225	22,538
Interest-bearing liabilities:						
NOW accounts	39	152	191	59	244	303
Money market accounts	136	217	353	281	390	671
Savings deposits	4	(6)	(2)	9	(13)	(4)
Time deposits	41	420	461	46	413	459
Brokered deposits	(38)	213	175	28	515	543
Total interest-bearing deposits	182	996	1,178	423	1,549	1,972
Federal funds purchased & other borrowings	105	(97)	8	36	(75)	(39)
Federal Home Loan Bank advances	9	472	481	713	465	1,178
Long-term debt	183	4	187	343	35	378
Total borrowed funds	297	379	676	1,092	425	1,517
Total interest-bearing liabilities	479	1,375	1,854	1,515	1,974	3,489
Increase in net interest revenue (FTE)	\$ 8,654	\$ 1,726	\$ 10,380	\$ 17,798	\$ 1,251	\$ 19,049

Provision for Credit Losses

The provision for credit losses is based on management's evaluation of probable incurred losses in the loan portfolio and corresponding analysis of the allowance for credit losses at quarter-end. Provision for credit losses was \$800,000 for the second quarter of 2017, compared to a release of provision of \$300,000 in the second quarter of 2016. The provision for credit losses for the six months ended June 30, 2017 and 2016 was provision expense of \$1.60 million and a release of provision expense of \$500,000, respectively. The amount of provision recorded in each period was the amount required such that the total allowance for loan losses reflected the appropriate balance, in the estimation of management, sufficient to cover incurred losses in the loan portfolio. For the six months ended June 30, 2017, net loan charge-offs as an annualized percentage of average outstanding loans were .10% compared to .13% for the same period in 2016.

The allowance for unfunded commitments represents probable incurred losses on unfunded loan commitments that are expected to result in outstanding loan balances. The allowance for unfunded loan commitments was established through the provision for credit losses.

Additional discussion on credit quality and the allowance for loan losses is included in the "Asset Quality and Risk Elements" section of this report on page 52.

Fee Revenue

Fee revenue for the three and six months ended June 30, 2017 was \$23.7 million and \$45.8 million, respectively, an increase of \$188,000, or 1%, compared to the second quarter of 2016 and an increase of \$3.66 million, or 9%, compared to the first six months of 2016. The following table presents the components of fee revenue for the periods indicated.

Table 5 - Fee Revenue
(in thousands)

	Three Months Ended		Change		Six Months Ended		Change	
	June 30,		Amount	Percent	June 30,		Amount	Percent
	2017	2016			2017	2016		
Overdraft fees	\$ 3,321	\$ 3,297	\$ 24	1	\$ 6,718	\$ 6,690	\$ 28	-
ATM and debit card fees	5,536	5,333	203	4	10,924	10,306	618	6
Other service charges and fees	1,844	1,885	(41)	(2)	3,663	3,645	18	-
Service charges and fees	10,701	10,515	186	2	21,305	20,641	664	3
Mortgage loan and related fees	4,811	4,448	363	8	9,235	7,737	1,498	19
Brokerage fees	1,146	1,117	29	3	2,556	2,170	386	18
Gains on sales of SBA/USDA loans	2,626	2,801	(175)	(6)	4,585	4,038	547	14
Customer derivatives	776	1,082	(306)	(28)	1,254	1,837	(583)	(32)
Securities gains, net	4	282	(278)		2	661	(659)	
Other	3,621	3,252	369	11	6,822	5,019	1,803	36
Total fee revenue	\$ 23,685	\$ 23,497	\$ 188	1	\$ 45,759	\$ 42,103	\$ 3,656	9

Service charges and fees of \$10.7 million and \$21.3 million for the second quarter and first six months of 2017 were up \$186,000, or 2%, from the second quarter of 2016 and \$664,000, or 3%, from the first six months of 2016. ATM and debit card fees increased year over year based on increased deposit accounts driven primarily by the Tideland acquisition.

Mortgage loan and related fees for the second quarter and first six months of 2017 were up \$363,000, or 8%, and \$1.50 million, or 19%, respectively, from the same periods in 2016. The increase reflects United's focus on growing the mortgage business by recruiting new mortgage lenders in key metropolitan markets and an increase in consumer home purchase activity. In the second quarter of 2017, United closed 888 loans totaling \$204 million compared with 853 loans totaling \$182 million in the second quarter of 2016. Year-to-date mortgage production in 2017 amounted to 1,585 loans totaling \$355 million, compared to 1,503 loans totaling \$329 million for the same period in 2016. United had \$141 million and \$234 million, respectively, in home purchase mortgage originations in the second quarter and first six months of 2017, compared with \$112 million and \$193 million, respectively, for the same periods a year ago. The volume of home purchase mortgages relative to total mortgages (both purchases and refinances) in the second quarter of 2017 was 69% compared with 61% in the second quarter of 2016.

Brokerage fees in the second quarter and first six months of 2017 increased 3% and 18%, respectively, compared to the same periods of 2016, reflecting the addition of several new financial advisors since the first quarter of 2016.

In the second quarter and first six months of 2017, United realized \$2.63 million and \$4.59 million, respectively, in gains from the sales of the guaranteed portion of SBA/USDA loans, compared to \$2.80 million and \$4.04 million, respectively, in the same periods of 2016. United's SBA/USDA lending strategy includes selling a portion of the loan production each quarter. United retains the servicing rights on the sold loans and earns a fee for servicing the loans. In the second quarter and first six months of 2017, United sold the guaranteed portion of loans in the amount of \$30.3 million and \$53.7 million, respectively, compared to \$33.3 million and \$46.3 million, respectively, for the same periods a year ago.

Customer derivative fees were down \$306,000 and \$583,000 from the second quarter and first half of 2016 due to lower demand for this product in the current rate environment.

Other fee revenue was up \$369,000, or 11%, and \$1.80 million, or 36%, respectively, for the second quarter and first six months of 2017 compared to the same periods in 2016. The increase reflects volume driven increases in earnings on bank owned life insurance, increases in miscellaneous banking fees, decreases in losses attributable to hedge ineffectiveness, and increases in the value of equity investments held by United.

Operating Expenses

The following table presents the components of operating expenses for the periods indicated.

Table 6 - Operating Expenses

(in thousands)

	Three Months Ended		Change		Six Months Ended		Change	
	June 30,		Amount	Percent	June 30,		Amount	Percent
	2017	2016			2017	2016		
Salaries and employee benefits	\$ 37,338	\$ 33,572	\$ 3,766	11	\$ 74,029	\$ 66,634	\$ 7,395	11
Communications and equipment	4,978	4,393	585	13	9,896	8,683	1,213	14
Occupancy	4,908	4,538	370	8	9,857	9,261	596	6
Advertising and public relations	1,260	1,323	(63)	(5)	2,321	2,187	134	6
Postage, printing and supplies	1,346	1,298	48	4	2,716	2,578	138	5
Professional fees	2,371	3,189	(818)	(26)	5,415	5,889	(474)	(8)
FDIC assessments and other regulatory charges	1,348	1,517	(169)	(11)	2,631	3,041	(410)	(13)
Amortization of intangibles	900	987	(87)	(9)	1,873	1,997	(124)	(6)
Other	6,950	6,067	883	15	13,433	11,846	1,587	13
Total excluding merger-related and other charges	61,399	56,884	4,515	8	122,171	112,116	10,055	9
Merger-related and other charges	1,830	1,176	654		3,884	3,829	55	
Total operating expenses	<u>\$ 63,229</u>	<u>\$ 58,060</u>	<u>\$ 5,169</u>	9	<u>\$ 126,055</u>	<u>\$ 115,945</u>	<u>\$ 10,110</u>	9

Operating expenses for the second quarter of 2017 totaled \$63.2 million, up \$5.17 million, or 9%, from the second quarter of 2016. For the six months ended June 30, 2017, operating expenses totaled \$126 million, an increase of \$10.1 million, or 9%, from the same period in 2016. The increase reflects the inclusion of the operating expenses of the Tideland acquisition.

Salaries and employee benefits for the second quarter of 2017 were \$37.3 million, up \$3.77 million, or 11%, from the second quarter of 2016. The increase was due to a number of factors including additional staff resulting from the Tideland acquisition and higher incentives and commissions. For the first six months of 2017, salaries and employee benefits of \$74.0 million were up \$7.40 million, or 11%, from the same period in 2016. Full time equivalent headcount totaled 1,928 at June 30, 2017, up from 1,889 at June 30, 2016, reflecting the addition of Tideland personnel.

Communications and equipment and occupancy expenses increased primarily due to the Tideland acquisition. Professional fees for the second quarter of 2017 of \$2.37 million were down \$818,000, or 26%, from the second quarter of 2016. For the first six months of 2017, professional fees of \$5.42 million were down \$474,000, or 8%, from the same period in 2016. The decrease was due primarily to lower fees related to outsourcing functions.

Amortization of intangibles of \$900,000 and \$1.87 million, respectively, in the second quarter and first half of 2017 decreased relative to the same period in 2016 due to the accelerated method used to amortize core deposit intangibles, which more than offset the additional amortization resulting from the Tideland acquisition.

In the second quarter of 2017, merger-related and other charges of \$1.83 million consisted primarily of costs associated with executive retirements. In the first half of 2017, merger-related and other charges of \$3.88 million included these executive retirement costs as well as severance, branch closure costs and technology equipment write offs. In the second quarter and first half of 2016, merger-related charges of \$1.18 million and \$3.83 million, respectively, consisted primarily of severance, conversion costs, and legal and professional fees.

Other expense of \$6.95 million for the second quarter of 2017 increased \$883,000, or 15%, from the second quarter of 2016. Year-to-date, other expenses of \$13.4 million increased \$1.59 million, or 13%, from the first six months of 2016. The increase was primarily due to writedowns on foreclosed property and higher lending support costs resulting from higher production volume in the Commercial Banking areas.

Income Taxes

The income tax provision for the three and six months ended June 30, 2017 was \$16.5 million and \$35.0 million, respectively, as compared with \$15.4 million and \$29.0 million, respectively, for the same periods in 2016. The income tax provision represents an effective tax rate of 36.9% and 40.3%, respectively, for the second quarter and first six months of 2017, compared to 37.9% for both periods of 2016. Upon reversal of United's former full deferred tax valuation allowance in 2013, certain disproportionate tax effects were retained in accumulated other comprehensive income (loss). During the first quarter of 2017, with the maturity and termination of certain redesignated cash flow hedges, the disproportionate tax effect associated with these hedges was reversed and recorded as a tax expense of \$3.40 million, which was the primary reason for the increase in the effective tax rate compared to the first half of 2016.

At June 30, 2017 and December 31, 2016, United maintained a valuation allowance on its net deferred tax asset of \$4.09 million and \$3.88 million, respectively. Management assesses the valuation allowance recorded against its net deferred tax asset at each reporting period. The determination of whether a valuation allowance for its net deferred tax asset is appropriate is subject to considerable judgment and requires an evaluation of all the positive and negative evidence.

United evaluated the need for a valuation allowance at June 30, 2017. Based on the assessment of all the positive and negative evidence, management concluded that it is more likely than not that nearly all of its net deferred tax asset will be realized based upon future taxable income. The remaining valuation allowance of \$4.09 million is related to specific state income tax credits that have short carryforward periods and are expected to expire unused.

The valuation allowance could fluctuate in future periods based on the assessment of the positive and negative evidence. Management's conclusion at June 30, 2017 that it was more likely than not that the net deferred tax asset of \$120 million will be realized is based upon internal forecasts that consider historical performance, various internal estimates and assumptions, as well as certain external data all of which management believes to be reasonable although inherently subject to significant judgment. If actual results differ significantly from the current estimates of future taxable income, the valuation allowance may need to be increased for some or all of its net deferred tax asset. Such an increase to the net deferred tax asset valuation allowance could have a material adverse effect on United's financial condition and results of operations.

United is subject to income taxation in the United States and various state jurisdictions. United's federal and state income tax returns are filed on a consolidated basis. Currently, no years for which United filed a federal income tax return are under examination by the IRS, and there are no state tax examinations currently in progress. United is no longer subject to income tax examinations from state and local income tax authorities for years before 2013. Although it is not possible to know the ultimate outcome of future examinations, management believes that the liability recorded for uncertain tax positions is appropriate.

Additional information regarding income taxes, including a reconciliation of the differences between the recorded income tax provision and the amount of income tax computed by applying the statutory federal income tax rate to income before income taxes, can be found in Note 17 to the consolidated financial statements filed with United's Annual Report on Form 10-K for the year ended December 31, 2016.

Balance Sheet Review

Total assets at June 30, 2017 and December 31, 2016 were \$10.8 billion and \$10.7 billion, respectively. Average total assets for both the second quarter and first half of 2017 were \$10.7 billion, up from \$9.81 billion and \$9.72 billion, respectively, in the second quarter and first half of 2016.

The following table presents a summary of the loan portfolio.

Table 7 - Loans Outstanding
(in thousands)

	June 30, 2017	December 31, 2016
By Loan Type		
Owner occupied commercial real estate	\$ 1,722,883	\$ 1,650,360
Income producing commercial real estate	1,342,149	1,281,541
Commercial & industrial	1,088,375	1,069,715
Commercial construction	586,405	633,921
Total commercial	<u>4,739,812</u>	<u>4,635,537</u>
Residential mortgage	880,418	856,725
Home equity lines of credit	665,252	655,410
Residential construction	193,117	190,043
Consumer installment	113,324	123,567
Indirect auto	449,009	459,354
Total loans	<u>\$ 7,040,932</u>	<u>\$ 6,920,636</u>
As a percentage of total loans:		
Owner occupied commercial real estate	25%	24%
Income producing commercial real estate	19	19
Commercial & industrial	15	15
Commercial construction	8	9
Total commercial	<u>67</u>	<u>67</u>
Residential mortgage	13	12
Home equity lines of credit	9	9
Residential construction	3	3
Consumer installment	2	2
Indirect auto	6	7
Total	<u>100%</u>	<u>100%</u>
By Geographic Location		
North Georgia	\$ 1,065,148	\$ 1,096,974
Atlanta MSA	1,444,694	1,398,657
North Carolina	541,288	544,792
Coastal Georgia	622,966	581,138
Gainesville MSA	245,618	247,410
East Tennessee	486,324	503,843
South Carolina	1,260,028	1,233,185
Commercial Banking Solutions	925,857	855,283
Indirect Auto	449,009	459,354
Total loans	<u>\$ 7,040,932</u>	<u>\$ 6,920,636</u>

Substantially all of United's loans are to customers located in the immediate market areas of its community banks in Georgia, North Carolina, South Carolina and Tennessee, including customers who have a seasonal residence in United's market areas, or are generated by United's Commercial Banking Solutions division (formerly referred to as Specialized Lending) that focuses on specific commercial loan businesses, such as SBA and franchise lending. More than 76% of the loans were secured by real estate. Total loans averaged \$6.98 billion in the second quarter of 2017, compared with \$6.15 billion in the second quarter of 2016, an increase of 13% which includes the acquisition of Tidelands. At June 30, 2017, total loans were \$7.04 billion, an increase of \$120 million from December 31, 2016.

United's home equity lines generally require the payment of interest only for a set period after origination. After this initial period, the outstanding balance begins amortizing and requires the payment of both principal and interest. At June 30, 2017 and December 31, 2016, the funded portion of home equity lines totaled \$665 million and \$655 million, respectively. Approximately 3% of the home equity lines at June 30, 2017 were amortizing. Of the \$665 million in balances outstanding at June 30, 2017, \$392 million, or 59%, were secured by first liens. At June 30, 2017, 55% of the total available home equity lines were drawn upon.

United monitors the performance of its home equity loans and lines secured by second liens similar to other consumer loans and utilizes assumptions specific to these loans in determining the necessary allowance. United also receives notification when the first lien holder is in the process of foreclosure and upon that notification, management reviews current valuations to determine if any charge-offs are warranted and whether it is in United's best interest to pay off the first lien creditor.

Asset Quality and Risk Elements

United manages asset quality and controls credit risk through review and oversight of the loan portfolio as well as adherence to policies designed to promote sound underwriting and loan monitoring practices. United's credit administration function is responsible for monitoring asset quality and Board of Directors approved portfolio limits, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures among all lending units. Additional information on the credit administration function is included in Item 1 under the heading *Loan Review and Nonperforming Assets* in United's Annual Report on Form 10-K for the year ended December 31, 2016.

United classifies commercial performing loans as "substandard" when there is a well-defined weakness or weaknesses that jeopardizes the repayment by the borrower and there is a distinct possibility that United could sustain some loss if the deficiency is not corrected. United classifies consumer performing loans as "substandard" when the loan is in bankruptcy or voluntary repossession.

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

Table 8 - Performing Classified Loans

(in thousands)

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
By Category					
Owner occupied commercial real estate	\$ 34,427	\$ 41,536	\$ 42,169	\$ 42,025	\$ 37,489
Income producing commercial real estate	22,457	24,143	29,379	31,627	34,816
Commercial & industrial	7,247	10,372	8,903	10,047	9,378
Commercial construction	4,808	8,564	8,840	8,788	6,277
Total commercial	68,939	84,615	89,291	92,487	87,960
Residential mortgage	12,929	14,632	15,324	18,303	20,297
Home equity	5,733	5,789	5,060	4,930	5,313
Residential construction	1,822	1,858	2,726	3,628	2,731
Consumer installment	627	657	584	662	681
Indirect auto	1,697	1,288	1,362	1,616	1,534
Total	\$ 91,747	\$ 108,839	\$ 114,347	\$ 121,626	\$ 118,516
By Market					
North Georgia	\$ 34,638	\$ 38,092	\$ 39,438	\$ 40,231	\$ 38,953
Atlanta MSA	10,384	14,258	17,954	19,040	20,213
North Carolina	11,916	10,022	11,089	12,179	13,792
Coastal Georgia	3,062	6,957	4,516	5,247	5,999
Gainesville MSA	475	698	713	540	427
East Tennessee	7,089	6,781	7,485	9,383	9,126
South Carolina	21,763	30,612	31,623	33,218	27,086
Commercial Banking Solutions	723	131	167	172	1,386
Indirect auto	1,697	1,288	1,362	1,616	1,534
Total loans	\$ 91,747	\$ 108,839	\$ 114,347	\$ 121,626	\$ 118,516

At June 30, 2017, performing classified loans totaled \$91.7 million and decreased \$17.1 million from the prior quarter-end, and decreased \$26.8 million from a year ago. Performing classified loans reflect a general downward trend, offset by acquisition activity. The increase in performing classified loans in South Carolina in the third quarter of 2016 was attributable to the Tidelands acquisition.

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

The following table presents a summary of the changes in the allowance for credit losses for the periods indicated.

Table 9 - Allowance for Credit Losses

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Allowance for loan losses at beginning of period	\$ 60,543	\$ 66,310	\$ 61,422	\$ 68,448
Charge-offs:				
Owner occupied commercial real estate	158	869	183	1,468
Income producing commercial real estate	203	305	1,100	582
Commercial & industrial	598	223	814	795
Commercial construction	361	75	563	362
Residential mortgage	131	617	673	713
Home equity lines of credit	424	469	895	1,192
Residential construction	70	219	70	278
Consumer installment	457	390	899	697
Indirect auto	313	366	733	599
Total loans charged-off	2,715	3,533	5,930	6,686
Recoveries:				
Owner occupied commercial real estate	120	69	357	190
Income producing commercial real estate	20	224	47	327
Commercial & industrial	244	615	612	904
Commercial construction	20	273	592	393
Residential mortgage	105	128	117	139
Home equity lines of credit	171	216	220	307
Residential construction	123	8	132	51
Consumer installment	195	229	402	435
Indirect auto	94	41	149	72
Total recoveries	1,092	1,803	2,628	2,818
Net charge-offs	1,623	1,730	3,302	3,868
(Release of) provision for loan losses	580	(327)	1,380	(327)
Allowance for loan losses at end of period	\$ 59,500	\$ 64,253	\$ 59,500	\$ 64,253
Allowance for unfunded commitments at beginning of period	\$ 2,002	\$ 2,342	\$ 2,002	\$ 2,542
(Release of) provision for losses on unfunded commitments	220	27	220	(173)
Allowance for unfunded commitments at end of period	2,222	2,369	2,222	2,369
Allowance for credit losses	\$ 61,722	\$ 66,622	\$ 61,722	\$ 66,622
Total loans:				
At period-end	\$ 7,040,932	\$ 6,286,527	\$ 7,040,932	\$ 6,286,527
Average	6,979,980	6,150,654	6,942,130	6,077,111
Allowance for loan losses as a percentage of period-end loans	0.85%	1.02%	0.85%	1.02%
As a percentage of average loans (annualized):				
Net charge-offs	.09	.11	.10	.13
(Release of) provision for loan losses	.03	(.02)	.04	(.01)

The provision for credit losses charged to earnings is based upon management’s judgment of the amount necessary to maintain the allowance at a level appropriate to absorb probable incurred losses in the loan portfolio at the balance sheet date. The amount each quarter is dependent upon many factors, including growth and changes in the composition of the loan portfolio, net charge-offs, delinquencies, management’s assessment of loan portfolio quality, the value of collateral, and other macro-economic factors and trends. The evaluation of these factors is performed quarterly by management through an analysis of the appropriateness of the allowance for loan losses.

The allowance for credit losses, which includes a portion related to unfunded commitments, totaled \$61.7 million at June 30, 2017, compared with \$63.4 million at December 31, 2016. At June 30, 2017, the allowance for loan losses was \$59.5 million, or .85% of loans, compared with \$61.4 million, or .89% of total loans, at December 31, 2016.

Management believes that the allowance for credit losses at June 30, 2017 reflects the probable incurred losses in the loan portfolio and unfunded loan commitments. This assessment involves uncertainty and judgment and is subject to change in future periods. The amount of any changes could be significant if management’s assessment of loan quality or collateral values change substantially with respect to one or more loan relationships or portfolios. In addition, bank regulatory authorities, as part of their periodic examination of the Bank, may require adjustments to the provision for credit losses in future periods if, in their opinion, the results of their review warrant such additions. See the “Critical Accounting Policies” section for additional information on the allowance for loan losses.

Nonperforming Assets

The table below summarizes nonperforming assets.

Table 10 - Nonperforming Assets
(in thousands)

	June 30, 2017	December 31, 2016
Nonperforming loans	\$ 23,095	\$ 21,539
Foreclosed properties (OREO)	2,739	7,949
Total nonperforming assets	\$ 25,834	\$ 29,488
Nonperforming loans as a percentage of total loans	.33%	.31%
Nonperforming assets as a percentage of total loans and OREO	.37	.43
Nonperforming assets as a percentage of total assets	.24	.28

At June 30, 2017, nonperforming loans were \$23.1 million compared to \$21.5 million at December 31, 2016. Nonperforming assets, which include nonperforming loans and foreclosed real estate, totaled \$25.8 million at June 30, 2017 and \$29.5 million at December 31, 2016.

United’s policy is to place loans on nonaccrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in full or when the loan becomes 90 days past due. When a loan is classified on nonaccrual status, interest previously accrued but not collected is reversed against current interest revenue. Principal and interest payments received on a nonaccrual loan are applied to reduce the loan’s recorded investment.

Purchased credit impaired (“PCI”) loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. However, these loans are considered as performing, even though they may be contractually past due, as any non-payment of contractual principal or interest is considered in the periodic re-estimation of expected cash flows and is included in the resulting recognition of current period covered loan loss provision or future period yield adjustments. The accrual of interest is discontinued on PCI loans if management can no longer reliably estimate future cash flows on the loan. No PCI loans were classified as nonaccrual at June 30, 2017 or December 31, 2016 as the carrying value of the respective loan or pool of loans cash flows were considered estimable and probable of collection. Therefore, interest revenue, through accretion of the difference between the carrying value of the loans and the expected cash flows, is being recognized on all PCI loans.

The following table summarizes nonperforming assets by category and market as of the dates indicated.

Table 11 - Nonperforming Assets by Category and Market
(in thousands)

	June 30, 2017			December 31, 2016		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
BY CATEGORY						
Owner occupied commercial real estate	\$ 5,248	\$ 580	\$ 5,828	\$ 7,373	\$ 3,145	\$ 10,518
Income producing commercial real estate	2,587	-	2,587	1,324	36	1,360
Commercial & industrial	1,010	-	1,010	966	-	966
Commercial construction	2,530	611	3,141	1,538	2,977	4,515
Total commercial	11,375	1,191	12,566	11,201	6,158	17,359
Residential mortgage	7,886	457	8,343	6,368	1,260	7,628
Home equity lines of credit	2,152	201	2,353	1,831	531	2,362
Residential construction	287	890	1,177	776	-	776
Consumer installment	121	-	121	88	-	88
Indirect auto	1,274	-	1,274	1,275	-	1,275
Total NPAs	\$ 23,095	\$ 2,739	\$ 25,834	\$ 21,539	\$ 7,949	\$ 29,488
BY MARKET						
North Georgia	\$ 5,449	\$ 225	\$ 5,674	\$ 5,278	\$ 856	\$ 6,134
Atlanta MSA	906	423	1,329	1,259	716	1,975
North Carolina	4,700	472	5,172	4,750	632	5,382
Coastal Georgia	2,542	-	2,542	1,778	-	1,778
Gainesville MSA	622	-	622	279	-	279
East Tennessee	2,216	103	2,319	2,354	675	3,029
South Carolina	3,472	1,516	4,988	2,494	5,070	7,564
Commercial Banking Solutions	1,914	-	1,914	2,072	-	2,072
Indirect auto	1,274	-	1,274	1,275	-	1,275
Total NPAs	\$ 23,095	\$ 2,739	\$ 25,834	\$ 21,539	\$ 7,949	\$ 29,488

At June 30, 2017 and December 31, 2016, United had \$68.9 million and \$73.2 million, respectively, in loans with terms that have been modified in TDRs. Included therein were \$4.22 million and \$5.35 million, respectively, of TDRs that were classified as nonaccrual and were included in nonperforming loans. The remaining TDRs with an aggregate balance of \$64.7 million and \$67.8 million, respectively, were performing according to their modified terms and are therefore not considered to be nonperforming assets.

At June 30, 2017 and December 31, 2016, there were \$85.2 million and \$85.7 million, respectively, of loans classified as impaired under the definition outlined in the Accounting Standards Codification, including TDRs which are by definition considered impaired. Included in impaired loans at June 30, 2017 and December 31, 2016 was \$28.5 million and \$28.3 million, respectively, that did not require specific reserves or had previously been charged down to net realizable value. The balance of impaired loans at June 30, 2017 and December 31, 2016 of \$56.7 million and \$57.4 million, respectively, had specific reserves that totaled \$4.00 million and \$3.45 million, respectively. The average recorded investment in impaired loans for the second quarters of 2017 and 2016 was \$86.4 million and \$91.2 million, respectively. For the six months ended June 30, 2017 and 2016, the average recorded investment in impaired loans was \$84.2 million and \$91.9 million, respectively. For the three and six months ended June 30, 2017, United recognized \$1.00 million and \$1.96 million in interest revenue on impaired loans compared to \$1.07 million and \$2.13 million, respectively, for the same periods of the prior year.

The table below summarizes activity in nonperforming assets for the periods indicated.

Table 12 - Activity in Nonperforming Assets
(in thousands)

	Second Quarter 2017			Second Quarter 2016		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
Beginning Balance	\$ 19,812	\$ 5,060	\$ 24,872	\$ 22,419	\$ 5,163	\$ 27,582
Acquisitions	-	-	-	-	(497)	(497)
Loans placed on non-accrual	8,110	-	8,110	6,786	-	6,786
Payments received	(2,955)	-	(2,955)	(4,201)	-	(4,201)
Loan charge-offs	(1,564)	-	(1,564)	(1,803)	-	(1,803)
Foreclosures	(308)	481	173	(1,853)	2,722	869
Capitalized costs	-	-	-	-	98	98
Property sales	-	(2,704)	(2,704)	-	(1,424)	(1,424)
Write downs	-	(294)	(294)	-	(73)	(73)
Net gains on sales	-	196	196	-	187	187
Ending Balance	\$ 23,095	\$ 2,739	\$ 25,834	\$ 21,348	\$ 6,176	\$ 27,524

	First Six Months 2017			First Six Months 2016		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
Beginning Balance	\$ 21,539	\$ 7,949	\$ 29,488	\$ 22,653	\$ 4,883	\$ 27,536
Acquisitions	-	-	-	-	(497)	(497)
Loans placed on non-accrual	11,282	-	11,282	11,557	-	11,557
Payments received	(6,001)	-	(6,001)	(6,013)	-	(6,013)
Loan charge-offs	(2,856)	-	(2,856)	(3,482)	-	(3,482)
Foreclosures	(869)	1,042	173	(3,367)	4,312	945
Capitalized costs	-	-	-	-	98	98
Note / property sales	-	(5,781)	(5,781)	-	(2,948)	(2,948)
Write downs	-	(774)	(774)	-	(80)	(80)
Net gains on sales	-	303	303	-	408	408
Ending Balance	\$ 23,095	\$ 2,739	\$ 25,834	\$ 21,348	\$ 6,176	\$ 27,524

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

Investment Securities

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

At June 30, 2017 and December 31, 2016, United had securities held-to-maturity with a carrying amount of \$312 million and \$330 million, respectively, and securities available-for-sale totaling \$2.47 billion and \$2.43 billion, respectively. At June 30, 2017 and December 31, 2016, the securities portfolio represented approximately 26% of total assets.

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

Management evaluates its securities portfolio each quarter to determine if any security is considered to be other than temporarily impaired. In making this evaluation, management considers its ability and intent to hold securities to recover current market losses. Losses on United's fixed income securities at June 30, 2017 primarily reflect the effect of changes in interest rates. United did not recognize any other than temporary impairment losses on its investment securities during the second quarter of 2017 or 2016.

At June 30, 2017 and December 31, 2016, 16% and 22%, respectively, of the securities portfolio was invested in floating-rate securities or fixed-rate securities that were swapped to floating rates in order to manage exposure to rising interest rates.

Goodwill and Core Deposit Intangibles

Goodwill represents the premium paid for acquired companies above the fair value of the assets acquired and liabilities assumed, including separately identifiable intangible assets.

Core deposit intangibles, representing the value of acquired deposit relationships, are amortizing intangible assets that are required to be tested for impairment only when events or circumstances indicate that impairment may exist. There were no events or circumstances that led management to believe that any impairment exists in goodwill or other intangible assets.

Deposits

Total customer deposits, excluding brokered deposits, as of June 30, 2017 were \$8.36 billion, compared to \$8.31 billion at December 31, 2016. Total core transaction deposits (demand, NOW, money market and savings deposits, excluding public funds deposits) of \$6.16 billion at June 30, 2017 increased \$236 million since December 31, 2016. United's high level of service, as evidenced by its strong customer satisfaction scores, has been instrumental in attracting and retaining core transaction deposit accounts.

Brokered deposits totaled \$379 million as of June 30, 2017, an increase of \$51.2 million from December 31, 2016 due to an increase in the balance of lower-cost brokered money market deposits and brokered time deposits which are generally swapped to LIBOR.

Borrowing Activities

The Bank is a shareholder in the Federal Home Loan Bank of Atlanta ("FHLB"). Through this affiliation, FHLB secured advances totaled \$669 million and \$709 million, respectively, as of June 30, 2017 and December 31, 2016. United anticipates continued use of this short and long-term source of funds. Additional information regarding FHLB advances is provided in Note 13 to the consolidated financial statements included in United's Annual Report on Form 10-K for the year ended December 31, 2016.

Contractual Obligations

There have not been any material changes to United's contractual obligations since December 31, 2016.

Off-Balance Sheet Arrangements

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

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

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

All of these instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The total amount of these instruments does not necessarily represent future cash requirements because a significant portion of these instruments expire without being used. United is not involved in off-balance sheet contractual relationships, other than those disclosed in this report, that could result in liquidity needs or other commitments, or that could significantly affect earnings. See Note 13 to the consolidated financial statements for additional information on off-balance sheet arrangements.

Interest Rate Sensitivity Management

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

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

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

United's policy is based on the 12-month impact on net interest revenue of interest rate shocks and ramps that increase from 100 to 400 basis points or decrease 100 basis points from the base scenario. In the shock scenarios, rates immediately change the full amount at the scenario onset. In the ramp scenarios, rates change by 25 basis points per month. United's policy limits the projected change in net interest revenue over the first 12 months to a 5% decrease for each 100 basis point change in the increasing and decreasing rate ramp and shock scenarios. Historically low rates on June 30, 2016 made use of the down scenarios irrelevant. The following table presents United's interest sensitivity position at the dates indicated.

Table 13 - Interest Sensitivity

Change in Rates	Increase (Decrease) in Net Interest Revenue from Base Scenario at June 30,			
	2017		2016	
	Shock	Ramp	Shock	Ramp
100 basis point increase	0.0%	(0.6)%	(0.4)%	(0.9)%
100 basis point decrease	(8.4)	(6.4)	n/a	n/a

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

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

In order to manage interest rate sensitivity, management uses derivative financial instruments. Derivative financial instruments can be a cost-effective and capital-effective means of modifying the re-pricing characteristics of on-balance sheet assets and liabilities. These contracts generally consist of interest rate swaps under which United pays a variable rate (or fixed rate, as the case may be) and receives a fixed rate (or variable rate, as the case may be). In addition to derivative instruments, management uses a variety of balance sheet instruments to manage interest rate risk such as investment securities, wholesale funding, and bank-issued deposits.

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

From time to time, United will terminate hedging positions when conditions change and the position is no longer necessary to manage overall sensitivity to changes in interest rates. In those situations where the terminated contract was in an effective hedging relationship at the time of termination and the hedging relationship is expected to remain effective throughout the original term of the contract, the resulting gain or loss is amortized over the remaining life of the original contract. For swap contracts, the gain or loss is amortized over the remaining original contract term using the straight line method of amortization. United expects that \$591,000 will be reclassified as an increase to interest expense from other comprehensive income over the next twelve months related to these terminated cash flow hedges.

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

Liquidity Management

The objective of liquidity management is to ensure that sufficient funding is available, at a reasonable cost, to meet ongoing operational cash needs and to take advantage of revenue producing opportunities as they arise. While the desired level of liquidity will vary depending upon a variety of factors, it is the primary goal of United to maintain a sufficient level of liquidity in all expected economic environments. To assist in determining the adequacy of its liquidity, United performs a variety of liquidity stress tests including idiosyncratic, systemic and combined scenarios for both moderate and severe events. Liquidity is defined as the ability to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining the ability to meet the daily cash flow requirements of customers, both depositors and borrowers. United maintains an unencumbered liquid asset reserve to help ensure its ability to meet its obligations under normal conditions for at least a 12-month period and under severely adverse liquidity conditions for a minimum of 30 days.

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

The Bank's main source of liquidity is customer interest-bearing and noninterest-bearing deposit accounts. Liquidity is also available from wholesale funding sources consisting primarily of Federal funds purchased, FHLB advances, brokered deposits and securities sold under agreements to repurchase. These sources of liquidity are generally short-term in nature and are used as necessary to fund asset growth and meet other short-term liquidity needs.

In addition, because United's holding company is a separate entity and apart from the Bank, it must provide for its own liquidity. United's holding company is responsible for the payment of dividends declared for its common shareholders, and interest and principal on any outstanding debt or trust preferred securities. United's holding company currently has internal capital resources to meet these obligations. While United's holding company has access to the capital markets, the ultimate source of holding company liquidity is subsidiary service fees and dividends from the Bank, which are limited by applicable law and regulations.

At June 30, 2017, United had cash and cash equivalent balances of \$233 million and had sufficient qualifying collateral to increase FHLB advances by \$713 million and Federal Reserve discount window borrowing capacity of \$1.21 billion. United also has the ability to raise substantial funds through brokered deposits. In addition to these wholesale sources, United has the ability to attract retail deposits by competing more aggressively on pricing.

As disclosed in the consolidated statement of cash flows, net cash provided by operating activities was \$97.6 million for the six months ended June 30, 2017. Net income of \$51.8 million for the six month period included deferred income tax expense of \$35.7 million, and non-cash expenses for the following: depreciation, amortization and accretion of \$12.9 million and stock-based compensation expense of \$3.15 million. Other sources of cash from operating activities included a decrease in mortgage loans held for sale of \$4.17 million. These sources of cash from operating activities were offset by a decrease in accrued expenses and other liabilities of \$7.19 million. Net cash used in investing activities of \$123 million consisted primarily of a \$116 million net increase in loans, purchases of investment securities available-for-sale totaling \$412 million and purchases of investment securities held-to-maturity of \$13.4 million. These uses of cash were partially offset by \$31.4 million in proceeds from maturities and calls of investment securities held-to-maturity, \$94.7 million in proceeds from the sale of investment securities available-for-sale and \$309 million in proceeds from maturities and calls of investment securities available-for-sale. Net cash provided by financing activities of \$40.9 million consisted primarily of a net increase in deposits of \$98.7 million, partially offset by a net decrease in FHLB advances of \$40.0 million and \$12.3 million in dividends to common shareholders. In the opinion of management, United's liquidity position at June 30, 2017, was sufficient to meet its expected cash flow requirements.

Capital Resources and Dividends

Shareholders' equity at June 30, 2017 was \$1.13 billion, an increase of \$56.9 million from December 31, 2016 due to year-to-date earnings less dividends declared, an increase in the value of available-for-sale securities and the release of the disproportionate tax effect related to terminated cash flow hedges. Accumulated other comprehensive loss, which includes unrealized gains and losses on securities available-for-sale, the unrealized gains and losses on derivatives qualifying as cash flow hedges and unamortized prior service cost and actuarial gains and losses on United's modified retirement plan, is excluded in the calculation of regulatory capital adequacy ratios.

The following table shows United's capital ratios, as calculated under applicable regulatory guidelines, at June 30, 2017 and December 31, 2016. As of June 30, 2017, capital levels remained characterized as "well-capitalized" under the Basel III Capital Rules in effect at the time.

Table 14 - Capital Ratios

(dollars in thousands)

	Basel III Guidelines		United Community Banks, Inc. (Consolidated)		United Community Bank	
	Minimum	Well Capitalized	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Risk-based ratios:						
Common equity tier 1 capital	4.5%	6.5%	11.86%	11.23%	12.84%	12.66%
Tier I capital	6.0	8.0	11.91	11.23	12.84	12.66
Total capital	8.0	10.0	12.70	12.04	13.63	13.48
Leverage ratio	4.0	5.0	8.97	8.54	9.66	9.63
Common equity tier 1 capital			\$ 935,139	\$ 874,452	\$ 1,010,741	\$ 984,529
Tier I capital			939,749	874,452	1,010,741	984,529
Total capital			1,001,471	937,876	1,072,463	1,047,953
Risk-weighted assets			7,887,162	7,789,089	7,871,044	7,775,352
Average total assets			10,480,536	10,236,868	10,463,451	10,221,318

United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI". Below is a quarterly schedule of high, low and closing stock prices and average daily volume for 2017 and 2016.

Table 15 - Stock Price Information

	2017				2016			
	High	Low	Close	Avg Daily Volume	High	Low	Close	Avg Daily Volume
First quarter	\$ 30.47	\$ 25.29	\$ 27.69	459,018	\$ 19.27	\$ 15.74	\$ 18.47	440,759
Second quarter	28.57	25.39	27.80	402,802	20.60	17.07	18.29	771,334
Third quarter					21.13	17.42	21.02	379,492
Fourth quarter					30.22	20.26	29.62	532,944

Effect of Inflation and Changing Prices

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

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes in United's market risk as of June 30, 2017 from that presented in the Annual Report on Form 10-K for the year ended December 31, 2016. The interest rate sensitivity position at June 30, 2017 is included in management's discussion and analysis on page 58 of this report.

Item 4. Controls and Procedures

United's management, including the Chief Executive Officer and Chief Financial Officer, supervised and participated in an evaluation of United's disclosure controls and procedures as of June 30, 2017. Based on, and as of the date of that evaluation, United's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective in accumulating and communicating information to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures of that information under the SEC's rules and forms and that the disclosure controls and procedures are designed to ensure that the information required to be disclosed in reports that are filed or submitted by United under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no significant changes in the internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Part II. Other Information

Item 1. 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 current knowledge and advice of counsel, in the opinion of management there is no such pending or threatened legal matter which would result in a material adverse change in the consolidated financial condition or results of operations of United.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in United's Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 June 30, 2017, the remaining authorization was \$36.3 million.

The following table contains information for shares repurchased during the second quarter of 2017.

<i>(Dollars in thousands, except for per share amounts)</i>	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
April 1, 2017 - April 30, 2017	-	\$ -	-	\$ 36,342
May 1, 2017 - May 31, 2017	-	-	-	36,342
June 1, 2017 - June 30, 2017	-	-	-	36,342
Total	-	\$ -	-	\$ 36,342

Item 3. Defaults upon Senior Securities – None

Item 4. Mine Safety Disclosures – None

Item 5. Other Information – None

Item 6. Exhibits

Exhibit No.	Description
10.1	Credit Agreement, dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank, as amended.
31.1	Certification by Jimmy C. Tallent, Chairman and Chief Executive Officer of United Community Banks, Inc., pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Jefferson L. Harralson, Executive Vice President and Chief Financial Officer of United Community Banks, Inc., pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED COMMUNITY BANKS, INC.

/s/ Jimmy C. Tallent

Jimmy C. Tallent
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Jefferson L. Harralson

Jefferson L. Harralson
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ Alan H. Kumler

Alan H. Kumler
Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: August 4, 2017

CREDIT AGREEMENT

dated as of January 7, 2014

among

UNITED COMMUNITY BANKS, INC.,
as Borrower

and

SYNOVUS BANK,
as Lender

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") is made and entered into as of January 7, 2014, by and among **UNITED COMMUNITY BANKS, INC.**, a Georgia corporation (the "Borrower"), and **SYNOVUS BANK**, as Lender (the "Lender").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lender, and the Lender has agreed subject to the terms and conditions of this Agreement to, establish a revolving credit facility in an aggregate initial principal amount of \$50,000,000;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Borrower and the Lender agree as follows:

ARTICLE I DEFINITIONS; CONSTRUCTION

Section 1.1. Definitions. In addition to the other terms defined herein, the following terms used herein shall have the meanings herein specified (to be equally applicable to both the singular and plural forms of the terms defined):

"***Acquisition***" shall mean any transaction or a series of related transactions for the purpose of, or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of any Person, (b) the acquisition of greater than 50% of the Capital Stock, partnership interest, membership interest or other equity interests of any Person, or otherwise causing a Person to become a Subsidiary, or (c) a merger or consolidation of, or any other combination with, another Person (other than a Person that is a Subsidiary).

"***Additional Covenant***" shall mean any affirmative or negative covenant or similar restriction applicable to the Borrower or any of its Subsidiaries (regardless of whether such provision is labeled or otherwise characterized as a covenant) the subject matter of which either (i) is similar to that of any covenant in Articles V, VI or VII of this Agreement, or related definitions in Section 1.1 of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive than those set forth herein or more beneficial to the holder or holders of the Indebtedness of the Borrower or its Subsidiaries created or evidenced by the document in which such covenant or similar restriction is contained (and such covenant or similar restriction shall be deemed an Additional Covenant only to the extent that it is more restrictive or more beneficial) or (ii) is different from the subject matter of any covenant in Articles V, VI or VII of this Agreement, or related definitions in Section 1.1 of this Agreement.

“Additional Default” shall mean any provision contained in any document or instrument creating or evidencing Indebtedness of the Borrower or any of its Subsidiaries which permits the holder or holders of such Indebtedness to accelerate (with the passage of time or giving of notice or both) the maturity thereof or otherwise requires the Borrower or any of its Subsidiaries to purchase such Indebtedness prior to the stated maturity thereof and which either (i) is similar to any Default or Event of Default contained in Article VIII of this Agreement, or related definitions in Section 1.1 of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive or has a shorter grace period than those set forth herein or is more beneficial to the holder or holders of such other Indebtedness (and such provision shall be deemed an Additional Default only to the extent that it is more restrictive or more beneficial) or (ii) is different from the subject matter of any Default or Event of Default contained in Article VIII of this Agreement, or related definitions in Section 1.1 of this Agreement.

“Administrative Questionnaire” shall mean, with respect to the Lender, an administrative questionnaire in the form prepared by the Lender and submitted to the Lender.

“Affiliate” shall mean, as to any Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such Person.

“Anti-Terrorism Laws” has the meaning given to such term in Section 4.16.

“Approved Fund” shall mean any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (i) the Lender, (ii) an Affiliate of the Lender or (iii) an entity or an Affiliate of an entity that administers or manages the Lender.

“Asset Sale” has the meaning given to such term in Section 2.5(e).

“Assignment and Acceptance” shall mean an Assignment and Acceptance entered into by the Lender and an assignee, in the form of Exhibit A attached hereto.

“Availability Period” shall mean the period from the Closing Date to the Maturity Date.

“Base Rate” shall mean the highest of: (i) the prevailing rate of interest, on a per annum basis, described in the Eastern Edition of The Wall Street Journal as the prime lending rate, as in effect from time to time, (ii) the Federal Funds Rate, as in effect from time to time, *plus* one-half of one percent (0.50%) per annum and (iii) LIBOR determined on a daily basis for an Interest Period of one (1) month, *plus* one percent (1.00%) per annum. The Lender’s prime lending rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. The Lender may make commercial loans or other loans at rates of interest at, above or below the Lender’s prime lending rate. Each change in the any of the rates described above in this definition shall be effective from and including the date such change is announced as being effective.

“Base Rate Borrowing” shall mean a Borrowing of a Revolving Loan as a Base Rate Loan.

“Base Rate Loan” shall mean a Revolving Loan to the extent it is accruing interest at the Base Rate.

“**Base Rate Margin**” shall mean 2.50% per annum.

“**Borrower SEC Documents**” shall have the meaning set forth in Section 4.20 hereof.

“**Borrowing**” shall mean a borrowing consisting of a Revolving Loan of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

“**Business Day**” shall mean (i) any day other than a Saturday, Sunday or other day on which commercial banks in Columbus, Georgia are authorized or required by law to close and (ii) if such day relates to a continuation of, a payment or prepayment of principal or interest on, or an Interest Period for, a Eurodollar Loan or a notice with respect thereto, any day on which dealings in Dollars are carried on in the London interbank market.

“**Call Report**” shall mean, with respect to each Financial Institution Subsidiary, the “Consolidated Reports of Condition and Income” (FFIEC Form 031 or 041 or any successor form of the Federal Financial Institutions Examination Council).

“**Capital Stock**” means any and all shares, equity interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including any preferred interests and preferred shares, partnership interests and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing.

“**Capital Lease Obligations**” of any Person shall mean all obligations of such Person to pay rent or other amounts under any lease (or other arrangement conveying the right to use) of real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital lease obligations on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“**Cash**” means money, currency or a credit balance in any Deposit Account, in each case, owned by the Borrower or its Subsidiaries, but only to the extent the foregoing is not subject to any Lien.

“**Change in Control**” shall mean (a) with respect to the Borrower, the occurrence of one or more of the following events: (i) any sale, lease, exchange or other transfer (in a single transaction or a series of related transactions) of all or a material portion of the assets of the Borrower to any Person or “group” (within the meaning of the Exchange Act and the rules of the SEC thereunder in effect on the date hereof), (ii) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or “group” (within the meaning of the Exchange Act and the rules of the SEC thereunder as in effect on the date hereof) of: (x) 25.0% or more of the outstanding shares of the Voting Stock of the Borrower and/or (y) other Capital Stock of the Borrower representing 25.0% or more of the economic interests of the Borrower, (iii) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (A) nominated by the Borrower’s board of directors as constituted as of the Closing Date or (B) appointed by directors so nominated after the Closing Date, or (b) the Borrower shall own, directly or indirectly, less than 100% of the Voting Stock of any Financial Institution Subsidiary.

“Change in Law” shall mean (i) the adoption of any applicable law, rule or regulation after the date of this Agreement, (ii) any change in any applicable law, rule or regulation, or any change in the interpretation or application thereof, by any Governmental Authority after the date of this Agreement, or (iii) compliance by the Lender with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided, however, that notwithstanding anything herein to the contrary, (x) all requests, rules, guidelines or directives under the Dodd-Frank Wall Street Reform and Consumer Protection Act or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Charges” shall have the meaning set forth in Section 9.16.

“Closing Date” shall mean the date on which the conditions precedent set forth in Section 3.1 have been satisfied or waived in accordance with the terms of this Agreement.

“Code” shall mean the Internal Revenue Code of 1986, as amended and in effect from time to time.

“Compliance Certificate” shall mean a certificate from a Responsible Officer of the Borrower in the form of, and containing the certifications set forth in, the certificate attached hereto as Exhibit 5.1(c).

“Confidential Information” shall have the meaning set forth in Section 9.11.

“Contractual Obligation” of any Person shall mean any provision of any security issued by such Person or of any agreement, instrument or undertaking under which such Person is obligated or by which it or any of the property in which it has an interest is bound.

“Control” shall mean the power, directly or indirectly, to direct or cause the direction of the management and policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms **“Controlling”**, **“Controlled by”**, and **“under common Control with”** have meanings correlative thereto.

“CRA” shall have the meaning set forth in Section 4.14.

“Default” shall mean any condition or event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

“Default Interest” shall have the meaning set forth in Section 2.6(b).

“**Deposit Account**” means a demand, time, savings, passbook or like account with a bank, savings and loan association, credit union or like organization, other than an account evidenced by a negotiable certificate of deposit.

“**Dollar(s)**” and the sign “\$” shall mean lawful money of the United States of America.

“**Eligible Assignee**” shall mean: (a) an Affiliate of the Lender or (b) an Approved Fund.

“**Employee Benefit Plan**” shall have that meaning as defined in Section 3(3) of ERISA (not including any Multiemployer Plan) and for which the Borrower or any Subsidiary of the Borrower maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by the Borrower or any Subsidiary of the Borrower or on behalf of beneficiaries of such participants.

“**Environmental Laws**” shall mean all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, Release or threatened Release of any Hazardous Material or to health and safety matters.

“**Environmental Liability**” shall mean any liability, contingent or otherwise (including any liability for damages, costs of environmental investigation and remediation, costs of administrative oversight, fines, natural resource damages, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) any actual or alleged violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) any actual or alleged exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute including any regulations promulgated thereunder.

“**ERISA Affiliate**” shall mean any trade or business (whether or not incorporated), which, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for the purposes of Section 303 of ERISA and Section 430 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” shall mean with respect to the Borrower or any ERISA Affiliate, (i) any “reportable event”, as defined in Section 4043 of ERISA with respect to a Plan (other than an event for which the 30-day notice period is waived); (ii) the failure to make required contributions when due to a Multiemployer Plan or Plan or the imposition of a Lien in favor of a Plan under Section 430(k) of the Code or Section 303(k) of ERISA; (iii) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (iv) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, or the imposition of a Lien in favor of the PBGC under Title IV of ERISA; (v) the receipt from the PBGC or a plan administrator appointed by the PBGC of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (vi) any other event or condition that might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (vii) the incurrence of any liability with respect to the withdrawal or partial withdrawal from any Plan including the withdrawal from a Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (viii) or the incurrence of any Withdrawal Liability with respect to any Multiemployer Plan; (ix) the receipt of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent (within the meaning of Section 4245 of ERISA) or in reorganization (within the meaning of Section 4241 of ERISA), or in “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA); or (x) a determination that a Plan is, or is reasonably expected to be, in “at risk” status (within the meaning of Section 430 of the Code or Section 303 of ERISA).

“Eurodollar” when used in reference to a Revolving Loan, refers to a Revolving Loan bearing interest at a rate determined by reference to LIBOR.

“Eurodollar Borrowing” shall mean the Borrowing of a Revolving Loan as a Eurodollar Loan.

“Eurodollar Loan” shall mean a Revolving Loan to the extent it is accruing interest based on LIBOR.

“Event of Default” shall have the meaning provided in Article VIII.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Excluded Taxes” shall mean with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of the Lender, in which its applicable lending office is located, and (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Lender is located.

“FCPA” shall have the meaning set forth in Section 4.22 hereof.

“FDIC” shall mean the Federal Deposit Insurance Corporation.

“Federal Funds Rate” shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the next 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System arranged by Federal funds brokers, as published by the Federal Reserve Bank of New York on the next succeeding Business Day or if such rate is not so published for any Business Day, the Federal Funds Rate for such day shall be the average rounded upwards, if necessary, to the next 1/100th of 1% of the quotations for such day on such transactions received by the Lender from three Federal funds brokers of recognized standing selected by the Lender.

“Financial Institution Subsidiary” shall mean each of (a) those Financial Institution Subsidiaries set forth on Schedule 4.12 and designated as a “Financial Institution Subsidiary” and (b) each other Subsidiary hereafter formed or acquired that is a regulated financial institution.

“Fiscal Quarter” shall mean each fiscal quarter (including the fiscal quarter at the fiscal year-end) of the Borrower and its Subsidiaries.

“Fiscal Year” shall mean each fiscal year of the Borrower and its Subsidiaries.

“Fixed Rate Perpetual Preferred Stock” shall mean the Borrower’s Fixed Rate Cumulative Perpetual Preferred Stock, Series B, with a liquidation preference of \$1,000 per share issued initially to the United States Department of the Treasury.

“FRB” shall mean the Board of Governors of the Federal Reserve System.

“FR Y-9C Report” shall mean the “Consolidated Financial Statements for Bank Holding Companies (FR Y-9C)” submitted by the Borrower as required by Section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844) and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)), or any successor or similar replacement report.

“FR Y-9LP Report” shall mean the “Parent Company Only Financial Statements for Large Bank Holding Companies (FR Y-9LP)” submitted by the Borrower as required by Section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844) and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)), or any successor or similar replacement report.

“GAAP” shall mean generally accepted accounting principles in the United States applied on a consistent basis and subject to the terms of Section 1.2.

“Governmental Authority” shall mean the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including without limitation, the FRB, the FDIC and any other federal or state agency charged with the supervision or regulation of depository institutions or holding companies of depository institutions (as used herein, including any trust company subsidiaries whether or not they take deposits), or engaged in the insurance of depository institution deposits, or any court, administrative agency or commission or other governmental agency, authority or instrumentality having supervisory or regulatory authority with respect to the Borrower and/or any of its Subsidiaries.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Hedging Obligations” of any Person shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired under (i) any and all Hedging Transactions, (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Hedging Transactions and (iii) any and all renewals, extensions and modifications of any Hedging Transactions and any and all substitutions for any Hedging Transactions.

“Hedging Transaction” of any Person shall mean (a) any transaction (including an agreement with respect to any such transaction) now existing or hereafter entered into by such Person that is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, spot transaction, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether or not any such transaction is governed by or subject to any master agreement and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Holding Company MoU” shall mean that certain informal memorandum of understanding entered into by the Borrower and the Federal Reserve Bank of Atlanta and the Georgia Department of Banking and Finance in November 2011, as the same has been amended, modified or supplemented from time to time.

“Immaterial Subsidiary” shall mean any Subsidiary (other than any Financial Institutions Subsidiary) of the Borrower (or group of Subsidiaries of the Borrower (other than any Financial Institutions Subsidiaries)) that (a) at any time (i) has revenue attributable to such Subsidiary(ies) for the period of four consecutive Fiscal Quarters most recently ended in an amount less than five percent (5.0%) of the consolidated revenue of the Borrower and its Subsidiaries for such period and (ii) holds assets with an aggregate fair market value of less than five percent (5.0%) of the aggregate fair market value of the total assets of the Borrower and its Subsidiaries.

“Indebtedness” of any Person shall mean, without duplication (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person in respect of the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business; provided, that for purposes of Section 8.1(f), trade payables overdue by more than 90 days shall be included in this definition except to the extent that any of such trade payables are being disputed in good faith and by appropriate measures), (iv) all obligations of such Person under any conditional sale or other title retention agreement(s) relating to property acquired by such Person, (v) all obligations of such Person under capital leases and all monetary obligations of such Person under Synthetic Leases, (vi) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit, acceptances or similar extensions of credit, (vii) all guarantees by such Person of Indebtedness of others, (viii) all Indebtedness of a third party secured by any Lien on property owned by such Person, whether or not such Indebtedness has been assumed by such Person, (ix) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Capital Stock of such Person, (x) all Hedging Obligations of such Person; and (xi) all obligations of such Person in respect of any trust preferred securities, preferred equity or other types of hybrid capital securities issued by such Person. For purposes of determining the amount of attributed Indebtedness from Hedging Obligations, the “principal amount” of any Hedging Obligations at any time shall be the Net Mark-to-Market Exposure of such Hedging Obligations.

“Indemnified Taxes” shall mean Taxes other than Excluded Taxes.

“Indemnitee” shall have the meaning set forth in Section 9.3(b).

“Interest Period” shall mean, in the case of a Eurodollar Loan, a period of one, two or three months, provided that:

(i) the initial Interest Period for any such Eurodollar Loan shall commence on the date of such Eurodollar Loan and each Interest Period occurring thereafter in respect of such Revolving Loan shall commence on the day on which the preceding Interest Period expires;

(ii) if any Interest Period would otherwise end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such Business Day falls in another calendar month, in which case such Interest Period would end on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of a calendar month or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of such calendar month;

(iv) no Interest Period may extend beyond the Maturity Date; and

(v) there may be no more than four (4) Interest Periods for Eurodollar Loans outstanding at the same time.

“Investments” shall have the meaning set forth in Section 7.6 hereof.

“Lender” shall have the meaning assigned to such term in the opening paragraph of this Agreement.

“**LIBOR**” shall mean, for any applicable Interest Period with respect to any Eurodollar Loan, that rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) that is equal to the quotient of:

(i) the rate per annum for deposits in Dollars for a period equal to such Interest Period appearing on Reuters Screen LIBOR01 Page (or any successor page), or such similar service as determined by the Lender that displays the British Bankers’ Association Interest Settlement Rates for deposits in Dollars as of 11:00 a.m. (London, England time) on the day that is two Business Days prior to the first day of the Interest Period, or if such page or service shall cease to be available, such other page or such other service (as the case may be) for the purpose of displaying British Bankers’ Association Interest Settlement Rates for Dollars as the Lender, in its discretion, shall select; provided, that if the Lender determines that the relevant foregoing sources are unavailable for the relevant Interest Period, LIBOR shall mean the rate of interest determined by the Lender to be the average (rounded upward, if necessary, to the nearest 1/100th of 1%) of the rates per annum at which deposits in Dollars are offered to the Lender two (2) Business Days preceding the first day of such Interest Period by leading banks in the London interbank market as of 10:00 a.m. (New York, New York time) for delivery on the first day of such Interest Period and for the number of days comprised therein, divided by

(ii) a percentage equal to 1.00 minus the maximum reserve percentages (including any emergency, supplemental, special or other marginal reserves) expressed as a decimal (rounded upward to the next 1/100th of 1%) in effect on any day for the applicable Interest Period to which the Lender is subject with respect to a Eurodollar Loan pursuant to regulations issued by the FRB with respect to eurocurrency funding (currently referred to as “eurocurrency liabilities” under Regulation D). A Eurodollar Loan shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to the Lender under Regulation D. This percentage will be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“**Lien**” shall mean any mortgage, pledge, security interest, lien (statutory or otherwise), charge, encumbrance, hypothecation, assignment, deposit arrangement, or other arrangement having the practical effect of the foregoing or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having the same economic effect as any of the foregoing).

“**Loan Documents**” shall mean, collectively, this Agreement, the Revolving Credit Note, and any and all other instruments, agreements, documents and writings executed in connection with any of the foregoing.

“**Master Agreement**” shall have the meaning set forth in Section 1.1.

“Material Adverse Effect” shall mean, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences whether or not related, a material adverse change in, or a material adverse effect on, (i) the business, results of operations, financial condition, assets or liabilities of the Borrower and of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform any of its material obligations under the Loan Documents, (iii) the rights and remedies of the Lender under any of the Loan Documents or (iv) the legality, validity or enforceability of any of the Loan Documents.

“Maturity Date” shall mean January 7, 2017, or such earlier date as the Revolving Commitments are terminated pursuant to Section 2.5(b) or Section 8.1.

“Maximum Rate” shall have the meaning set forth in Section 9.16.

“Money Laundering Laws” shall have the meaning set forth in Section 4.23 hereof.

“Multiemployer Plan” shall have the meaning set forth in Section 4001(a)(3) of ERISA.

“Net Cash Proceeds” shall mean, with respect to any sale or disposition by the Borrower or any of its Subsidiaries of assets, the amount of cash proceeds received (directly or indirectly) from time to time (whether as initial consideration or through the payment of deferred consideration) by or on behalf of the Borrower or its Subsidiaries, in connection therewith after deducting therefrom only (i) the amount of any Indebtedness secured by any Lien permitted by Section 7.2 hereof on any asset (other than (A) Indebtedness owing to the Lender under this Agreement or the other Loan Documents and (B) Indebtedness assumed by the purchaser of such asset) which is required to be, and is, repaid in connection with such sale or disposition, (ii) reasonable fees, commissions, and expenses related thereto and required to be paid by the Borrower or such Subsidiary in connection with such sale or disposition and (iii) taxes paid or payable to any taxing authorities by the Borrower or such Subsidiary in connection with such sale or disposition, in each case, to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate of the Borrower or any of its Subsidiaries, and are properly attributable to such transaction.

“Net Mark-to-Market Exposure” of any Person shall mean, as of any date of determination with respect to any Hedging Obligation, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from such Hedging Obligation. “Unrealized losses” shall mean the fair market value of the cost to such Person of replacing the Hedging Transaction giving rise to such Hedging Obligation as of the date of determination (assuming the Hedging Transaction were to be terminated as of that date), and “unrealized profits” means the fair market value of the gain to such Person of replacing such Hedging Transaction as of the date of determination (assuming such Hedging Transaction were to be terminated as of that date).

“Notice of Borrowing” shall have the meaning as set forth in Section 2.2.

“Notice of Conversion/Continuation” shall mean the notice given by the Borrower to the Lender in respect of the conversion or continuation of a Revolving Loan as provided in Section 2.4(b).

“Obligations” shall mean all indebtedness, obligations, liabilities and other amounts owing by the Borrower to the Lender and, only with respect to Hedging Transactions, any Affiliate of the Lender, pursuant to or in connection with (a) this Agreement or any other Loan Document, including without limitation, all principal, interest (including any interest accruing after the filing of any petition in bankruptcy or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), all reimbursement obligations under letters of credit, all Hedging Obligations of the Borrower, fees, expenses, indemnification and reimbursement payments, costs and expenses (including all fees and expenses of counsel to the Lender incurred pursuant to this Agreement or any other Loan Document), whether direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising hereunder or thereunder, together with all renewals, extensions, modifications or refinancings thereof and (b) any agreement governing the provision to the Borrower or any Subsidiary of treasury or cash management services.

“OFAC” shall have the meaning set forth in Section 4.24 hereof.

“Other Real Estate Owned” shall mean the sum, without duplication, of: (a) real estate acquired in satisfaction of debts through foreclosure (as determined by reference to the line item “foreclosed assets” under “Selected Financial Data” (Non-performing assets) in the Borrower’s most recent Form 10-Q or 10-K, as applicable) and (b) other real estate owned, as set forth on Schedule HC-M of Borrower’s FR Y-9C Report.

“Other Taxes” shall mean any and all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made by, or on behalf of, the Borrower hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Documents.

“Participant” shall have the meaning set forth in Section 9.4(d).

“Patriot Act” shall have the meaning set forth in Section 4.16.

“Payment Office” shall mean the office of the Lender located at 3280 Peachtree Rd NE, Suite 500, Atlanta, Georgia 30305, Attention: Vickie Summey.

“PBGC” shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA, and any successor entity performing similar functions.

“Permitted Acquisition” means any Acquisition by the Borrower or any Subsidiary, whether by purchase, merger or otherwise, of all or substantially all of the assets of, a majority of the Capital Stock of, or a business line or unit or a division of, any Person; *provided that*:

(a) at the time of such Acquisition and after giving effect thereto, no Default or Event of Default shall have occurred or would result (on a *pro forma* basis) from the making or consummation of such Acquisition;

(b) in the case of the acquisition of Capital Stock of a regulated financial institution, all of the Capital Stock acquired or otherwise issued by such Person or any newly formed, direct or indirect, Subsidiary of the Borrower in connection with such Acquisition shall be owned 100% by the Borrower or its Subsidiaries;

(c) the Lender shall receive at least ten (10) Business Days’ prior written notice of such proposed Acquisition, which notice shall include a reasonably detailed description of such proposed Acquisition;

(d) (i) such acquisition shall only involve a business permitted in accordance with Section 7.3(c), and which business would not subject the Lender to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or any other Loan Documents and (ii) substantially all of the operations of which are located in the United States;

(e) the Acquisition shall have been approved by the board of directors or other governing body or controlling Person of the Person acquired or the Person from whom such assets or division is acquired; and

(f) concurrently with delivery of the notice referred to in clause (d) of this definition, the Borrower shall have delivered to the Lender, in form and substance reasonably satisfactory to the Lender, a certificate of a Responsible Officer of the Borrower to the effect that the Borrower will be, after giving *pro forma* effect to the proposed Acquisition, in compliance with the covenants set forth in Section 6.1 hereof, together with the calculations thereof reasonably demonstrating such compliance.

In the case of any Acquisition by the Borrower or any Subsidiary in which the Borrower or such Subsidiary acquires, directly or indirectly, fifty percent (50%) or more of the voting stock of any Person that is a regulated financial institution, such acquired Person shall become a Financial Institution Subsidiary for purposes of this Agreement. In the event the proposed Acquisition does not satisfy one or more of the above criteria, but the Lender nevertheless, in its sole discretion, consents to such Acquisition, such Acquisition shall constitute a “Permitted Acquisition” and be included in the calculations set forth in clause (f) hereof and other applicable provisions hereof.

“Permitted Encumbrances” shall mean

(i) Liens imposed by law for taxes not yet past due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP;

(ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law created in the ordinary course of business for amounts not yet past due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP;

(iii) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations and Liens arising by statute in connection with worker's compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, statutory obligations or other similar charges, good faith cash deposits in connection with tenders, contracts or leases to which the Borrower or any of its Subsidiaries is a party or other cash deposits in any such foregoing case that is required to be made in the ordinary course of business, provided in each case that the obligation is not for borrowed money and that the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves have been established therefor;

(iv) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(v) judgment and attachment Liens not giving rise to an Event of Default or Liens created by or existing from any litigation or legal proceeding that are currently being contested in good faith by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP;

(vi) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the Borrower and its Subsidiaries taken as a whole;

(vii) Liens, charges and encumbrances incidental to the conduct of the business of the Financial Institution Subsidiaries incurred in the ordinary course of business and consistent with past practices;

(viii) Liens to secure public funds or other pledges of funds required by law to secure deposits; and

(ix) repurchase agreements, reverse repurchase agreements and other similar transactions entered into by any Financial Institution Subsidiary in the ordinary course of its banking, deposit or trust business;

provided, that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

“Permitted Financial Institution Subsidiary Indebtedness” means obligations incurred by any Financial Institution Subsidiary in the ordinary course of business in such circumstances as may be incidental or usual in carrying on the banking or trust or mortgage business of a bank, thrift, trust company, or mortgage company incurred in accordance with applicable laws and regulations and safe and sound practices, including obligations incurred in connection with: (a) any deposits with or funds collected by such Subsidiary; (b) the endorsement of instruments for deposit or collection in the ordinary course of business, (c) any bankers acceptance credit of such Subsidiary; (d) any check, note, certificate of deposit, money order, traveler’s check, draft or bill of exchange issued, accepted or endorsed by such Subsidiary or letter of credit issued by such Subsidiary; (e) any discount with, borrowing from, or other obligation to, any Federal Reserve Bank or any Federal Home Loan Bank; (f) any agreement made by such Subsidiary to purchase or repurchase securities, loans or Federal funds or any interest or participation in any thereof; (g) any guarantee, indemnity or similar obligation incurred by such Subsidiary in the ordinary course of its banking or trust business and consistent with past practices; (h) any transaction in the nature of an extension of credit, whether in the form of a commitment or otherwise, undertaken by such Subsidiary for the account of a third party with the application of the same banking considerations and legal lending limits that would be applicable if the transaction were a loan to such party; (i) any transaction in which such Subsidiary acts solely in the fiduciary or agency capacity; (j) other short-term liabilities similar to those enumerated in clauses (a) and (f) above, including United States Treasury tax and loan borrowings, (k) any Hedging Obligations or other obligations or liabilities relating to Hedging Transactions entered into by such Subsidiary in connection with facilitating the hedging risk of a customer of such Subsidiary or another Financial Institution Subsidiary, but excluding any Hedging Obligations or other obligations or liabilities relating to Hedging Transactions entered into for speculative purposes or that are speculative in nature, (l) any Indebtedness of one Financial Institution Subsidiary to another Financial Institution Subsidiary and (m) any Indebtedness of such Subsidiary relating to letters of credit issued or confirmed by a third party financial institution for the account of such Subsidiary for the ultimate account of such Subsidiary’s customer.

“Person” shall mean any individual, partnership, firm, corporation, association, joint venture, limited liability company, trust or other entity, or any Governmental Authority.

“Plan” shall mean any employee pension benefit plan within the meaning of Section 3(2)(A) of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate either (i) maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them (or on behalf of beneficiaries of such participants) or (ii) is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA or a “contributing sponsor” (as defined in ERISA Section 4001(a)(13)).

“Qualified Plan” shall mean an Employee Benefit Plan that is intended to be tax-qualified under Section 401(a) of the Code.

“Register” shall have the meaning set forth in [Section 9.4\(c\)](#).

“Regulation D” shall mean Regulation D of the FRB, as the same may be in effect from time to time, and any successor regulations.

“Regulatory Agreement” shall have the meaning set forth in [Section 4.19](#) hereof.

“Release” means any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.

“Responsible Officer” shall mean any of the president, the chief executive officer, the chief operating officer, the chief financial officer, the treasurer or a managing director of the Borrower or such other representative of the Borrower as may be designated in writing by any one of the foregoing with the consent of the Lender; and, with respect to the financial covenants only, the chief financial officer, controller or the treasurer of the Borrower.

“Restricted Payment” shall have the meaning set forth in Section 7.4.

“Revolving Commitment” shall mean the obligation of the Lender to make Revolving Loans hereunder in an aggregate principal amount not exceeding \$50,000,000.

“Revolving Credit Note” shall mean a promissory note of the Borrower payable to the order of the Lender in the principal amount of \$50,000,000, in substantially the form of Exhibit B.

“Revolving Loan” shall have the meaning set forth in Section 2.1.

“RICO Related Law” shall mean the Racketeer Influenced and Corrupt Organizations Act of 1970 or any other federal, state or local law for which forfeiture of assets is a potential penalty.

“Sanctions” shall have the meaning set forth in Section 4.24.

“Sarbanes-Oxley Act” shall have the meaning set forth in Section 4.21 hereof.

“SEC” shall have the meaning set forth in Section 4.11.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Solvent” shall mean either (i) not “insolvent,” within the meaning of such term as defined in § 101(32) of Title 11 of the United States Code, as amended from time to time, or (ii) not unable to pay its debts generally as such debts become due, or having an unreasonably small capital to engage in any business or transaction, whether current or contemplated.

“Subsidiary” shall mean, with respect to any Person (the “parent”), any corporation, partnership, joint venture, limited liability company, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, partnership, joint venture, limited liability company, association or other entity (i) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power, or in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, Controlled or held, or (ii) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Unless otherwise indicated, all references to “Subsidiary” under this Agreement shall mean a Subsidiary of the Borrower.

“**Synthetic Lease**” of any Person shall mean (a) a lease designed to have the characteristics of a loan for federal income tax purposes while obtaining operating lease treatment for financial accounting purposes, or (b) an agreement for the use or possession of property creating obligations that are not required to appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person would be characterized by a court of competent jurisdiction as indebtedness of such Person.

“**Taxes**” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Total Loans**” shall mean for the Borrower on a consolidated basis the line item “Loans” set forth on the Borrower’s consolidated balance sheet delivered pursuant to Section 5.1(a) and Section 5.1(b) (and, for the avoidance of doubt, shall exclude loans held for sale).

“**Tier 1 Capital**” shall mean as defined from time to time under each federal and state regulation or order applicable to, or binding upon, the Borrower or any Financial Institution Subsidiary.

“**Tier 1 Risk-based Capital Ratio**” shall mean, for any Person, the ratio calculated by dividing (a) such Person’s Tier 1 Capital by (b) such Person’s total risk-weighted assets, or as otherwise defined from time to time under each federal and state regulation or order applicable to, or binding upon, the Borrower or any Financial Institution Subsidiary.

“**Tier 1 Risk-based Common Capital Ratio**” shall mean, for any Person, the ratio calculated by dividing (a) such Person’s Tier 1 Capital less the sum of: (i) qualifying class-A noncontrolling (minority) interests in consolidated Subsidiaries, (ii) qualifying restricted core capital elements, (iii) qualifying mandatory convertible preferred securities of internationally active bank holding companies and (iv) cumulative perpetual preferred stock and related surplus (other than the Fixed Rate Perpetual Preferred Stock which shall not be deducted from Tier 1 Capital for purposes of calculating this common capital ratio) by (b) such Person’s total risk-weighted assets, or as otherwise defined from time to time under each federal and state regulation or order applicable to, or binding upon, the Borrower or any Financial Institution Subsidiary.

“**Tier 1 Leverage Ratio**” shall mean, for any Person, the ratio calculated by dividing (a) such Person’s Tier 1 Capital by (b) such Person’s average total assets for leverage capital purposes, or as otherwise defined from time to time under each federal and state regulation or order applicable to, or binding upon, the Borrower or any Financial Institution Subsidiary.

“**Total Risk-based Capital Ratio**” shall mean, for any Person, the ratio calculated by dividing (a) such Person’s total risk-based capital by (b) such Person’s total risk-weighted assets, or as otherwise defined from time to time under each federal and state regulation or order applicable to, or binding upon, the Borrower or any Financial Institution Subsidiary.

“**Type**”, when used in reference to a Revolving Loan, refers to whether the rate of interest on such Revolving Loan is determined by reference to LIBOR or the Base Rate.

“**United Community Bank**” shall mean United Community Bank, a state bank chartered in the State of Georgia and wholly-owned Subsidiary of the Borrower.

“**Voting Stock**” shall mean shares of Capital Stock entitled to vote generally in the election of directors.

“**Withdrawal Liability**” shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.2. Accounting Terms and Determination. Unless otherwise defined or specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for such changes approved by the Borrower’s independent public accountants) with the most recent audited consolidated financial statement of the Borrower and its Subsidiaries delivered pursuant to Section 5.1(a) (or, if no such financial statements have been delivered, on a basis consistent with the audited consolidated financial statements of the Borrower and its Subsidiaries last delivered to the Lender in connection with this Agreement); provided, that if the Borrower notifies the Lender that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Lender notifies the Borrower that the Lender wishes to amend Article VI for such purpose), then the Borrower’s compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Lender. Notwithstanding the foregoing, to the extent any lease would be accounted for as an operating lease under GAAP as in effect on the Closing Date, such lease shall continue to be classified and accounted for as an operating lease for all purposes of this Agreement notwithstanding any change in GAAP relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes, as provided for above. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Accounting Standards Codification Section 825-10 to value any Indebtedness or other liabilities of the Borrower or any Subsidiary at “fair value”, as defined therein.

Section 1.3. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the word “to” means “to but excluding”. Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as it was originally executed or as it may from time to time be amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person’s successors and permitted assigns, (iii) the words “hereof”, “herein” and “hereunder” and words of similar import shall be construed to refer to this Agreement as a whole and not to any particular provision hereof, (iv) all references to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles, Sections, Exhibits and Schedules to this Agreement; (v) all references to a specific time shall be construed to refer to Columbus, Georgia time, unless otherwise indicated; and (vi) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time. To the extent that any of the representations and warranties contained in Article IV under this Agreement is qualified by “Material Adverse Effect”, then the qualifier “in any material respect” contained in Section 8.1(c) shall not apply. Unless otherwise expressly provided herein, all references to dollar amounts shall mean Dollars.

ARTICLE II AMOUNT AND TERMS OF THE REVOLVING LOAN

Section 2.1. Revolving Loan Commitment. Subject to the terms and conditions set forth herein, including, without limitation, satisfaction of the conditions set forth in Sections 3.1 and 3.2, the Lender agrees to make revolving loans (the “Revolving Loans”) to the Borrower, from time to time during the Availability Period, in an aggregate principal amount outstanding at any time that shall not exceed the Revolving Commitment. During the Availability Period, the Borrower shall be entitled to borrow, prepay and reborrow Revolving Loans in accordance with the terms and conditions of this Agreement; *provided, however*, that (i) the Borrower may not borrow or reborrow should there exist a Default or Event of Default and (ii) notwithstanding the first sentence of this Section 2.1 and the definition of “Revolving Commitment”, unless and until the Borrower shall have received formal written notice of the termination of the Holding Company MoU from each of the Federal Reserve Bank of Atlanta and the Georgia Department of Banking and Finance and delivered copies of such terminations to the Lender, the maximum aggregate principal amount of Revolving Loans that the Borrower may borrow hereunder at any one time outstanding shall not exceed \$40,000,000.

Section 2.2. Procedure for Borrowing Revolving Loans. The Borrower shall give the Lender written notice (or telephonic notice promptly confirmed in writing) of its request for Borrowing substantially in the form of Exhibit 2.2 attached hereto (the “Notice of Borrowing”) prior to 11:00 a.m. on, in the case such Borrowing is a Eurodollar Borrowing, the date that is two (2) Business Days prior to the date of the Borrowing or, in the case such Borrowing is a Base Rate Borrowing, the date that is one (1) Business Day prior to the date of such Borrowing. The Notice of Borrowing shall be irrevocable and shall specify: (i) the aggregate principal amount of such Borrowing, (ii) the date of the Borrowing (which shall be a Business Day), (iii) the Type of such Borrowing, (iv) in the case of a Eurodollar Borrowing, the duration of the initial Interest Period applicable thereto (subject to the provisions of the definition of Interest Period) and (v) the account of the Borrower to which the proceeds of the Revolving Loan should be credited. Each Borrowing shall consist entirely of Base Rate Loans or Eurodollar Loans, as the Borrower may request. The aggregate principal amount of each Eurodollar Borrowing shall be not less than \$2,500,000 or a larger multiple of \$500,000, and the aggregate principal amount of each Base Rate Borrowing shall not be less than \$500,000 or a larger multiple of \$100,000.

Section 2.3. Funding of Borrowing. Subject to the terms and conditions herein, following the receipt of Notice of Borrowing as described in Section 2.2, by no later than 1:00 p.m. Eastern time on the date specified in the Notice of Borrowing, the Lender will make the proceeds of the requested Revolving Loan available to the Borrower by effecting a wire transfer of such amounts to an account designated by the Borrower to the Lender as set forth in the Notice of Borrowing.

Section 2.4. Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Notice of Borrowing, and in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Notice of Borrowing. Thereafter, the Borrower may elect to convert such Borrowing into a different Type or to continue such Borrowing, and in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.4.

(b) To make an election pursuant to this Section 2.4, the Borrower shall give the Lender prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing substantially in the form of Exhibit 2.4 attached hereto (a “Notice of Conversion/Continuation”) that is to be converted or continued, as the case may be, (x) prior to 11:00 a.m. one (1) Business Day prior to the requested date of a conversion into a Base Rate Borrowing and (y) prior to 11:00 a.m. two (2) Business Days prior to a continuation of or conversion into a Eurodollar Borrowing. Each such Notice of Conversion/Continuation shall be irrevocable and shall specify (i) the Borrowing to which such Notice of Conversion/Continuation applies and if different options are being elected with respect to different portions thereof, the portions thereof that are to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) shall be specified for each resulting Borrowing); (ii) the effective date of the election made pursuant to such Notice of Conversion/Continuation, which shall be a Business Day, (iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing; and (iv) if the resulting Borrowing is to be a Eurodollar Borrowing, the Interest Period applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of “Interest Period”. If any such Notice of Conversion/Continuation requests a Eurodollar Borrowing but does not specify an Interest Period, the Borrower shall be deemed to have selected an Interest Period of one month. The principal amount of any resulting Borrowing shall satisfy the minimum borrowing amount for Eurodollar Borrowings and Base Rate Borrowings set forth in Section 2.2.

(c) If, on the expiration of any Interest Period in respect of any Eurodollar Borrowing, the Borrower shall have failed to deliver a Notice of Conversion/ Continuation, then, unless such Borrowing is repaid as provided herein, the Borrower shall be deemed to have elected to convert such Borrowing to a Base Rate Borrowing. No Borrowing may be converted into, or continued as, a Eurodollar Borrowing if a Default or an Event of Default exists, unless the Lender shall have otherwise consented in writing. No conversion of any Eurodollar Loans shall be permitted except on the last day of the Interest Period in respect thereof.

(d) With respect to the conversion or continuation of any Revolving Loan, such conversion or continuation shall be in an aggregate principal amount of no less than the lesser of: (i) \$2,000,000 or a larger multiple of \$1,000,000, or (ii) the aggregate principal amount of Revolving Loans then outstanding.

Section 2.5. Repayment of Revolving Loans; Prepayments; Mandatory Commitment Reductions.

(a) The Revolving Commitment shall terminate on the Maturity Date and the Borrower unconditionally promises to pay to the Lender the then unpaid principal amount of, and all accrued but unpaid interest on, all of the Revolving Loans on the Maturity Date.

(b) Upon at least two (2) Business Days' prior written notice (or telephonic notice promptly confirmed in writing) to the Lender (which notice shall be irrevocable), the Borrower may reduce the Revolving Commitment in part or terminate the Revolving Commitment in whole; provided, that (i) any partial reduction pursuant to this Section 2.5(b) shall be in an amount of at least \$2,500,000 and any larger multiple of \$500,000 and (ii) no such reduction shall be permitted which would reduce the Revolving Commitment (after giving effect thereto and any concurrent prepayments made hereunder) to an amount less than the outstanding Revolving Loans of the Lender.

(c) Subject to Section 2.13, the Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, without premium or penalty, by giving irrevocable written notice (or telephonic notice promptly confirmed in writing) to the Lender no later than: (i) in the case of prepayment of any Eurodollar Borrowing, 11:00 a.m. not less than two (2) Business Days prior to any such prepayment, and (ii) in the case of any prepayment of any Base Rate Borrowing, 11:00 a.m. not less than one (1) Business Day prior to the date of such prepayment. Each prepayment notice shall be irrevocable and shall specify the proposed date of such prepayment and the principal amount of the outstanding Revolving Loans to be prepaid. If such notice is given, the aggregate amount specified in such notice shall be due and payable on the date designated in such notice, together with accrued interest to such date on the amount so prepaid in accordance with Section 2.15(a). Each partial prepayment of any Revolving Loan shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type pursuant to Section 2.2. Each prepayment of a Borrowing shall be applied ratably to the Revolving Loans comprising such Borrowing.

(d) If at any time the aggregate principal amount of all outstanding Revolving Loans exceeds the Revolving Commitment, the Borrower shall immediately, upon demand, pay to the Lender the amount of such excess.

(e) Immediately upon receipt by the Borrower or any Subsidiary of the Borrower of any Net Cash Proceeds of any sale or disposition by the Borrower or such Subsidiary in excess of \$25,000,000 (excluding (i) any sale or disposition to the Borrower or any other Subsidiary; (ii) the disposition of any Hedging Transaction; (iii) the sale or disposition of loans and/or Other Real Estate Owned in the ordinary course of business having a book value not to exceed \$25,000,000 in any single transaction or series of related transactions; and (iv) the disposition of any Cash or Investments made in the ordinary course of business in connection with asset management or other ordinary course operations by any Subsidiary) (an "Asset Sale"), the Borrower shall prepay the Obligations in an aggregate amount equal to 100% of such Net Cash Proceeds. Any such prepayment shall be applied in accordance with Section 2.5(g).

(f) Concurrently with any prepayment of the Revolving Loans pursuant to clause (e) of this Section 2.5, the Borrower shall deliver to the Lender a certificate of a Responsible Officer demonstrating the calculation of the amount of the Net Cash Proceeds. In the event that the Borrower shall subsequently determine that the actual amount received exceeded the amount set forth in such certificate, the Borrower shall promptly make an additional prepayment of the Revolving Loans in an amount equal to such excess, and the Borrower shall concurrently therewith deliver to the Lender a certificate of a Responsible Officer demonstrating the derivation of such excess.

(g) Subject to Section 2.13, all voluntary prepayments of the Revolving Loans pursuant to Section 2.5(c) and mandatory prepayments of the Revolving Loans required to be prepaid pursuant to clauses (e) and (f) of this Section 2.5 shall applied as follows:

first, to the payment of all fees, and all expenses specified in Section 9.3, to the full extent thereof;

second, to the payment of any accrued Default Interest, if any;

third, to the payment of any accrued interest with respect to the Revolving Loans;

fourth, to the remaining principal installments of the Revolving Loans, in inverse order of maturity, until the Revolving Loans are repaid in full;

fifth, to all other Obligations owed to the Lender, until paid in full; and

sixth, any remaining amounts shall be paid to the Borrower or its designee.

(h) Any prepayment of required by this Section 2.5 shall be applied first to outstanding Base Rate Loans to the full extent thereof before application to Eurodollar Loans in direct order of Interest Period maturities.

(i) Nothing in this Section 2.5 shall be interpreted to permit or authorize the Borrower or any Subsidiary to effect, cause or allow to occur any sale or disposition of assets, sale or issuance of Capital Stock or Indebtedness or any other transaction that would otherwise be prohibited by Article VII or any of the other terms or provisions of this Agreement or the other Loan Documents.

Section 2.6. Rates and Payment of Interest on Revolving Loans.

(a) The Borrower shall pay interest on each Revolving Loan at, in the case of any Revolving Loan that is a Eurodollar Loan, LIBOR for the applicable Interest Period then in effect *plus* 3.75% per annum and, in the case of any Revolving Loan that is a Base Rate Loan, the Base Rate in effect from time to time *plus* the Base Rate Margin.

(b) Following the occurrence of an Event of Default, the Borrower shall pay interest (“**Default Interest**”) with respect to a Eurodollar Loan, at the rate otherwise applicable for the then-current Interest Period *plus* an additional 2.00% per annum until the last day of such Interest Period, and thereafter, and with respect to a Base Rate Loan and all other Obligations under this Agreement (other than the Revolving Loans), at the Base Rate *plus* the Base Rate Margin *plus* 2.00% per annum.

(c) Interest on the outstanding principal amount of each Revolving Loan shall accrue from and including the date of the making of such Revolving Loan to but excluding the date of any repayment thereof. Interest on a Eurodollar Loan shall be payable in arrears on the last day of each Interest Period applicable thereto and on the Maturity Date. Interest on a Base Rate Loan shall be payable in arrears on the last day of each calendar month and on the Maturity Date. All Default Interest shall be payable on demand.

(d) The Lender shall determine the interest rate applicable to each Revolving Loan hereunder and shall promptly notify the Borrower of such rate in writing (or by telephone, promptly confirmed in writing). Any such determination shall be conclusive and binding for all purposes, absent manifest error.

Section 2.7. Fees.

(a) The Borrower shall pay to the Lender an upfront fee equal to 0.375% of the aggregate principal amount of the Revolving Commitment (and in any event without giving effect to clause (ii) of Section 2.1 hereof), which shall be due and payable on the Closing Date.

(b) During the Availability Period, the Borrower agrees to pay to the Lender a quarterly unused fee, which shall accrue at 0.25% per annum on the average daily unused portion of the Revolving Commitment for such quarter (and in any event without giving effect to clause (ii) of Section 2.1 hereof); provided, that if the Lender continues to have any Revolving Loans after the Maturity Date, then the unused fee shall continue to accrue on the daily unused portion of the Revolving Commitment from and after the Maturity Date to the date that all of the Lender’s Revolving Loans have been paid in full and the Revolving Commitment is terminated. Accrued unused fees shall be payable in arrears on the last day of each March, June, September and December of each year and on the Maturity Date, commencing on the first such date after the Closing Date; provided, further, that any unused fees accruing after the Maturity Date shall be payable on demand.

Section 2.8. Computation of Interest and Fees. Interest hereunder based on the Lender’s prime lending rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other computations of interest and fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable (to the extent computed on the basis of days elapsed). Each determination by the Lender of an interest amount or fee hereunder shall be made in good faith and, except for manifest error, shall be final, conclusive and binding for all purposes.

Section 2.9. Inability to Determine Interest Rates. If prior to the commencement of any Interest Period for any Borrowing of a Eurodollar Loan, the Lender shall have determined (which determination shall be conclusive and binding upon the Borrower) that (a) by reason of circumstances affecting the relevant interbank market, adequate means do not exist for ascertaining LIBOR for such Interest Period, or (b) the Lender shall have determined that LIBOR does not adequately and fairly reflect the cost to the Lender of making, funding or maintaining its Eurodollar Loan, the Lender shall give written notice (or telephonic notice, promptly confirmed in writing) to the Borrower as soon as practicable thereafter. Until the Lender notifies the Borrower that the circumstances giving rise to such notice no longer exist, (x) the obligations of the Lender to make Eurodollar Loans or to continue or convert outstanding Revolving Loans as or into Eurodollar Loans shall be suspended and (y) the outstanding Revolving Loans shall be deemed to be converted into a Base Rate Loan as of such date and shall bear interest at the Base Rate *plus* the Base Rate Margin.

Section 2.10. Evidence of Indebtedness. The Lender shall maintain in accordance with its usual practice appropriate records evidencing the Indebtedness of the Borrower to the Lender resulting from the Revolving Loans made or held by the Lender, including the amounts of principal and interest payable thereon and paid to the Lender from time to time under this Agreement. The entries made in such records shall be prima facie evidence (absent manifest error) of the existence and amounts of the obligations of the Borrower therein recorded; provided, that the failure or delay of the Lender in maintaining or making entries into any such record or any error therein shall not in any manner affect the obligation of the Borrower to repay the Revolving Loans (both principal and unpaid accrued interest) in accordance with the terms of this Agreement. On the Closing Date, the Borrower will execute and deliver a Revolving Credit Note to the Lender.

Section 2.11. Illegality. If any Change in Law shall make it unlawful or impossible for the Lender to make, maintain or fund any Eurodollar Loan, the Lender shall promptly give notice thereof to the Borrower, whereupon until the Lender notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of the Lender to continue to make Revolving Loans as Eurodollar Loans shall be suspended and the Lender's Revolving Loans shall be made as Base Rate Loans. In the case of a Eurodollar Loan then outstanding, such Eurodollar Loan shall be converted to a Base Rate Loan either (x) on the last day of the then current Interest Period applicable to such Eurodollar Loan if the Lender may lawfully continue to maintain such Eurodollar Loan to the date or (y) immediately if such Lender shall determine that it may not lawfully continue to maintain such Eurodollar Loan to such date.

Section 2.12. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement that is not otherwise included in the determination of LIBOR hereunder against assets of, deposits with or for the account of, or credit extended by, the Lender (except any such reserve requirement reflected in the calculation of LIBOR); or

(ii) impose on the Lender or the eurodollar interbank market any other condition affecting this Agreement or a Eurodollar Loan made or held by the Lender;

and the result of the foregoing is to increase the cost to the Lender of making, converting into, continuing or maintaining a Eurodollar Loan or to reduce the amount received or receivable by the Lender hereunder (whether of principal, interest or any other amount), then the Borrower shall promptly pay, upon written notice from and demand by the Lender to the Borrower, to the Lender, within fifteen (15) days after the date of such notice and demand, additional amount or amounts sufficient to compensate such Lender for the additional costs incurred or reduction suffered.

(b) If the Lender shall have determined that on or after the date of this Agreement (but subject to the proviso contained in the defined term "Change in Law") any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Lender's capital (or on the capital of the Lender's direct or indirect parent) as a consequence of its obligations hereunder to a level below that the Lender or the Lender's direct or indirect parent could have achieved but for such Change in Law (taking into consideration the Lender's policies or the policies of the Lender's direct or indirect parent with respect to capital adequacy and liquidity) then, from time to time, within five Business Days after receipt by the Borrower of written demand by the Lender, the Borrower shall pay to the Lender such additional amounts as will compensate the Lender or the Lender's direct or indirect parent for any such reduction suffered.

(c) A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its direct or indirect parent, as the case may be, specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive, absent manifest error. The Borrower shall pay the Lender such amount or amounts within fifteen (15) days after receipt thereof.

(d) Failure or delay on the part of the Lender to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided, that the Borrower shall not be required to compensate the Lender pursuant to this Section 2.12 for any increased costs or reductions incurred more than 180 days prior to the date that Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and or Lender's intention to claim compensation therefor; provided, further, that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 2.13. Funding Indemnity. In the event of (a) the payment of any principal of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion (even though involuntary) of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure by the Borrower to prepay or continue a Eurodollar Loan on the date specified in any applicable notice (regardless of whether such notice is withdrawn or revoked), then, in any such event, the Borrower shall compensate the Lender, within fifteen (15) days after written demand from the Lender, for any actual loss, cost or expense incurred by the Lender attributable to such event. Such loss, cost or expense shall be deemed to include an amount determined by the Lender to be the excess, if any, of (A) the amount of interest that would have accrued on the principal amount of such Eurodollar Loan if such event had not occurred at LIBOR applicable to such Eurodollar Loan for the period from the date of such event to the last day of the then current Interest Period therefor (or in the case of a failure to continue for the period that would have been the Interest Period for such Eurodollar Loan) over (B) the amount of interest that would accrue on the principal amount of such Eurodollar Loan for the same period if LIBOR were set on the date such Eurodollar Loan was prepaid or the date on which the Borrower failed to continue such Eurodollar Loan. A certificate as to any additional amount payable under this Section 2.13 submitted to the Borrower by the Lender shall be conclusive, absent manifest error.

Section 2.14. Taxes.

(a) Any and all payments by or on account of any Obligation of the Borrower under this Agreement or the Term Note shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided, that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Lender shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Lender, within ten Business Days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Lender on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority; provided, that Lender shall make written demand for indemnification pursuant to this Section 2.14 no later than 180 days after the later of the date on which Lender makes payment to the relevant Governmental Authority or files a final tax return in respect thereof. A certificate as to the amount of such payment or liability, together with reasonable evidence of such payment, as applicable, delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

Section 2.15. Payments Generally.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees or of amounts payable under Section 2.5, Section 2.6 or Section 2.7 or otherwise) prior to 12:00 noon, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Lender, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Lender at the Payment Office, including, for the avoidance of doubt, the payments pursuant to Section 2.12, Section 2.13 and Section 9.3. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be made payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Lender to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied *first*, towards payment of interest and fees then due hereunder, and *second*, towards payment of principal then due hereunder.

ARTICLE III CONDITIONS PRECEDENT TO EFFECTIVENESS AND BORROWING

Section 3.1. Conditions To Effectiveness and Initial Borrowing. The obligation of the Lender to fund the Revolving Loans under this Agreement after the date hereof shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.2).

(a) The Lender shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, without limitation (i) reimbursement or payment of all out-of-pocket expenses (including reasonable fees, charges and disbursements of counsel to the Lender that are invoiced no later than 10:00 a.m. (Eastern) on the Closing Date) required to be reimbursed or paid by the Borrower hereunder, under any other Loan Document and (ii) all fees payable to the Lender in accordance with this Agreement or any other written agreement between the Borrower and the Lender;

(b) The Lender (or its counsel) shall have received the following, each in form and substance reasonably satisfactory to the Lender:

(i) a counterpart of this Agreement signed by or on behalf of each party hereto;

(ii) a duly executed Revolving Credit Note payable to the Lender;

(iii) a certificate of the Secretary or Assistant Secretary of the Borrower in the form of Exhibit 3.1(b)(iii), attaching and certifying copies of its bylaws and of the resolutions of its board of directors, authorizing the execution, delivery and performance of the Loan Documents and certifying the name, title and true signature of each officer of the Borrower executing the Loan Documents;

(iv) (a) certified copies of the certificate of incorporation of the Borrower, together with certificates of good standing or existence, as may be available from the Secretary of State of the jurisdiction of incorporation of the Borrower and each other jurisdiction where the Borrower is required to be qualified to do business as a foreign corporation, and (b) certificates of good standing or existence with respect to each material Subsidiary of the Borrower (which shall include, in any event, each Financial Institution Subsidiary), as may be available from the Secretary of State of the jurisdiction of incorporation of each such Subsidiary and each other jurisdiction where such Subsidiary is required to be qualified to do business as a foreign corporation;

(v) a favorable written opinion of Troutman Sanders LLP, counsel to the Borrower, addressed to the Lender, and covering such matters relating to the Borrower, the Loan Documents and the transactions contemplated therein as the Lender shall reasonably request;

(vi) a certificate in the form of Exhibit 3.1(b)(vi), dated the Closing Date and signed by a Responsible Officer, certifying that (w) no Default or Event of Default exists, (x) all representations and warranties of the Borrower set forth in the Loan Documents are true and correct on and as of the Closing Date, (y) since September 30, 2013, there shall have been no change, event or other circumstance which has had or could reasonably be expected to have a Material Adverse Effect and (z) no consents, approvals, authorizations, registrations, filings or orders of the type described in Section 3.1(b)(vii) below are required to be made or obtained in connection with the execution, delivery, performance, validity and enforceability of the Loan Documents or any transaction contemplated thereby, other than those that have been obtained;

(vii) certified copies of all consents, approvals, authorizations, registrations and filings and orders required to be made or obtained under any applicable laws, or by any Contractual Obligation of the Borrower, in connection with the execution, delivery, performance, validity and enforceability of the Loan Documents or any of the transactions contemplated hereby or thereby, and such consents, approvals, authorizations, registrations, filings and orders shall be in full force and effect and all applicable waiting periods shall have expired, and no investigation or inquiry by any Governmental Authority regarding the Revolving Loans or any transactions being financed with the proceeds thereof shall be ongoing;

(viii) [Reserved];

(ix) the results of a recent UCC, tax, judgment and lien searches in respect of the Borrower, and such searches shall reveal no Liens of record other than Liens expressly permitted pursuant to Section 7.2;

(x) a copy of the Notice of Redemption relating to the Fixed Rate Perpetual Preferred Stock being redeemed with the proceeds of the Revolving Loans on the date hereof, if any;

- (xi) a duly executed Notice of Borrowing in accordance with Section 2.2 hereof;
- (xii) a duly completed and executed Compliance Certificate calculated as of September 30, 2013 (giving *pro forma* effect to the funding of, and the use of the proceeds of, the Revolving Loans to be funded on the Closing Date);
- (xiii) a certificate from the Borrower's insurance broker or other evidence satisfactory to it that all insurance required to be maintained pursuant to clauses (b) and (c) of Section 5.8 is in full force and effect;
- (xiv) evidence of the filing of a Uniform Commercial Code Form UCC-1 negative pledge filing against the Borrower in the State of Georgia; and
- (xv) such other documents, agreements and instruments as the Lender may reasonably request.

Section 3.2. Each Revolving Loan. The obligation of each Lender to make each Revolving Loan under this Agreement is subject to the satisfaction of the following conditions:

- (a) at the time of and immediately after giving effect to such Revolving Loan, no Default or Event of Default shall exist;
- (b) all representations and warranties of the Borrower herein shall be true and correct in all material respects on and as of the date of such Revolving Loan both before and after giving effect thereto (except for representations and warranties expressly made as of a specified date, which such representations and warranties shall be true and correct in all material respects as of such date);
- (c) since September 30, 2013, there shall have been no change which has had or could reasonably be expected to have a Material Adverse Effect;
- (d) no applicable legislation has been passed or any suit or other proceeding has been instituted the effect of which is to prohibit, enjoin (or to declare unlawful or improper) or otherwise adversely affect, in the Lender's reasonable judgment, the Borrower's performance of its obligations hereunder, and no litigation or governmental proceeding has been instituted or threatened against the Borrower or any Financial Institution Subsidiary or any of their officers which, in the reasonable discretion of the Lender, may materially and adversely affect the financial condition or operations of the Borrower or such Financial Institution Subsidiary;
- (e) the Lender shall have received a duly executed Notice of Borrowing in accordance with Section 2.2 hereof; and
- (f) the Lender shall have received such other documents, certificates, information or legal opinions as it may reasonably request, all in form and substance reasonably satisfactory to the Lender.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a), (b), (c) and (d) of this Section 3.2.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to Lender as follows, as of the Closing Date, and as of the delivery of each Notice of Conversion/Continuation delivered or deemed delivered pursuant to Section 2.4 hereof:

Section 4.1. Existence; Power. Each of the Borrower and its Subsidiaries (i) is duly organized and validly existing as a corporation, bank or other entity, as the case may be, under the laws of the jurisdiction of its organization, (ii) has all requisite power and authority to carry on its business as now conducted, and (iii) is in good standing in its jurisdiction of organization and is duly qualified to do business, in each jurisdiction where such qualification is required, except where a failure to be so qualified could not reasonably be expected to result in a Material Adverse Effect. The Borrower is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Financial Institution Subsidiaries are the only “significant subsidiar(ies)” of the Borrower (as such term is defined in Rule 1-02 of Regulation S-X) and have been duly organized and are validly existing and in good standing under the laws of the jurisdiction of their respective incorporation or other organization, have the requisite corporate power and authority to own, lease and operate their respective properties, and to conduct their respective businesses. The deposit accounts of each Financial Institution Subsidiary are insured up to the applicable limits by the Deposit Insurance Fund of the FDIC to the fullest extent permitted by law and the rules and regulations of the FDIC, and no proceeding for the revocation or termination of such insurance is pending or, to the knowledge of the Borrower, threatened in writing.

Section 4.2. Organizational Power; Authorization. The Borrowing, and the execution, delivery and performance by the Borrower of each of the Loan Documents are within the Borrower’s corporate powers and have been duly authorized by all necessary corporate, and if required, stockholder, action. This Agreement has been duly executed and delivered by the Borrower and constitutes, and each other Loan Document when executed and delivered by the Borrower will constitute, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors’ rights generally and by general principles of equity.

Section 4.3. Governmental Approvals; No Conflicts. The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents (a) do not require any consent or approval of, registration or filing with, or any action by, any Governmental Authority, except those as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the articles of incorporation or by-laws of the Borrower or any order of any Governmental Authority binding upon Borrower, (c) will not violate or result in a default under any indenture, material agreement or other material instrument binding on the Borrower or any of its Subsidiaries or any of their respective assets or give rise to a right thereunder to require any payment to be made by the Borrower or any such Subsidiary and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any Subsidiary. All necessary regulatory approvals have been obtained for the Borrower and its Subsidiaries to conduct their respective businesses.

Section 4.4. Financial Statements. The Borrower has furnished to the Lender (i) the audited consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2012 and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal year then ended reported on by PricewaterhouseCoopers LLP and (ii) the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as of September 30, 2013, and the related unaudited consolidated statements of income and cash flows for the Fiscal Quarter and year-to-date period then ending, certified by a Responsible Officer. Such financial statements fairly present, in all material respects, the consolidated financial position of the Borrower and its Subsidiaries as of such date and the consolidated results of operations and cash flows for such period in conformity with GAAP consistently applied, subject, with respect to the unaudited financial statements, normal year-end adjustments and the absence of footnotes. Since September 30, 2013, there have been no changes with respect to the Borrower and its Subsidiaries which have had or could reasonably be expected to have, singly or in the aggregate, a Material Adverse Effect. In addition, the Borrower has provided to the Lender copies of the Call Reports filed by its Financial Institution Subsidiaries for the period ending September 30, 2013, and copies of the FRY-9LP Report and the FRY-9C Report filed by the Borrower for the period ending September 30, 2013. Each of such reports filed by the Borrower or the Financial Institution Subsidiaries with any Governmental Authority is true and correct and is in accordance with the respective books of account and records of the Borrower and the Financial Institution Subsidiaries, and has been prepared in accordance with applicable banking regulations, rules and guidelines on a basis consistent with prior periods, and fairly and accurately presents, in all material respects, the financial condition of the Borrower and the Financial Institution Subsidiaries and their respective assets and liabilities and the results of their respective operations as of such date.

Section 4.5. Litigation Matters and Enforcement Actions. No litigation, investigation or proceeding of or before any arbitrators or Governmental Authorities is pending against, or, to the knowledge of the Borrower, threatened in writing against the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination that could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect or (ii) which in any manner draws into question the validity or enforceability of this Agreement or any other Loan Document. None of the Borrower, or any of the Financial Institution Subsidiaries, or any of their respective officers or directors, is now operating under any currently effective written restrictions agreed to by the Borrower or any of the Financial Institution Subsidiaries, or agreements, memoranda, or written commitments by the Borrower or any of the Financial Institution Subsidiaries (other than restrictions of general application) imposed or required by any Governmental Authority nor are any such restrictions threatened or agreements, memoranda or commitments being sought by any Governmental Authority.

Section 4.6. Compliance with Laws and Agreements. The Borrower and each Subsidiary is in compliance with all applicable laws (including without limitation all Environmental Laws and all federal and state banking statutes) and all rules, regulations (including without limitation all applicable federal and state banking regulations) and orders of any Governmental Authority, except where failure to do so could not reasonably be expected to result in a Material Adverse Effect. Neither the Borrower nor any of the Financial Institution Subsidiaries is in material default in the performance, observance or fulfillment of any of the terms, obligations, covenants, conditions or provisions contained in any indenture or other agreement creating, evidencing or securing indebtedness of any kind or pursuant to which any such indebtedness is issued, or other agreement or instrument to which the Borrower or any Financial Institution Subsidiary is a party or by which the Borrower or any such Financial Institution Subsidiary or any of their respective properties may be bound or affected.

Section 4.7. Investment Company Act. Neither the Borrower nor any of its Subsidiaries is an “investment company”, as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

Section 4.8. Taxes. The Borrower and its Subsidiaries have timely filed or caused to be filed all Federal income tax returns and all other material tax returns that are required to be filed by them, and have paid all taxes shown to be due and payable on such returns or on any assessments made against it or its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority, except (i) to the extent the failure to do so would not have a Material Adverse Effect or (ii) where the same are currently being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as the case may be, has set aside on its books adequate reserves.

Section 4.9. Margin Regulations. None of the proceeds of the Revolving Loans will be used for “purchasing” or “carrying” any “margin stock” with the respective meanings of each of such terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of Regulation U.

Section 4.10. ERISA. (a) No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The “benefit obligations” of all Plans did not, as of the most recent valuation date, exceed the “fair market value of the assets” of such Plans by more than \$1,000,000. No event has occurred since the most recent valuation date that would cause the “benefit obligations” of all Plans to exceed the “fair market value of the assets” of such Plans by the dollar amount specified in the previous sentence. The terms “benefit obligations” and “fair market value of assets” shall be determined by and with such terms defined in accordance with Statement of Financial Accounting Standards No. 158.

(b) Each Employee Benefit Plan is in compliance with the applicable provisions ERISA, the Code and other applicable law except for instances of non-compliance that could not reasonably be expected to result in material liability to Borrower. Except with respect to Multiemployer Plans, each Qualified Plan has received a favorable determination from the IRS applicable to the Qualified Plan’s current remedial amendment cycle or is maintained under a prototype or volume submitter plan and may rely upon a favorable opinion or letter issued by the IRS with respect to such prototype or volume submitter plan. To the best of the Borrower’s knowledge, no event has occurred which would cause the loss of the Borrower’s or any Subsidiary of the Borrower’s reliance on the Qualified Plan’s favorable determination letter or opinion or advisory letter.

(c) With respect to any Employee Benefit Plan that is a retiree welfare benefit arrangement, all amounts have been accrued on the Borrower's financial statements in accordance with, and to the extent required by, Statement of Financial Accounting Standards No. 106.

(d) Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect: (i) there are no pending or to the best of the Borrower's knowledge, threatened claims, actions or lawsuits or action by any Governmental Authority, participant or beneficiary with respect to an Employee Benefit Plan other than claims for benefits in the ordinary course; (ii) to the best of the Borrower's knowledge, there are no violations of the fiduciary responsibility rules with respect to any Employee Benefit Plan; and (iii) neither the Borrower nor any Subsidiary of the Borrower has engaged in a non-exempt "prohibited transaction," as defined in Section 406 of ERISA and Section 4975 of the Code, in connection with any Employee Benefit Plan, that would subject the Borrower to a tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the Code.

Section 4.11. Disclosure. The Borrower has disclosed to the Lender all agreements, instruments, and corporate or other restrictions to which the Borrower or any of its Subsidiaries is subject, and all other matters known to any of them, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports (including without limitation all reports that the Borrower is required to file with the Securities and Exchange Commission (the "SEC")), financial statements, certificates or other information furnished by or on behalf of the Borrower to the Lender in connection with this Agreement or any other Loan Document or delivered hereunder or thereunder (as modified or supplemented by any other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in light of the circumstances under which they were made, not misleading.

Section 4.12. Subsidiaries. Schedule 4.12 sets forth the name of, the ownership interest of the Borrower in, and the jurisdiction of incorporation of Financial Institution Subsidiary and each other Subsidiary, in each case as of the Closing Date. All of the Capital Stock of each of the Borrower's Subsidiaries has been duly authorized and validly issued, and is fully paid and non-assessable. Except as set forth on Schedule 4.12, the Borrower owns all of the issued and outstanding Capital Stock of each of its Subsidiaries free and clear of any Lien, other than Liens permitted by Section 7.2.

Section 4.13. Dividend Restrictions; Other Restrictions. (a) Except as applicable generally to Georgia chartered banks, no Financial Institution Subsidiary of the Borrower is currently prohibited, directly or indirectly, under any order of any Governmental Authority (other than orders applicable to bank or savings and loan holding companies and their subsidiaries generally), under any applicable law, or under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Borrower, from making any other distribution on such subsidiary's Capital Stock, from repaying to the Borrower or any other Subsidiary of the Borrower any loans or advances to such Subsidiary or from transferring any of such Subsidiary's properties, assets or operations to the Borrower or any other Subsidiary of the Borrower.

(b) Neither the Borrower nor any Subsidiary is, to the best of the Borrower's knowledge, under investigation by, or is operating under any restrictions (excluding any restrictions on the payment of dividends referenced in subsection (a) above) imposed by or agreed to with, any Governmental Authority, other than routine examinations by such Governmental Authorities.

(c) Except as set forth as an exhibit to the Borrower's Form 10-K for its fiscal year ended December 31, 2012, or its Quarterly Reports on Form 10-Q for its fiscal quarter ended September 30, 2013, or reports on Form 8-K filed during 2013, or in each case described therein, neither the Borrower nor any of the Financial Institution Subsidiaries is a party, nor is bound by, any material contract or agreement or instrument, or subject to any charter or other corporate restriction, that is of a type that the Borrower is required to file as an exhibit to its Form 10-K annual reports or otherwise describe therein.

Section 4.14. Capital Measures. Each of Borrower and its Financial Institution Subsidiaries is "well-capitalized" (as such term is defined at 12 C.F.R. 225.2(r) or the relevant regulation of the Borrower's or each of its Financial Institution Subsidiaries' primary federal bank regulator), and "well managed" (as that term is defined at 12 C.F.R. 225.2(s) or the relevant regulation of the Borrower's or each of its Financial Institutions Subsidiaries' primary federal bank regulator), and the rating of each Financial Institution Subsidiary under the Community Reinvestment Act of 1997 ("CRA") is no less than "satisfactory." Neither the Borrower nor any Financial Institution Subsidiary has been informed that its status as "well-capitalized," "well managed" or, in the case of each Financial Institution Subsidiary, for CRA purposes, "satisfactory," will change within one (1) year.

Section 4.15. Ownership of Property. (a) Each of the Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all of its real and personal property material to the operation of its business, including all such properties reflected in the most recent audited consolidated balance sheet of the Borrower referred to in Section 4.4 or purported to have been acquired by the Borrower or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens other than those Liens permitted by Section 7.2. All leases that individually or in the aggregate are material to the business or operations of the Borrower and its Subsidiaries are valid and subsisting and are in full force.

(b) Each of the Borrower and its Subsidiaries owns, licenses, or otherwise has the right to use, all patents, trademarks, service marks, trade names, copyrights and other intellectual property material to its business, and, to the Borrower's knowledge, the use thereof by the Borrower and its Subsidiaries does not infringe in any material respect on the rights of any other Person.

(c) The properties of the Borrower and its Subsidiaries are (i) self-insured through a viable and sound captive insurance company of the Borrower that satisfies all applicable insurance regulatory requirements and as to which “risk of loss” has been transferred to such company under GAAP and/or (ii) insured with financially sound and reputable insurance companies in such amounts with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or any applicable Subsidiary operates.

Section 4.16. Patriot Act. Each of the Borrower and its Subsidiaries is in compliance, in all material respects, with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto and (ii) the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism Act of 2001 (the “Patriot Act”) (such laws and regulations collectively referred to herein as “Anti-Terrorism Laws”). No part of the proceeds of the Obligations will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 4.17. Solvency. After giving effect to the execution and delivery of the Loan Documents and the making of all Revolving Loans available under this Agreement and the application of proceeds thereof, the Borrower and its Subsidiaries, on a consolidated basis, will be Solvent.

Section 4.18. Labor Relations. There are no strikes, lockouts or other material labor disputes or grievances against the Borrower or any Subsidiary, or, to the Borrower’s knowledge, threatened in writing against or affecting the Borrower or any Subsidiary, and no significant unfair labor practice, charges or grievances are pending against the Borrower or any Subsidiary, or to the Borrower’s knowledge, threatened against any of them before any Governmental Authority, in each case, which would reasonably be expected to have a Material Adverse Effect. All payments due from the Borrower or any Subsidiary pursuant to the provisions of any collective bargaining agreement have been paid or accrued as a liability on the books of the Borrower or such Subsidiary, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 4.19. Regulatory Matters. Neither the Borrower nor any of its Financial Institution Subsidiaries is subject or is party to, or has received any notice or advice that any of them may become subject or party to any investigation with respect to, any corrective, suspension or cease-and-desist order, agreement, consent agreement, memorandum of understanding or other regulatory enforcement action, proceeding or order with or by, or is a party to any commitment letter or similar undertaking to, or is subject to any directive by, or has been a recipient of any supervisory letter from, or has adopted any board resolutions at the request of, any Governmental Authority that currently relates to or restricts in any material respect the conduct of their business or that in any manner relates to their capital adequacy, credit policies, management or business (each, a “Regulatory Agreement”), nor has the Borrower or any of its Financial Institution Subsidiaries been advised by any Governmental Authority that it is considering issuing or requesting any Regulatory Agreement. There is no unresolved violation, criticism or exception by any Governmental Authority with respect to any report or statement relating to any examinations of the Borrower or any of its Financial Institution Subsidiaries. The Borrower and its Financial Institution Subsidiaries are in compliance in all material respects with all laws administered by any Governmental Authority.

Section 4.20. SEC Reports. The Borrower has timely filed with or furnished to, as applicable, the SEC all registration statements, prospectuses, reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated by reference) required to be filed or furnished by it with the SEC since January 1, 2010 (the “Borrower SEC Documents”). The Borrower SEC Documents that it has so filed or furnished prior to the date hereof are available on the SEC’s website. As of their respective filing dates (or, if amended or superseded by a subsequent filing, as of the date of the last such amendment or superseding filing prior to the date hereof), each of the Borrower SEC Documents complied as to form in all material respects with the applicable requirements of the Securities Act and Exchange Act applicable to such Borrower SEC Documents. None of the Borrower SEC Documents, including any financial statements, schedules or exhibits included or incorporated by reference therein at the time they were filed or furnished (or, if amended or superseded by a subsequent filing, as of the date of the last such amendment or superseding filing prior to the date hereof), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the Borrower’s Subsidiaries is required to file with or furnish to the SEC any forms, reports or other documents pursuant to Section 13 or 15 of the Exchange Act.

Section 4.21. Accounting Controls and Disclosure Controls. The Borrower and each of its Subsidiaries maintain effective internal control over financial reporting (as defined under Rule 13-a15 and 15d-15 of the 1934 Act Regulations) and a system of internal accounting controls sufficient to provide reasonable assurances that: (A) transactions are executed in accordance with management’s general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management’s general or specific authorization; (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (E) any interactive data in eXtensible Business Reporting Language included in the Borrower’s SEC filings fairly presents the required information and is prepared in accordance with the SEC’s rules and guidelines applicable thereto. Since the end of the Borrower’s most recent audited fiscal year, there has been (1) no material weakness in the Borrower’s internal control over financial reporting (whether or not remediated) and (2) no change in the Borrower’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Borrower’s internal control over financial reporting. The Borrower and each of its Subsidiaries maintain an effective system of disclosure controls and procedures (as defined in Rule 13a-15 and Rule 15d-15 of the 1934 Act Regulations) that are designed to ensure that the information required to be disclosed by the Borrower in the reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to the Borrower’s management, including its principal executive officer or officers and principal financial officer or officers, as appropriate, to allow timely decisions regarding disclosure. Each of the principal executive officer and the principal financial officer of the Borrower (or each former principal executive officer and each former principal financial officer of the Borrower, as applicable) has made all certifications required by Rule 13a-14 or 15d-14 under the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 (including the rules and regulations promulgated thereunder, the “Sarbanes-Oxley Act”) with respect to the Borrower SEC Documents, and the statements contained in such certifications are true and accurate in all material respects. For purposes of this Agreement, “principal executive officer” and “principal financial officer” shall have the meanings given to such terms in the Sarbanes-Oxley Act. Neither the Borrower nor any of its Financial Institution Subsidiaries has outstanding (nor has arranged or modified since the enactment of the Sarbanes-Oxley Act) any “extensions of credit” (within the meaning of Section 402 of the Sarbanes-Oxley Act) to directors or executive officers (as defined in Rule 3b-7 under the Exchange Act) of the Borrower or any of its Financial Institution Subsidiaries. The Borrower is otherwise in compliance with all applicable provisions of the Sarbanes-Oxley Act, except for any non-compliance that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 4.22. Foreign Corrupt Practices Act. None of the Borrower, nor any of its Financial Institution Subsidiaries or, to the knowledge of the Borrower, any director, officer, agent, employee, Affiliate or other person acting on behalf of the Borrower or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Borrower, its subsidiaries and, to the knowledge of the Borrower, its other affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

Section 4.23. Money Laundering Laws. The operations of the Borrower and its Subsidiaries are and have been conducted at all times in compliance, in all material respects, with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Authority (collectively, the "Money Laundering Laws"). No action, suit or proceeding by or before any Governmental Authority involving the Borrower or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Borrower, threatened.

Section 4.24. OFAC. None of the Borrower, any of its Subsidiaries or, to the knowledge of the Borrower, any director, officer, agent, employee, affiliate or other person acting on behalf of the Borrower or any of its subsidiaries is (A) currently the subject or target of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "Sanctions") or (B) located, organized or resident in a country or territory that is the subject of Sanctions.

Section 4.25. Liens. As of the Closing Date, the Liens on the assets or property of the Borrower and its Subsidiaries (other than Permitted Encumbrances (but for purposes of this Section 4.25 including Permitted Encumbrances described in clause (v) of the definition thereof) and Liens securing Permitted Financial Institution Subsidiary Indebtedness), collectively, secure obligations that do not exceed \$25,000,000 in the aggregate.

ARTICLE V AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that, so long as this Agreement is in effect and the Revolving Commitment remains outstanding:

Section 5.1. Financial Statements and Other Information. The Borrower will deliver to the Lender:

(a) as soon as available and in any event within 90 days after the end of each fiscal year of Borrower, a copy of the annual audited report for such fiscal year for the Borrower and its Subsidiaries, containing (i) a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income, of changes in shareholders' equity and of cash flows (together with all footnotes thereto), and (ii) a condensed balance sheet of the Borrower only and the related condensed statements of income and of cash flows, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and reported on by PricewaterhouseCoopers LLP or other independent public accountants of nationally recognized standing (without a "going concern" or like qualification, exception or explanation and without any qualification or exception as to scope of such audit) to the effect that such financial statements present fairly in all material respects the financial condition and the results of operations and cash flows on a consolidated and consolidating basis of the Borrower for such fiscal year in accordance with GAAP and that the examination by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards; provided, that the requirements set forth in this clause (a), other than the certification of the Borrower's certified public accountants set forth in clause (ii) above, may be fulfilled by providing to the Lender the report of the Borrower to the SEC on Form 10-K for the applicable fiscal year;

(b) as soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, an unaudited balance sheet of the Borrower and its Subsidiaries on a consolidated basis as of the end of such fiscal quarter and the related unaudited statements of income and cash flows of the Borrower and its Subsidiaries on a consolidated basis, each for such fiscal quarter and the then elapsed portion of such fiscal year, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of Borrower's previous fiscal year, all certified by the chief financial officer or treasurer of the Borrower as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments and the absence of footnotes; provided, that the requirements set forth in this clause (b) with respect to the financial information of the Borrower and its Subsidiaries on a consolidated and consolidating basis may be fulfilled by providing to the Lender the report of the Borrower to the SEC on Form 10-Q for the applicable fiscal quarter;

(c) concurrently with the delivery of the financial statements referred to in clauses (a) and (b) above, a Compliance Certificate, (i) certifying as to whether there exists a Default or Event of Default on the date of such certificate, and if a Default or an Event of Default then exists, specifying the details thereof and the action which the Borrower has taken or proposes to take with respect thereto, and (ii) setting forth in reasonable detail calculations demonstrating compliance with the financial covenants set forth in Article VI;

(d) concurrently with the delivery of the financial statements referred to in clauses (a) and (b) above, duly executed copies of the Borrower's then-current FR Y-9C Report and FR Y-9LP Report and a duly executed copy of the then-current Call Report for each Financial Institution Subsidiary and each such report so filed by the Borrower or the Financial Institution Subsidiaries with any Governmental Authority shall be true and correct and is in accordance with the respective books of account and records of the Borrower and the Financial Institution Subsidiaries, and will be prepared in accordance with applicable banking regulations, rules and guidelines on a basis consistent with prior periods, and fairly and accurately presents, in all material respects, the financial condition of the Borrower and the Financial Institution Subsidiaries and their respective assets and liabilities and the results of their respective operations as of such date;

(e) [Reserved];

(f) promptly after the same become publicly available, copies of all periodic and other reports, financial statements, registration statements, proxy statements and other materials, together with any amendments or exhibits relating to any of the foregoing, filed with the SEC, or any Governmental Authority succeeding to any or all functions of the SEC, or with any national securities exchange, or distributed by the Borrower to its public security holders generally, as the case may be (to the extent not otherwise required to be delivered to the Lender hereunder);

(g) promptly after receiving knowledge thereof, written notice of all material charges, material assessments, actions, suits and proceedings (as well as notice of the outcome of any such charges, assessments, orders, actions, suits and proceedings) that are proposed or initiated by, or brought before, any court or Governmental Authority, in connection with the Borrower or any of the Financial Institution Subsidiaries, other than ordinary course of business litigation or proceedings which, if adversely decided, could not reasonably be expected to have a Material Adverse Effect;

(h) promptly, and in any event within five Business Days after the execution or entry thereof, the execution or entry by the Borrower or any Financial Institution Subsidiary of any Regulatory Agreement, together with a copy thereof if such disclosure is permitted by applicable law; and

(i) promptly following any request therefor, such other information regarding the results of operations, business affairs and financial condition of the Borrower or any Subsidiary, as the Lender may reasonably request.

Documents required to be delivered pursuant to Section 5.1(a), (b), (d) or (f) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents or provides a link thereto on the Borrower's website on the internet at the website address set forth in Section 9.1 or (ii) on which such documents are posted on the Borrower's behalf on an internet or intranet website, if any, to which the Lender have access; provided, that (A) the Borrower shall deliver paper copies of such documents to the Lender if so requested until a written notice is received by the Borrower from the Lender to cease delivering paper copies and (B) the Borrower shall notify (which may be by telefacsimile or email) the Lender of the posting of any such documents and provide to the Lender by electronic mail electronic versions (i.e. soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper or .pdf copies of all Compliance Certificates.

The Borrower and each of its Subsidiaries maintain effective internal control over financial reporting (as defined under Rule 13-a15 and 15d-15 of the 1934 Act Regulations) and a system of internal accounting controls sufficient to provide reasonable assurances that: (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (E) any interactive data in eXtensible Business Reporting Language included in the Borrower's SEC filings fairly presents the required information and is prepared in accordance with the SEC's rules and guidelines applicable thereto. The Borrower and each of its Subsidiaries shall maintain an effective system of disclosure controls and procedures (as defined in Rule 13a-15 and Rule 15d-15 of the 1934 Act Regulations) that are designed to ensure that the information required to be disclosed by the Borrower in the reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to the Borrower's management, including its principal executive officer or officers and principal financial officer or officers, as appropriate, to allow timely decisions regarding disclosure.

Section 5.2. Notices of Material Events. The Borrower will furnish to the Lender prompt written notice of the following:

(a) the occurrence of any Default or Event of Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or, to the knowledge of the Borrower, affecting the Borrower or any Subsidiary which, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that alone, or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability to the Borrower in excess of \$5,000,000;

(d) any material investigation of the Borrower or any Subsidiary by any Governmental Authority having regulatory authority over the Borrower or any such Subsidiary (other than routine examinations of the Borrower and/or any such Subsidiary) to the extent that such Governmental Authority has consented to the giving of such notice (if the consent of such Governmental Authority is required for the Borrower to give such notice);

(e) the issuance of any cease and desist order (whether written or oral), execution and delivery of any Regulatory Agreement (to the extent that the Borrower or any such Subsidiary is permitted to disclose such information (provided that the Borrower shall take all reasonable efforts to obtain any necessary regulatory consents)), cancellation of insurance or other public or enforcement action by the FDIC or other Governmental Authority having regulatory authority over the Borrower or any Subsidiary;

(f) the issuance of any material informal enforcement action, including, without limitation, a memorandum of understanding or proposed disciplinary action by or from any Governmental Authority having regulatory authority over the Borrower or any Subsidiary, to the extent that the Borrower or any such Subsidiary is permitted to disclose such information (provided that the Borrower shall take all reasonable efforts to obtain any necessary regulatory consents); and

(g) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a written statement of a Responsible Officer setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 5.3. Existence; Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and maintain in full force and effect its legal existence and its respective rights, licenses, permits, privileges, franchises, patents, copyrights, trademarks and trade names material to the conduct of its business and will continue to engage in the same business as presently conducted or such other businesses that are reasonably related thereto; provided, that nothing in this Section shall prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.3.

Section 5.4. Compliance with Laws, Etc.

(a) The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and requirements of any Governmental Authority (including without limitation all federal and state banking statutes and regulations) applicable to its assets, except where the failure to do so, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. In this connection, each of the Borrower and its Subsidiaries shall comply, in all material respects, with (i) all Anti-Terrorism Laws; (ii) all Money Laundering Laws, and (iii) the FCPA or other laws or regulations referenced in Section 4.22 hereof.

(b) The Borrower shall timely file with or furnish to, as applicable, the SEC all Borrower SEC Documents required to be filed by it during the term of this Agreement in accordance with all rules and regulations promulgated from time to time by the SEC. The Borrower shall at all times be in compliance with the Sarbanes-Oxley Act and related rules and regulations referenced in Section 4.21 hereof.

Section 5.5. Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay and discharge at or before maturity, all of its obligations and liabilities (including without limitation all tax liabilities and all claims that could result in a statutory Lien) before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Section 5.6. Books and Records. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities to the extent necessary to prepare the consolidated and consolidating financial statements of the Borrower in conformity with GAAP.

Section 5.7. Visitation, Inspection, Etc. The Borrower will, and will cause each of its Subsidiaries to, permit any representative of the Lender to, subject to Section 9.11, visit and inspect its properties, to examine its books and records and to make copies and take extracts therefrom, and to discuss its affairs, finances and accounts with any of its officers and with its independent certified public accountants, all at such reasonable times and as often as the Lender may reasonably request after reasonable prior notice to the Borrower and at the Borrower's expense.

Section 5.8. Maintenance of Properties; Insurance.

(a) The Borrower will, and will cause each of its Subsidiaries to, keep and maintain all property material to the conduct of its business in good working order and condition, except for ordinary wear and tear and except where the failure to do so, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) The Borrower will, and will cause each of its Subsidiaries to, keep and maintain with financially sound and reputable insurance companies, insurance with respect to its properties and business, and the properties and business of its Subsidiaries, against loss or damage of the kinds customarily insured against by companies in the same or similar businesses operating in the same or similar locations.

(c) The deposits of each Financial Institution Subsidiary will at all times be insured by the FDIC.

Section 5.9. Use of Proceeds. The Borrower will use the proceeds: (a) in the case of the initial funding of the Revolving Loans, (i) to fund, together with cash on hand, the redemption of the Borrower's remaining outstanding Fixed Rate Perpetual Preferred Stock, (ii) to pay the upfront fee owing to the Lender pursuant to Section 2.7(a) and (iii) to pay out-of-pocket costs and expenses incurred by the Lender in connection with the consummation of the financing transactions contemplated hereby, including, without limitation, the fees and expenses of counsel to the Lender and (b) in the case of all other Revolving Loans, for Restricted Payments permitted by Section 7.4, working capital and general corporate purposes. No part of the proceeds of any Revolving Loan will be used, whether directly or indirectly, for any purpose that would violate any rule or regulation of the FRB, including Regulation U or X.

Section 5.10. Further Assurances. The Borrower agrees, upon request of the Lender, to execute and deliver or cause to be executed and delivered such further instruments, documents and certificates, and to and cause to be done such further acts that may be reasonably necessary or advisable in the reasonable opinion of the Lender to carry out more effectively the provisions and purposes of this Agreement and the other Loan Documents.

ARTICLE VI FINANCIAL COVENANTS

The Borrower covenants and agrees that, so long as this Agreement is in effect and the Revolving Commitment remains outstanding:

Section 6.1. Regulatory Capital.

(a) The Borrower will, at all times, be "well-capitalized" for all applicable state and federal regulatory purposes, and the Borrower:

(i) will maintain (A) a Total Risk-based Capital Ratio of 10.50% or greater, (B) a Tier 1 Risk-based Common Capital Ratio of 8.50% or greater, (C) a Tier 1 Risk-based Capital Ratio of 8.50% or greater, and (D) a Tier 1 Leverage Ratio of 7.25% or greater;

(ii) will not be subject to any written agreement, order, capital directive or prompt corrective action directive by any Governmental Authority having regulatory authority over the Borrower; and

(iii) if required by any Governmental Authority having regulatory authority over the Borrower in order to remain "well capitalized" and in compliance with all applicable regulatory requirements, will have such higher amounts of Total Risk-based Capital and Tier 1 Risk-based Capital and/or such greater Tier 1 Leverage Ratio as specified by such Governmental Authority.

(b) Each Financial Institution Subsidiary of the Borrower will, at all times, be "well capitalized" for all applicable state and federal regulatory purposes, and such Financial Institution Subsidiary:

(i) will maintain (A) a Total Risk-based Capital Ratio of 10.50% or greater, (B) a Tier 1 Risk-based Common Capital Ratio of 8.50% or greater, (C) a Tier 1 Risk-based Capital Ratio of 8.50% or greater, and (D) a Tier 1 Leverage Ratio of 7.25% or greater;

(ii) will not be subject to any written agreement, order, capital directive or prompt corrective action directive by any Governmental Authority having regulatory authority over such Financial Institution Subsidiary; and

(iii) if required by any Governmental Authority having regulatory authority over such Financial Institution Subsidiary in order to remain “well capitalized” and in compliance with all applicable regulatory requirements, will have such higher amounts of Total Risk-based Capital and Tier 1 Risk-based Capital and/or such greater Tier 1 Leverage Ratio as specified by such Governmental Authority.

(c) Notwithstanding the foregoing, if at any time any such Governmental Authority changes the definition of “well capitalized”, as applicable to the Borrower or any Financial Institution Subsidiary of the Borrower, either by amending such ratios, standards or otherwise, in each case, in a manner more onerous or restrictive to the Borrower or such Financial Institution Subsidiary than the capital and other ratios required to be maintained pursuant to paragraphs (a) and (b) above, such amended definition, and any such amended or new ratios or new standards, shall automatically, and in lieu of the existing definitions and ratios set forth in this Section, be incorporated by reference into this Agreement as the minimum standard for the Borrower or any Financial Institution Subsidiary, as the case may be, on and as of the date that any such amendment becomes effective by applicable statute, regulation, order or otherwise.

ARTICLE VII NEGATIVE COVENANTS

The Borrower covenants and agrees that, so long as this Agreement is in effect and the Revolving Commitment remains outstanding:

Section 7.1. Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of the Borrower created pursuant to the Loan Documents;

(b) Indebtedness existing on the date hereof and set forth on Schedule 7.1 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (immediately prior to giving effect to such extension, renewal or replacement) or shorten the maturity or the weighted average life thereof to a date that is less than 180 days after the Maturity Date;

(c) Permitted Financial Institution Subsidiary Indebtedness;

(d) (i) Indebtedness owed by the Borrower or any “affiliate” of the Borrower (as defined in Regulation W of the FRB and sections 23A and 23B of the Federal Reserve Act) to any Financial Institution Subsidiary not in violation of Regulation W of the FRB (as amended, supplemented or otherwise modified) or (ii) Indebtedness owed by any Subsidiary to the Borrower;

(e) Purchase money indebtedness and Capitalized Lease Obligations secured by Liens permitted under this Agreement in an aggregate amount outstanding at any time not to exceed \$5,000,000;

(f) Hedging Obligations in respect of Hedging Transactions permitted by Section 7.8; and

(g) Other unsecured Indebtedness, so long as, before and after giving *pro forma* effect to incurrence of such Indebtedness, the Borrower and each Financial Institution Subsidiary shall be in compliance with Section 6.1 hereof.

Section 7.2. Negative Pledge. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien on any of its assets or property now owned or hereafter acquired (including, without limitation, in the case of the Borrower, the Capital Stock of any Financial Institution Subsidiary including United Community Bank) except:

(a) Liens (if any) created in favor of the Lender;

(b) Permitted Encumbrances;

(c) Liens incurred in the ordinary course of business securing Permitted Financial Institution Subsidiary Indebtedness;

(d) Liens on property of the Borrower or any of its Subsidiaries created solely for the purpose of securing Indebtedness expressly permitted by Section 7.1(e), representing or incurred to finance, refinance or refund the purchase price of property; provided, that no such Lien shall extend to or encumber other property of the Borrower or such Subsidiary other than the respective property so acquired, and the principal amount of Indebtedness secured thereby shall at no time exceed the original purchase price of such property;

(e) purported Liens evidenced by the filing of precautionary UCC financing statements relating solely to operating leases of personal property entered into in the ordinary course of business;

(f) any Liens existing on any property or asset of any Person prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary, in each case, in connection with an Acquisition; provided that (i) such Lien is not created in contemplation of or in connection with such Acquisition, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such Acquisition and extensions, renewals and replacements (including any replacement incurred in respect thereof at the time of assumption thereof) thereof that do not increase the outstanding principal amount thereof;

(g) extensions, renewals, or replacements of any Lien referred to in paragraphs (a), (b), (c), (d), (e) and (f) of this Section; provided, that the principal amount of the Indebtedness secured thereby is not increased in any manner that would exceed the amounts permitted by Section 7.1 and that any such extension, renewal or replacement Lien is limited to the assets originally encumbered thereby or is otherwise permitted by paragraphs (a), (b), (c), (d) (e) and (f); and

- (h) Liens securing obligations in an aggregate amount of up to \$5,000,000 at any time outstanding.

Notwithstanding anything herein or otherwise to the contrary, the Borrower shall not grant any Lien, or otherwise permit any Lien to exist, on the Capital Stock of any Financial Institution Subsidiary (other than Liens, if any, in favor of the Lender).

Section 7.3. Fundamental Changes.

(a) The Borrower will not, and will not permit any Subsidiary to, (i) merge into or consolidate into any other Person, or permit any other Person to merge into or consolidate with it, or (ii) sell, lease, transfer or otherwise dispose of (in a single transaction or a series of transactions) all or a material portion of its assets or all or substantially all of the stock of any of its Subsidiaries or (iii) liquidate or dissolve; provided, that if at the time thereof and immediately after giving effect thereto on a *pro forma* basis, no Default or Event of Default shall have occurred, (A) (i) the Borrower may merge with a Person in connection with a Permitted Acquisition; provided, that the Borrower shall be the surviving Person, or (ii) any Subsidiary may merge with a Person in connection with a Permitted Acquisition; provided, that such Subsidiary shall be the surviving Person (if two Subsidiaries are party to such merger, one of those Subsidiaries shall be the surviving Person), (B) any Subsidiary may sell, lease, transfer or dispose of its assets (including, without limitation, the stock of any other Subsidiary) to the Borrower or another Subsidiary, (C) the Borrower or any Financial Institution Subsidiary may sell loans, investments, or other similar assets in the ordinary course of its business, provided, that such sale or series of sales do not constitute a sale of all or a material portion of such Financial Institution Subsidiary's assets, and (D) the Borrower and any Subsidiary may sell any Other Real Estate Owned; provided, further, that, in the case of clauses (C) and (D) hereof, both before and after giving *pro forma* effect to such transaction (calculated, in the case of loans, by the unpaid principal balance thereof, and, in the case of Other Real Estate Owned or other assets, the greater of (x) the fair market value thereof or (y) the purchase price thereof), the Borrower and each Financial Institution Subsidiary of the Borrower shall be in compliance with Section 6.1 hereof.

(b) The Borrower will not dispose of any Capital Stock in any of its Financial Institution Subsidiaries, whether by sale, assignment, lease or otherwise, without the prior written consent of the Lender.

(c) The Borrower will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and its Subsidiaries on the date hereof and businesses reasonably related or incidental thereto or reasonable extensions thereof and any types of businesses that are expressly permitted by any Governmental Authority having jurisdiction over the Borrower and/or any Financial Institutions Subsidiary.

Section 7.4. Restricted Payments. The Borrower will not, and will not permit its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any dividend on any class of its stock, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement, defeasance, prepayment or other acquisition of, (a) any shares of Capital Stock or (b) Indebtedness subordinated to the Obligations of the Borrower or (c) any options, warrants, or other rights to purchase such Capital Stock or such Indebtedness, whether now or hereafter outstanding (each a “**Restricted Payment**”); provided, however, that (i) any Subsidiary may make Restricted Payments to the Borrower or another Subsidiary at any time, (ii) the Borrower may pay dividends or distributions payable solely in shares of any class of its common stock, (iii) the Borrower may redeem a portion of its Fixed Rate Perpetual Preferred Stock on or about the Closing Date as contemplated by Section 5.9, and (iv) the Borrower and its Subsidiaries may make and agree to make Restricted Payments so long as (A) at the time of the making of such Restricted Payment, no Default or Event of Default then exists and is continuing; and (B) the Borrower is, both before and after giving *pro forma* effect to such Restricted Payment, in compliance with the covenants set forth in Section 6.1.

Section 7.5. Restrictive Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement that prohibits, restricts or imposes any condition upon the ability of the Borrower or any Subsidiary to (a) create, incur or permit any Lien upon any of its assets or properties, whether now owned or hereafter acquired, or (b) pay dividends or make any other distributions on any of such Subsidiary’s Capital Stock owned by the Borrower or any other Subsidiary of the Borrower, repay or prepay any Indebtedness owed by such Subsidiary to the Borrower or any other Subsidiary of the Borrower, make loans or advances to the Borrower or any other Subsidiary of the Borrower, guarantee Indebtedness of the Borrower or any other Subsidiary or transfer, lease or license any of its property or assets to the Borrower or any Subsidiary of the Borrower including, but not limited to, any such restriction referenced in Section 4.13(a) hereof; provided, that nothing in this Section 7.5 shall prohibit: (i) customary limitations on the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, options, sale-leaseback agreements, stock sale agreements, lease agreements, licenses and other similar agreements, which limitation is applicable only to the assets that are the subject of such agreements, (ii) restrictions in agreements evidencing purchase money Indebtedness permitted by Section 7.1(e) that impose restrictions on the property so acquired, (iii) restrictions in any agreement or instrument evidencing Indebtedness permitted by Section 7.1(b) as in effect on the date hereof and permitted refinancing thereof, (iv) any agreement in effect at the time a new Subsidiary becomes a Subsidiary of the Borrower, so long as such agreement was not entered into in contemplation of such Person becoming a Subsidiary of the Borrower, (v) customary non-assignment provisions in contracts and licenses entered into the ordinary course of business, (vi) restrictions imposed by law or by Governmental Authorities having supervisory authority over the Borrower or any Subsidiary, (vii) restrictions or conditions imposed by law or by this Agreement or any other Loan Document, (viii) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is sold and such sale is permitted hereunder, and (ix) as permitted by Section 7.12.

Section 7.6. Investments, Etc. The Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly-owned Subsidiary prior to such merger), any Capital Stock, Indebtedness or other securities (including any option, warrant, or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) all or substantially all of the assets of a Person, or of any business or division of any Person (all of the foregoing being collectively called “**Investments**”), except:

- (a) Investments existing on the date hereof (including Investments in Subsidiaries) and set forth on Schedule 7.6.
- (b) Investments purchased or held by any Subsidiary in connection with its asset management or other operations in ordinary course of business;
- (c) Investments made by the Borrower in or to any Subsidiary and by any Subsidiary in or to the Borrower or in or to another Subsidiary;
- (d) Permitted Acquisitions;
- (e) Investments received in consideration for Asset Sales in a form other than Cash to the extent expressly permitted by Section 7.3;
- (f) Investments consisting of Hedging Obligations permitted by Section 7.8;
- (g) Investments received in connection with the bankruptcy or reorganization of any Person and in settlement of obligations of, or disputes with, any Person arising in the ordinary course of business and upon foreclosure with respect to any secured investment or other transfer of title with respect to any secured investment;
- (h) Guarantees of the Borrower of any Indebtedness expressly permitted under Section 7.1(d);
- (i) Investments constituting Permitted Financial Institution Subsidiary Indebtedness; and
- (j) Investments (other than Acquisitions) in an aggregate amount at any time outstanding not to exceed \$10,000,000 so long as (A) at the time of the making of such Investment, no Default or Event of Default then exists, and (B) the Borrower is, both before and after giving *pro forma* effect to such Investment, in compliance with the covenants set forth in Section 6.1.

Section 7.7. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm’s-length basis from unrelated third parties, provided, that if such transaction involves an amount in excess of \$2,500,000, a majority of the disinterested directors on the Board of Directors of the Borrower or such Subsidiary shall have approved such transaction as evidenced by a resolution of the Board of Directors of the Borrower or such Subsidiary, (b) transactions between or among the Borrower and any Subsidiary not involving any other Affiliates, and (c) any Restricted Payment expressly permitted by Section 7.4 or Investment expressly permitted by Section 7.6.

Section 7.8. Hedging Transactions. The Borrower will not, and will not permit any of the Subsidiaries to, enter into any Hedging Transaction, other than (i) Hedging Transactions entered into in the ordinary course of business to hedge or mitigate risks to which the Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities and (ii) Hedging Transactions consisting of Permitted Financial Institution Subsidiary Indebtedness. Solely for the avoidance of doubt, the Borrower acknowledges that a Hedging Transaction entered into for speculative purposes or of a speculative nature (which shall be deemed to include any Hedging Transaction under which the Borrower or any of the Subsidiaries is or may become obliged to make any payment (i) in connection with the purchase by any third party of any Capital Stock or any Indebtedness or (ii) as a result of changes in the market value of any Capital Stock or any Indebtedness) is not a Hedging Transaction entered into in the ordinary course of business to hedge or mitigate risks.

Section 7.9. Amendment to Material Documents. The Borrower will not, and will not permit any of its Subsidiaries to, amend, modify or waive any of its rights in any manner that is adverse to the interests of the Lender or the Borrower or any of its Subsidiaries under such party's certificate of incorporation, bylaws or other organizational documents.

Section 7.10. Sale and Leaseback Transaction. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereinafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred.

Section 7.11. Accounting Changes. The Borrower will not, and will not permit any of its Subsidiaries to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of the Borrower or any Subsidiary of the Borrower, except to change the fiscal year of a Subsidiary of the Borrower to conform its fiscal year to that of the Borrower.

Section 7.12. Most Favored Lender Status. The Borrower will not, and will not permit any of its Subsidiaries to, enter into, amend or modify documents evidencing or governing Indebtedness to which the Borrower or its Subsidiaries are bound, that contain, or are amended and modified to contain, one or more Additional Covenants or Additional Defaults, unless in each case the Borrower or such Subsidiary contemporaneously executes an amendment to this Agreement, in form and substance reasonably satisfactory to the Lender, to include such Additional Covenants or Additional Defaults herein; provided, that to the extent that the Borrower or any Subsidiary shall enter into, assume or otherwise become bound by or obligated under such amendment or agreement containing one or more Additional Covenants or Additional Defaults without amending this Agreement to include such Additional Covenants or Additional Defaults, the terms of this Agreement shall nonetheless, without any further action on the part of the Borrower or any Subsidiary, be deemed or amended automatically to include each Additional Covenant and each Additional Default contained in such amendment or agreement.

ARTICLE VIII EVENTS OF DEFAULT

Section 8.1. Events of Default. If any of the following events (each an “Event of Default”) shall occur:

(a) the Borrower shall fail to pay any principal of any Revolving Loan when and as the same shall become due and payable, whether at the due date thereof or otherwise; or

(b) the Borrower shall fail to pay any interest on any Revolving Loan or any fee or any other Obligation (other than an amount payable under clause (a) of this Article), when and as the same shall become due and payable and such failure shall continue unremedied for a period of three (3) days; or

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any other Loan Document (including the Schedules attached thereto) and any amendments or modifications hereof or waivers hereunder, or in any certificate, report, financial statement or other document submitted to the Lender by the Borrower or any representative of the Borrower pursuant to or in connection with this Agreement or any other Loan Document shall prove to be incorrect in any material respect when made or deemed made or submitted; or

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Section 5.1, Section 5.2, Section 5.3 (with respect to the Borrower’s existence), Section 5.7, Section 5.9 or Article VI or Article VII; or

(e) the Borrower shall fail to observe or perform any covenant or agreement contained (i) in this Agreement (other than those referred to in clauses (a), (b) and (d) above), and such failure shall remain unremedied for 30 days after the earlier of (x) any Responsible Officer of the Borrower becomes aware of such failure, or (y) notice thereof shall have been given to the Borrower by the Lender or (ii) in any other Loan Document (after taking into consideration any applicable grace periods); or

(f) the Borrower or any Subsidiary (whether as primary obligor or as guarantor or other surety) shall fail to pay any Indebtedness (other than under this Agreement or the Revolving Credit Note) owed to any Lender or to any other Person, in each case, in an amount greater than \$10,000,000 that is outstanding, when and as the same shall become due and payable (whether at scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument evidencing such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or permit the acceleration of, the maturity of such Indebtedness (without regard to whether such holders or other Person shall have exercised or waived their right to do so); or any such Indebtedness shall be declared to be due and payable; or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or any offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case prior to the stated maturity thereof (and for purposes of determining the amount of attributed Indebtedness under this clause (f) from Hedging Obligations, the “principal amount” of any Hedging Obligations at any time shall be the Net Mark-to-Market Exposure of such Hedging Obligations); or

(g) the Borrower or any Subsidiary (other than an Immaterial Subsidiary) shall (i) commence a voluntary case or other proceeding or file any petition seeking liquidation, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a custodian, trustee, receiver, liquidator or other similar official of it or any substantial part of its property, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (i) of this Section, (iii) apply for or consent to the appointment of a custodian, trustee, receiver, liquidator or other similar official for the Borrower or any such Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take any action for the purpose of effecting any of the foregoing; or

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Subsidiary (other than an Immaterial Subsidiary) or its debts, or any substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency or other similar law now or hereafter in effect or (ii) the appointment of a custodian, trustee, receiver, liquidator or other similar official for the Borrower or any such Subsidiary or for a substantial part of its assets, and in any such case, such proceeding or petition shall remain undismissed for a period of 60 days or an order or decree approving or ordering any of the foregoing shall be entered; or

(i) without duplication of clause (f) of this Section 8.1, the Borrower or any Subsidiary shall become unable to pay, shall admit in writing its inability to pay, or shall fail to pay, its debts as they become due; or

(j) an ERISA Event shall have occurred that, in the opinion of the Lender, when taken together with other ERISA Events that have occurred, could reasonably be expected to result in liability to the Borrower and the Subsidiaries in an aggregate amount exceeding \$10,000,000; or

(k) any judgment or order for the payment of money in excess of \$10,000,000 in the aggregate not covered by insurance and for which the applicable insurer shall have acknowledged in writing that such claim or payment is insured shall be rendered against the Borrower or any Subsidiary, and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be a period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(l) any non-monetary judgment or order shall be rendered against the Borrower or any Subsidiary that could reasonably be expected to have a Material Adverse Effect, and there shall be a period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(m) a Change in Control shall occur; or

(n) any Governmental Authority having regulatory authority over the Borrower or any Subsidiary shall take any action that restricts, or has the practical effect of restricting, the payment of dividends from any such Subsidiary to the Borrower or the payment of any debt owing by a Subsidiary to the Borrower; or

(o) any Financial Institution Subsidiary shall cease for any reason (other than as a result of being merged into another Financial Institution Subsidiary) to be an insured bank under the Federal Deposit Insurance Act, as amended; or

(p) the FRB, the FDIC or any other Governmental Authority charged with the regulation of bank holding companies or depository institutions: (i) issues (whether orally or in writing) to the Borrower or any Financial Institution Subsidiary, or initiates through formal proceedings any action, suit or proceeding to obtain against, impose on or require from the Borrower or any Financial Institution Subsidiary, a cease and desist order or similar regulatory order, the assessment of civil monetary penalties, articles of agreement, a memorandum of understanding, a capital directive, a capital restoration plan, restrictions that prevent or as a practical matter impair the payment of dividends by any Financial Institution Subsidiary or the payments of any debt by the Borrower, restrictions that make the payment of the dividends by any Financial Institution Subsidiary or the payment of debt by the Borrower subject to prior regulatory approval, a notice or finding under subsection 8(a) of the Federal Deposit Insurance Act, as amended, or any similar enforcement action, measure or proceeding; or (ii) proposes or issues (whether orally or in writing) to any executive officer or director of the Borrower or any Financial Institution Subsidiary, or initiates any action, suit or proceeding to obtain against, impose on or require from any such officer or director, a cease and desist order or similar regulatory order, a removal order or suspension order, or the assessment of civil monetary penalties; or

(q) there shall occur with respect to any Financial Institution Subsidiary any event that is grounds for the required submission of a capital restoration plan under 12 U. S. C. §1831o (e)(2) and the regulations thereunder, or a conservator or receiver is appointed for any Financial Institution Subsidiary; or

(r) any order or decree is entered by any court of competent jurisdiction directly or indirectly enjoining or prohibiting the Lender or the Borrower from performing any of their respective obligations under this Agreement or under any of the other Loan Documents and such order or decree is not vacated, and the proceedings out of which such order or decree arose are not dismissed, within 60 days after the granting of such decree or order; or

(s) the Borrower or any Financial Institution Subsidiary (i) shall enter into any Regulatory Agreement or is otherwise operating under any restrictions imposed by or agreed to with, any Governmental Authority, other than routine examinations by such Governmental Authorities or (ii) shall be declared by any Governmental Authority as not being Solvent; or

(t) the filing of formal charges by any Governmental Authority or quasi-governmental entity, including, without limitation, the issuance of an indictment under a RICO Related Law against Borrower or any Subsidiary of Borrower; or

(u) the failure of the common shares of the Capital Stock of the Borrower to be listed for trading on either the New York Stock Exchange or the NASDAQ Global Market Exchange; or

(v) if either the Borrower or any Financial Institution Subsidiary thereof engages in any unsafe and unsound banking practice that the Lender reasonably determines will likely result in the issuance of a cease-and-desist order, the entry into a Regulatory Agreement or other enforcement action under 12 U.S.C. 1818 that would have or reasonably likely to have a Material Adverse Effect.

then, and in every such event (other than an event with respect to the Borrower or any Subsidiary (other than an Immaterial Subsidiary) described in clause (g) or (h) of this Section) and at any time thereafter during the continuance of such event, the Lender may, by notice to the Borrower, take any or all of the following actions, at the same or different times: (i) terminate the Revolving Commitment; (ii) declare the principal of and any accrued interest on the Revolving Loans, and all other Obligations owing hereunder, to be, whereupon the same shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower and (iii) exercise all remedies contained in any other Loan Document; and that, if an Event of Default specified in either clause (g) or (h) shall occur, the Revolving Commitment shall automatically terminate and the principal of the Revolving Loans then outstanding, together with accrued interest thereon, and all fees, and all other Obligations shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE IX MISCELLANEOUS

Section 9.1. Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications to any party herein to be effective shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, sent by telefacsimile or sent by email in .pdf format, as follows:

To the Borrower:	United Community Banks, Inc. 125 Highway 515 E Blairsville, Georgia 30512 Attn: Rex Schuette Telephone Number: (866) 270-7200 Fax Number: (706) 745-9046 Website: http://www.ucbi.com
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with a copy to:

United Community Banks, Inc.
125 Highway 515 E
Blairsville, Georgia 30512
Attn: Brad Miller
Telephone Number: (866) 270-7200
Fax Number: (706) 745-9046
Email: brad_miller@ucbi.com

with a copy to:

Troutman Sanders LLP
600 Peachtree Street, Suite 5200
Atlanta, Georgia 30308
Attn: James Stevens
Telephone Number: (404) 885-3000
Fax Number: (404) 962-6501
Email: james.stevens@troutmansanders.com

To the Lender:

3280 Peachtree Road, NE

Synovus Bank

Suite 500
Atlanta, Georgia 30305
Attn: Michael Sawicki
Telephone Number: (678) 578-1927
Email: MichaelSawicki@synovus.com

with a copy to:

Synovus Bank
3280 Peachtree Road, NE

5th Floor
Atlanta, Georgia 30305
Attn: Vickie Summey
Telephone Number: (678) 784-7157
Email: vickiesummey@synovus.com

with a copy to:

Alston & Bird LLP

1201 West Peachtree Street
Atlanta, Georgia 30309
Attn: Richard W. Grice
Telephone Number: (404) 881-7576
Email: richard.grice@alston.com

Any party hereto may change its address, telefacsimile number or email address for notices and other communications hereunder by notice to the other parties hereto. All such notices and other communications shall, when transmitted by hand or overnight delivery, be effective when delivered, when sent by telefacsimile or email in .pdf format, be effective when transmitted in legible form, or if mailed, upon the third Business Day after the date deposited into the mail or if delivered, upon delivery.

(b) Any agreement of the Lender herein to receive certain notices by telephone, telefacsimile or email in .pdf format is solely for the convenience and at the request of the Borrower. The Lender shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice, and the Lender shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Lender in reliance upon such telephonic, telefacsimile or email transmitted notice. The obligation of the Borrower to repay the Revolving Loan and all other Obligations hereunder shall not be affected in any way or to any extent by any failure of the Lender to receive written confirmation of any telephonic or telefacsimile notice or the receipt by the Lender of a confirmation which is at variance with the terms understood by the Lender to be contained in any such telephonic or telefacsimile notice.

Section 9.2. Waiver; Amendments.

(a) No failure or delay by the Lender in exercising any right or power hereunder or any other Loan Document, and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power hereunder or thereunder. The rights and remedies of the Lender hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies provided by law. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of any Revolving Loan shall not be construed as a waiver of any Default or Event of Default, regardless of whether the Lender may have had notice or knowledge of such Default or Event of Default at the time.

(b) No amendment or waiver of any provision of this Agreement or the other Loan Documents, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Notwithstanding anything herein or otherwise to the contrary, any Event of Default occurring hereunder shall continue to exist (and shall be deemed to be continuing) until such time as such Event of Default is waived in writing in accordance with the terms of this Section notwithstanding (i) any attempted cure or other action taken by the Borrower or any other Person subsequent to the occurrence of such Event of Default or (ii) any action taken or omitted to be taken by the Lender prior to or subsequent to the occurrence of such Event of Default (other than the granting of a waiver in writing in accordance with the terms of this Section).

Section 9.3. Expenses; Indemnification.

(a) The Borrower shall pay (i) all reasonable, out-of-pocket costs and expenses of the Lender and its Affiliates (including, without limitation, the reasonable fees, charges and disbursements of outside counsel and the allocated cost of inside counsel for the Lender and its Affiliates) in connection with the syndication of the Revolving Commitment Loan provided for herein, if any, the preparation and administration of the Loan Documents and any amendments, modifications or waivers thereof (whether or not the transactions contemplated in this Agreement or any other Loan Document shall be consummated), and (ii) all out-of-pocket costs and expenses (including, without limitation, the reasonable fees, charges and disbursements of outside counsel and the allocated cost of inside counsel) incurred by the Lender in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Revolving Loans (or Revolving Commitment) made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Revolving Loans.

(b) The Borrower shall indemnify the Lender and each officer, director, employee, agents, advisors and Affiliates of the Lender (each, an “Indemnitee”) against, and hold each of them harmless from, any and all costs, losses, liabilities, claims, damages and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, which may be incurred by any Indemnitee, or asserted against any Indemnitee by the Borrower or any third Person, arising out of, in connection with or as a result of (i) the execution or delivery of any this Agreement or any other Loan Document, the performance by the parties hereto of their respective obligations hereunder or the consummation of any of the transactions contemplated hereby, (ii) the Revolving Loans (or Revolving Commitment) or any actual or proposed use of the proceeds therefrom, (iii) the use by any Person of any information or materials obtained by or through SyndTrak or other secured internet web sites, (iv) any actual presence or release of Hazardous Materials on or from any property owned by the Borrower or any Subsidiary in violation of any Environmental Law by Borrower or any Subsidiary or any Environmental Liability related in any way to the Borrower or any Subsidiary or (v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether brought by the Borrower or any third Person and whether based on contract, tort, or any other theory and regardless of whether any Indemnitee is a party thereto; provided, that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction in a final judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) The Borrower shall pay, and hold the Lender harmless from and against, any and all present and future stamp, documentary, and other similar taxes with respect to this Agreement and any other Loan Documents, or any payments due thereunder, and save the Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission by the Borrower to pay such taxes.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to actual or direct damages) arising out of, in connection with or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated therein, the Revolving Loans (or Revolving Commitment) or the use of proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

Section 9.4. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender, and the Lender may not assign or otherwise transfer any of its rights or obligations hereunder except (i) with the prior written consent of the Borrower (which consent shall not be unreasonably delayed, denied, conditioned or withheld), unless an Event of Default has occurred and is continuing, (ii) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section, (iii) by way of participation in accordance with the provisions of paragraph (d) of this Section, or (iv) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (e) of this Section (and any attempted assignment or transfer by either party without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Lender and its affiliates) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) The Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Commitment and the Revolving Loans at the time owing to it, in each case, without the consent or notice to, the Borrower).

(c) The Lender, acting solely for this purpose as an agent of the Borrower, shall maintain at the Principal Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of any new lender, and the Commitment of, and principal amounts of the Revolving Loans owing to, the Lender(s) pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower and the Lender may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) The Lender may, at any time, without the consent of, or notice to, the Borrower, sell participations to any Person (other than a natural person or the Borrower or any Subsidiary of the Borrower or Affiliate of the Borrower) (each, a "Participant") in all or a portion of the Lender's rights and/or obligations under this Agreement (including, all or a portion of its Revolving Commitment and/or the Revolving Loans owing to it); provided, that (i) the Lender's obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which the Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided, that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that would (i) postpone any date upon which any payment of money is scheduled to be made to such Participant, (ii) reduce the principal, interest, fees or other amounts payable to such Participant (provided, however, that the Lender may, without the consent of the Participant, (A) amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on the Revolving Loans or to reduce any fee payable hereunder and (B) waive the right to be paid Default Interest), or (iii) release any Guarantor from its Guaranty, as applicable.

(e) The Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement and the Revolving Credit Note to secure obligations of the Lender without complying with this Section, including, without limitation, any pledge or assignment to secure obligations to a Federal Reserve Bank; provided, that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

Section 9.5. Governing Law; Jurisdiction; Consent to Service of Process.

(a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF) OF THE STATE OF GEORGIA.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of any Federal and/or state court located in the State of Georgia and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document or the transactions contemplated hereby or thereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Georgia state court or, to the extent permitted by applicable law, such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or its properties in the courts that have jurisdiction over the Borrower.

(c) The Borrower irrevocably and unconditionally waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding described in paragraph (b) of this Section and brought in any state or federal court located in the State of Georgia and referred to in paragraph (b) of this Section. Each of the parties hereto irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to the service of process in the manner provided for notices in Section 9.1. Nothing in this Agreement or in any other Loan Document will affect the right of any party hereto to serve process in any other manner permitted by law.

Section 9.6. WAIVER OF JURY TRIAL. EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.7. Right of Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, the Lender shall have the right, at any time or from time to time upon the occurrence and during the continuance of an Event of Default, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, to set off and apply against all deposits (general or special, time or demand, provisional or final) of the Borrower at any time held or other obligations at any time owing by the Lender to or for the credit or the account of the Borrower against any and all Obligations owed to the Lender under this Agreement, irrespective of whether the Lender shall have made demand hereunder and although such Obligations may be unmaturing. The Lender agrees promptly to notify the Borrower after any such set-off and any application made by the Lender; provided, that the failure to give such notice shall not affect the validity of such set-off and application.

Section 9.8. Counterparts; Integration. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telefacsimile or by email, in .pdf format), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Agreement, the other Loan Documents, and any separate letter agreement(s) relating to any fees payable to the Lender constitute the entire agreement among the parties hereto and thereto regarding the subject matters hereof and thereof and supersede all prior agreements and understandings, oral or written, regarding such subject matters. Delivery of an executed counterpart of a signature page of this Agreement and any other Loan Document by telefacsimile or by email, in .pdf format, shall be effective as delivery of a manually executed counterpart of this Agreement or such other Loan Document.

Section 9.9. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of the Revolving Loans hereunder, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Revolving Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Revolving Commitment has not expired or terminated. The provisions of Section 2.13 and Section 9.3 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Revolving Loans, the expiration or termination of the Revolving Commitment or the termination of this Agreement or any provision hereof. All representations and warranties made herein, in the certificates, reports, notices, and other documents delivered pursuant to this Agreement shall survive the execution and delivery of this Agreement and the other Loan Documents, and the making of the Revolving Loans.

Section 9.10. Severability. Any provision of this Agreement or any other Loan Document held to be illegal, invalid or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without affecting the legality, validity or enforceability of the remaining provisions hereof or thereof; and the illegality, invalidity or unenforceability of a particular provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.11. Confidentiality. The Lender agrees to maintain the confidentiality of any and all non-public, confidential or proprietary information, identified to the Lender as such, of or relating to the Borrower or any Subsidiary and their respective businesses, operations, finances or strategies (“**Confidential Information**”). For purposes of this Section, Confidential Information shall not include: (1) information that was already known to the recipient without an obligation of confidentiality to the Borrower or any Subsidiary with respect to such information, (2) information that was obtained from a third party who was not known to the Lender to be under an obligation of confidentiality to the Borrower or any Subsidiary with respect to such information, (3) information that is or becomes publicly available, other than through a breach of this Section by the Lender or any Participant or any of their respective representatives, employees or agents. Notwithstanding the foregoing, Confidential Information may be disclosed (i) to any officer, director, agent, affiliate or representative of the Lender, including, without limitation, accountants, legal counsel and other advisors; provided, however, that such Person shall agree to be bound by the confidentiality provisions set forth in this Section with respect to such information, (ii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iii) to the extent requested by any regulatory agency or authority, (iv) to the extent necessary in connection with the exercise of any remedy hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (v) subject to a confidentiality agreement with provisions substantially similar to this **Section 9.11**, to any actual or prospective assignee or Participant, or (vi) with the prior written consent of the Borrower. Any Person required to maintain the confidentiality of any information as provided for in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such information as such Person would accord its own confidential information, but in no event less than a reasonable degree of care.

Section 9.12. Waiver of Effect of Corporate Seal. The Borrower represents and warrants that it is not required to affix its corporate seal to this Agreement or any other Loan Document pursuant to any requirement of law or regulation, agrees that this Agreement is delivered by Borrower under seal and waives any shortening of the statute of limitations that may result from not affixing the corporate seal to this Agreement or such other Loan Documents.

Section 9.13. Patriot Act. The Lender hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Patriot Act. The Borrower shall, and shall cause each of its Subsidiaries to, provide to the extent commercially reasonable, such information and take such other actions as are reasonably requested by the Lender in order to assist the Lender in maintaining compliance with the Patriot Act.

Section 9.14. Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 9.15. No Advisory or Fiduciary Relationship. In connection with all aspects of the transactions contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (B) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) the Lender does not have any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Lender and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and the Lender does not have any obligation to disclose any of such interests to the Borrower or any of its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 9.16. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Revolving Loan, together with all fees, charges and other amounts which may be treated as interest on such Revolving Loan under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate of interest (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by a Lender holding such Revolving Loan in accordance with applicable law, the rate of interest payable in respect of such Revolving Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Revolving Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Revolving Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender.

[Remainder of page intentionally left blank. Signatures appear on following pages]

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of the 30th day of June, 2015 by and between UNITED COMMUNITY BANKS, INC., a Georgia corporation (the "Borrower"), and SYNOVUS BANK, as Lender (the "Lender").

WHEREAS, the Borrower and the Lender entered into that certain Credit Agreement dated as of January 7, 2014 (as in effect prior to the date hereof, the "Credit Agreement");

WHEREAS, the Borrower has requested that the Lender amend the Credit Agreement to, among other things, extend the maturity date of the Credit Agreement to June 30, 2018; and

WHEREAS, the Lender is willing to amend the Credit Agreement to, among other things, extend the maturity date to June 30, 2018 on the terms and conditions contained in this Amendment.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the respective meanings given such terms in the Credit Agreement.

Section 2. Specific Amendments. At the request of the Borrower, but subject to the satisfaction of the conditions precedent set forth in Section 4 below, the Credit Agreement is hereby amended as follows:

(a) By replacing the definition of "Maturity Date" set forth in Section 1.1 of the Credit Agreement in its entirety and substituting in lieu thereof the following:

“**Maturity Date**’ shall mean June 30, 2018, or such earlier date as the Revolving Commitments are terminated pursuant to Section 2.5(b) or Section 8.1.”

(b) By replacing clause (c) of the definition of "Permitted Acquisition" set forth in Section 1.1 of the Credit Agreement in its entirety and substituting in lieu thereof the following:

“(c) the Lender shall receive written notice at least three (3) Business Days prior to the earlier of: (i) Borrower issuing a news release announcing such proposed Acquisition, (ii) Borrower filing a Form 8K with SEC announcing such proposed Acquisition and (iii) the closing of such proposed Acquisition, which notice shall include a reasonably detailed description of such proposed Acquisition.”

Section 3. Other Documents. All other Loan Documents executed and delivered in connection with the Credit Agreement are hereby amended solely to the extent necessary to conform to this Amendment.

Section 4. Conditions. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(a) The Lender shall have received a counterpart of this Amendment duly executed by the Borrower and the Lender;

(b) The Lender shall have received an executed copy of that certain letter agreement dated as of the date hereof by and between the Borrower and the Lender (the "Fee Letter");

(c) The Lender shall have received: (i) certificates of good standing or existence, as may be available from the Secretary of State of the jurisdiction of incorporation of the Borrower and each other jurisdiction where the Borrower is required to be qualified to do business as a foreign corporation, and (ii) certificates of good standing or existence with respect to each material Subsidiary of the Borrower (which shall include, in any event, each Financial Institution Subsidiary), as may be available from the Secretary of State of the jurisdiction of incorporation of each such Subsidiary and each other jurisdiction where such Subsidiary is required to be qualified to do business as a foreign corporation (except, solely with respect to United Community Bank, in the State of Tennessee);

(d) The Lender shall have received a certificate of the Secretary or Assistant Secretary of the Borrower attaching and certifying copies of its bylaws and of the resolutions of its board of directors, authorizing the execution, delivery and performance of this Agreement;

(e) The Borrower shall have paid all fees and expenses contemplated by: (i) Section 7 hereof and (ii) the Fee Letter; and

(f) The Lender shall have received such other documents, instruments and agreements as the Lender may reasonably request relating to the transactions contemplated herein.

Section 5. Representations and Warranties. To induce the Lender to enter into this Amendment, the Borrower hereby represents and warrants to the Lender that:

(a) Authorization. The Borrower has the right and corporate power, and has taken all necessary action to authorize it, to execute and deliver this Amendment and the Fee Letter and to perform its obligations hereunder and under the Credit Agreement, as amended by this Amendment, the Fee Letter and the other Loan Documents to which it is a party in accordance with their respective terms. This Amendment has been duly executed and delivered by a duly authorized officer of the Borrower and each of this Amendment, the Credit Agreement, as amended by this Amendment, and the Fee Letter is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(b) Compliance with Laws. The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of this Amendment, the Credit Agreement, as amended by this Amendment, and the Fee Letter in accordance with their respective terms, do not and will not, by the passage of time, the giving of notice or otherwise: (i) require any consent or approval of, registration or filing with, or any action by, any Governmental Authority (except those as have been obtained or made and are in full force and effect); (ii) violate any applicable law or regulation or the articles of incorporation or bylaws of the Borrower or any order of any Governmental Authority binding upon the Borrower; (iii) violate or result in a default under any indenture, material agreement or other material instrument binding on the Borrower or any of its Subsidiaries or any of their respective assets or give rise to a right thereunder to require any payment to be made by the Borrower or any such Subsidiary; or (iv) result in the creation or imposition of any Lien on any asset of the Borrower or any Subsidiary.

(c) No Default. As of the date hereof, no Default or Event of Default shall exist.

Section 6. Reaffirmation of Representations. The Borrower hereby represents, repeats and reaffirms all representations and warranties made by the Borrower in the Credit Agreement and the other Loan Documents on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full (except to the extent that any such representation or warranty expressly relates to an earlier date, in which case, the Borrower hereby represents, repeats and reaffirms such representation and warranty as of such date).

Section 7. Payment of Expenses. The Borrower agrees to pay or reimburse the Lender, upon demand, for its reasonable out-of-pocket fees, costs and expenses (including attorneys' fees) incurred in connection with the preparation, negotiation, execution and delivery of this Amendment and the other documents and agreements executed and delivered in connection herewith.

Section 8. Effect; Ratification.

(a) Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Loan Documents remain unchanged and continue to be in full force and effect. The amendments contained herein shall be deemed to have prospective application only, unless otherwise specifically stated herein. The Credit Agreement is hereby ratified and confirmed in all respects. Each reference to the Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement, as amended by this Amendment.

(b) Nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Credit Agreement or any of the other Loan Documents, or constitute a course of conduct or dealing among the parties. The Lender reserves all rights, privileges and remedies under the Loan Documents.

(c) This Amendment constitutes the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Amendment shall for all purposes be deemed to be a "Loan Document" under the Credit Agreement and entitled to the benefits thereof.

Section 9. Further Assurances. The Borrower agrees to take all further actions and execute such other documents and instruments as the Lender may from time to time reasonably request to carry out the transactions contemplated by this Amendment, the Loan Documents and all other agreements executed and delivered in connection herewith.

Section 10. Binding Effect. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns.

Section 11. RELEASE. IN CONSIDERATION OF THE AMENDMENTS CONTAINED HEREIN, THE SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, THE BORROWER HEREBY IRREVOCABLY RELEASES AND FOREVER DISCHARGES THE LENDER AND EACH OF ITS RESPECTIVE AFFILIATES, SUBSIDIARIES, SUCCESSORS, ASSIGNS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, REPRESENTATIVES AND ATTORNEYS (EACH, A "RELEASED PERSON") OF AND FROM ALL DAMAGES, LOSSES, CLAIMS, DEMANDS, LIABILITIES, OBLIGATIONS, ACTIONS AND CAUSES OF ACTION WHATSOEVER WHICH THE BORROWER MAY NOW HAVE OR CLAIM TO HAVE ON AND AS OF THE DATE HEREOF AGAINST ANY RELEASED PERSON, WHETHER PRESENTLY KNOWN OR UNKNOWN, LIQUIDATED OR UNLIQUIDATED, SUSPECTED OR UNSUSPECTED, CONTINGENT OR NON-CONTINGENT, AND OF EVERY NATURE AND EXTENT WHATSOEVER (COLLECTIVELY, "CLAIMS") OTHER THAN ANY CLAIM ARISING SOLELY OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH RELEASED PERSON. THE BORROWER REPRESENTS AND WARRANTS TO THE LENDER THAT IT HAS NOT GRANTED OR PURPORTED TO GRANT TO ANY OTHER PERSON ANY INTEREST WHATSOEVER IN ANY CLAIM, AS SECURITY OR OTHERWISE. THE BORROWER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS EACH RELEASED PERSON FROM AND AGAINST ANY AND ALL CLAIMS AND ANY LOSS, COST, LIABILITY, DAMAGE OR EXPENSE (INCLUDING REASONABLE ATTORNEYS' FEES AND EXPENSES) INCURRED BY ANY RELEASED PERSON IN INVESTIGATING, PREPARING FOR, DEFENDING AGAINST, PROVIDING EVIDENCE OR PRODUCING DOCUMENTS IN CONNECTION WITH OR TAKING OTHER ACTION IN RESPECT OF ANY COMMENCED OR THREATENED CLAIM.

Section 12. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns. The exchange of copies of this Amendment and of signature pages by facsimile or .pdf via email transmission shall constitute effective execution and delivery of this Agreement as to the parties.

Section 13. Severability; Headings. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The section and subsection headings used in this Amendment are for convenience of reference only and are not to affect the construction hereof or to be taken into consideration in the interpretation hereof.

Section 14. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF) OF THE STATE OF GEORGIA.

Section 15. Delivery of Tennessee Good Standing Certificate. Within thirty (30) days of the date hereof, the Borrower shall deliver a certificate of good standing or existence from the State of Tennessee for United Community Bank. The failure to deliver such certificate within thirty (30) days after the date hereof shall result in an immediate Event of Default under the Credit Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Credit Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.

By: /s/ Rex S. Schuette
Name: Rex S. Schuette
Title: Executive Vice President & Chief Financial Officer

SYNOVUS BANK,
as Lender

By: /s/ Michael Sawicki
Name: Michael Sawicki
Title: SVP & Director LCBG East

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of the 30th day of June, 2016 by and between UNITED COMMUNITY BANKS, INC., a Georgia corporation (the "Borrower"), and SYNOVUS BANK, as Lender (the "Lender").

WHEREAS, the Borrower and the Lender entered into that certain Credit Agreement dated as of January 7, 2014 (as amended by the First Amendment defined below and as in effect prior to the date hereof, the "Credit Agreement");

WHEREAS, the Borrower and the Lender previously entered into that certain First Amendment to Credit Agreement dated as of June 30, 2015, extending the Maturity Date to June 30, 2018 (the "First Amendment");

WHEREAS, the Borrower has requested that the Lender amend the Credit Agreement to extend the Maturity Date of the Credit Agreement to June 30, 2019; and

WHEREAS, the Lender is willing to amend the Credit Agreement to extend the Maturity Date to June 30, 2019 on the terms and conditions contained in this Amendment.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the respective meanings given such terms in the Credit Agreement.

Section 2. Specific Amendments. At the request of the Borrower, but subject to the satisfaction of the conditions precedent set forth in Section 4 below, the Credit Agreement is hereby amended as follows:

By replacing the definition of "Maturity Date" set forth in Section 1.1 of the Credit Agreement in its entirety and substituting in lieu thereof the following:

“**Maturity Date**’ shall mean June 30, 2019, or such earlier date as the Revolving Commitments are terminated pursuant to Section 2.5(b) or Section 8.1.”

Section 3. Other Documents. All other Loan Documents executed and delivered in connection with the Credit Agreement are hereby amended solely to the extent necessary to conform to this Amendment.

Section 4. Conditions. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(a) The Lender shall have received a counterpart of this Amendment duly executed by the Borrower and the Lender;

(b) The Lender shall have received an executed copy of that certain letter agreement dated as of the date hereof by and between the Borrower and the Lender (the "Fee Letter");

(c) The Lender shall have received: (i) certificates of good standing or existence, as may be available from the Secretary of State of the jurisdiction of incorporation of the Borrower and each other jurisdiction where the Borrower is required to be qualified to do business as a foreign corporation, and (ii) certificates of good standing or existence with respect to each material Subsidiary of the Borrower (which shall include, in any event, each Financial Institution Subsidiary), as may be available from the Secretary of State of the jurisdiction of incorporation or formation of each such Subsidiary and each other jurisdiction where such Subsidiary is required to be qualified to do business as a foreign corporation (except, solely with respect to United Community Bank, in the State of Tennessee);

(d) The Lender shall have received a certificate of the Secretary or Assistant Secretary of the Borrower attaching and certifying copies of its bylaws and of the resolutions of its board of directors, authorizing the execution, delivery and performance of this Agreement;

(e) The Borrower shall have paid all fees and expenses contemplated by: (i) Section 7 hereof and (ii) the Fee Letter; and

(f) The Lender shall have received such other documents, instruments and agreements as the Lender may reasonably request relating to the transactions contemplated herein.

Section 5. Representations and Warranties. To induce the Lender to enter into this Amendment, the Borrower hereby represents and warrants to the Lender that:

(a) Authorization. The Borrower has the right and corporate power, and has taken all necessary action to authorize it, to execute and deliver this Amendment and the Fee Letter and to perform its obligations hereunder and under the Credit Agreement, as amended by this Amendment, the Fee Letter and the other Loan Documents to which it is a party in accordance with their respective terms. This Amendment has been duly executed and delivered by a duly authorized officer of the Borrower and each of this Amendment, the Credit Agreement as amended by this Amendment and the Fee Letter is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(b) Compliance with Laws. The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of this Amendment, the Credit Agreement, as amended by this Amendment, and the Fee Letter in accordance with their respective terms, do not and will not, by the passage of time, the giving of notice or otherwise: (i) require any consent or approval of, registration or filing with, or any action by, any Governmental Authority (except those as have been obtained or made and are in full force and effect); (ii) violate any applicable law or regulation or the articles of incorporation or bylaws of the Borrower or any order of any Governmental Authority binding upon the Borrower; (iii) violate or result in a default under any indenture, material agreement or other material instrument binding on the Borrower or any of its Subsidiaries or any of their respective assets or give rise to a right thereunder to require any payment to be made by the Borrower or any such Subsidiary; or (iv) result in the creation or imposition of any Lien on any asset of the Borrower or any Subsidiary.

(c) No Default. As of the date hereof, no Default or Event of Default shall exist.

Section 6. Reaffirmation of Representations. The Borrower hereby represents, repeats and reaffirms all representations and warranties made by the Borrower in the Credit Agreement and the other Loan Documents on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full (except to the extent that any such representation or warranty expressly relates to an earlier date, in which case, the Borrower hereby represents, repeats and reaffirms such representation and warranty as of such date).

Section 7. Payment of Expenses. The Borrower agrees to pay or reimburse the Lender, upon demand, for its reasonable out-of-pocket fees, costs and expenses (including attorneys' fees) incurred in connection with the preparation, negotiation, execution and delivery of this Amendment and the other documents and agreements executed and delivered in connection herewith.

Section 8. Effect; Ratification.

(a) Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Loan Documents remain unchanged and continue to be in full force and effect. The amendments contained herein shall be deemed to have prospective application only, unless otherwise specifically stated herein. The Credit Agreement is hereby ratified and confirmed in all respects. Each reference to the Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement, as amended by this Amendment.

(b) Nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Credit Agreement or any of the other Loan Documents, or constitute a course of conduct or dealing among the parties. The Lender reserves all rights, privileges and remedies under the Loan Documents.

(c) This Amendment constitutes the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Amendment shall for all purposes be deemed to be a "Loan Document" under the Credit Agreement and entitled to the benefits thereof.

Section 9. Further Assurances. The Borrower agrees to take all further actions and execute such other documents and instruments as the Lender may from time to time reasonably request to carry out the transactions contemplated by this Amendment, the Loan Documents and all other agreements executed and delivered in connection herewith.

Section 10. Binding Effect. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns.

Section 11. RELEASE. IN CONSIDERATION OF THE AMENDMENT CONTAINED HEREIN, THE SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, THE BORROWER HEREBY IRREVOCABLY RELEASES AND FOREVER DISCHARGES THE LENDER AND EACH OF ITS RESPECTIVE AFFILIATES, SUBSIDIARIES, SUCCESSORS, ASSIGNS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, REPRESENTATIVES AND ATTORNEYS (EACH, A "RELEASED PERSON") OF AND FROM ALL DAMAGES, LOSSES, CLAIMS, DEMANDS, LIABILITIES, OBLIGATIONS, ACTIONS AND CAUSES OF ACTION WHATSOEVER WHICH THE BORROWER MAY NOW HAVE OR CLAIM TO HAVE ON AND AS OF THE DATE HEREOF AGAINST ANY RELEASED PERSON, WHETHER PRESENTLY KNOWN OR UNKNOWN, LIQUIDATED OR UNLIQUIDATED, SUSPECTED OR UNSUSPECTED, CONTINGENT OR NON-CONTINGENT, AND OF EVERY NATURE AND EXTENT WHATSOEVER (COLLECTIVELY, "CLAIMS") OTHER THAN ANY CLAIM ARISING SOLELY OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH RELEASED PERSON. THE BORROWER REPRESENTS AND WARRANTS TO THE LENDER THAT IT HAS NOT GRANTED OR PURPORTED TO GRANT TO ANY OTHER PERSON ANY INTEREST WHATSOEVER IN ANY CLAIM, AS SECURITY OR OTHERWISE. THE BORROWER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS EACH RELEASED PERSON FROM AND AGAINST ANY AND ALL CLAIMS AND ANY LOSS, COST, LIABILITY, DAMAGE OR EXPENSE (INCLUDING REASONABLE ATTORNEYS' FEES AND EXPENSES) INCURRED BY ANY RELEASED PERSON IN INVESTIGATING, PREPARING FOR, DEFENDING AGAINST, PROVIDING EVIDENCE OR PRODUCING DOCUMENTS IN CONNECTION WITH OR TAKING OTHER ACTION IN RESPECT OF ANY COMMENCED OR THREATENED CLAIM.

Section 12. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns. The exchange of copies of this Amendment and of signature pages by facsimile or .pdf via email transmission shall constitute effective execution and delivery of this Agreement as to the parties.

Section 13. Severability; Headings. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The section and subsection headings used in this Amendment are for convenience of reference only and are not to affect the construction hereof or to be taken into consideration in the interpretation hereof.

Section 14. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF) OF THE STATE OF GEORGIA.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this second Amendment to Credit Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.

By: /s/ Rex S. Schuette

Name: Rex S. Schuette

Title: EVP & CFO

SYNOVUS BANK,

as Lender

By: /s/ Michael Sawicki

Name: MICHAEL SAWICKI

Title: SVP & DIRECTOR LCBG EAST

[Signature Page to Second Amendment to Credit Agreement]

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of the 30th day of June, 2017 by and between UNITED COMMUNITY BANKS, INC., a Georgia corporation (the "Borrower"), and SYNOVUS BANK, as Lender (the "Lender").

WHEREAS, the Borrower and the Lender entered into that certain Credit Agreement dated as of January 7, 2014 (as amended by the First Amendment defined below, the Second Amendment defined below and as in effect prior to the date hereof, the "Credit Agreement");

WHEREAS, the Borrower and the Lender previously entered into that certain First Amendment to Credit Agreement dated as of June 30, 2015, extending the Maturity Date to June 30, 2018 (the "First Amendment");

WHEREAS, the Borrower and the Lender previously entered into that certain Second Amendment to Credit Agreement dated as of June 30, 2016, extending the Maturity Date to June 30, 2019 (the "Second Amendment");

WHEREAS, the Borrower has requested that the Lender amend the Credit Agreement to reduce the pricing; and

WHEREAS, the Lender is willing to amend the Credit Agreement to reduce the pricing on the terms and conditions contained in this Amendment.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the respective meanings given such terms in the Credit Agreement.

Section 2. Specific Amendments. At the request of the Borrower, but subject to the satisfaction of the conditions precedent set forth in Section 4 below, the Credit Agreement is hereby amended as follows with such amendments being effective as of the date hereof:

(a) Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of "Base Rate Margin" in its entirety and replacing it with the following:

"Base Rate Margin" shall mean 1.50% per annum.

(b) Section 2.6(a) of the Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the following:

“(a) The Borrower shall pay interest on each Revolving Loan at, in the case of any Revolving Loan that is a Eurodollar Loan, LIBOR for the applicable Interest Period then in effect plus 2.75% per annum and, in the case of any Revolving Loan that is a Base Rate Loan, the Base Rate in effect from time to time plus the Base Rate Margin.”

Section 3. Other Documents. All other Loan Documents executed and delivered in connection with the Credit Agreement are hereby amended solely to the extent necessary to conform to this Amendment.

Section 4. Conditions. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

- (a) The Lender shall have received a counterpart of this Amendment duly executed by the Borrower and the Lender;
- (b) The Borrower shall have paid all fees and expenses contemplated by Section 7 hereof; and
- (c) The Lender shall have received such other documents, instruments and agreements as the Lender may reasonably request relating to the transactions contemplated herein.

Section 5. Representations and Warranties. To induce the Lender to enter into this Amendment, the Borrower hereby represents and warrants to the Lender that:

(a) Authorization. The Borrower has the right and corporate power, and has taken all necessary action to authorize it, to execute and deliver this Amendment and to perform its obligations hereunder and under the Credit Agreement, as amended by this Amendment, and the other Loan Documents to which it is a party in accordance with their respective terms. This Amendment has been duly executed and delivered by a duly authorized officer of the Borrower and each of this Amendment and the Credit Agreement, as amended by this Amendment, is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(b) Compliance with Laws. The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of this Amendment and the Credit Agreement, as amended by this Amendment, in accordance with their respective terms, do not and will not, by the passage of time, the giving of notice or otherwise: (i) require any consent or approval of, registration or filing with, or any action by, any Governmental Authority (except those as have been obtained or made and are in full force and effect); (ii) violate any applicable law or regulation or the articles of incorporation or bylaws of the Borrower or any order of any Governmental Authority binding upon the Borrower; (iii) violate or result in a default under any indenture, material agreement or other material instrument binding on the Borrower or any of its Subsidiaries or any of their respective assets or give rise to a right thereunder to require any payment to be made by the Borrower or any such Subsidiary; or (iv) result in the creation or imposition of any Lien on any asset of the Borrower or any Subsidiary.

(c) No Default. As of the date hereof, no Default or Event of Default shall exist.

Section 6. Reaffirmation of Representations. The Borrower hereby represents, repeats and reaffirms all representations and warranties made by the Borrower in the Credit Agreement and the other Loan Documents on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full (except to the extent that any such representation or warranty expressly relates to an earlier date, in which case, the Borrower hereby represents, repeats and reaffirms such representation and warranty as of such date).

Section 7. Payment of Expenses. The Borrower agrees to pay or reimburse the Lender, upon demand, for its reasonable out-of-pocket fees, costs and expenses (including attorneys' fees) incurred in connection with the preparation, negotiation, execution and delivery of this Amendment and the other documents and agreements executed and delivered in connection herewith.

Section 8. Effect; Ratification.

(a) Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Loan Documents remain unchanged and continue to be in full force and effect. The amendments contained herein shall be deemed to have prospective application only, unless otherwise specifically stated herein. The Credit Agreement is hereby ratified and confirmed in all respects. Each reference to the Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement, as amended by this Amendment.

(b) Nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Credit Agreement or any of the other Loan Documents, or constitute a course of conduct or dealing among the parties. The Lender reserves all rights, privileges and remedies under the Loan Documents.

(c) This Amendment constitutes the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Amendment shall for all purposes be deemed to be a "Loan Document" under the Credit Agreement and entitled to the benefits thereof.

Section 9. Further Assurances. The Borrower agrees to take all further actions and execute such other documents and instruments as the Lender may from time to time reasonably request to carry out the transactions contemplated by this Amendment, the Loan Documents and all other agreements executed and delivered in connection herewith.

Section 10. Binding Effect. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns.

Section 11. RELEASE. IN CONSIDERATION OF THE AMENDMENT CONTAINED HEREIN, THE SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, THE BORROWER HEREBY IRREVOCABLY RELEASES AND FOREVER DISCHARGES THE LENDER AND EACH OF ITS RESPECTIVE AFFILIATES, SUBSIDIARIES, SUCCESSORS, ASSIGNS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, REPRESENTATIVES AND ATTORNEYS (EACH, A "RELEASED PERSON") OF AND FROM ALL DAMAGES, LOSSES, CLAIMS, DEMANDS, LIABILITIES, OBLIGATIONS, ACTIONS AND CAUSES OF ACTION WHATSOEVER WHICH THE BORROWER MAY NOW HAVE OR CLAIM TO HAVE ON AND AS OF THE DATE HEREOF AGAINST ANY RELEASED PERSON, WHETHER PRESENTLY KNOWN OR UNKNOWN, LIQUIDATED OR UNLIQUIDATED, SUSPECTED OR UNSUSPECTED, CONTINGENT OR NON-CONTINGENT, AND OF EVERY NATURE AND EXTENT WHATSOEVER (COLLECTIVELY, "CLAIMS") OTHER THAN ANY CLAIM ARISING SOLELY OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH RELEASED PERSON. THE BORROWER REPRESENTS AND WARRANTS TO THE LENDER THAT IT HAS NOT GRANTED OR PURPORTED TO GRANT TO ANY OTHER PERSON ANY INTEREST WHATSOEVER IN ANY CLAIM, AS SECURITY OR OTHERWISE. THE BORROWER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS EACH RELEASED PERSON FROM AND AGAINST ANY AND ALL CLAIMS AND ANY LOSS, COST, LIABILITY, DAMAGE OR EXPENSE (INCLUDING REASONABLE ATTORNEYS' FEES AND EXPENSES) INCURRED BY ANY RELEASED PERSON IN INVESTIGATING, PREPARING FOR, DEFENDING AGAINST, PROVIDING EVIDENCE OR PRODUCING DOCUMENTS IN CONNECTION WITH OR TAKING OTHER ACTION IN RESPECT OF ANY COMMENCED OR THREATENED CLAIM.

Section 12. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns. The exchange of copies of this Amendment and of signature pages by facsimile or .pdf via email transmission shall constitute effective execution and delivery of this Agreement as to the parties.

Section 13. Severability; Headings. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The section and subsection headings used in this Amendment are for convenience of reference only and are not to affect the construction hereof or to be taken into consideration in the interpretation hereof.

Section 14. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF) OF THE STATE OF GEORGIA.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to Credit Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.

By: /s/ Jefferson Harralson
Name: Jefferson Harralson
Title: Chief Financial Officer

SYNOVUS BANK,
as Lender

By: /s/ Michael Sawicki
Name: Michael Sawicki
Title: Corporate Banking

[Signature Page to Third Amendment to Credit Agreement]

I, Jimmy C. Tallent, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jimmy C. Tallent
Jimmy C. Tallent
Chairman and Chief Executive Officer
of the Registrant

Date: August 4, 2017

I, Jefferson L. Harralson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jefferson L. Harralson
Jefferson L. Harralson
Executive Vice President and Chief Financial Officer
of the Registrant

Date: August 4, 2017
