

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2019

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)

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

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$1 per share	UCBI	Nasdaq Global Select Market

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 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 every Interactive Data File required to be submitted 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 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.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 Exchange Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$2,247,034,684 (based on shares held by non-affiliates at \$28.56 per share, the closing stock price on the Nasdaq stock market on June 28, 2019).

As of January 31, 2020, there were 78,942,146 shares of United Community Banks, Inc.'s common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2020 Annual Meeting of Shareholders to be held on May 16, 2020 (the "2020 Proxy Statement") are incorporated herein into Part III by reference.

INDEX

PART I

<u>Item 1.</u>	<u>Business</u>	<u>4</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>14</u>
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	<u>28</u>
<u>Item 2.</u>	<u>Properties</u>	<u>28</u>
<u>Item 3.</u>	<u>Legal Proceedings</u>	<u>28</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>28</u>

PART II

<u>Item 5.</u>	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>29</u>
<u>Item 6.</u>	<u>Selected Financial Data</u>	<u>31</u>
<u>Item 7.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>33</u>
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>58</u>
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	<u>59</u>
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>129</u>
<u>Item 9A.</u>	<u>Controls and Procedures</u>	<u>129</u>
<u>Item 9B.</u>	<u>Other Information</u>	<u>129</u>

PART III

<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	<u>130</u>
<u>Item 11.</u>	<u>Executive Compensation</u>	<u>130</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>130</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>130</u>
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>	<u>131</u>

PART IV

<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>	<u>132</u>
<u>Item 16.</u>	<u>Form 10-K Summary</u>	<u>135</u>

<u>SIGNATURES</u>		<u>136</u>
-------------------	--	------------

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K (this “Report”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, information appearing under “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes forward-looking statements. Forward-looking statements are neither statements of historical fact nor assurance of future performance and generally 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,” or similar expressions. 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 our future performance, operations, products and services, and should be viewed with caution.

Because forward-looking statements relate to the future, they are subject to known and unknown risks, uncertainties, assumptions and changes in circumstances, many of which are out of our control, and that are difficult to predict as to timing, extent, likelihood and degree of occurrence, and that could cause actual results to differ materially from the results implied or anticipated by the statements. Except as required by law, we expressly disclaim any obligations to publicly update any forward-looking statements whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements, in addition to those described in detail under Items 1A of this Report - “Risk Factors” - include, but are not limited to the following:

- the condition of the general business, political, and economic environment, banking system and financial markets and corresponding changes in loan underwriting, credit review or loss policies associated with changes in these and other conditions, such as the regulatory environment;
- strategic, market, operational, liquidity and interest rate risks associated with our business;
- continuation of historically low interest rates coupled with other potential fluctuations or unanticipated changes in the interest rate environment, including interest rate changes made by the Federal Reserve, the discontinuation of London Interbank Offered Rate (“LIBOR”) as an interest rate benchmark, as well as cash flow reassessments may reduce net interest margin and/or the volumes and values of loans made or held as well as the value of other financial assets;
- our lack of geographic diversification and any unanticipated or greater than anticipated adverse conditions in the national or local economies in which we operate;
- the risks of expansion into new geographic or product markets;
- risks with respect to future mergers or acquisitions, including our ability to successfully expand and complete acquisitions and integrate businesses and operations that we acquire;
- our ability to attract and retain key employees;
- competition from financial institutions and other financial service providers including financial technology providers and our ability to attract customers from other financial institutions;
- losses due to fraudulent and negligent conduct of our customers, third party service providers or employees;
- cybersecurity risks and the vulnerability of our network and online banking portals, and the systems or parties with whom we contract, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches that could adversely affect our business and financial performance or reputation;
- our reliance on third parties to provide key components of our business infrastructure and services required to operate our business;
- the risk that we may be required to make substantial expenditures to keep pace with regulatory initiatives and the rapid technological changes in the financial services market;
- the availability of and access to capital;
- legislative, regulatory or accounting changes that may adversely affect us;
- changes in the allowance for loan losses resulting from the adoption and implementation of the new Current Expected Credit Loss (“CECL”) methodology;
- adverse results (including judgments, costs, fines, reputational harm, inability to obtain necessary approvals and/or other negative effects) from current or future litigation, regulatory proceedings, examinations, investigations, or similar matters, or developments related thereto;
- deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses that exceed our current allowance for loan losses;
- limitations on our ability to receive dividends from our subsidiaries which would affect our liquidity, including our ability to pay dividends or take other capital actions;
- other risks and uncertainties disclosed in documents filed or furnished by us with or to the SEC, any of which could cause actual results to differ materially from future results expressed, implied or otherwise anticipated by such forward-looking statements.

PART I

Unless the context otherwise requires, the terms “we,” “our,” “us” or “United” refer to United Community Banks, Inc. and its direct and indirect subsidiaries, including United Community Bank, which we sometimes refer to as “the Bank,” “our bank subsidiary” or “our bank.” References to the “Holding Company” refer to United Community Banks, Inc. on an unconsolidated basis. References herein to the fiscal years 2015, 2016, 2017, 2018 and 2019 mean our fiscal years ended December 31, 2015, 2016, 2017, 2018 and 2019, respectively.

ITEM 1. BUSINESS.

Overview

We are a bank holding company with approximately \$12.9 billion in assets as of December 31, 2019. We were incorporated in 1987 and began operations in 1988 in the state of Georgia by acquiring the capital stock of the Bank, a Georgia state-chartered bank that opened in 1950. We have since grown through a combination of acquisitions and strategic growth throughout the Georgia, South Carolina, North Carolina and Tennessee markets, as well as nationally through our United States Small Business Administration / United States Department of Agriculture (“SBA/USDA”) lending and equipment finance businesses. As of January 31, 2020, we had 2,309 full-time equivalent employees.

We provide a wide array of commercial and consumer banking services, including checking, savings and time deposit accounts, secured and unsecured loans, mortgage loans, payment services, wire transfers, brokerage, investment advisory services and other related financial services to our customers. Our business model combines the commitment to exceptional customer service of a local bank with the products and expertise of a larger institution. We believe that this combination of service and expertise sets us apart and is instrumental in our strategy to build long-term relationships. We operate as a locally-focused community bank, supplemented by experienced, centralized support to deliver products and services to our larger, more sophisticated, customers. Our organizational structure reflects these strengths, with local leaders for each market and market advisory boards operating in partnership with the product experts of our Commercial Banking Solutions unit.

Our revenue is primarily derived from interest on and fees received in connection with the loans we make and from interest and dividends from our investment securities and short-term investments. The principal sources of funds for our lending activities are customer deposits, repayment of loans, and the sale and maturity of investment securities. Our principal expenses are interest paid on deposits and other borrowings and operating and general administrative expenses.

Lending Activities

We offer a full range of lending services, including real estate, consumer and commercial loans, to individuals, small businesses, mid-sized commercial businesses and non-profit organizations. We also originate loans partially guaranteed by the SBA and to a lesser extent by the USDA loan programs. Our consolidated loans at December 31, 2019 were \$8.81 billion, or 68% of total consolidated assets. The interest rates that we charge on loans varies with the degree of risk, maturity and amount of the loan, and are further subject to competitive pressures, deposit costs, availability of funds and government regulations.

The most significant categories of our loans are those to finance owner occupied real estate, commercial income property, commercial and industrial equipment and operating loans, and consumer loans secured by personal residences. A majority of our loans are made on a secured basis.

The majority of our loans are to customers located in the immediate market areas of our banking locations in Georgia, South Carolina, North Carolina and Tennessee, including customers who have a seasonal residence in our market areas. We originate a significant portion of our SBA/USDA and equipment finance loans on a national basis, to customers outside of our immediate market areas.

Our full-service retail mortgage lending division, United Community Mortgage Services (“UCMS”), is approved as a seller/servicer for the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and provides fixed and adjustable-rate home mortgages. During 2019, the Bank originated \$1.10 billion in residential mortgage loans for the purchase of homes and to refinance existing mortgage debt. The majority of these mortgages were sold into the secondary market without recourse to us, other than for breaches of warranties. We retain the servicing on most of our mortgage loans originated and sold since 2016. At December 31, 2019, our servicing portfolio included \$1.60 billion of loans that we no longer own but service for others.

Our credit organization provides each lending officer with written guidelines for lending activities, and limited lending authority is delegated to lending officers. Loans in excess of individual officer credit authority must be approved by a senior officer with sufficient approval authority delegated by our credit organization or by our Senior Credit Committee.

Our Regional Credit Officers, Senior Credit Officers, and Senior Risk Officers provide credit approval and portfolio administration support for our commercial lending operations as needed. Our Regional Credit Officers have lending authority set by our Chief Commercial Credit Officer based on characteristics of the markets they serve. For commercial loan relationships less than \$500,000, we use a centralized small business lending/underwriting department.

We have a centralized consumer credit center that provides underwriting, regulatory disclosure and document preparation for all consumer loan requests originated by our lenders. Applications are processed through an automated loan origination software platform and approved by credit center underwriters.

Our Loan Review Department reviews, or engages an independent third party to review, our loan portfolio on an ongoing basis to identify any weaknesses in the portfolio and to assess the general quality of credit underwriting. The results of such reviews are presented to our executive management.

For additional information regarding our lending activity, see the section captioned “Loans” in the “Balance Sheet Review” section of Part II, Item 7 of this Report - “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Deposit Activities

Deposits are the major source of our funds for lending and other investment activities. We offer our customers a variety of deposit products, including checking accounts, savings accounts, money market accounts and other deposit accounts, through multiple channels, including our network of full-service branches and our online, mobile and telephone banking platforms. We consider the majority of our regular savings, demand, negotiable order of withdrawal (“NOW”) and money market deposit accounts to be core deposits. Generally, we attempt to maintain the rates paid on our deposits at a competitive level. We generate the majority of our deposits from customers in our local markets. For additional information regarding our deposit accounts, see the section captioned “Deposits” in Part II, Item 7 of this Report - “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Investments

We use our investment portfolio to provide for the investment of excess funds at acceptable risks levels while providing liquidity to fund loan demand or to offset fluctuations in deposits. Our portfolio consists primarily of residential and commercial mortgage-backed securities and U.S. Department of the Treasury (“U. S. Treasury”) and agency and municipal obligations. Most of the securities are classified by us as available-for-sale and recorded on our balance sheet at market value at each balance sheet date. Any change in market value on available-for-sale securities is recorded directly in our shareholders’ equity account and is not recognized in our income statement unless the security is sold or unless it is impaired and the impairment is other than temporary.

Insurance, Merchant Services and Wealth Management

We own a captive insurance subsidiary, NLFC Reinsurance Corp., which provides reinsurance on a property insurance contract covering equipment financed by our equipment financing division and risk management services for us and our subsidiaries.

We provide payment processing services for our commercial and small business customers through United Community Payment Systems, LLC (“UCPS”). UCPS is a joint venture between the Bank and Security Card Services, LLC, a merchant services provider.

We generate fee revenue through the sale of non-deposit investment products and insurance products, including life insurance, long-term care insurance and tax-deferred annuities, to our customers. Those products are sold by employees who are licensed financial advisors doing business as United Community Advisory Services. We have an affiliation with a third party broker/dealer, LPL Financial, to facilitate this line of business.

Competition

We compete in the highly competitive banking and financial services industry. Our profitability depends principally on our ability to effectively compete in the markets in which we conduct business.

We experience strong competition from both bank and non-bank competitors. Broadly speaking, we compete with national banks, super-regional banks, smaller community banks, credit unions, non-traditional internet-based banks and insurance companies. We

also compete with other financial intermediaries and investment alternatives such as mortgage companies, credit card issuers, leasing companies, finance companies, money market mutual funds, brokerage firms, governmental and corporate bond issuers, and other securities firms. Many of these non-bank competitors are not subject to the same regulatory oversight, which can provide them a competitive advantage in some instances. In many cases, our competitors have substantially greater resources and offer certain services that we are unable to provide to our customers.

We encounter strong pricing competition in providing our services, particularly in making loans and attracting deposits. Additionally, other banks offer different products or services from those that we provide. The larger national and super-regional banks may have significantly greater lending limits and may offer additional products. We attempt to compete successfully with our competitors, regardless of their size, by emphasizing customer service while continuing to provide a wide variety of services.

We expect competition in the industry to continue to increase mainly as a result of the improvement in financial technology used by both existing and new banking and financial services firms. Competition may further intensify as additional companies enter the markets where we conduct business, competitors combine to present more formidable challengers and we enter mature markets in accordance with our expansion strategy.

Acquisitions and Expansion

We look for opportunities to expand into attractive markets in which we believe our operating model will be successful. We have entered new markets and expanded our product offerings both by establishing new branches and service locations and selective acquisitions of existing market participants. We have developed a number of commercial lending businesses organically, which provide local commercial real estate, middle market, senior living, renewable energy, builder finance and asset-based lending services. We generally seek merger or acquisition partners that share a similar culture and commitment to customer service. Acquisitions typically involve the payment of a premium over book and market values and, therefore, some dilution to our book value and net income per share may occur with any future transactions. Our goal is to maintain a reasonable earn-back period of any dilution, using realistic assumptions as to growth and expense reductions, as well as to achieve a return on investment superior to that achieved through de novo expansion. Our ability to engage in any merger or acquisition will depend upon approval from various bank regulatory authorities, which will be subject to a variety of factors and considerations.

Supervision and Regulation

General

Like all banks and bank holding companies, we are regulated extensively under state and federal banking laws. The regulatory framework is intended primarily for the protection of the depositors, the federal deposit insurance fund and the banking system as a whole and not for the protection of our shareholders and creditors. Certain provisions of laws and regulations affecting financial services firms are subject to further rulemaking, guidance and interpretation by the applicable federal regulators. The Holding Company is subject to the examination and reporting requirements of the Federal Reserve and the Georgia Department of Banking and Finance (the "DBF") and also is subject to regulation by the SEC by virtue of its status as a public company and due to the nature of some of its businesses. The Bank is subject to examination and reporting requirements of the Federal Deposit Insurance Corporation ("FDIC"), the DBF and the Consumer Financial Protection Bureau ("CFPB"). The financial statements and information contained herein have not been reviewed, or confirmed for accuracy or relevance, by the FDIC or any other regulator.

The following is a general summary of the material aspects of certain statutes and regulations applicable to us. These summary descriptions are not complete, and you should refer to the full text of the statutes, regulations, and corresponding guidance for more information. These statutes and regulations are subject to change, and additional statutes, regulations, and corresponding guidance may be adopted. We are unable to predict these future changes or the effects, if any, that these changes could have on our business, revenues, and results of operations.

Bank Holding Company Regulation

The Holding Company is a registered bank holding company subject to regulation by the Federal Reserve under the Bank Holding Company Act of 1956, as amended ("BHC Act") and is required to file annual and quarterly financial information with, and is subject to periodic examination by, the Federal Reserve. The BHC Act requires every bank holding company to obtain the Federal Reserve's prior approval before (1) acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank that it does not already control; (2) acquiring all or substantially all of the assets of a bank; and (3) subject to certain exceptions, merging or consolidating with any other bank holding company. In addition, a bank holding company is generally prohibited from engaging in, or acquiring a direct or indirect interest in or control of more than 5% of the voting shares of any company engaged in non-banking

activities. This prohibition does not apply to activities listed in the BHC Act or found by the Federal Reserve, by order or regulation, to be closely related to banking or managing or controlling banks as to be a proper incident thereto.

Some of the activities that the Federal Reserve has determined by regulation or order to be closely related to banking are:

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

Although the activities of bank holding companies have traditionally been limited to the business of banking and activities closely related or incidental to banking (as discussed above), the Gramm-Leach-Bliley Act (the "GLB Act") relaxed the previous limitations and permitted bank holding companies to engage in a broader range of financial activities. Specifically, bank holding companies may elect to become financial holding companies which may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. We have not sought financial holding company status, but we may elect that status in the future. If we were to elect in writing for financial holding company status, we would be required to be well capitalized and well managed, and each insured depository institution we control would also have to be well capitalized, well managed and have at least a satisfactory rating under the Community Reinvestment Act (discussed below).

The Holding Company also must register with the DBF and file periodic information with the DBF. As part of such registration, the DBF requires information with respect to our financial condition, operations, management and intercompany relationship and related matters. The DBF may also require such other information as is necessary to keep itself informed concerning compliance with Georgia law and the regulations and orders issued thereunder by the DBF, and the DBF may examine both the Holding Company and the Bank. Although the Bank operates branches in North Carolina, Tennessee and South Carolina, none of the North Carolina Banking Commission, the Tennessee Department of Financial Institutions, or the South Carolina Commissioner of Banking examines or directly regulates out-of-state holding companies.

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

Payment of Dividends

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

Under the regulations of the DBF, a state bank may declare a dividend out of its retained earnings without DBF approval if it meets all the following requirements:

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

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

The Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve's view that a bank holding company generally should pay cash dividends only to the extent that the holding company's net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the holding company's capital needs, asset quality, and overall financial condition. The Federal Reserve has also indicated that a bank holding company should not maintain a level of cash dividends that places undue pressure on the capital of its bank subsidiaries, or that can be funded only through additional borrowings or other arrangements that undermine the bank holding company's ability to act as a source of strength. The Holding Company and the Bank must also maintain the CET1 capital conservation buffer of 2.5% to avoid becoming subject to restrictions on capital distributions, including dividends, as described below under "Capital Adequacy-Basel III Capital Standards."

Due to its accumulated deficit in recent years, the Bank was required to receive pre-approval from the DBF and FDIC to pay cash dividends (reduction in capital) to the Holding Company. During 2019, no cash dividends were paid by the Bank to the Holding Company. In 2018 and 2017, the Bank paid cash dividends of \$162 million and \$103 million, respectively, to the Holding Company after the approval of the DBF and FDIC. The dividends were paid out of capital surplus rather than the accumulated deficit. At both December 31, 2019 and December 31, 2018, the Bank no longer had an accumulated deficit. The Holding Company declared cash dividends on its common stock in 2019, 2018 and 2017 of \$0.68, \$0.58 and \$0.38 per share, respectively.

Capital Adequacy

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

Basel III Capital Standards

Regulatory capital rules adopted in July 2013 and fully-phased in as of January 1, 2019, which we refer to as the Basel III rules, impose minimum capital requirements for bank holding companies and banks. The Basel III rules apply to all national and state banks and savings associations regardless of size and bank holding companies and savings and loan holding companies with more than \$3 billion in total consolidated assets. More stringent requirements are imposed on "advanced approaches" banking organizations which are organizations with \$250 billion or more in total consolidated assets, \$10 billion or more in total foreign exposures, or that have opted into the Basel III capital regime.

Specifically, we are required to maintain the following minimum capital levels:

- a common equity Tier 1 ("CET1"), risk-based capital ratio of 4.5%;
- a Tier 1 risk-based capital ratio of 6%;
- a total risk-based capital ratio of 8%; and
- a leverage ratio of 4%.

Under Basel III, Tier 1 capital includes two components: CET1 capital and additional Tier 1 capital. The highest form of capital, CET1 capital, consists solely of common stock (plus related surplus), retained earnings, accumulated other comprehensive income, otherwise referred to as AOCI, and limited amounts of minority interests that are in the form of common stock. Additional Tier 1 capital is primarily comprised of noncumulative perpetual preferred stock, Tier 1 minority interests and grandfathered trust preferred securities (as discussed below). Tier 2 capital generally includes the allowance for loan losses up to 1.25% of risk-weighted assets, qualifying preferred stock, subordinated debt and qualifying tier 2 minority interests, less any deductions in Tier 2 instruments of an unconsolidated financial institution. Cumulative perpetual preferred stock is included only in Tier 2 capital, except that the Basel III rules permit bank holding companies with less than \$15 billion in total consolidated assets to continue to include trust preferred securities and cumulative perpetual preferred stock issued before May 19, 2010 in Tier 1 Capital (but not in CET1 capital), subject to certain restrictions. AOCI is presumptively included in CET1 capital and often would operate to reduce this category of capital. When implemented, Basel III provided a one-time opportunity at the end of the first quarter of 2015 for covered banking organizations to opt out of much of this treatment of AOCI. We made this opt-out election and, as a result, retained our pre-existing treatment for AOCI.

In addition, in order to avoid restrictions on capital distributions or discretionary bonus payments to executives, under Basel III, a banking organization must maintain a "capital conservation buffer" on top of its minimum risk-based capital requirements. This buffer must consist solely of Tier 1 Common Equity, but the buffer applies to all three risk-based measurements (CET1, Tier 1 capital and total capital). The 2.5% capital conservation buffer was phased in incrementally over time, and became fully effective for us on January

1, 2019, resulting in the following effective minimum capital plus capital conservation buffer ratios: (i) a CET1 capital ratio of 7.0%, (ii) a Tier 1 risk-based capital ratio of 8.5%, and (iii) a total risk-based capital ratio of 10.5%.

On December 21, 2018, the federal banking agencies issued a joint final rule to revise their regulatory capital rules to (i) address the upcoming implementation of a new credit impairment model, the Current Expected Credit Loss, or CECL model, an accounting standard under GAAP; (ii) provide an optional three-year phase-in period for the day-one adverse regulatory capital effects that banking organizations are expected to experience upon adopting CECL; and (iii) require the use of CECL in stress tests beginning with the 2020 capital planning and stress testing cycle for certain banking organizations that are subject to stress testing. We expect to recognize a one-time cumulative-effect adjustment of \$3.53 million, net of tax, to retained earnings as of the beginning of the first quarter of 2020, the first reporting period in which the new standard is effective.

In December 2017, the Basel Committee on Banking Supervision published the last version of the Basel III accord, generally referred to as “Basel IV.” The Basel Committee stated that a key objective of the revisions incorporated into the framework is to reduce excessive variability of risk-weighted assets (“RWA”), which will be accomplished by enhancing the robustness and risk sensitivity of the standardized approaches for credit risk and operational risk, which will facilitate the comparability of banks’ capital ratios; constraining the use of internally modeled approaches; and complementing the risk-weighted capital ratio with a finalized leverage ratio and a revised and robust capital floor. Leadership of the federal banking agencies who are tasked with implementing Basel IV supported the revisions. Although it is uncertain at this time, we anticipate some, if not all, of the Basel IV accord may be incorporated into the capital requirements framework applicable to us.

Prompt Corrective Action

In addition to the Basel III rules applicable to both banks and bank holding companies discussed above, the Bank is required to comply with the capital requirements promulgated under the Federal Deposit Insurance Act and the prompt corrective action regulations thereunder, which set forth five capital categories, each with specific regulatory consequences. Under these regulations, the categories are: (1) a “well-capitalized” institution has a Total risk-based capital ratio of at least 10%, a Tier 1 risk-based ratio of at least 8%, a CET1 risk-based ratio of 6.5% and a leverage ratio of at least 5%; (2) an “adequately capitalized” institution has a Total risk-based capital ratio of at least 8%, a Tier 1 risk-based ratio of at least 6%, a CET1 risk-based ratio of 4.5% and a leverage ratio of at least 4%; (3) an “undercapitalized” institution has a Total risk-based capital ratio of under 8%, a Tier 1 risk-based ratio of under 6%, a CET1 risk-based ratio of under 4.5% or a leverage ratio of under 4%; (4) a “significantly undercapitalized” institution has a Total risk-based capital ratio of under 6%, a Tier 1 risk-based ratio of under 4%, a CET1 risk-based ratio of under 3% or a leverage ratio of under 3%; and (5) a “critically undercapitalized” institution has a ratio of tangible equity to total assets of 2% or less.

Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Institutions in any of the three undercapitalized categories are prohibited from declaring dividends or making capital distributions. The FDIC regulations also allow it to “downgrade” an institution to a lower capital category based on supervisory factors other than capital. Generally, subject to a narrow exception, banking regulators must appoint a receiver or conservator for an institution that is “critically undercapitalized.” The federal banking agencies have specified by regulation the relevant capital level for each category. An institution that is categorized as “undercapitalized,” “significantly undercapitalized,” or “critically undercapitalized” is required to submit an acceptable capital restoration plan to its appropriate federal banking agency, which, for the Bank, is the FDIC. Failure to meet capital guidelines could subject the Bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting brokered deposits and other restrictions on our business.

As of December 31, 2019, the FDIC categorized the Bank as “well-capitalized” under current regulations.

Consumer Protection Laws

In connection with its lending activities, the Bank is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedure Act and their respective state law counterparts.

CFPB

The Dodd-Frank Act created the CFPB, which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, the Consumer Financial Privacy provisions of the

GBLA and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with \$10 billion or more in assets, such as the Bank. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products.

The CFPB has issued a number of regulations related to the origination of mortgages, foreclosures, and overdrafts as well as many other consumer issues. Additionally, the CFPB has proposed, or may propose, additional regulations or modifying existing regulations that directly relate to our business. Although it is difficult to predict at this time the extent to which the CFPB's final rules impact the operations and financial condition of the Bank, such rules may have a material impact on our compliance costs, compliance risk and fee income.

FDIC Insurance Assessments

The Bank's deposits are insured by the FDIC up to \$250,000 per account subject to applicable limitations through the Deposit Insurance Fund. As a result, the Bank must pay deposit insurance assessments to the FDIC. The FDIC imposes a risk-based deposit premium assessment system to determine assessments based on a number of factors to measure the risk each institution poses to the Deposit Insurance Fund. The assessment rate is applied to our total average assets less tangible equity. Under the current system, premiums are assessed quarterly and could increase if, for example, criticized loans and/or other higher risk assets increase or balance sheet liquidity decreases. Because the Bank has exceeded \$10 billion in assets for four consecutive quarters, the FDIC uses a "scorecard" system to calculate our assessments that combines regulatory ratings and certain forward-looking financial measures intended to assess the risk an institution poses to the FDIC's deposit insurance fund. The FDIC also has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations.

In addition to ordinary assessments described above, the FDIC has the ability to impose special assessments in certain instances. For example, under the Dodd-Frank Act, the minimum designated reserve ratio for the deposit insurance fund was increased to 1.35% of the estimated total amount of insured deposits, and the FDIC adopted rules to impose a surcharge on the quarterly deposit insurance assessments of insured depository institutions deemed to be "large institutions," generally defined to include banks with total consolidated assets of \$10 billion or more for four consecutive quarters, to reach the designated reserve ratio. On September 30, 2018, the deposit insurance fund reached 1.36%, exceeding the statutorily required minimum reserve ratio of 1.35%. On reaching the minimum reserve ratio of 1.35%, FDIC regulations provided for two changes to deposit insurance assessments: (i) surcharges on insured depository institutions with total consolidated assets of \$10 billion or more (large institutions) ceased; and (ii) small banks will receive assessment credits for the portion of their assessments that contributed to the growth in the reserve ratio from between 1.15% and 1.35%, to be applied when the reserve ratio is at or above 1.38%. Assessment rates are expected to decrease if the reserve ratio increases such that it exceeds 2%. In addition, FDIC insured institutions were required to pay a Financing Corporation ("FICO") assessment to fund the interest on bonds issued to resolve thrift failures in the 1980s, which expired between 2017 and 2019. The final FICO assessment was collected in March 2019.

The FDIC may also terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Durbin Amendment

The Dodd-Frank Act included provisions which restrict interchange fees, which are fees charged by banks to cover the cost of handling and exposure to credit and fraud-related risks inherent in bank credit or debit card transactions, to those which are "reasonable and proportionate" for certain debit card issuers and limits the ability of networks and issuers to restrict debit card transaction routing. This statutory provision is known as the "Durbin Amendment". In the Federal Reserve's final rules implementing the Durbin Amendment, interchange fees for debit card transactions were capped at \$0.21 plus five basis points in order to be eligible for a safe harbor such that the fee is conclusively determined to be reasonable and proportionate. Another related rule also permits an additional \$0.01 per transaction "fraud prevention adjustment" to the interchange fee if certain Federal Reserve standards are implemented, including an annual review of fraud prevention policies and procedures. With respect to network exclusivity and merchant routing restrictions, it is now required that all debit cards participate in at least two unaffiliated networks so that the transactions initiated using those debit cards will have at least two independent routing channels. The interchange fee restrictions contained in the Durbin Amendment, and the rules promulgated thereunder, apply to debit card issuers with \$10 billion or more in total consolidated assets. We became subject to the interchange fee restrictions and other requirements contained in the Durbin Amendment on July 1, 2017.

Incentive Compensation

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

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

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

Source of Strength Doctrine

Under long-standing Federal Reserve policy and now codified in Dodd-Frank, a bank holding company is expected to act as a source of financial and managerial strength to each of its subsidiary banks and commit resources to its support. This support may be required at times when the Holding Company may not have the resources to provide it.

Real Estate Lending

Inter-agency guidelines adopted by federal bank regulatory agencies mandate that financial institutions establish real estate lending policies with maximum allowable real estate loan-to-value limits, subject to an allowable amount of non-conforming loans as a percentage of capital. In addition, the federal bank regulatory agencies, including the FDIC, restrict concentrations in commercial real estate lending and have noted that increases in banks’ commercial real estate concentrations can create safety and soundness concerns. The regulatory guidance mandates certain minimal risk management practices and categorizes banks with defined levels of such concentrations as banks requiring elevated examiner scrutiny.

Transactions with Affiliates

Subsidiaries of bank holding companies, like the Bank, are subject to certain restrictions in their dealings with holding company affiliates. Section 23A of the Federal Reserve Act imposes quantitative and qualitative limits on transactions between a bank and any affiliate, including its holding company, and requires certain levels of collateral for extensions of credit to affiliates and certain other transactions involving affiliates. Section 23B requires that certain transactions between the Bank and its affiliates must be on terms substantially the same, or at least as favorable, as those prevailing at the time for comparable transactions with or involving other nonaffiliated companies. In the absence of such comparable transactions, any transaction between banks and their affiliates must be on terms and under circumstances, including credit standards, which in good faith would be offered to or would apply to nonaffiliated companies.

The Bank is also subject to certain restrictions on extensions of credit to executive officers, directors, certain principal shareholders, and their related interests. Extensions of credit include derivative transactions, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions to the extent that such transactions cause a bank to have credit exposure to an insider. Any extension of credit to an insider must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties, and must not involve more than the normal risk of repayment or present other unfavorable features.

On December 27, 2019, the federal banking agencies issued an interagency statement explaining that such agencies will provide temporary relief from enforcement action against banks or asset managers, which become principal shareholders of banks, with respect to certain extensions of credit by banks that otherwise would violate Regulation O, provided the asset managers and banks satisfy certain conditions designed to ensure that there is a lack of control by the asset manager over the bank. This temporary relief will apply while the Federal Reserve, in consultation with the other federal banking agencies, considers whether to amend Regulation O.

Community Reinvestment Act

The Bank is subject to certain requirements and reporting obligations under the Community Reinvestment Act (“CRA”), which requires federal banking regulators to evaluate the record of each financial institution in meeting the credit needs of its local community, including low- and moderate- income neighborhoods. The CRA further requires these criteria to be considered in evaluating mergers, acquisitions and applications to open a branch or facility. Failure to adequately meet these criteria could result in the imposition of additional requirements and limitations on the Bank. Additionally, financial institutions must publicly disclose the terms of various CRA-related agreements. In its most recent CRA examination, the Bank received a “satisfactory” rating.

In December 2019, the FDIC and the Office of the Comptroller of the Currency proposed changes to the regulations implementing the CRA, which, if adopted will result in changes to the current CRA framework. The Federal Reserve Board did not join the proposal.

Privacy and Data Security

The Federal Reserve, FDIC and other bank regulatory agencies have adopted guidelines (the “Guidelines”) for safeguarding confidential, personal customer information. The Guidelines require each financial institution, under the supervision and ongoing oversight of its Board of Directors or an appropriate committee thereof, to create, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. In addition, various U.S. regulators, including the Federal Reserve and the SEC, have increased their focus on cyber-security through guidance, examinations and regulations. The Bank has adopted a customer information security program that has been approved by the Board of Directors.

The GLB Act requires financial institutions to implement policies regarding the disclosure of non-public personal information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors and, except as otherwise required by law, prohibits disclosing such information except as provided in a banking subsidiary’s policies and procedures. The Bank has implemented a privacy policy.

Anti-Money Laundering Initiatives, the USA Patriot Act and the Office of Foreign Asset Control

A major focus of governmental policy on financial institutions in recent years has been aimed at combating terrorist financing, money laundering and other criminal acts. This has generally been accomplished by amending existing anti-money laundering laws and regulations. The USA Patriot Act of 2001 (the “Patriot Act”) amended the Currency Consumer Financial Protection and Foreign Transactions Reporting Act of 1970, commonly referred to as the “Bank Secrecy Act”, or “BSA”, to strengthen regulation of money laundering and financing of terrorism. The U.S. Department of the Treasury, in cooperation with the FDIC and the Financial Crimes Enforcement Network (“FinCEN”), has issued a number of implementing regulations which apply various requirements of the Patriot Act to the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering, terrorist financing and other criminal acts and to verify the identity of their customers. In addition, the Office of Foreign Asset Control (“OFAC”), a division of the U.S. Treasury Department charged with administering and enforcing economic and trade sanctions by the U.S. government, publishes lists of persons with which the Bank is prohibited from engaging in business. Over the past several years, federal banking regulators, FinCEN and OFAC have increased supervisory and enforcement attention on U.S. anti-money laundering and sanctions laws, as evidenced by a significant increase in enforcement activity, including several high profile enforcement actions. Several of these actions have addressed violations of the BSA, U.S. sanctions or both, resulting in the imposition of substantial civil monetary penalties. Enforcement actions have increasingly focused on publicly identifying individuals and holding those individuals, including compliance officers, accountable for deficiencies in compliance programs. State attorneys general and the U. S. Department of Justice have also pursued enforcement actions against banking entities alleged to have willfully violated the BSA and U.S. sanctions laws. Failure of a financial institution to maintain and implement adequate programs to combat terrorist financing, or to comply with all of the relevant laws or regulations, can lead to significant monetary penalties and could have other serious legal and reputational consequences for the institution. The Board of Directors has approved policies and procedures that it believes comply with these laws.

Future Legislation and Regulatory Initiatives

Federal and state legislators as well as regulatory agencies may introduce or enact new laws and rules, or amend existing laws and rules that may affect the regulation of United and its subsidiaries in substantial and unpredictable ways, and, if enacted, could increase or decrease the cost of doing business, limit or expand permissible activities or affect the industry's competitive balance. The nature and extent of future legislative and regulatory changes affecting financial institutions is not known at this time and cannot be predicted. However, any such changes could affect our business, financial condition and results of operations.

Information About Our Executive Officers

Information regarding our current executive officers as of February 1, 2020, is set forth below. Each of our executive officers is elected annually by the Board of Directors and serves at the discretion of the Board of Directors.

<u>Name (age)</u>	<u>Position with United and Employment History</u>	<u>Officer of United Since</u>
H. Lynn Harton (58)	President and Chief Executive Officer (2018 - present); President and Chief Operating Officer and Director (2015 - 2018)	2012
Jefferson L. Harralson (54)	Executive Vice President and Chief Financial Officer (2017 - present); prior to joining United was Managing Director at Keefe, Bruyette and Woods (2002 – 2017)	2017
Bradley J. Miller (49)	Executive Vice President, General Counsel and Corporate Secretary (2019-present); Chief Risk Officer and General Counsel (2015 - 2019)	2007
Robert A. Edwards (55)	Executive Vice President and Chief Risk Officer (2019 - present); Executive Vice President and Chief Credit Officer (2015 - 2019)	2015
Richard W. Bradshaw (58)	Chief Banking Officer (2019 - present); President, Commercial Banking Solutions (2014 - 2018)	2014
Mark Terry (53)	Chief Information Officer (2017 - present); Chief Technology Officer (2016-2017); prior to joining United was Chief Information Officer at Palmetto Bancshares, Inc. (2011-2016)	2016

There are no familial relationships between any of our directors or executive officers. There also are no arrangements or understandings between any executive officer and any other person pursuant to which any of them was elected as an officer, other than arrangements or understandings with directors or officers of United acting solely in their capacities as such.

Available Information

Our internet website address is www.ucbi.com. We file with or furnish to the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, proxy statements and annual reports to shareholders and, from time to time, registration statements and other documents. These documents are available free of charge to the public on or through the "Investor Relations" section of our website as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. The SEC maintains an internet site that contains reports, proxy and information statements and other information that we file electronically with, or furnish to, the SEC. The address of that website is www.sec.gov. The information on any website referenced in this Report is not incorporated by reference into, and is not a part of this Report. Further, our references to website URLs are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves risk. Investors should carefully consider the information contained or incorporated by reference in this Report before deciding to purchase our common stock. The items listed below present risks that could have a material effect on our financial condition, results of operations or business. Some of these risks are interrelated and the occurrence of one or more of them may exacerbate the effect of others.

CREDIT RISK

We are subject to credit risk from our lending activities.

There are inherent risks associated with our lending activities. When we lend money or commit to lend money, we incur credit risk or the risk of loss if borrowers do not repay their loans or other credit obligations. Credit risk includes, among other things, the quality of our underwriting, the impact of changes in interest rates and changes in the economic conditions in the markets where we operate as well as across the United States. Increases in interest rates and/or weakening economic conditions could adversely affect the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. If loan customers with significant loan balances fail to repay their loans, our results of operations, financial condition and capital levels will suffer.

We are exposed to higher credit and concentration risk from our commercial real estate, commercial and industrial and commercial construction lending.

Our credit risk and credit losses can increase if our loans are concentrated to borrowers engaged in the same or similar activities or to borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. As of December 31, 2019, approximately 76% of our loan portfolio consisted of commercial loans, including commercial and industrial, equipment financing, commercial construction and commercial real estate mortgage loans. Our borrowers under these loans tend to be small to medium-sized businesses. These types of loans are typically larger than residential real estate loans or consumer loans. During periods of lower economic growth or challenging economic periods, small to medium-sized businesses may be impacted more severely and more quickly than larger businesses. Consequently, the ability of such businesses to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely affect our results of operations and financial condition. An increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on our business, financial condition and results of operations.

Deterioration in economic conditions, housing conditions and commodity and real estate values and an increase in unemployment in certain states or locations could result in materially higher credit losses if loans are concentrated in those locations. Our loans are heavily concentrated in our primary markets of Georgia, South Carolina, North Carolina and Tennessee. These markets may have different or weaker performance than other areas of the country and our portfolio may be more negatively impacted than a financial services company with wider geographic diversity.

See the section captioned “Loans” in the “Balance Sheet Review” section of “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” located elsewhere in this Report for further discussion related to commercial and industrial, construction and commercial real estate loans.

If our allowance for loan losses (including the fair value adjustments with respect to loans acquired in acquisitions) is not enough to cover losses inherent in our loan portfolio, our results of operations and financial condition could be negatively affected.

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, which represents management’s best estimate of inherent losses that have been incurred in our existing loan portfolio. The level of the allowance reflects management’s continuing evaluation of factors including the volume and types of loans; industry concentrations; specific credit risks; internal loan classifications; trends in classifications; volume and trends in delinquencies, non-accruals and charge-offs; present economic, political and regulatory conditions; industry and peer bank loan quality indications; and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves subjectivity in our modeling and requires us to make estimates of current credit risks and future trends, all of which may undergo material changes or vary from our historical experience. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses.

The application of the purchase method of accounting in our acquisitions (and any future acquisitions) also will affect our allowance for loan losses. Under the purchase method of accounting, all acquired loans were recorded in our consolidated financial statements at their

estimated fair value at the time of acquisition and any related allowance for loan loss was eliminated because credit quality, among other factors, was considered in the determination of fair value. To the extent that our estimates of fair value are too high, we will incur losses associated with the acquired loans. The allowance associated with our purchased credit impaired loans reflects deterioration in cash flows after they were acquired resulting from our quarterly re-estimation of cash flows, which involves complex cash flow projections and significant judgment on timing of loan resolution.

In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. Furthermore, if charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on our business, financial condition and results of operations.

We implemented CECL on January 1, 2020, which will result in an increase to the allowance for credit losses of \$8.75 million, of which \$3.59 million will be reclassified from the fair value mark for purchased credit deteriorated loans, and a decrease in capital of \$3.53 million, net of tax. In future periods, CECL may result in increased reserves during or in advance of an economic downturn. Because CECL recognizes the expected losses over the life of the loan at the time the loan is made, it is possible that CECL implementation may increase the cost of lending in the industry and result in slower loan growth and lower levels of net income. The adoption of the CECL model may materially affect how we determine our allowance for credit losses and could require us to significantly increase our allowance. Moreover, the CECL model may create more volatility in the level of our allowance for credit losses. If we are required to materially increase our level of allowance for credit losses for any reason, such increase could adversely affect our business, financial condition and results of operations.

See the section captioned “Allowance for Credit Losses” in Part II, Item 7 of this Report “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion related to our process for determining the appropriate level of the allowance for loan losses.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and financial stability of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. This is sometimes referred to as “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which we interact daily, and therefore could adversely affect us. We have exposure to various counterparties, including brokers and dealers, commercial and correspondent banks, and others. As a result, defaults by, or rumors or questions about, one or more financial services institutions, or the financial services industry generally, may result in market-wide liquidity problems and could lead to losses or defaults by such other institutions. Such occurrences could expose us to credit risk in the event of default of one or more counterparties and could have a material adverse effect on our financial position, results of operations and liquidity.

LIQUIDITY RISK

Liquidity risk could impair our ability to fund our operations and jeopardize our financial condition.

Liquidity represents an institution’s ability to provide funds to satisfy demands from depositors, borrowers and other creditors by either converting assets into cash or accessing new or existing sources of incremental funds. Liquidity risk arises from the possibility that we may be unable to satisfy current or future funding requirements and needs.

The objective of managing liquidity risk is to ensure that our cash flow requirements resulting from depositor, borrower and other creditor demands as well as our operating cash needs, are met, and that our cost of funding such requirements and needs is reasonable. We maintain an asset/liability and interest rate risk policy and a liquidity and funds management policy, including a contingency funding plan that, among other things, include procedures for managing and monitoring liquidity risk. Generally, we rely on deposits, repayments of loans and leases and cash flows from our investment securities as our primary sources of funds. Our principal deposit sources include consumer, commercial and public funds customers in our markets. We have used these funds, together with wholesale deposit sources such as brokered deposits, along with Federal Home Loan Bank of Atlanta (“FHLB”) advances, federal funds purchased and other sources of short-term and long-term borrowings, to make loans and leases, acquire investment securities and other assets and to fund continuing operations.

An inability to maintain or raise funds in amounts necessary to meet our liquidity needs could have a substantial negative effect, individually or collectively, on our liquidity. Our access to funding sources in amounts adequate to finance our activities, or on terms attractive to us, could be impaired by factors that affect us specifically or the financial services industry in general. For example, factors that could

detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us, a reduction in our credit rating, any damage to our reputation or any other decrease in depositor or investor confidence in our creditworthiness and business. Our access to liquidity could also be impaired by factors that are not specific to us, such as severe volatility or disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole. Any such event or failure to manage our liquidity effectively could affect our competitive position, increase our borrowing costs and the interest rates we pay on deposits, limit our access to the capital markets and have a material adverse effect on our results of operations or financial condition.

Deposit levels may be affected by several factors, including rates paid by competitors, general interest rate levels, returns available to customers on alternative investments, general economic and market conditions and other factors. Loan and lease repayments are a relatively stable source of funds but are subject to the borrowers' and lessees' ability to repay loans and leases, which can be adversely affected by a number of factors including changes in general economic conditions, adverse trends or events affecting business industry groups or specific businesses, declines in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters and other factors. Furthermore, loans and leases generally are not readily convertible to cash. Accordingly, we may be required from time to time to rely on secondary sources of liquidity to meet growth in loans and leases, deposit withdrawal demands or otherwise fund operations. Such secondary sources include FHLB advances, brokered deposits, secured and unsecured federal funds lines of credit from correspondent banks, Federal Reserve borrowings and/or accessing the equity or debt capital markets.

The availability of these secondary funding sources is subject to broad economic conditions, to regulation and to investor assessment of our financial strength and, as such, the cost of funds may fluctuate significantly and/or the availability of such funds may be restricted, thus impacting our net interest income, our immediate liquidity and/or our access to additional liquidity. If we fail to remain "well capitalized" our ability to utilize brokered deposits may be restricted. We have somewhat similar risks to the extent high balance core deposits exceed the amount of deposit insurance coverage available.

We anticipate we will continue to rely primarily on deposits, loan and lease repayments, and cash flows from our investment securities to provide liquidity. Additionally, when necessary, the secondary sources of borrowed funds described above will be used to augment our primary funding sources. If we are unable to access any of these secondary funding sources when needed, we might be unable to meet our customers' or creditors' needs, which would adversely affect our financial condition, results of operations and liquidity.

We may need to raise additional capital in the future and our ability to raise capital and maintain required capital levels could be affected by changes in the capital markets and deteriorating economic and market conditions.

Federal and state bank regulators require United and the Bank to maintain adequate levels of capital to support operations. At December 31, 2019, both the Holding Company's and the Bank's regulatory capital ratios were above "well-capitalized" levels under regulatory guidelines. However, our business strategy calls for continued growth in our existing banking markets and targeted expansion in new markets. Growth in assets at rates in excess of the rate at which our capital is increased through retained earnings will reduce our capital ratios unless we continue to increase capital via other means. Failure by us to meet applicable capital guidelines or to satisfy certain other regulatory requirements could subject us to a variety of enforcement remedies available to the federal regulatory authorities and would negatively impact our ability to pursue acquisitions or other expansion opportunities.

We may need to raise additional capital (including through the issuance of common stock) in the future to provide us with sufficient capital resources to meet our commitments and business needs or in connection with acquisitions. Our ability to maintain capital levels could be impacted by negative perceptions of our business or prospects, changes in the capital markets and deteriorating economic and market conditions.

We cannot assure you that access to capital will be available to us on acceptable terms or at all. Any occurrence that may limit our access to the capital markets may materially and adversely affect our capital costs and our ability to raise capital and/or debt and, in turn, our liquidity. If we cannot raise additional capital when needed, our ability to expand through internal growth or acquisitions or to continue operations could be impaired, and we may need to finance or liquidate unencumbered assets to meet maturing liabilities. We may be unable to do so or have to do so on terms which are unfavorable, which could adversely affect our results of operations and financial condition.

The Holding Company's ability to receive dividends from subsidiaries accounts for most of its revenue and could affect its liquidity and ability to declare and pay dividends.

While our board of directors has approved the payment of a quarterly cash dividend on our common stock since the fourth quarter of 2013, there can be no assurance of whether or when we may pay dividends on our common stock in the future. Future dividends, if any, will be declared and paid at the discretion of our board of directors and will depend on a number of factors including, among others, asset

quality, earnings performance, liquidity and capital requirements. Our principal source of funds used to pay cash dividends on our common stock is dividends that we receive from the Bank. As a Georgia state-chartered bank, the Bank is subject to limitations on the amount of dividends that it is permitted to pay, as described under “Supervision and Regulation - Payment of Dividends” in Part I, Item 1 of this Report. The federal banking agencies have also issued policy statements which provide that bank holding companies and insured banks should generally only pay dividends out of current earnings. The Federal Reserve may also prevent the payment of a dividend by the Bank if it determines that the payment would be an unsafe and unsound banking practice. The Holding Company and the Bank must also maintain the CET1 capital conservation buffer of 2.5% to avoid becoming subject to restrictions on capital distributions, including dividends. If the Bank is not permitted to pay cash dividends to the Holding Company, it is unlikely that we would be able to continue to pay dividends on our common stock or to pay interest on our indebtedness.

In addition, the terms of our debentures prohibit us from paying dividends on our common stock until we have made required payments under the debentures or if we have deferred payments under the terms of such debentures. See “MARKET RISKS - Holders of our indebtedness have rights that are senior to those of our common shareholders.”

OPERATIONAL RISKS

We are dependent on our information technology and telecommunications systems and third-party servicers, and systems failures, interruptions, cyber-attacks or breaches of security could disrupt our business and have an adverse effect on our financial condition and results of operations.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks as well as through the internet through digital and mobile technologies. Although we take protective measures and endeavor to modify these systems as circumstances warrant, the advances in technology increase the risk of information security breaches. We provide our customers the ability to bank remotely, including over the Internet or through their mobile device. The secure transmission of confidential information is a critical element of remote and mobile banking. Any failure, interruption or breach in security of these systems could result in disruptions to our accounting, deposit, loan and other systems, and adversely affect our customer relationships.

There have been increasing efforts on the part of third parties, including through cyber-attacks, to breach data security at financial institutions or with respect to financial transactions. There have been several recent instances involving financial services, credit bureaus and consumer-based companies reporting the unauthorized disclosure of client or customer information or the destruction or theft of corporate data, by both private individuals and foreign governments. In addition, because the techniques used to cause such security breaches change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Our network, and the systems of parties with whom we contract, could be vulnerable to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches.

Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks. These risks are heightened through the increasing use of digital and mobile solutions which allow for rapid money movement and increase the difficulty to detect and prevent fraudulent transactions. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches (including breaches of security of customer systems and networks) and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could adversely affect our reputation, results of operations and ability to attract and maintain customers and businesses. In addition, a security breach could also subject us to additional regulatory scrutiny, expose us to civil litigation and possible financial liability and cause reputational damage.

We rely on information technology and telecommunications systems and certain third-party service providers and certain failures could materially adversely affect our operations.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems, third-party accounting systems and mobile and online banking platforms. We outsource many of our major systems, such as data processing, loan servicing and deposit processing systems and online banking platforms. While we have selected these vendors carefully, we do not control their actions. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Financial or operational difficulties of a vendor could also hurt our operations if those difficulties interfere with the vendor’s ability to serve us. Furthermore, our vendors could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third party vendors could also create significant delay and expense. Because our information technology and

telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process new and renewal loans, gather deposits and provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

Failure to keep pace with technological changes could adversely affect our business.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on our business, financial condition and results of operations.

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

The banking business is highly competitive and we experience competition in each of our markets from many other financial institutions. We compete with banks, credit unions, savings and loan associations, mortgage banking firms, securities brokerage firms, insurance companies, money market funds and other mutual funds, as well as community, super-regional, national and international financial institutions that operate offices in our market areas and elsewhere. The financial services industry could become even more competitive as a result of legislative and regulatory changes. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for nonbanks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. We compete with these institutions both in attracting deposits and in making loans. Many of our competitors are well-established, larger financial institutions that can operate profitably with a narrower net interest margin and have a more diverse revenue base. In addition, many have fewer regulatory constraints and may have lower cost structures. We may face a competitive disadvantage as a result of our smaller size, more limited geographic diversification and inability to spread costs across broader markets. Although we compete by concentrating marketing efforts in our primary markets with local advertisements, personal contacts and greater flexibility and responsiveness in working with local customers, customer loyalty can be easily influenced by a competitor's new products and our strategy may or may not continue to be successful. Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability which, in turn, could have a material adverse effect on our business, financial condition and results of operations. We may also be affected by the marketplace loosening of credit underwriting standards and structures.

An ineffective risk management framework could have a material adverse effect on our strategic planning and our ability to mitigate risks and/or losses and could have adverse regulatory consequences.

We have implemented a risk management framework to identify and manage our risk exposure. This framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, operational, capital, compliance, strategic and reputational risks. Our framework also includes financial, analytical, forecasting, or other modeling methodologies, which involves management assumptions and judgment. In addition, our board of directors, in consultation with management, has adopted a risk appetite statement, which sets forth certain thresholds and limits to govern our overall risk profile. However, there is no assurance that our risk management framework, including the risk metrics under our risk appetite statement, will be effective under all circumstances or that it will adequately identify, manage or mitigate any risk or loss to us. If our risk management framework is not effective, we could suffer unexpected losses and become subject to regulatory consequences, as a result of which our business, financial condition, results of operations or prospects could be materially adversely affected.

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

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

condition or prospects. These losses could also lead to significant reputational risks and other effects. The sophistication of external fraud actors continues to increase, and in some cases includes large criminal rings, which increases the resources and infrastructure needed to thwart these attacks. The industry fraud threat continues to evolve, including but not limited to card fraud, check fraud, social engineering and phishing attacks for identity theft and account takeover.

Our inability to retain management and key employees or to attract new experienced financial services or technology professionals could impair our relationship with our customers, reduce growth and adversely affect our business.

We have assembled a management team which has substantial background and experience in banking and financial services in our markets. Moreover, much of our organic loan growth in recent years was the result of our ability to attract experienced financial services professionals who have been able to attract customers from other financial institutions. We anticipate deploying a similar hiring strategy in the future. Operating our technology systems requires employees with specialized skills that are not readily available in the general employee candidate pool. Inability to retain these key personnel (including key personnel of the businesses we have acquired) or to continue to attract experienced lenders with established books of business could negatively impact our growth because of the loss of these individuals' skills and customer relationships and/or the potential difficulty of promptly replacing them. Moreover, the higher costs we must pay to hire and retain these experienced individuals could cause our noninterest expense levels to rise and negatively impact our results of operations.

REGULATORY COMPLIANCE RISK

We are subject to extensive regulation that could restrict our activities. Additionally, changes in laws and regulations or failures to comply with such laws and regulations may adversely affect our financial condition and results of operations.

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

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

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

plan, including any acquisition plans that we have, which would negatively impact our business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

Changes in other laws and regulations not specific to banking or financial services could also negatively impact our business, financial condition and results of operations. In addition, changes in laws or regulations that affect our customers and business partners could negatively affect our revenues and expenses. Certain changes in laws such as recent tax law reforms that impose limitations on the deductibility of interest may decrease the demand for our products or services and could negatively affect our revenues and results of operations. Changes in bankruptcy law, zoning or land use laws and regulations or environmental laws, rules, regulation and enforcement or other statutes, ordinances, rules or administrative or judicial interpretations that affect our customers' businesses could negatively impact our business.

Changes to capital requirements for bank holding companies and depository institutions that are now fully effective may restrict our ability to pay or increase dividends on or repurchase our common stock and may negatively affect our results of operations.

We are subject to regulatory requirements specifying minimum amounts and types of capital that we must maintain. From time to time, the regulators change these regulatory capital adequacy guidelines. In particular, the capital requirements applicable to us under the Basel III rules became fully effective on January 1, 2019. We are now required to satisfy additional, more stringent, capital adequacy standards than we had in the past, including the 2.5% capital conservation buffer. Failure to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our financial condition and results of operations. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions or make capital distributions in the form of dividends, share repurchases or redemptions. Higher capital levels could also lower our return on equity.

Because our total consolidated assets exceed \$10 billion, we are subject to regulations and oversight that could materially and adversely affect our revenues and expenses.

Because we exceeded \$10 billion in total consolidated assets in 2017, we have become subject to regulations and oversight that could adversely affect our revenues and expenses. Such regulations and oversight include the following:

- Oversight by the CFPB. As a relatively new agency with evolving regulations and practices, there is uncertainty as to how the CFPB's examination and regulatory authority might impact our business.
- FDIC Deposit Assessment Scorecard. With respect to deposit-taking activities, we now are subject to a deposit assessment based on a scorecard issued by the FDIC that considers, among other things, the Bank's CAMELS rating, results of asset-related stress testing and funding-related stress, as well as our use of core deposits. Depending on the results of a bank's performance under that scorecard, the total base assessment rate is between 2.5 to 45 basis points. Any increase in the Bank's deposit insurance assessments may result in an increased expense related to our use of deposits as a funding source and materially and adversely affect our results of operations.
- Durbin Amendment. We no longer are exempt from the requirements of the Federal Reserve's rules on interchange transaction fees for debit cards known as the Durbin Amendment. The Bank now is limited to receiving only a "reasonable" interchange transaction fee for any debit card transactions processed using debit cards issued by the Bank to our customers. The Federal Reserve has determined that it is unreasonable for a bank with more than \$10 billion in total assets to receive more than \$0.21 plus five basis points of the transaction plus a \$0.01 fraud adjustment for an interchange transaction fee for debit card transactions. Future limitations upon interchange fees that may be charged could materially and adversely affect our results of operations.

As a result of becoming subject to the heightened regulatory requirements, we have hired and continue to hire additional compliance personnel and implement structural initiatives to address these requirements. However, compliance with these and future requirements may necessitate that we hire additional compliance or other personnel, design and implement additional internal controls, or incur other significant expenses, any of which could have a material adverse effect on our business, financial condition or results of operations.

We may issue additional common stock or other equity securities in the future which could dilute the ownership interest of existing shareholders.

In order to maintain capital at desired or regulatory-required levels, we may issue additional shares of common stock, or securities convertible into, exchangeable for or representing rights to acquire shares of common stock. We may sell these shares at prices below the current market price of shares, and the sale of these shares may significantly dilute shareholder ownership. We could also issue

additional shares in connection with acquisitions of other financial institutions or other investments, which could also dilute shareholder ownership.

MARKET RISKS

Changes in the method pursuant to which LIBOR and other benchmark rates are determined could adversely impact our business and results of operations.

LIBOR and certain other “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. Our floating-rate funding, certain hedging transactions and certain of the products that we offer, such as floating-rate loans and mortgages, determine their applicable interest rate or payment amount by reference to a benchmark rate, such as LIBOR, the prime rate or the federal funds rate. In July 2017, the Chief Executive of the United Kingdom’s Financial Conduct Authority (the “FCA”) announced that the FCA intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Consequently, at this time, it is not possible to predict whether and to what extent banks will continue to provide submissions for the calculation of LIBOR. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR-linked financial instruments.

Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, the market transition away from LIBOR to an alternative reference ratio is complex and the failure to adequately manage the transition could have a range of material adverse effects on our business, financial condition and results of operations, including the potential to:

- adversely affect the interest rates paid or received on, and the revenue and expenses associated with, our floating rate obligations, loans, deposits, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR’s role in determining market interest rates globally;
- adversely affect the value of our floating rate obligations, loans, deposits, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR’s role in determining market interest rates globally;
- prompt inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with an alternative reference rate;
- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based securities; and
- require the transition to or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on the applicable alternative pricing benchmark.

The manner and impact of this transition, as well as the effect of these developments on our funding costs, loan and investment and trading securities portfolios, asset-liability management and business, is uncertain.

Adverse conditions in the business or economic environment where we operate, as well as broader conditions, globally and in the United States, could have a material adverse effect on our financial condition and results of operations.

Our success depends significantly upon local, national and global economic and political conditions, as well as governmental monetary policies and trade relations. Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets where we operate and in the United States as a whole. Unlike banks that are more geographically diversified, we are a regional bank that provides services to customers primarily in Georgia, South Carolina, North Carolina and Tennessee. The market conditions in these markets may be different from, and could be worse than, the economic conditions in the United States as a whole. Adverse changes in business and economic conditions generally or specifically in the markets in which we operate could affect impact our business, including causing one or more of the following negative developments:

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

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

Our net interest margin, and consequently our net earnings, are significantly affected by interest rate levels.

Our profitability is dependent to a large extent on net interest income, which is the difference between interest income earned on loans, leases and investment securities and interest expense paid on deposits, other borrowings, senior debt and subordinated notes. The absolute level of interest rates as well as changes in interest rates, including changes to the shape of the yield curve, may affect our level of interest income, the primary component of our gross revenue, as well as the level of our interest expense. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets, impacting our net interest income. Interest rate fluctuations are caused by many factors which, for the most part, are not under our control. For example, national monetary policy implemented by the Federal Reserve plays a significant role in the determination of interest rates. Additionally, competitor pricing and the resulting negotiations that occur with our customers also impact the rates we collect on loans and the rates we pay on deposits. In addition, the discontinuance of LIBOR as a reference rate, and the uncertainty related to such potential changes, may adversely affect the value of reference rate-linked debt securities and derivatives that we hold or issue, which could further impact our interest rate spread.

Changes in the level of interest rates also may negatively affect demand for, and thus our ability to originate, loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our results of operations and financial condition. A decline in the market value of our assets may limit our ability to borrow additional funds. As a result, we could be required to sell some of our loans and investments under adverse market conditions, upon terms that are not favorable to us, in order to maintain our liquidity. If those sales are made at prices lower than the amortized costs of the investments, we will incur losses.

Because of significant competitive pressures in our markets and the negative impact of these pressures on our deposit and loan pricing, coupled with the fact that a significant portion of our loan portfolio has variable rate pricing that moves in concert with changes to the Federal Reserve's federal funds rate or LIBOR (both of which are at relatively low levels as a result of macroeconomic conditions), our net interest margin may be negatively impacted if these short-term rates remain at their low levels or decrease further. However, if short-term interest rates rise, our results of operations may also be negatively impacted if we are unable to increase the rates we charge on loans or earn on our investment securities in excess of the increases we must pay on deposits and our other funding sources. As interest rates change, we expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities (usually deposits and borrowings) will be more sensitive to changes in market interest rates than our interest-earning assets (usually loans and investment securities), or vice versa. In either event, if market interest rates should move contrary to our position, this "gap" may work against us, and our results of operations and financial condition may be negatively affected.

We have historically entered into certain hedging transactions including interest rate swaps, which are designed to lessen elements of our interest rate exposure. If interest rates do not change in the manner anticipated, such transactions may not be effective and our results of operations may be adversely affected.

Changes in U.S. trade policies and other factors beyond our control, including the imposition of tariffs and retaliatory tariffs, and the impacts of pandemics may adversely impact our business, financial condition and results of operations.

There have been changes and discussions with respect to U.S. trade policies, legislation, treaties and tariffs, including trade policies and tariffs affecting other countries, including China, the European Union, Canada and Mexico and retaliatory tariffs by such countries. Tariffs and retaliatory tariffs have been imposed, and additional tariffs and retaliatory tariffs have been proposed. Such tariffs, retaliatory tariffs or other trade restrictions on products and materials that our customers import or export could cause the prices of our customers' products to increase which could reduce demand for such products, or reduce our customer margins, and adversely impact their revenues, financial results and ability to service debt; which, in turn, could adversely affect our financial condition and results of operations. In addition, to the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, results of operations and financial condition could be materially and adversely impacted in the future. It remains unclear what the U.S. Administration or foreign governments will or will not do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies. On January 26, 2020, President Trump signed a new trade agreement between the United States, Canada and Mexico to replace the North American Free Trade Agreement. The full impact of this agreement on us, our customers and on the economic conditions in our primary banking markets is currently unknown. In addition, the effects (or perceived effects) of

pandemics (including matters such as the coronavirus) may affect international trade, supply chains, travel, employee productivity and other economic activities. A trade war or other governmental action related to tariffs or international trade agreements or policies, as well as the effects (or perceived effects) of pandemics and other public concerns, have the potential to negatively impact ours and/or our customers' costs, demand for our customers' products, and/or the U.S. economy or certain sectors thereof and, thus, adversely affect our business, financial condition, and results of operations.

Our stock price can be volatile.

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price can fluctuate significantly in response to a variety of factors, some of which are unrelated to our financial performance, including, among other things:

- actual or anticipated variations in quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- perceptions in the marketplace regarding us and/or our competitors;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- changes in government regulations; or
- geopolitical conditions such as acts or threats of terrorism, military conflicts, the effects (or perceived effects) of pandemics and trade relations.

General market fluctuations, including real or anticipated changes in the strength of the local economy; industry factors and general economic and political conditions and events, such as economic slowdowns or recessions; interest rate changes, oil price volatility or credit loss trends could also cause our stock price to decrease regardless of our operating results.

Although our common stock currently is traded on the Nasdaq Stock Market's Global Select Market, or "Nasdaq", it has less liquidity than other stocks quoted on a national securities exchange.

Although our common stock is listed for trading on Nasdaq, the trading volume in our common stock is less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could cause our stock price to fall.

The trading volume in our common stock on Nasdaq has been relatively low when compared with larger companies listed on the Nasdaq or other stock exchanges. For 2019, our average daily trading volume was 412,773 shares. Although we have experienced increased liquidity in our stock, we cannot say with any certainty that a more active and liquid trading market for our common stock will continue to develop. Because of this, it may be more difficult for shareholders to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares.

We cannot predict the effect, if any, that future sales of our common stock in the market, or the availability of shares of common stock for sale in the market, will have on the market price of our common stock. We can give no assurance that sales of substantial amounts of common stock in the market, or the potential for large amounts of sales in the market, would not cause the price of our common stock to decline or impair our future ability to raise capital through sales of our common stock.

Holders of our indebtedness have rights that are senior to those of our common shareholders.

At December 31, 2019, we had outstanding senior debentures, subordinated debentures and trust preferred securities and accompanying subordinated debentures totaling \$213 million. Payments of the principal and interest on the senior debentures, subordinated debentures and the subordinated debentures accompanying the trust preferred securities are senior to payments with respect to shares of our common stock. We also conditionally guarantee payments of the principal and interest on the trust preferred securities. As a result, we must make payments on these debt instruments (including the related trust preferred securities) before any dividends can be paid on our common stock and, in the event of bankruptcy, dissolution or liquidation, the holders of the debt must be satisfied before any distributions can be

made on our common stock. We have the right to defer distributions on the subordinated debentures related to the trust preferred securities (and the related guarantee of payments on the trust preferred securities) for up to five years, during which time no dividends may be paid on our common stock. If our financial condition deteriorates or if we do not receive required regulatory approvals, we may be required to defer distributions on the subordinated debentures related to the trust preferred securities (and the related guarantee of payments on the trust preferred securities).

We may from time to time issue additional senior or subordinated indebtedness that would have to be repaid before our shareholders would be entitled to receive any of our assets.

An investment in our common stock is not an insured deposit and is not guaranteed by the FDIC.

Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described herein and our shareholders will bear the risk of loss if the value or market price of our common stock is adversely affected.

United's corporate organizational documents and the provisions of Georgia law to which we are subject contain certain provisions that could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition of United that you may favor.

United's amended and restated articles of incorporation, as amended (our "articles"), and bylaws, as amended (our "bylaws"), contain various provisions that could have an anti-takeover effect and may delay, discourage or prevent an attempted acquisition or change of control of United. These provisions include:

- a provision allowing the board of directors to consider the interests of our employees, customers, suppliers and creditors when considering an acquisition proposal;
- a provision that all amendments to the articles and bylaws must be approved by a majority of the outstanding shares of our capital stock entitled to vote;
- a provision requiring that any business combination involving United be approved by 75% of the outstanding shares of United's common stock excluding shares held by stockholders who are deemed to have an interest in the transaction unless the business combination is approved by 75% of United's directors;
- a provision restricting removal of directors except for cause and upon the approval of two-thirds of the outstanding shares of our capital stock entitled to vote;
- a provision that any special meeting of shareholders may be called only by the chairman, chief executive officer, president, chief financial officer, board of directors or the holders of 25% of the outstanding shares of United's capital stock entitled to vote; and
- a provision establishing certain advance notice procedures for matters to be considered at an annual meeting of shareholders.

Additionally, United's articles authorize the board of directors to issue shares of preferred stock without shareholder approval and upon such terms as the board of directors may determine. The issuance of our preferred stock, while providing desirable flexibility in connection with possible acquisitions, financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in us. In addition, certain provisions of Georgia law, including a provision which restricts certain business combinations between a Georgia corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control of United.

LEGAL RISKS

We are subject to certain litigation, and our expenses related to this litigation may adversely affect our results.

We are from time to time subject to certain litigation in the ordinary course of our business. As we hire new revenue producing employees, we, and the employees we hire, may also periodically be the subject of litigation and threatened litigation with these employees' former employers. We may also be subject to claims related to our loan servicing programs, particularly those involving servicing of commercial real estate loans. From time to time, and particularly during periods of economic stress, customers, including real estate developers and consumer borrowers, may make claims or otherwise take legal action pertaining to performance of our responsibilities. These claims are often referred to as "lender liability" claims and are sometimes brought in an effort to produce or increase leverage against us in workout negotiations or debt collection proceedings. Lender liability claims frequently assert one or more of the following allegations: breach of fiduciary duties, fraud, economic duress, breach of contract, breach of the implied covenant of good faith and fair dealing, and similar claims.

These and other claims and legal actions, as well as supervisory and enforcement actions by our regulators, including the CFPB or other regulatory agencies with which we deal, including those with oversight of our loan servicing programs, could involve large monetary claims, capital directives, agreements with federal regulators, cease and desist orders and significant defense costs. The outcome of any such cases or actions is uncertain. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects.

Environmental liability associated with commercial lending could result in losses.

In the course of business, we may acquire, through foreclosure, or deed in lieu of foreclosure, properties securing loans we have originated or purchased which are in default. Particularly in commercial real estate lending, there is a risk that hazardous substances could be discovered on these properties. In this event, we might be required to remove these substances from the affected properties at our sole cost and expense. The cost of this removal could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have a material adverse effect on our business, results of operations and financial condition.

STRATEGIC RISKS

Our acquisitions and future expansion may result in additional risks.

We expect to continue to expand in our current markets and in select attractive growth markets through additional branches and also may consider expansion within these markets through additional acquisitions of all or part of other financial institutions. These types of expansions involve various risks, including:

Planning and Execution of Expansion. We may be unable to successfully:

- identify and expand into suitable markets;
- identify and acquire suitable sites for new banking offices and comply with zoning and permitting requirements;
- identify and evaluate potential acquisition and merger targets in a timely and cost-effective manner;
- develop accurate estimates and judgments to evaluate asset values and credit, operations, management and market risks with respect to an acquired branch or institution, a new branch office or a new market;
- manage transaction costs to preserve the expected financial benefits of the transaction;
- avoid the diversion of our management's attention to operations by the negotiation of a transaction;
- manage entry into new markets where we have limited or no direct prior experience;
- obtain regulatory and other approvals, or obtain such approvals without restrictive conditions;
- avoid the incurrence and possible impairment of goodwill associated with an acquisition and possible adverse effects on results of operations; or
- finance an acquisition or expansion or avoid possible dilution of our tangible book value and/or net income per common share.

Management of Growth. We may be unable to successfully:

- maintain loan quality in the context of significant loan growth;
- attract sufficient deposits and capital to fund anticipated loan growth;
- maintain adequate common equity and regulatory capital;
- avoid diversion or disruption of our existing operations or management as well as those of the acquired institution;
- hire or retain adequate management personnel and systems to oversee and support such growth;
- avoid the loss of key employees and customers of an acquired branch or institution;
- maintain adequate internal audit, loan review and compliance functions;
- implement additional policies, procedures and operating systems required to support such growth;
- integrate the acquired financial institution or portion of the institution; or
- avoid temporary disruption of our business or the business of the acquired institution.

Regulatory and Economic Factors. Our growth and expansion plans also may be adversely affected by a number of regulatory and economic developments or other events. Failure to obtain required regulatory approvals, changes in laws and regulations or other regulatory developments and changes in prevailing economic conditions or other unanticipated events may prevent or adversely affect our continued growth and expansion. Such factors may cause us to alter our growth and expansion plans or slow or halt the growth and expansion process, which may prevent us from entering into or expanding in our targeted markets or allow competitors to gain or retain market share in our existing markets.

Failure to successfully address these and other issues related to our expansion could have a material adverse effect on our financial condition and results of operations, and could adversely affect our ability to successfully implement our business strategy. Also, if our growth occurs more slowly than anticipated or declines, our results of operations and financial condition could be materially adversely affected.

Future acquisitions may dilute current shareholders' ownership of United and may cause United to become more susceptible to adverse economic events.

Future business acquisitions could be material to United and it may issue additional shares of stock to pay for those acquisitions, which would dilute current shareholders' ownership interests. Acquisitions also could require us to use substantial cash or other liquid assets or to incur debt. In those events, we could become more susceptible to economic downturns, dislocations in capital markets and competitive pressures.

GENERAL BUSINESS RISKS

Our reported financial results incorporate significant assumptions, estimates and judgments. In addition, changes in accounting standards or interpretations could impact our reported earnings and financial condition.

Management must make significant assumptions and estimates and exercise significant judgment in selecting and applying accounting and reporting policies. In some cases, management must select a policy from two or more alternatives, any of which may be reasonable under the circumstances, which may result in reporting materially different results than would have been reported under a different alternative.

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

The accounting standard setters, including the FASB, the SEC and other regulatory agencies, periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. For example, in June 2016, the FASB issued a new current expected credit loss rule, which will require banks to record, at the time of origination, credit losses expected throughout the life of the asset portfolio on loans and held-to-maturity securities, as opposed to then-existing practice of recording losses when it is probable that a loss event has occurred. For additional information, refer to Note 2 of the Notes to our Consolidated Financial Statements contained in this Report. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, which would result in the recasting of our prior period financial statements.

Weather-related events or other natural disasters may have an effect on the performance of our loan portfolios, especially in our coastal markets, thereby adversely affecting our results of operations.

Our operations and customer base are located in markets where natural disasters, including tornadoes, severe storms, fires, floods, hurricanes and earthquakes have occurred. Such natural disasters could significantly affect the local population and economies and our business, and could pose physical risks to our properties. Although our banking offices are geographically dispersed throughout portions of the southeastern United States and we maintain insurance coverage for such events, a significant natural disaster in or near one or more of our markets could have a material adverse effect on our financial condition, results of operations or liquidity.

Negative publicity could damage our reputation and our business.

Reputation risk, or the risk to our earnings, liquidity and capital from negative public opinion, is inherent in our business. Negative public opinion could adversely affect our ability to keep and attract customers and expose us to adverse legal and regulatory consequences. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance, regulatory compliance, securities compliance, mergers and acquisitions, and disclosure, from sharing or inadequate protection of customer information and from actions taken by government regulators and community organizations in response to that conduct. Negative public opinion could also result from adverse news or publicity that impairs the reputation of the financial services industry

generally. Because we conduct most of our business under the “United” brand, negative public opinion about one business could affect our other businesses.

Disruptions in the operation of government or changes in government funding may adversely affect us.

Certain of our operations and customers are dependent on the regular operation of the federal or state government or programs they administer. For example, our SBA lending program depends on interaction with the SBA, an independent agency of the federal government. During a lapse in funding, such as has occurred during previous federal government “shutdowns”, the SBA may not be able to engage in such interaction. Similarly, loans we make through USDA lending programs may be delayed or adversely affected by lapses in funding for the USDA. In addition, customers who depend directly or indirectly on providing goods and services to federal or state governments or their agencies may reduce their business with us or delay repayment of loans due to lost or delayed revenue from those relationships. If funding for these lending programs or federal spending generally is reduced as part of the appropriations process or by administrative decision, demand for our services may be reduced. Any of these developments could have a material adverse effect on our financial condition, results of operations or liquidity.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential holders of our securities could lose confidence in our financial reporting, which would harm our business and the trading price of our securities.

Maintaining and adapting our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, is expensive and requires significant management attention. Moreover, as we continue to grow, our internal controls may become more complex and require additional resources to ensure they remain effective amid dynamic regulatory and other guidance. Failure to implement effective controls or difficulties encountered in the process may harm our results of operations and financial condition or cause us to fail to meet our reporting obligations. If we or our independent registered accounting firm identify material weaknesses in our internal control over financial reporting or are otherwise required to restate our financial statements, we could be required to implement expensive and time-consuming remedial measures and could lose investor confidence in the accuracy and completeness of our financial reports. We may also face regulatory enforcement or other actions, including the potential delisting of our securities from the Nasdaq Global Select Market. This could have an adverse effect on our business, financial condition or results of operations, as well as the trading price of our securities, and could potentially subject us to litigation.

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

We compute our income tax provision based on enacted tax rates in the jurisdictions in which we operate. Any change in enacted tax laws, rules or regulatory or judicial interpretations, any adverse outcome in connection with tax audits in any jurisdiction or any change in the pronouncements relating to accounting for income taxes could adversely affect our effective tax rate, tax payments and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our executive offices are located at 125 Highway 515 East, Blairsville, Georgia, and we own this property. We provide services or perform operational functions at 181 locations, of which 140 are owned and 41 are leased under operating leases. We believe the terms of the various leases are consistent with market standards and were arrived at through arm's-length bargaining. We consider our properties to be suitable and adequate for operating our banking business. Notes 8 and 14 to our consolidated financial statements include additional information regarding investments in premises and equipment and leased properties.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of operations, we are parties to various legal proceedings and periodic regulatory examinations and investigations. There are no material pending legal proceedings to which we or any of our properties are subject.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

Stock. United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI".

At January 31, 2020, there were 8,139 record shareholders of United's common stock.

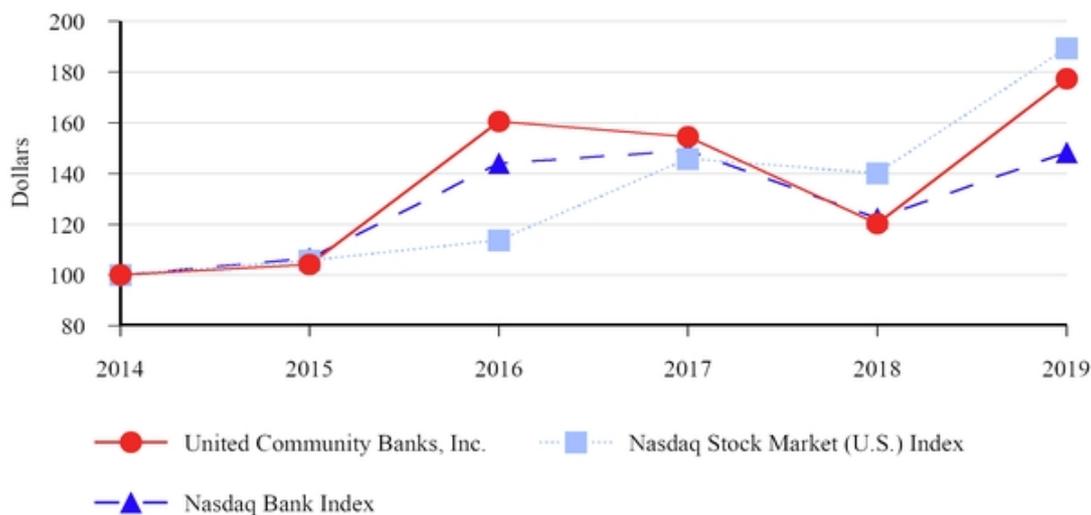
Dividends. Our Board of Directors declared cash dividends in the aggregate of \$0.68 and \$0.58 per share on our common stock in 2019 and 2018, respectively. We currently intend to continue to pay comparable quarterly cash dividends on our common stock, subject to approval by our Board of Directors, although we may elect not to pay dividends or to change the amount of such dividends. The payment of dividends is a decision of our Board of Directors based upon then-existing circumstances, including our rate of growth, profitability, financial condition, existing and anticipated capital requirements, the amount of funds legally available for the payment of cash dividends, regulatory constraints and such other factors as the Board determines relevant.

Additional information regarding dividends is included in Note 20 to our consolidated financial statements, under the heading of "Supervision and Regulation" in Part I of this Report and in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Dividends."

Share Repurchases. In November 2019, our Board of Directors authorized an update to the existing common stock repurchase plan to authorize the repurchase of up to \$50 million of our common stock. The program is scheduled to expire on the earlier of the repurchase of our common stock having an aggregate purchase price of \$50 million or December 31, 2020. Under the program, shares may be repurchased in open market transactions at prevailing market prices or in privately negotiated transactions, from time to time, or by other means in accordance with federal securities laws, and the program may be suspended or discontinued at any time without notice. The actual timing, number and value of shares repurchased under the program will be determined by management at its discretion and will depend on a number of factors, including the market price of our stock, general market and economic conditions, and applicable legal requirements. Repurchased shares will become treasury shares and may be utilized for general corporate purposes.

Performance Graph. Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our common stock against the cumulative total return on the Nasdaq Stock Market (U.S. Companies) Index and the Nasdaq Bank Stocks Index for the five-year period commencing December 31, 2014 and ending on December 31, 2019.

FIVE YEAR CUMULATIVE TOTAL RETURNS*
COMPARISON OF UNITED COMMUNITY BANKS, INC.,
NASDAQ STOCK MARKET (U.S.) INDEX
AND NASDAQ BANK INDEX
As of December 31



	Cumulative Total Return*					
	2014	2015	2016	2017	2018	2019
United Community Banks, Inc.	\$ 100	\$ 104	\$ 160	\$ 155	\$ 120	\$ 177
Nasdaq Stock Market (U.S.) Index	100	106	114	146	140	189
Nasdaq Bank Index	100	107	144	149	122	148

* Assumes \$100 invested on December 31, 2014 in our common stock and above noted indexes. Total return includes reinvestment of dividends at the closing stock price of the common stock on the dividend payment date and the closing values of stock and indexes as of December 31 of each year.

UNITED COMMUNITY BANKS, INC.
Item 6. Selected Financial Data
For the Years Ended December 31,

<i>(in thousands, except per share data)</i>	2019	2018	2017	2016	2015
INCOME SUMMARY					
Interest revenue	\$ 552,706	\$ 500,080	\$ 389,720	\$ 335,020	\$ 278,532
Interest expense	83,312	61,330	33,735	25,236	21,109
Net interest revenue	469,394	438,750	355,985	309,784	257,423
Provision for credit losses	13,150	9,500	3,800	(800)	3,700
Noninterest income	104,713	92,961	88,260	93,697	72,529
Total revenue	560,957	522,211	440,445	404,281	326,252
Expenses	322,245	306,285	267,611	241,289	211,238
Income before income tax expense	238,712	215,926	172,834	162,992	115,014
Income tax expense	52,991	49,815	105,013	62,336	43,436
Net income	185,721	166,111	67,821	100,656	71,578
Merger-related and other charges	7,357	7,345	14,662	8,122	17,995
Income tax benefit of merger-related and other charges	(1,695)	(1,494)	(3,745)	(3,074)	(6,388)
Impact of remeasurement of deferred tax asset resulting from 2017 Tax Cuts and Jobs Act	—	—	38,199	—	—
Impairment of deferred tax asset on cancelled non-qualified stock options	—	—	—	976	—
Release of disproportionate tax effects lodged in OCI	—	—	3,400	—	—
Net income - operating (1)*	\$ 191,383	\$ 171,962	\$ 120,337	\$ 106,680	\$ 83,185
PERFORMANCE MEASURES					
Per common share:					
Diluted net income - GAAP	\$ 2.31	\$ 2.07	\$ 0.92	\$ 1.40	\$ 1.09
Diluted net income - operating (1)*	2.38	2.14	1.63	1.48	1.27
Cash dividends declared	0.68	0.58	0.38	0.30	0.22
Book value	20.53	18.24	16.67	15.06	14.02
Tangible book value (3)*	16.28	14.24	13.65	12.95	12.06
Key performance ratios:					
Return on common equity - GAAP (2)	11.89%	11.60%	5.67%	9.41%	8.15%
Return on common equity - operating (1)(2)*	12.25	12.01	10.07	9.98	9.48
Return on tangible common equity - operating (1)(2)(3)*	15.81	15.69	12.02	11.86	10.24
Return on assets - GAAP	1.46	1.35	0.62	1.00	0.85
Return on assets - operating (1)*	1.51	1.40	1.09	1.06	0.98
Dividend payout ratio - GAAP	29.44	28.02	41.30	21.43	20.18
Dividend payout ratio - operating (1)*	28.57	27.10	23.31	20.27	17.32
Net interest margin (fully taxable equivalent)	4.07	3.91	3.52	3.36	3.30
Efficiency ratio - GAAP	55.77	57.31	59.95	59.80	63.96
Efficiency ratio - operating (1)*	54.50	55.94	56.67	57.78	58.51
Equity to total assets	12.66	11.59	10.94	10.05	10.58
Tangible common equity to tangible assets (3)*	10.32	9.29	9.14	8.77	9.15
ASSET QUALITY					
Nonperforming loans	\$ 35,341	\$ 23,778	\$ 23,658	\$ 21,539	\$ 22,653
Foreclosed properties	476	1,305	3,234	7,949	4,883
Total nonperforming assets ("NPAs")	35,817	25,083	26,892	29,488	27,536
Allowance for loan losses	62,089	61,203	58,914	61,422	68,448
Net charge-offs	12,216	6,113	5,998	6,766	6,259
Allowance for loan losses to loans	0.70%	0.73%	0.76%	0.89%	1.14%
Net charge-offs to average loans	0.14	0.07	0.08	0.11	0.12
NPAs to loans and foreclosed properties	0.41	0.30	0.35	0.43	0.46
NPAs to total assets	0.28	0.20	0.23	0.28	0.29
AVERAGE BALANCES (\$ in millions)					
Loans	\$ 8,708	\$ 8,170	\$ 7,150	\$ 6,413	\$ 5,298
Investment securities	2,647	2,899	2,847	2,691	2,368
Earning assets	11,609	11,282	10,162	9,257	7,834
Total assets	12,687	12,284	11,015	10,054	8,462
Deposits	10,579	10,000	8,950	8,177	7,055
Shareholders' equity	1,556	1,380	1,180	1,059	869
Common shares - basic (<i>thousands</i>)	79,700	79,662	73,247	71,910	65,488
Common shares - diluted (<i>thousands</i>)	79,708	79,671	73,259	71,915	65,492

AT PERIOD END (\$ in millions)										
Loans	\$	8,813	\$	8,383	\$	7,736	\$	6,921	\$	5,995
Investment securities		2,559		2,903		2,937		2,762		2,656
Total assets		12,916		12,573		11,915		10,709		9,616
Deposits		10,897		10,535		9,808		8,638		7,873
Shareholders' equity		1,636		1,458		1,303		1,076		1,018
Common shares outstanding (thousands)		79,014		79,234		77,580		70,899		71,484

⁽¹⁾ Excludes merger-related and other charges, the 2017 impact of remeasurement of United's deferred tax assets following the passage of tax reform legislation, a 2017 release of disproportionate tax effects lodged in OCI, and a 2016 deferred tax asset impairment charge related to cancelled non-qualified stock options. Merger-related and other charges for the periods presented is comprised of merger-related costs, amortization of certain executive change of control benefits, executive retirement charges (2019), pension plan termination costs (2019), and impairment losses on surplus bank property (2015). ⁽²⁾ Net income less 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.

* Represents a non-GAAP measure. For more information and a corresponding reconciliation of non-GAAP to related GAAP financial measures, see "GAAP Reconciliation and Explanation" and "Table 1 - Non-GAAP Performance Measures Reconciliation - Annual" in the Management's Discussion and Analysis of Financial Condition and Results of Operation section of this Report.

UNITED COMMUNITY BANKS, INC.
Item 6. Selected Financial Data, continued

(in thousands, except per share data)	2019				2018			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
INCOME SUMMARY								
Interest revenue	\$ 136,419	\$ 140,615	\$ 139,156	\$ 136,516	\$ 133,854	\$ 128,721	\$ 122,215	\$ 115,290
Interest expense	19,781	21,277	21,372	20,882	18,975	16,611	13,739	12,005
Net interest revenue	116,638	119,338	117,784	115,634	114,879	112,110	108,476	103,285
Provision for credit losses	3,500	3,100	3,250	3,300	2,100	1,800	1,800	3,800
Noninterest income	30,183	29,031	24,531	20,968	23,045	24,180	23,340	22,396
Total revenue	143,321	145,269	139,065	133,302	135,824	134,490	130,016	121,881
Expenses	81,424	82,924	81,813	76,084	78,242	77,718	76,850	73,475
Income before income tax expense	61,897	62,345	57,252	57,218	57,582	56,772	53,166	48,406
Income tax expense	12,885	13,983	13,167	12,956	12,445	13,090	13,532	10,748
Net income	49,012	48,362	44,085	44,262	45,137	43,682	39,634	37,658
Merger-related and other charges	(74)	2,605	4,087	739	1,234	592	2,873	2,646
Income tax benefit of merger-related and other charges	17	(600)	(940)	(172)	(604)	(141)	(121)	(628)
Net income - operating (1)*	\$ 48,955	\$ 50,367	\$ 47,232	\$ 44,829	\$ 45,767	\$ 44,133	\$ 42,386	\$ 39,676
PERFORMANCE MEASURES								
Per common share:								
Diluted net income (loss) - GAAP	\$ 0.61	\$ 0.60	\$ 0.55	\$ 0.55	\$ 0.56	\$ 0.54	\$ 0.49	\$ 0.47
Diluted net income - operating (1)*	0.61	0.63	0.59	0.56	0.57	0.55	0.53	0.50
Cash dividends declared	0.18	0.17	0.17	0.16	0.16	0.15	0.15	0.12
Book value	20.53	20.16	19.65	18.93	18.24	17.56	17.29	17.02
Tangible book value (3)*	16.28	15.90	15.38	14.93	14.24	13.54	13.25	12.96
Key performance ratios:								
Return on common equity - GAAP (2)(4)	12.07%	12.16%	11.45%	11.85%	12.08%	11.96%	11.20%	11.11%
Return on common equity - operating (1)(2)(4)*	12.06	12.67	12.27	12.00	12.25	12.09	11.97	11.71
Return on tangible common equity - operating (1)(2)(3)(4)*	15.49	16.38	15.88	15.46	15.88	15.81	15.79	15.26
Return on assets - GAAP (4)	1.50	1.51	1.40	1.44	1.43	1.41	1.30	1.26
Return on assets - operating (1)(4)*	1.50	1.58	1.50	1.45	1.45	1.42	1.39	1.33
Dividend payout ratio - GAAP	29.51	28.33	30.91	29.09	28.57	27.78	30.61	25.53
Dividend payout ratio - operating (1)*	29.51	26.98	28.81	28.57	28.07	27.27	28.30	24.00
Net interest margin (fully taxable equivalent) (4)	3.93	4.12	4.12	4.10	3.97	3.95	3.90	3.80
Efficiency ratio - GAAP	54.87	55.64	57.28	55.32	56.73	56.82	57.94	57.83
Efficiency ratio - operating (1)*	54.92	53.90	54.42	54.78	55.83	56.39	55.77	55.75
Equity to total assets	12.66	12.53	12.25	12.06	11.59	11.30	11.13	11.06
Tangible common equity to tangible assets (3)*	10.32	10.16	9.86	9.76	9.29	8.95	8.76	8.66
ASSET QUALITY								
Nonperforming loans	\$ 35,341	\$ 30,832	\$ 26,597	\$ 23,624	\$ 23,778	\$ 22,530	\$ 21,817	\$ 26,240
Foreclosed properties	476	102	75	1,127	1,305	1,336	2,597	2,714
Total nonperforming assets ("NPAs")	35,817	30,934	26,672	24,751	25,083	23,866	24,414	28,954
Allowance for loan losses	62,089	62,514	62,204	61,642	61,203	60,940	61,071	61,085
Net charge-offs	3,925	2,723	2,438	3,130	1,787	1,466	1,359	1,501
Allowance for loan losses to loans	0.70%	0.70%	0.70%	0.73%	0.73%	0.74%	0.74%	0.75%
Net charge-offs to average loans (4)	0.18	0.12	0.11	0.15	0.09	0.07	0.07	0.08
NPAs to loans and foreclosed properties	0.41	0.35	0.30	0.29	0.30	0.29	0.30	0.35
NPAs to total assets	0.28	0.24	0.21	0.20	0.20	0.19	0.20	0.24
AVERAGE BALANCES (\$ in millions)								
Loans	\$ 8,890	\$ 8,836	\$ 8,670	\$ 8,430	\$ 8,306	\$ 8,200	\$ 8,177	\$ 7,993
Investment securities	2,486	2,550	2,674	2,883	3,004	2,916	2,802	2,870
Earning assets	11,832	11,568	11,534	11,498	11,534	11,320	11,193	11,076
Total assets	12,946	12,681	12,608	12,509	12,505	12,302	12,213	12,111
Deposits	10,924	10,531	10,493	10,361	10,306	9,950	9,978	9,759
Shareholders' equity	1,623	1,588	1,531	1,478	1,420	1,394	1,370	1,336
Common shares - basic (thousands)	79,659	79,663	79,673	79,807	79,884	79,806	79,753	79,205
Common shares - diluted (thousands)	79,669	79,667	79,678	79,813	79,890	79,818	79,755	79,215
AT PERIOD END (\$ in millions)								
Loans	\$ 8,813	\$ 8,903	\$ 8,838	\$ 8,493	\$ 8,383	\$ 8,226	\$ 8,220	\$ 8,184
Investment securities	2,559	2,515	2,620	2,720	2,903	2,873	2,834	2,731

Total assets	12,916	12,809	12,779	12,506	12,573	12,405	12,386	12,264
Deposits	10,897	10,757	10,591	10,534	10,535	10,229	9,966	9,993
Shareholders' equity	1,636	1,605	1,566	1,508	1,458	1,402	1,379	1,357
Common shares outstanding (<i>thousands</i>)	79,014	78,974	79,075	79,035	79,234	79,202	79,138	79,123

⁽¹⁾ Excludes merger-related and other charges which includes termination of pension plan in the third quarter of 2019, executive retirement charges in the second quarter of 2019, and amortization of certain executive change of control benefits. ⁽²⁾ Net income less 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.

* Represents a non-GAAP measure. For more information and a corresponding reconciliation of non-GAAP to related GAAP financial measures, see "GAAP Reconciliation and Explanation" and "Table 1 - Non-GAAP Performance Measures Reconciliation - Quarterly" in the Management's Discussion and Analysis of Financial Condition and Results of Operation section of this Report.

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

Overview

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes. Historical results of operations and any trends that may appear may not indicate trends in results of operations for any future periods.

We offer a wide array of commercial and consumer banking services and investment advisory services through a 149 branch network throughout Georgia, South Carolina, North Carolina and Tennessee. We have grown organically as well as through strategic acquisitions.

In the past two years, we have continued to expand through acquisitions as follows:

- On May 1, 2019, we acquired First Madison Bank & Trust ("FMBT"), which operated four branches in the Athens-Clarke County, Georgia MSA. We acquired \$245 million of assets and assumed \$213 million of liabilities in the acquisition.
- On February 1, 2018, we acquired NLFC Holdings Corp. ("Navitas"), a specialty lending company providing equipment finance credit services to small and medium-sized businesses nationwide. We acquired \$393 million of assets and assumed \$350 million of liabilities in the acquisition.

The acquired entities' results are included in our consolidated results beginning on the respective acquisition dates.

We reported net income of \$186 million, or \$2.31 per diluted share, in 2019, up from \$166 million, or \$2.07 per diluted share, in 2018. Net interest revenue increased to \$469 million for 2019, compared to \$439 million for 2018, while net interest margin increased 16 basis points to 4.07% in 2019 from 3.91% in 2018.

The increase in net interest revenue and net interest margin was primarily attributable to loan growth, provided by organic growth and loans acquired from FMBT, and higher loan yields, including the effect of the equipment financing portfolio for the full year 2019. In addition, during 2019, we implemented a deleveraging strategy, which focused on reducing our investment portfolio and the use of higher-cost wholesale borrowings. The increase in interest revenue more than offset the increase in interest expense resulting from rising interest rates and deposit growth in 2019.

In addition, the increase in noninterest income, which was up \$11.8 million, or 13%, from 2018, was primarily driven by increases in mortgage loan gains and related fees, income from bank owned life insurance ("BOLI"), and other income. During 2019, we focused on growing our mortgage business by investing in additional staff and mortgage loan offices, which, combined with a very favorable interest rate environment, contributed to the \$8.14 million increase in mortgage loan gains and related fees. Elevated BOLI income in 2019 resulted from death benefits of \$1.65 million recognized in the fourth quarter of 2019. Other income increased \$2.57 million compared to 2018, due to several factors including higher equipment financing fee revenue and positive fair value adjustments on deferred compensation plan assets. The growth in equipment financing fee revenue was due to the inclusion of the Navitas portfolio for the full year of 2019 and equipment financing loan growth. These positive contributors to net income were offset by a \$2.41 million decrease in gains on sales of other loans, which was a result of strategically holding more government guaranteed loans on our balance sheet in order to benefit from the stable yield on these lower-risk assets and the loss on disposal of our indirect auto loan portfolio.

Noninterest expenses for 2019 of \$322 million were up \$16.0 million, or 5%, from 2018. Salaries and employee benefits expense was the largest contributor to the increase, up \$15.4 million in 2019, due to several factors including increased brokerage and mortgage commissions, higher group medical costs and additional stock compensation expense.

The provision for credit losses was \$13.2 million for 2019, compared to \$9.50 million for 2018. Net charge-offs for 2019 were \$12.2 million, compared to \$6.11 million for 2018. While overall credit quality remained stable, loan growth and higher charge-offs in the equipment financing portfolio contributed to the increase in the provision. The increase in net charge-offs on equipment financing loans of \$3.82 million was partly due to the inclusion of these loans in our portfolio for the full year of 2019.

At December 31, 2019 our loans totaled \$8.81 billion, up \$429 million from the end of 2018, primarily due to the acquisition of FMBT combined with continued growth in our community banking, mortgage and Commercial Banking Solutions areas and partially offset by the strategic runoff and sale of our indirect auto loan portfolio, which totaled \$208 million at December 31, 2018. Deposits were up \$363 million to \$10.9 billion at December 31, 2019, also as a result of the acquisition of FMBT and our continued focus on increasing low cost core transaction deposits, which grew \$507 million in 2019, excluding public funds deposits. At the end of 2019, total equity capital

was \$1.64 billion, up \$178 million from December 31, 2018, reflecting net income of \$186 million and other comprehensive income of \$50.0 million, partially offset by the payment of dividends on our common stock of \$54.6 million and stock repurchases of \$13.0 million. At December 31, 2019, the regulatory capital ratios of United and the Bank were significantly above “well-capitalized” levels.

At December 31, 2019, we had consolidated total assets of \$12.9 billion and 2,308 full-time equivalent employees.

For additional information related to financial trends between 2018 and 2017 please see the information under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on February 27, 2019, which information under that caption is incorporated herein by this reference.

Critical Accounting Policies

Our accounting and reporting policies are in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and conform to general practices within the banking industry. Application of these principles requires management to make estimates, assumptions or judgments that affect the amounts reported in the financial statements and the accompanying notes. These estimates are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates or judgments.

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

Certain policies inherently have a greater reliance on the use of estimates assumptions or judgments and as such, have a greater possibility of producing results that could be materially different than originally reported. We have identified the determination of our allowance for credit losses, fair value measurements and income taxes to be the accounting areas that require the most subjective or complex judgments, estimates and assumptions, and where changes in those judgments, estimates and assumptions (based on new or additional information, changes in the economic climate and/or market interest rates, etc.) could have a significant effect on our financial statements. Therefore, we consider these policies, discussed below, to be critical accounting policies and discuss them directly with the Audit Committee of our Board of Directors.

Our most significant accounting policies are presented in Note 1 to the accompanying consolidated financial statements. These policies, along with the disclosures presented in the other notes to the consolidated financial statements and in this Management’s Discussion and Analysis, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined.

Allowance for Credit Losses

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

The allowance for loan losses is an estimate of probable incurred losses in the loan portfolio and is based on analyses developed through specific credit allocations for individual loans and historical loss experience for each loan category. The specific credit allocations are based on impairment analyses of all nonaccrual loan relationships over \$500,000 and all troubled debt restructurings (“TDRs”), regardless of amount. These analyses involve judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The historical loss experience is adjusted for known changes in economic trends, events and conditions and credit quality trends such as changes in the amount of past due and nonperforming loans. The resulting loss allocation factors are applied to the balance of each type of loan after removing the balance of impaired loans and other specifically allocated loans from each category. The loss allocation factors are updated quarterly.

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

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

Fair Value Measurements

At December 31, 2019, the percentage of our total assets measured at fair value on a recurring basis was 19%. See Note 24 "Fair Value Measurements" in the consolidated financial statements herein for additional disclosures regarding the fair value of our assets and liabilities, including a description of the fair value hierarchy.

Impaired loans and foreclosed assets may be measured and carried at fair value, the determination of which requires management to make assumptions, estimates and judgments. When a loan is considered individually impaired, the loan is carried on a net basis at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral through either a specific valuation allowance or a charge-off. In addition, foreclosed assets are carried at the lower of cost, fair value, less cost to sell, or listed selling price less cost to sell, following foreclosure. Fair value is defined by GAAP "as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date." GAAP further defines an "orderly transaction" as "a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets. It is not a forced transaction (for example, a forced liquidation or distress sale)." Although management believes its processes for determining the value of impaired loans and foreclosed properties are appropriate and allow us to arrive at a fair value, the processes require management judgment and assumptions and the value of such assets at the time they are revalued or divested may be significantly different from management's determination of fair value.

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

We use derivatives primarily to manage our interest rate risk or to help our customers manage their interest rate risk. The fair values of derivative financial instruments are determined based on quoted market prices, dealer quotes and internal pricing models that are primarily sensitive to market observable data. However, we do evaluate the level of these observable inputs and there are some instances, with highly structured transactions, where we have determined that the inputs are not directly observable. We seek to mitigate the credit risk by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide us with collateral when their unsecured loss positions exceed certain negotiated limits.

We recognize a servicing rights asset upon the sale of residential mortgage loans and SBA/USDA loans sold with servicing retained. Servicing right assets are carried at fair value. Given the nature of these SBA/USDA and residential mortgage servicing assets, the key valuation inputs are unobservable and we disclose them as a level 3 item.

Management has elected the fair value option for most newly originated mortgage loans held for sale. We elected the fair value option for our 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, and as such is categorized as level 2.

As of December 31, 2019, we had level 3 assets, those valued using unobservable inputs, consisting of \$998,000 of available-for-sale debt securities, \$6.79 million in servicing rights for SBA/USDA loans, \$13.6 million in residential mortgage servicing rights and \$7.24 million in derivative assets. The sum of these items represents 0.22% of total assets. We also had level 3 derivative liabilities totaling \$8.56 million, which represents 0.08% of total liabilities.

Income Tax Accounting

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

Mergers and Acquisitions

Mergers and acquisitions present opportunities to enter new markets with an established presence and a capable management team already in place or enhance our market share in markets where we already have an established presence. We employ certain criteria to seek to ensure that any merger or acquisition candidate meets strategic growth and earnings objectives, including the addition of attractive markets with excellent opportunities for further organic growth in order to build future franchise value for our shareholders. We also seek to ensure that management of a potential partner shares our community banking philosophy of premium service quality.

On May 1, 2019, we completed the acquisition of FMBT, which operated four banking offices in Athens-Clarke County, Georgia. In connection with the acquisition, we acquired \$245 million of assets and assumed \$213 million of liabilities. Under the terms of the merger agreement, FMBT shareholders received \$52.1 million in cash. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$20.3 million, representing the intangible value of FMBT's business and reputation within the markets it served.

On February 1, 2018, we completed the acquisition of Navitas, a specialty lending company providing equipment finance credit services to small and medium-sized businesses nationwide. In connection with the acquisition, we acquired \$393 million of assets and assumed \$350 million of liabilities. Under the terms of the merger agreement, Navitas shareholders received \$130 million in total consideration, of which \$84.5 million was paid in cash and \$45.7 million was paid in shares of our common stock. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$87.4 million, representing the intangible value of Navitas's business and reputation within the markets it served.

We will continue to evaluate potential transactions as opportunities arise.

GAAP Reconciliation and Explanation

This Report 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" and "tangible common equity to tangible assets." In addition, management presents non-GAAP operating performance measures, which exclude merger-related and other items that are not part of our core business operations. Operating performance measures include "expenses – operating," "net income – 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 accurately capture and account for merger-related and other charges and those charges are reviewed with the audit committee of our Board of Directors each quarter. Management uses these non-GAAP measures because it believes they may provide useful supplemental information for evaluating our operations and performance over periods of time, as well as in managing and evaluating our business and in discussions about our operations and performance. Management believes these non-GAAP measures may also provide users of our financial information with a meaningful measure for assessing our 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 Table 1 of Management's Discussion and Analysis.

UNITED COMMUNITY BANKS, INC.
Table 1 - Non-GAAP Performance Measures Reconciliation - Annual Selected Financial Information

	For the Twelve Months Ended December 31,				
	2019	2018	2017	2016	2015
<i>(in thousands, except per share data)</i>					
Expense reconciliation					
Expenses (GAAP)	\$ 322,245	\$ 306,285	\$ 267,611	\$ 241,289	\$ 211,238
Merger-related and other charges	(7,357)	(7,345)	(14,662)	(8,122)	(17,995)
Expenses - operating	<u>\$ 314,888</u>	<u>\$ 298,940</u>	<u>\$ 252,949</u>	<u>\$ 233,167</u>	<u>\$ 193,243</u>
Net income reconciliation					
Net income (GAAP)	\$ 185,721	\$ 166,111	\$ 67,821	\$ 100,656	\$ 71,578
Merger-related and other charges	7,357	7,345	14,662	8,122	17,995
Income tax benefit of merger-related and other charges	(1,695)	(1,494)	(3,745)	(3,074)	(6,388)
Impact of tax reform on remeasurement of deferred tax asset	—	—	38,199	—	—
Impairment of deferred tax asset on canceled non-qualified stock options	—	—	—	976	—
Release of disproportionate tax effects lodged in OCI	—	—	3,400	—	—
Net income - operating	<u>\$ 191,383</u>	<u>\$ 171,962</u>	<u>\$ 120,337</u>	<u>\$ 106,680</u>	<u>\$ 83,185</u>
Diluted income per common share reconciliation					
Diluted income per common share (GAAP)	\$ 2.31	\$ 2.07	\$ 0.92	\$ 1.40	\$ 1.09
Merger-related and other charges	0.07	0.07	0.14	0.07	0.18
Impact of tax reform on remeasurement of deferred tax asset	—	—	0.52	—	—
Impairment of deferred tax asset on canceled non-qualified stock options	—	—	—	0.01	—
Release of disproportionate tax effects lodged in OCI	—	—	0.05	—	—
Diluted income per common share - operating	<u>\$ 2.38</u>	<u>\$ 2.14</u>	<u>\$ 1.63</u>	<u>\$ 1.48</u>	<u>\$ 1.27</u>
Book value per common share reconciliation					
Book value per common share (GAAP)	\$ 20.53	\$ 18.24	\$ 16.67	\$ 15.06	\$ 14.02
Effect of goodwill and other intangibles	(4.25)	(4.00)	(3.02)	(2.11)	(1.96)
Tangible book value per common share	<u>\$ 16.28</u>	<u>\$ 14.24</u>	<u>\$ 13.65</u>	<u>\$ 12.95</u>	<u>\$ 12.06</u>
Return on tangible common equity reconciliation					
Return on common equity (GAAP)	11.89 %	11.60 %	5.67 %	9.41 %	8.15 %
Merger-related and other charges	0.36	0.41	0.92	0.48	1.33
Impact of tax reform on remeasurement of deferred tax asset	—	—	3.20	—	—
Impairment of deferred tax asset on canceled non-qualified stock options	—	—	—	0.09	—
Release of disproportionate tax effects lodged in OCI	—	—	0.28	—	—
Return on common equity - operating	12.25	12.01	10.07	9.98	9.48
Effect of goodwill and other intangibles	3.56	3.68	1.95	1.88	0.76
Return on tangible common equity - operating	<u>15.81 %</u>	<u>15.69 %</u>	<u>12.02 %</u>	<u>11.86 %</u>	<u>10.24 %</u>
Return on assets reconciliation					
Return on assets (GAAP)	1.46 %	1.35 %	0.62 %	1.00 %	0.85 %
Merger-related and other charges	0.05	0.05	0.09	0.05	0.13
Impact of tax reform on remeasurement of deferred tax asset	—	—	0.35	—	—
Impairment of deferred tax asset on canceled non-qualified stock options	—	—	—	0.01	—
Release of disproportionate tax effects lodged in OCI	—	—	0.03	—	—
Return on assets - operating	<u>1.51 %</u>	<u>1.40 %</u>	<u>1.09 %</u>	<u>1.06 %</u>	<u>0.98 %</u>
Dividend payout ratio reconciliation					
Dividend payout ratio (GAAP)	29.44 %	28.02 %	41.30 %	21.43 %	20.18 %
Merger-related and other charges	(0.87)	(0.92)	(5.65)	(1.02)	(2.86)
Impact of tax reform on remeasurement of deferred tax asset	—	—	(11.61)	—	—
Impairment of deferred tax asset on canceled non-qualified stock options	—	—	—	(0.14)	—
Release of disproportionate tax effects lodged in OCI	—	—	(0.73)	—	—
Dividend payout ratio - operating	<u>28.57 %</u>	<u>27.10 %</u>	<u>23.31 %</u>	<u>20.27 %</u>	<u>17.32 %</u>
Efficiency ratio reconciliation					
Efficiency ratio (GAAP)	55.77 %	57.31 %	59.95 %	59.80 %	63.96 %

Merger-related and other charges	(1.27)	(1.37)	(3.28)	(2.02)	(5.45)
Efficiency ratio - operating	54.50 %	55.94 %	56.67 %	57.78 %	58.51 %
Tangible common equity to tangible assets reconciliation					
Equity to total assets (GAAP)	12.66 %	11.59 %	10.94 %	10.05 %	10.58 %
Effect of goodwill and other intangibles	(2.34)	(2.30)	(1.80)	(1.28)	(1.33)
Effect of preferred equity	—	—	—	—	(0.10)
Tangible common equity to tangible assets	10.32 %	9.29 %	9.14 %	8.77 %	9.15 %

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

<i>(in thousands, except per share data)</i>	2019				2018			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Expense reconciliation								
Expenses (GAAP)	\$ 81,424	\$ 82,924	\$ 81,813	\$ 76,084	\$ 78,242	\$ 77,718	\$ 76,850	\$ 73,475
Merger-related and other charges	74	(2,605)	(4,087)	(739)	(1,234)	(592)	(2,873)	(2,646)
Expenses - operating	<u>\$ 81,498</u>	<u>\$ 80,319</u>	<u>\$ 77,726</u>	<u>\$ 75,345</u>	<u>\$ 77,008</u>	<u>\$ 77,126</u>	<u>\$ 73,977</u>	<u>\$ 70,829</u>
Net income reconciliation								
Net income (GAAP)	\$ 49,012	\$ 48,362	\$ 44,085	\$ 44,262	\$ 45,137	\$ 43,682	\$ 39,634	\$ 37,658
Merger-related and other charges	(74)	2,605	4,087	739	1,234	592	2,873	2,646
Income tax benefit of merger-related and other charges	17	(600)	(940)	(172)	(604)	(141)	(121)	(628)
Net income - operating	<u>\$ 48,955</u>	<u>\$ 50,367</u>	<u>\$ 47,232</u>	<u>\$ 44,829</u>	<u>\$ 45,767</u>	<u>\$ 44,133</u>	<u>\$ 42,386</u>	<u>\$ 39,676</u>
Diluted income per common share reconciliation								
Diluted income per common share (GAAP)	\$ 0.61	\$ 0.60	\$ 0.55	\$ 0.55	\$ 0.56	\$ 0.54	\$ 0.49	\$ 0.47
Merger-related and other charges	—	0.03	0.04	0.01	0.01	0.01	0.04	0.03
Diluted income per common share - operating	<u>\$ 0.61</u>	<u>\$ 0.63</u>	<u>\$ 0.59</u>	<u>\$ 0.56</u>	<u>\$ 0.57</u>	<u>\$ 0.55</u>	<u>\$ 0.53</u>	<u>\$ 0.50</u>
Book value per common share reconciliation								
Book value per common share (GAAP)	\$ 20.53	\$ 20.16	\$ 19.65	\$ 18.93	\$ 18.24	\$ 17.56	\$ 17.29	\$ 17.02
Effect of goodwill and other intangibles	(4.25)	(4.26)	(4.27)	(4.00)	(4.00)	(4.02)	(4.04)	(4.06)
Tangible book value per common share	<u>\$ 16.28</u>	<u>\$ 15.90</u>	<u>\$ 15.38</u>	<u>\$ 14.93</u>	<u>\$ 14.24</u>	<u>\$ 13.54</u>	<u>\$ 13.25</u>	<u>\$ 12.96</u>
Return on tangible common equity reconciliation								
Return on common equity (GAAP)	12.07 %	12.16 %	11.45 %	11.85 %	12.08 %	11.96 %	11.20 %	11.11 %
Merger-related and other charges	(0.01)	0.51	0.82	0.15	0.17	0.13	0.77	0.60
Return on common equity - operating	12.06	12.67	12.27	12.00	12.25	12.09	11.97	11.71
Effect of goodwill and other intangibles	3.43	3.71	3.61	3.46	3.63	3.72	3.82	3.55
Return on tangible common equity - operating	<u>15.49 %</u>	<u>16.38 %</u>	<u>15.88 %</u>	<u>15.46 %</u>	<u>15.88 %</u>	<u>15.81 %</u>	<u>15.79 %</u>	<u>15.26 %</u>
Return on assets reconciliation								
Return on assets (GAAP)	1.50 %	1.51 %	1.40 %	1.44 %	1.43 %	1.41 %	1.30 %	1.26 %
Merger-related and other charges	—	0.07	0.10	0.01	0.02	0.01	0.09	0.07
Return on assets - operating	<u>1.50 %</u>	<u>1.58 %</u>	<u>1.50 %</u>	<u>1.45 %</u>	<u>1.45 %</u>	<u>1.42 %</u>	<u>1.39 %</u>	<u>1.33 %</u>
Dividend payout ratio reconciliation								
Dividend payout ratio (GAAP)	29.51 %	28.33 %	30.91 %	29.09 %	28.57 %	27.78 %	30.61 %	25.53 %
Merger-related and other charges	—	(1.35)	(2.10)	(0.52)	(0.50)	(0.51)	(2.31)	(1.53)
Dividend payout ratio - operating	<u>29.51 %</u>	<u>26.98 %</u>	<u>28.81 %</u>	<u>28.57 %</u>	<u>28.07 %</u>	<u>27.27 %</u>	<u>28.30 %</u>	<u>24.00 %</u>
Efficiency ratio reconciliation								
Efficiency ratio (GAAP)	54.87 %	55.64 %	57.28 %	55.32 %	56.73 %	56.82 %	57.94 %	57.83 %
Merger-related and other charges	0.05	(1.74)	(2.86)	(0.54)	(0.90)	(0.43)	(2.17)	(2.08)
Efficiency ratio - operating	<u>54.92 %</u>	<u>53.90 %</u>	<u>54.42 %</u>	<u>54.78 %</u>	<u>55.83 %</u>	<u>56.39 %</u>	<u>55.77 %</u>	<u>55.75 %</u>
Tangible common equity to tangible assets reconciliation								
Equity to total assets (GAAP)	12.66 %	12.53 %	12.25 %	12.06 %	11.59 %	11.30 %	11.13 %	11.06 %
Effect of goodwill and other intangibles	(2.34)	(2.37)	(2.39)	(2.30)	(2.30)	(2.35)	(2.37)	(2.40)
Tangible common equity to tangible assets	<u>10.32 %</u>	<u>10.16 %</u>	<u>9.86 %</u>	<u>9.76 %</u>	<u>9.29 %</u>	<u>8.95 %</u>	<u>8.76 %</u>	<u>8.66 %</u>

Results of Operations

We reported net income of \$186 million for the year ended December 31, 2019, compared to net income of \$166 million in 2018. Diluted earnings per common share for 2019 were \$2.31, compared to diluted earnings per common share for 2018 of \$2.07. The following discussion of the components of our results of operations focuses on financial trends and events occurring between 2018 and 2019. For additional information related to financial trends between 2018 and 2017 please see our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Net Interest Revenue

Net interest revenue, which is the difference between the interest earned on assets and the interest paid on deposits and borrowed funds, is the single largest component of revenue. Management seeks to optimize this revenue while balancing interest rate, credit, and liquidity risks.

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

Net interest revenue for 2019 was \$469 million, compared to \$439 million for 2018. As set forth in the following table, taxable equivalent net interest revenue totaled \$472 million in 2019, an increase of \$31.3 million, or 7%, from 2018. The net interest spread was 3.68% and 3.63% for 2019 and 2018, respectively, while the net interest margin was 4.07% and 3.91%, respectively. The following table also indicates the relationship between interest revenue and expense and the average amounts of assets and liabilities for the years ended December 31, 2019 and 2018.

Average interest-earning assets for 2019 increased \$327 million, or 3%, from 2018, due primarily to the increase in loans. Average loans increased \$538 million, or 7%, from 2018 due to organic growth and the addition of loans acquired in the FMBT transaction. The increase in average loans was partially offset by an intentional decrease in average taxable securities as part of our deleveraging strategy implemented during 2019.

Average interest-bearing liabilities in 2019 increased \$113 million, or 2%, from the prior year, which reflects an increase in interest-bearing deposits, excluding brokered deposits, partially offset by a reduction in borrowed funds and brokered deposits. The increase in customer interest-bearing deposits is partly due to deposits assumed in the acquisition of FMBT, as well as organic growth of our customer deposit base. As part of the deleveraging strategy, we reduced our average wholesale borrowings, which includes borrowed funds and brokered deposits, by \$394 million. In addition, average noninterest-bearing deposits increased \$178 million from 2018 to 2019, providing some of our 2019 funding needs and contributing to the increase in net interest margin.

The increases in net interest revenue, net interest spread, and net interest margin for 2019 compared to 2018 were primarily attributable to loan growth, provided by organic growth and loans acquired from FMBT, and higher loan yields, including the effect of the equipment financing portfolio for the full year 2019. In addition, the reduction of average wholesale borrowings resulted in a decrease in related interest expense of \$6.91 million from 2018. These contributors to the increase in net interest revenue for 2019 were partially offset by an increase in interest expense on interest-bearing deposits, excluding brokered deposits, of \$28.9 million, which was due to higher average balances of \$508 million, as well as higher average rates paid to remain competitive as deposit rates rose throughout our geographic footprint.

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

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

For the Years Ended December 31,

(In thousands, fully taxable equivalent (FTE))

	2019			2018			2017		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:									
Interest-earning assets:									
Loans, net of unearned income (FTE) ⁽¹⁾⁽²⁾	\$ 8,708,035	\$ 475,803	5.46%	\$ 8,170,143	\$ 420,001	5.14%	\$ 7,150,211	\$ 315,138	4.41%
Taxable securities ⁽³⁾	2,475,102	69,920	2.82	2,745,715	73,496	2.68	2,761,983	70,172	2.54
Tax-exempt securities (FTE) ⁽¹⁾⁽³⁾	171,549	6,130	3.57	152,855	5,641	3.69	85,415	3,627	4.25
Federal funds sold and other interest-earning assets	254,370	3,499	1.38	213,137	2,968	1.39	164,314	2,966	1.81
Total interest-earning assets (FTE)	11,609,056	555,352	4.78	11,281,850	502,106	4.45	10,161,923	391,903	3.86
Noninterest-earning assets:									
Allowance for loan losses	(62,900)			(61,443)			(60,602)		
Cash and due from banks	121,649			135,345			107,053		
Premises and equipment	220,523			216,646			198,970		
Other assets ⁽³⁾	798,649			711,671			607,174		
Total assets	\$ 12,686,977			\$ 12,284,069			\$ 11,014,518		
Liabilities and Shareholders' Equity:									
Interest-bearing liabilities:									
Interest-bearing deposits:									
NOW and interest-bearing demand ⁽⁵⁾	\$ 2,249,713	\$ 13,665	0.61	\$ 2,107,831	\$ 7,649	0.36	\$ 2,034,926	\$ 3,450	0.17
Money market ⁽⁵⁾	2,221,478	18,983	0.85	2,117,216	11,838	0.56	2,052,237	6,948	0.34
Savings deposits	690,028	149	0.02	672,735	150	0.02	591,831	135	0.02
Time deposits	1,791,319	28,313	1.58	1,547,221	12,585	0.81	1,338,859	5,417	0.40
Brokered deposits	240,646	5,746	2.39	347,072	7,321	2.11	108,891	1,112	1.02
Total interest-bearing deposits	7,193,184	66,856	0.93	6,792,075	39,543	0.58	6,126,744	17,062	0.28
Federal funds purchased and other borrowings	33,504	838	2.50	57,376	1,112	1.94	26,856	352	1.31
Federal Home Loan Bank advances	106,973	2,697	2.52	328,871	6,345	1.93	576,472	6,095	1.06
Long-term debt	247,732	12,921	5.22	290,004	14,330	4.94	156,327	10,226	6.54
Total borrowed funds	388,209	16,456	4.24	676,251	21,787	3.22	759,655	16,673	2.19
Total interest-bearing liabilities	7,581,393	83,312	1.10	7,468,326	61,330	0.82	6,886,399	33,735	0.49
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	3,385,431			3,207,625			2,823,005		
Other liabilities	164,550			227,980			124,832		
Total liabilities	11,131,374			10,903,931			9,834,236		
Shareholders' equity	1,555,603			1,380,138			1,180,282		
Total liabilities and shareholders' equity	\$ 12,686,977			\$ 12,284,069			\$ 11,014,518		
Net interest revenue (FTE)		<u>\$ 472,040</u>			<u>\$ 440,776</u>			<u>\$ 358,168</u>	
Net interest-rate spread (FTE)			<u>3.68%</u>			<u>3.63%</u>			<u>3.37%</u>
Net interest margin (FTE) ⁽⁴⁾			<u>4.07%</u>			<u>3.91%</u>			<u>3.52%</u>

⁽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 26% in 2019 and 2018 and 39% in 2017, reflecting the statutory federal rate and the federal tax adjusted state tax rate.

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

⁽³⁾ Securities available for sale are shown at amortized cost. Pretax unrealized gains of \$12.8 million, pretax unrealized losses of \$45.2 million, and pretax unrealized gains of \$4.33 million in 2019, 2018 and 2017, respectively, are included in other assets for purposes of this presentation.

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

⁽⁵⁾ 2018 and 2017 amounts reflect reclassification of certain sweep deposits from money market to NOW and interest-bearing demand to conform to 2019 presentation.

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

Table 3 - Change in Interest Revenue and Interest Expense
(in thousands, fully taxable equivalent)

	2019 Compared to 2018 Increase (decrease) due to changes in			2018 Compared to 2017 Increase (decrease) due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Loans	\$ 28,541	\$ 27,261	\$ 55,802	\$ 48,405	\$ 56,458	\$ 104,863
Taxable securities	(7,500)	3,924	(3,576)	(416)	3,740	3,324
Tax-exempt securities	673	(184)	489	2,542	(528)	2,014
Federal funds sold and other interest-earning assets	568	(37)	531	767	(765)	2
Total interest-earning assets	22,282	30,964	53,246	51,298	58,905	110,203
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW and interest-bearing demand ⁽¹⁾	546	5,470	6,016	128	4,071	4,199
Money market ⁽¹⁾	609	6,536	7,145	227	4,663	4,890
Savings deposits	4	(5)	(1)	18	(3)	15
Time deposits	2,254	13,474	15,728	957	6,211	7,168
Brokered deposits	(2,452)	877	(1,575)	4,175	2,034	6,209
Total interest-bearing deposits	961	26,352	27,313	5,505	16,976	22,481
Federal funds purchased and other short-term borrowings	(542)	268	(274)	535	225	760
Federal Home Loan Bank advances	(5,184)	1,536	(3,648)	(3,357)	3,607	250
Long-term debt	(2,173)	764	(1,409)	7,081	(2,977)	4,104
Total borrowed funds	(7,899)	2,568	(5,331)	4,259	855	5,114
Total interest-bearing liabilities	(6,938)	28,920	21,982	9,764	17,831	27,595
Increase in net interest revenue	\$ 29,220	\$ 2,044	\$ 31,264	\$ 41,534	\$ 41,074	\$ 82,608

⁽¹⁾ Reflects reclassification of certain sweep deposits from money market to NOW and interest bearing demand to conform to 2019 presentation.

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

Provision for Credit Losses

The provision for credit losses is based on management's evaluation of probable incurred losses in the loan portfolio and unfunded loan commitments as measured by analysis of the allowance for credit losses at the end of each reporting period. The provision for credit losses was \$13.2 million in 2019, compared to \$9.50 million in 2018. The amount of provision recorded in each year was the amount required such that the total allowance for credit losses reflected the appropriate balance, in the estimation of management, sufficient to cover incurred losses in the loan portfolio. In accordance with the accounting guidance for business combinations, there was no allowance for loan losses brought forward on loans acquired from FMBT on May 1, 2019. The increase in provision expense in 2019 was primarily due to loan growth and increased charge-offs, offset by the release of allowance associated with the sale of the indirect auto loan portfolio. The increase in charge-offs was partly attributable to incorporating equipment financing loans acquired in the Navitas transaction into the loan portfolio for the entire year of 2019. Charge-offs on equipment financing loans totaled \$5.68 million for the year ended December 31, 2019 compared to \$1.54 million in the prior year, which was in line with management's expectations for this now-seasoned product line of higher-yielding loans. The ratio of net loan charge-offs to average outstanding loans for 2019 was 0.14% compared to 0.07% for 2018.

The allowance for unfunded loan commitments, which is included in other liabilities in the consolidated balance sheets, represents probable incurred losses on unfunded loan commitments that are expected to result in outstanding loan balances. The allowance for unfunded loan commitments was established through the provision for credit losses. At December 31, 2019, the allowance for unfunded commitments was \$3.46 million compared with \$3.41 million at December 31, 2018.

Additional discussion on credit quality and the allowance for loan losses is included in the “Asset Quality and Risk Elements” and “Critical Accounting Policies” sections of this report, as well as Note 1 to the consolidated financial statements.

Noninterest Income

The following table presents the components of noninterest income for the periods indicated.

Table 4 - Noninterest Income

For the Years Ended December 31,

(in thousands)

	2019	2018	2017	Change 2019-2018
Service charge and fees:				
Overdraft fees	\$ 14,553	\$ 14,814	\$ 14,004	(2)%
ATM and debit card interchange fees	13,517	12,649	16,922	7
Other service charges and fees	8,727	8,534	7,369	2
Total service charges and fees	<u>36,797</u>	<u>35,997</u>	<u>38,295</u>	2
Mortgage loan gains and related fees	27,145	19,010	18,320	43
Brokerage fees	6,150	5,191	4,633	18
Gains from sales of other loans, net	6,867	9,277	10,493	(26)
Securities (losses) gains, net	(1,021)	(656)	42	
Other noninterest income:				
Bank owned life insurance	5,417	3,557	3,261	52
Customer derivatives	2,875	2,669	2,421	8
Other	20,483	17,916	10,795	14
Total other noninterest income	<u>28,775</u>	<u>24,142</u>	<u>16,477</u>	19
Total noninterest income	<u>\$ 104,713</u>	<u>\$ 92,961</u>	<u>\$ 88,260</u>	13

Noninterest income for 2019 totaled \$105 million, up \$11.7 million from 2018, primarily due to increases in ATM and debit card interchange fees, mortgage loan gains and related fees, bank owned life insurance, and other income.

ATM and debit card interchange fees increased 7% in 2019 compared to 2018. The increase coincides with the growth of core transaction deposits provided by organic growth and the deposits acquired from FMBT. In addition, the annual rebate we received from our debit card service provider increased in 2019 compared to 2018.

The increase in mortgage loan gains and related fees was primarily attributable to the increased focus on our mortgage business as we made new investments in mortgage loan offices and staff. In addition, reductions in interest rates increased the demand for mortgage rate locks and refinances in 2019 compared to 2018.

Mortgage rate locks increased 40% to \$1.62 billion in 2019 compared to \$1.15 billion in 2018. In 2019, we closed 4,381 mortgage loans totaling \$1.10 billion, which represents an additional 611 loans and an increase of \$208 million in loans closed from 2018. In 2019 and 2018, new home purchase mortgages accounted for 68% and 63% of production volume, respectively. These increases in fees were partially offset by negative fair value adjustments on the mortgage servicing rights asset. The negative fair value adjustments were driven by an increase in prepayment of existing mortgages caused by the decrease in mortgage interest rates.

Brokerage fees for 2019 increased 18% compared to 2018, which was driven by a corresponding increase in assets under management in 2019.

In 2019, we realized \$6.87 million in net gains from the sales of other loans, which included the sale of the guaranteed portion of SBA and USDA loans, as well as the sale of \$103 million of indirect auto loans and \$31.0 million of equipment financing loans. Our SBA/USDA lending strategy includes selling a portion of the loan production each quarter. The amount of loans sold depends on several variables including the current lending environment and balance sheet management activities. Beginning in the first quarter of 2019, we made a strategic decision to hold more of our government guaranteed loans on our balance sheet in order to benefit from the stable yield on these lower-risk assets. As a result, gains on the sale of SBA and USDA loans totaled \$6.29 million in 2019 compared to \$9.28 million in 2018. In 2019, we sold the guaranteed portion of loans in the amount of \$81.1 million, compared to \$121 million for 2018.

The increase in BOLI income in 2019 is mostly attributable to death benefits recognized during the fourth quarter 2019. Other income increased \$2.57 million in 2019 compared to 2018 due to higher equipment finance fee revenue, primarily attributable to loan growth, and positive fair value adjustments on deferred compensation plan assets.

We realized net securities losses of \$1.02 million and \$656,000 during 2019 and 2018, respectively. The losses realized during 2019 were primarily due to the strategic sale of lower-yielding securities in fourth quarter 2019, with the proceeds reinvested in higher-yielding securities to increase yield in future periods.

Noninterest Expenses

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

Table 5 - Noninterest Expenses

For the Years Ended December 31,
(in thousands)

	2019	2018	2017	Change 2019-2018
Salaries and employee benefits	\$ 196,440	\$ 181,015	\$ 153,098	9 %
Occupancy	23,350	22,781	20,344	2
Communications and equipment	24,613	21,277	19,660	16
FDIC assessments and other regulatory charges	4,901	8,491	6,534	(42)
Professional fees	17,028	15,540	12,074	10
Lending and loan servicing expense	9,416	8,697	7,512	8
Outside services - electronic banking	7,020	6,623	6,487	6
Postage, printing and supplies	6,370	6,416	5,952	(1)
Advertising and public relations	6,170	5,991	4,242	3
Amortization of core deposit intangibles	4,489	4,915	4,084	(9)
Other	15,092	17,194	12,962	(12)
Total excluding merger-related and other charges and amortization of noncompete agreements	314,889	298,940	252,949	5
Merger-related and other charges	6,907	5,414	13,901	28
Amortization of noncompete agreements	449	1,931	761	
Total noninterest expenses	\$ 322,245	\$ 306,285	\$ 267,611	5

Noninterest expenses for 2019 totaled \$322 million, up 5% from 2018. Increases in salaries and employee benefits, communications and equipment and professional fees, partially offset by decreases in FDIC assessments and other regulatory charges, amortization of intangibles and other expense, accounted for much of the change in noninterest expense.

Salaries and employee benefits for 2019 increased 9% over 2018. The increase was attributable to several factors including increased brokerage and mortgage commissions resulting from increased production, higher group medical costs, additional stock compensation expense from new restricted stock unit awards issued in the third quarter of 2018, and an increase in our 401(k) matching contribution effective March 1, 2018. The addition of FMBT employees, the inclusion of Navitas for the full year of 2019 and investments in additional staff to expand key areas, such as Commercial Banking Solutions and mortgage, were mostly offset by staff reductions in other areas. Full time equivalent headcount totaled 2,308 at December 31, 2019, down from 2,312 at December 31, 2018.

Communications and equipment expense increased primarily due to additional software maintenance costs and new software contracts. The increase in professional fees for 2019 is largely attributable to increased accounting fees related to the implementation of CECL and other projects. FDIC assessments and other regulatory charges decreased from 2018 due to a reduction in our FDIC assessment rate and the receipt of a \$1.38 million assessment credit from the FDIC during the third quarter of 2019. Also contributing to the decrease in assessment fees were the discontinuance of the large bank surcharge in the fourth quarter of 2018 and the discontinuance of the FICO assessment in the first quarter of 2019.

Merger-related and other charges for 2019 included a \$2.94 million charge for the termination and settlement of a funded noncontributory defined benefit pension plan associated with the acquisition of Palmetto Bancshares, Inc., as well as FMBT acquisition-related costs, branch closure costs, executive retirement charges, and gains and losses on the sale of surplus properties.

Income Taxes

Income tax expense was \$53.0 million in 2019, compared to \$49.8 million in 2018 and \$105 million in 2017. Income tax expense for 2019, 2018 and 2017 represents an effective tax rate of 22.2%, 23.1% and 60.8%, respectively. The abnormally high tax expense and effective tax rate in 2017 reflects a \$38.2 million charge to remeasure our deferred tax assets at the new lower federal income tax rate of 21% following the passage of the Tax Act on December 22, 2017.

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.

Fourth Quarter 2019 Discussion

Net interest revenue for the fourth quarter of 2019 increased \$1.76 million, or 2%, to \$117 million from the same period a year ago, which was primarily attributable to the increase in the loan portfolio from both organic loan growth and the acquisition of FMBT. The net interest margin for the fourth quarter of 2019 decreased slightly to 3.93% from 3.97% in the fourth quarter of 2018, reflecting the higher cost of interest-bearing deposits and a slight decrease in the average rate earned on interest-earning assets. Nationally, the federal funds rate decreased 75 basis points during 2019.

We recorded a provision for credit losses in the fourth quarter of 2019 of \$3.50 million, compared to \$2.10 million for the fourth quarter of 2018. The increase was primarily due to loan growth and increased charge-offs, partially offset by the release of allowance associated with the sale of the indirect auto loan portfolio. Specifically, there was a \$950,000 increase in net charge-offs on equipment finance loans in the fourth quarter of 2019 compared to the fourth quarter of 2018, which was in line with management's expectation for this portfolio due to the nature of these loans.

The following table presents the components of noninterest income for the periods indicated.

Table 6 - Quarterly Noninterest Income
(in thousands)

	Three Months Ended December 31,		Change
	2019	2018	
Service charges and fees:			
Overdraft fees	\$ 3,825	\$ 3,917	(2)%
ATM and debit card fees	3,408	3,076	11
Other service charges and fees	2,135	2,173	(2)
Total service charges and fees	9,368	9,166	2
Mortgage loan gains and related fees	9,395	3,082	205
Brokerage fees	1,526	1,593	(4)
Gains from other loan sales, net	2,455	2,493	(2)
Securities (losses) gains, net	(903)	646	
Other noninterest income:			
Bank owned life insurance	2,625	884	197
Customer derivatives	504	628	(20)
Other	5,213	4,553	14
Total other noninterest income	8,342	6,065	38
Total noninterest income	\$ 30,183	\$ 23,045	31

Noninterest income for the fourth quarter of 2019 increased \$7.14 million from the fourth quarter of 2018. The \$6.31 million increase in mortgage loan gains and related fees between the fourth quarter of 2018 and 2019 was due to positive fair value adjustments to the mortgage servicing asset of \$1.23 million and an increase in mortgage fees resulting from increased production. Mortgage rate locks and originations increased 64% to \$744 million compared to \$455 million for the fourth quarter of 2018. The increase reflects the growth of our mortgage business during 2019, as well as increased demand for loans and rate locks due to the decrease in mortgage rates during the period.

During the fourth quarter of 2019, we recognized death benefits of \$1.65 million, resulting in the increase in BOLI income compared to the same period of 2018. We recognized losses on securities during the fourth quarter of 2019 as part of a plan to increase the securities portfolio yield by selling some lower-yielding securities. Increases in other income were attributable to several factors including gains on deferred compensation plan assets and increases in fees on equipment financing loans driven by production.

The following table presents noninterest expenses for the periods indicated.

Table 7 - Quarterly Noninterest Expenses
(in thousands)

	Three Months Ended December 31,		Change
	2019	2018	
Salaries and employee benefits	\$ 50,279	\$ 45,631	10 %
Occupancy	5,926	5,842	1
Communications and equipment	6,380	6,206	3
FDIC assessments and other regulatory charges	1,330	1,814	(27)
Professional fees	5,098	4,105	24
Postage, printing and supplies	1,637	1,520	8
Advertising and public relations	1,914	1,650	16
Amortization of core deposit intangibles	1,093	1,151	(5)
Lending and loan servicing expense	1,908	2,819	(32)
Outside services - electronic banking	1,919	1,703	13
Other	4,014	4,567	(12)
Total excluding merger-related and other charges and amortization of noncompete agreements	81,498	77,008	6
Merger-related and other charges	(74)	965	
Amortization of noncompete agreements	—	269	
Total noninterest expenses	<u>\$ 81,424</u>	<u>\$ 78,242</u>	4

Noninterest expenses for the fourth quarter of 2019 increased \$3.18 million compared to the fourth quarter of 2018, which was largely attributable to the increase in salaries and employee benefits, professional fees, and advertising and public relations. These increases were partially offset by decreases in FDIC assessments and other regulatory charges, lending and loan servicing expenses, and other noninterest expense.

The increase in salaries and employee benefits of \$4.65 million was a result of several factors including the 2019 annual merit-based salary increase, which took effect in the second quarter of 2019, increased mortgage commissions resulting from increased mortgage production as previously discussed, increased incentive accruals attributable to strong performance in the fourth quarter of 2019, higher group medical costs and increases in deferred compensation expense. Professional fees increased \$993,000 in the fourth quarter of 2019 compared to fourth quarter of 2018 due to increased legal fees associated with loan growth and costs incurred to complete our CECL implementation project. Merger-related and other charges decreased by \$1.04 million due to the lack of merger-related activity during the fourth quarter of 2019 compared to 2018, as well as gains and losses recognized on sales of surplus properties.

Balance Sheet Review

Total assets at December 31, 2019 were \$12.9 billion, an increase of \$343 million, or 3%, from December 31, 2018. On a daily average basis, total assets increased \$403 million, or 3%, from 2018 to 2019. Average interest-earning assets for 2019 and 2018 were \$11.6 billion and \$11.3 billion, respectively.

Loans

Our loan portfolio is our largest category of interest-earning assets. Total loans averaged \$8.71 billion in 2019, compared with \$8.17 billion in 2018, an increase of 7%. At December 31, 2019, total loans were \$8.81 billion, an increase of 5%, from December 31, 2018. Loans increased year over year due to organic growth and the acquisition of FMBT, partially offset by the sale of the indirect auto loan portfolio. Approximately 76% of loans were secured by real estate at year-end 2019.

The following table presents the composition of our loan portfolio for the last five years.

Table 8 - Loans Outstanding

As of December 31,
(in thousands)

Loans by Category	2019	2018	2017	2016	2015
Owner occupied commercial real estate	\$ 1,720,227	\$ 1,647,904	\$ 1,923,993	\$ 1,650,360	\$ 1,570,988
Income producing commercial real estate	2,007,950	1,812,420	1,595,174	1,281,541	1,020,464
Commercial & industrial	1,220,657	1,278,347	1,130,990	1,069,715	784,870
Commercial construction	976,215	796,158	711,936	633,921	518,335
Equipment financing	744,544	564,614	—	—	—
Total commercial	6,669,593	6,099,443	5,362,093	4,635,537	3,894,657
Residential mortgage	1,117,616	1,049,232	973,544	856,725	764,175
Home equity lines of credit	660,675	694,010	731,227	655,410	589,325
Residential construction	236,437	211,011	183,019	190,043	176,202
Consumer direct	128,232	122,013	127,504	123,567	115,111
Indirect auto	—	207,692	358,185	459,354	455,971
Total loans	\$ 8,812,553	\$ 8,383,401	\$ 7,735,572	\$ 6,920,636	\$ 5,995,441

As of December 31, 2019, our 25 largest credit relationships consisted of loans and loan commitments ranging from \$20.0 million to \$35.8 million, with an aggregate total credit exposure of \$627 million. Total credit exposure includes \$162 million in unfunded commitments and \$465 million in balances outstanding, excluding participations sold. We had 24 lending relationships whose total credit exposure exceeded \$20 million, of which only eight relationships were in excess of \$25 million.

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

Table 9 - Loan Portfolio Maturity

As of December 31, 2019
(in thousands)

	Maturity				Rate Structure for Loans Maturing Over One Year	
	One Year or Less	One through Five Years	Over Five Years	Total	Fixed Rate	Floating Rate
Commercial (commercial and industrial)	\$ 305,072	\$ 539,047	\$ 376,538	\$ 1,220,657	\$ 349,736	\$ 565,849
Construction (commercial and residential)	525,631	538,884	148,137	1,212,652	158,149	528,872
Equipment financing	49,871	578,456	116,217	744,544	694,673	—
Total	\$ 880,574	\$ 1,656,387	\$ 640,892	\$ 3,177,853	\$ 1,202,558	\$ 1,094,721

Asset Quality and Risk Elements

We manage asset quality and control 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. Our credit administration function is responsible for monitoring asset quality and Board of Directors approved portfolio concentration limits, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures among all of the community banking and Commercial Banking Solutions areas. Additional information on our credit administration function is included in Part I, Item 1 of this Report under the heading “Lending Activities.”

We classify 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 we could sustain some loss if the deficiency is not corrected. Performing substandard loans, which are substandard loans that are still accruing interest, totaled \$125 million and \$90.8 million as of December 31, 2019 and 2018, respectively, which represented an increase of 38%. The increase coincided with the overall increase in classified loans from December 31, 2018.

We conduct reviews of classified performing and non-performing loans, TDRs, past due loans and portfolio concentrations on a regular basis to identify risk migration and potential charges to the allowance for loan losses. These items are discussed in a series of meetings attended by Credit Risk Management leadership and leadership from various lending groups. In addition to the reviews mentioned above, an independent loan review team reviews the portfolio to ensure consistent application of risk rating policies and procedures.

The allowance for credit losses at December 31, 2019 reflects management’s assessment of 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 changes substantially with respect to one or more loan relationships or portfolios. The allocation of the allowance for credit losses is based on historical data, subjective judgment and estimates and, therefore, is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur. In addition, bank regulatory authorities, as part of their periodic examination of the Bank, may require adjustments to the provision for credit losses in future periods if, in their opinion, the results of their review warrant such additions. See the “Critical Accounting Policies” section for additional information on the allowance for credit losses.

The allowance for credit losses, which includes a portion related to unfunded commitments, totaled \$65.5 million at December 31, 2019 compared with \$64.6 million at December 31, 2018. At December 31, 2019, the allowance for loan losses was \$62.1 million, or 0.70% of total loans, compared with \$61.2 million, or 0.73%, of loans at December 31, 2018. The increase in the allowance for credit losses was primarily attributable to organic loan growth, partially offset by the release of the allowance related to the indirect auto portfolio upon the sale of these loans in December 2019.

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

Table 10 - Allocation of Allowance for Credit Losses

As of December 31,
(in thousands)

	2019		2018		2017		2016		2015	
	Amount	%*								
Owner occupied commercial real estate	\$ 11,404	20	\$ 12,207	19	\$ 14,776	25	\$ 16,446	24	\$ 18,016	26
Income producing commercial real estate	12,306	23	11,073	22	9,381	21	8,843	18	11,548	17
Commercial & industrial	5,266	14	4,802	15	3,971	15	3,810	16	4,433	13
Commercial construction	9,668	11	10,337	9	10,523	9	13,405	9	9,553	9
Equipment financing	7,384	8	5,452	7	—	—	—	—	—	—
Total commercial	46,028	76	43,871	72	38,651	70	42,504	67	43,550	65
Residential mortgage	8,081	13	8,295	13	10,097	13	8,545	13	12,719	13
Home equity lines of credit	4,575	7	4,752	8	5,177	9	4,599	9	5,956	10
Residential construction	2,504	3	2,433	3	2,729	2	3,264	3	4,002	3
Consumer direct	901	1	853	2	710	2	708	2	828	2
Indirect auto	—	—	999	2	1,550	4	1,802	6	1,393	7
Total allowance for loan losses	62,089	100	61,203	100	58,914	100	61,422	100	68,448	100
Allowance for unfunded commitments	3,458		3,410		2,312		2,002		2,542	
Total allowance for credit losses	\$ 65,547		\$ 64,613		\$ 61,226		\$ 63,424		\$ 70,990	

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

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

Table 11 - Allowance for Credit Losses

Years Ended December 31,

(in thousands)

	2019	2018	2017	2016	2015
Balance beginning of period	\$ 61,203	\$ 58,914	\$ 61,422	\$ 68,448	\$ 71,619
Charge-offs:					
Owner occupied commercial real estate	5	303	406	2,029	2,901
Income producing commercial real estate	1,227	3,304	2,985	1,433	1,280
Commercial & industrial	5,849	1,669	1,528	1,830	1,358
Commercial construction	290	622	1,023	837	1,947
Equipment financing	5,675	1,536	—	—	—
Residential mortgage	616	754	1,473	1,151	1,615
Home equity lines of credit	996	1,194	1,435	1,690	1,094
Residential construction	306	54	129	533	851
Consumer direct	2,390	2,445	1,803	1,459	1,597
Indirect auto	663	1,277	1,420	1,399	772
Total loans charged-off	18,017	13,158	12,202	12,361	13,415
Recoveries:					
Owner occupied commercial real estate	375	1,227	980	706	755
Income producing commercial real estate	283	1,064	178	580	866
Commercial & industrial	852	1,390	1,768	1,689	2,174
Commercial construction	1,165	734	1,018	821	736
Equipment financing	781	460	—	—	—
Residential mortgage	481	336	314	301	1,080
Home equity lines of credit	610	423	567	386	242
Residential construction	157	376	178	79	173
Consumer direct	911	807	917	800	1,044
Indirect auto	186	228	284	233	86
Total recoveries	5,801	7,045	6,204	5,595	7,156
Net charge-offs	12,216	6,113	5,998	6,766	6,259
Provision for loan losses	13,102	8,402	3,490	(260)	3,088
Allowance for loan losses at end of period	62,089	61,203	58,914	61,422	68,448
Allowance for unfunded commitments:					
Allowance for unfunded commitments at beginning of period	3,410	2,312	2,002	2,542	1,930
Provision for unfunded commitments	48	1,098	310	(540)	612
Allowance for unfunded commitments at end of period	3,458	3,410	2,312	2,002	2,542
Allowance for credit losses	\$ 65,547	\$ 64,613	\$ 61,226	\$ 63,424	\$ 70,990
Total loans:					
At year-end	\$ 8,812,553	\$ 8,383,401	\$ 7,735,572	\$ 6,920,636	\$ 5,995,441
Average	8,708,035	8,170,143	7,150,211	6,412,740	5,297,687
Allowance for loan losses as a percentage of year-end loans	0.70%	0.73%	0.76%	0.89 %	1.14%
As a percentage of average loans:					
Net charge-offs	0.14	0.07	0.08	0.11	0.12
Provision for loan losses	0.15	0.10	0.05	—	0.06

Nonperforming Assets

Nonperforming assets (“NPAs”), which include nonaccrual loans and foreclosed properties, totaled \$35.8 million at December 31, 2019, compared with \$25.1 million at December 31, 2018.

Our policy is to place loans on nonaccrual status when, in the opinion of management, the full principal and interest on a loan is not likely to be collected or when the loan becomes 90 days past due. When a loan is placed on nonaccrual status, interest previously accrued but

not collected is reversed against current interest revenue. Interest payments received on nonaccrual loans are applied to reduce the loan's recorded investment.

We record loans acquired in our acquisitions (purchased loans) at fair value at the date of acquisition based on a discounted cash flow methodology that considers various factors, including the type of loan and related collateral, classification status, whether the loan has a fixed or variable interest rate, its term and whether or not the loan was amortizing, and our assessment of risk inherent in the cash flow estimates. Purchased loans are segregated into two categories upon purchase: (1) loans purchased without evidence of deteriorated credit quality since origination, referred to as purchased non-credit impaired ("non-PCI") loans, and (2) loans purchased with evidence of deteriorated credit quality since origination for which it is probable that all contractually required payments will not be collected, referred to as purchased credit impaired ("PCI") loans.

We do not consider our PCI loans, which showed evidence of deteriorated credit quality at acquisition, to be NPAs, 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. PCI loans were not classified as nonaccrual at December 31, 2019 or 2018 as the carrying value of the respective loan or pool of loans cash flows were considered estimable and probable of collection. Therefore, interest revenue, through accretion of the difference between the carrying value of the loans and the expected cash flows, is being recognized on all PCI loans.

Generally, we do not commit to lend additional funds to customers whose loans are on nonaccrual status, although in certain isolated cases, we execute forbearance agreements whereby we agree to continue to fund construction loans to completion or other lines of credit as long as the borrower meets the conditions of the forbearance agreement. We may also fund other amounts necessary to protect collateral such as amounts to pay past due property taxes and insurance coverage.

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.

The table below summarizes NPAs at year-end for the last five years.

Table 12 - Nonperforming Assets

As of December 31,

(in thousands)

	2019	2018	2017	2016	2015
Nonaccrual loans	\$ 35,341	\$ 23,778	\$ 23,658	\$ 21,539	\$ 22,653
Foreclosed properties	476	1,305	3,234	7,949	4,883
Total NPAs	<u>\$ 35,817</u>	<u>\$ 25,083</u>	<u>\$ 26,892</u>	<u>\$ 29,488</u>	<u>\$ 27,536</u>
Nonaccrual loans as a percentage of total loans	0.40%	0.28%	0.31%	0.31%	0.38%
NPAs as a percentage of loans and foreclosed properties	0.41	0.30	0.35	0.43	0.46
NPAs as a percentage of total assets	0.28	0.20	0.23	0.28	0.29

The following table summarizes nonaccrual loans by category.

Table 13 - Nonaccrual Loans by Category
(in thousands)

	December 31, 2019	December 31, 2018
Owner occupied commercial real estate	\$ 10,544	\$ 6,421
Income producing commercial real estate	1,996	1,160
Commercial & industrial	2,545	1,417
Commercial construction	2,277	605
Equipment financing	3,141	2,677
Total commercial	20,503	12,280
Residential mortgage	10,567	8,035
Home equity lines of credit	3,173	2,360
Residential construction	939	288
Consumer direct	159	89
Indirect auto	—	726
Total nonaccrual loans	\$ 35,341	\$ 23,778

At December 31, 2019 and 2018 we had \$54.2 million and \$52.4 million, respectively, in loans with terms that have been modified in a TDR. Included therein were \$8.25 million and \$7.09 million, respectively, of TDRs that were nonaccrual loans. The remaining TDRs with an aggregate balance of \$46.0 million and \$45.3 million, respectively, were performing according to their modified terms and were therefore not considered to be nonperforming assets.

At December 31, 2019 and 2018, there were \$62.0 million and \$55.4 million, respectively, of loans individually evaluated for impairment (“impaired loans”), including TDR’s. Included in impaired loans at December 31, 2019 and 2018 were \$25.1 million and \$23.5 million, respectively, that did not require specific reserves or had previously been charged down to net realizable value. The remaining balance of impaired loans at December 31, 2019 of \$36.9 million had specific reserves that totaled \$2.51 million and the remaining balance of impaired loans at December 31, 2018 of \$32.0 million had specific reserves that totaled \$2.31 million.

Investment Securities

The composition of our investment securities portfolio reflects our 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 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. Total investment securities at December 31, 2019 decreased \$345 million from a year ago as a result of the deleveraging strategy we implemented during 2019.

At December 31, 2019 and 2018, we had debt securities held-to-maturity with a carrying value of \$284 million and \$274 million, respectively, and debt securities available-for-sale totaling \$2.27 billion and \$2.63 billion, respectively. At December 31, 2019 and 2018, the securities portfolio represented approximately 20% and 23%, respectively, of total assets. At December 31, 2019, the effective duration of the investment portfolio was 2.81 years, compared with 3.34 years at December 31, 2018.

The investment securities portfolio primarily consists of Treasury securities, U.S. government 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, which include both U.S. government sponsored agency and non-agency securities, rely on the underlying pools of mortgage loans to provide a cash flow of principal and interest. The actual maturities of these securities will differ from the contractual maturities because the loans underlying the security can prepay. Decreases in interest rates will generally cause an acceleration of prepayment levels. In a declining or prolonged low interest rate environment, we may not be able to reinvest the proceeds from these prepayments in assets that have comparable yields. In a rising rate environment, the opposite may occur. 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. Our asset-backed securities include collateralized loan obligations in 2018 and securities that are backed by student loans.

Management evaluates our securities portfolio each quarter to determine if any security is other than temporarily impaired. In making this evaluation, management considers our ability and intent to hold securities to recover current market losses. Losses on fixed income

securities at December 31, 2019 primarily reflect the effect of changes in interest rates. We did not recognize any other than temporary impairment losses on our investment securities in 2019, 2018 or 2017.

At December 31, 2019 and 2018, we had 71% of our total investment securities portfolio invested in mortgage-backed securities. We have continued to purchase mortgage-backed securities in order to obtain a favorable yield with low risk. We did not have debt obligations of any issuer in excess of 10% of equity at year-end 2019 or 2018, excluding U.S. government sponsored entities. As of December 31, 2019, no securities were rated below "A" and 14% of securities, excluding government or agency securities, were rated "Aaa". See Note 6 to the consolidated financial statements for further discussion of the investment portfolio and related fair value and maturity information.

Goodwill and Other Intangible Assets

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

Core deposit intangibles, representing the value of the acquired deposit base, and noncompete agreements are amortizing intangible assets that are required to be tested for impairment only when events or circumstances indicate that impairment may exist. During 2019, all capitalized noncompete agreements became fully amortized. There were no events or circumstances that led management to believe that any impairment exists in other intangible assets.

Deposits

Customer deposits are the primary source of funds for the continued growth of our earning assets. The following table sets forth the deposit composition as of December 31, 2019 and 2018.

Table 14 - Deposits

As of December 31,
(in thousands)

	2019	2018
Noninterest-bearing demand	\$ 3,477,979	\$ 3,210,220
NOW and interest-bearing demand ⁽¹⁾	2,461,895	2,369,631
Money market and savings ⁽¹⁾	2,937,095	2,672,556
Time	1,859,574	1,598,391
Total customer deposits	<u>10,736,543</u>	<u>9,850,798</u>
Brokered deposits	160,701	683,715
Total deposits	<u>\$ 10,897,244</u>	<u>\$ 10,534,513</u>

⁽¹⁾ 2018 balances reflect reclassification of certain sweep deposits from money market to NOW and interest-bearing demand to conform to 2019 presentation.

The increase in deposits, excluding brokered deposits, from 2018 was attributable to both our continued focus on growing customer deposits and the addition of deposits acquired from FMBT, which totaled \$212 million at the acquisition date in May 2019. Our high level of service, as evidenced by our strong customer satisfaction scores, has been instrumental in attracting and retaining deposits. The decrease in brokered deposits was a result of our deleveraging strategy aimed at reducing wholesale borrowing.

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

Table 15 - Maturities of Customer Time Deposits of \$250,000 and Greater

As of December 31,
(in thousands)

	2019	2018
Three months or less	\$ 86,324	\$ 63,510
Three to six months	100,380	44,478
Six to twelve months	139,897	80,034
Over one year	40,375	74,368
Total	<u>\$ 366,976</u>	<u>\$ 262,390</u>

Borrowing Activities

The Bank is a shareholder in the FHLB and, through this affiliation, had FHLB secured advances totaling \$160 million at December 31, 2018. At December 31, 2019, we had no FHLB advances outstanding. We anticipate continued use of this short and long-term source of funds. Additional information regarding FHLB advances is provided in Note 12 to the consolidated financial statements.

At December 31, 2019 and 2018, we had no federal funds purchased outstanding.

At December 31, 2019 and 2018, we had long-term debt outstanding of \$213 million and \$267 million, respectively, which included senior debentures, subordinated debentures, and trust preferred securities. At December 31, 2018, long-term debt also included securitized notes payable, which were repaid during 2019. Additional information regarding these debt instruments is provided in Note 13 to the consolidated financial statements.

Liquidity Management

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. The primary objective 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, our primary goal is to maintain a sufficient level of liquidity in all expected economic environments. To assist in determining the adequacy of our liquidity, we perform a variety of liquidity stress tests. We maintain an unencumbered liquid asset reserve to help ensure our ability to meet our 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'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, and brokered deposits. 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 the Holding Company is a separate entity and apart from the Bank, it must provide for its own liquidity. The 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. The Holding Company currently has internal capital resources to meet these obligations. While the Holding Company has access to the capital markets and maintains a line of credit as a contingent funding source, the ultimate sources of its liquidity are subsidiary service fees and dividends from the Bank, which are limited by applicable law and regulations. In 2018, the Bank paid dividends of \$162 million to the Holding Company. In 2019, the Bank paid no dividends to the Holding Company. Holding Company liquidity is managed to a minimum of 15-months of positive cash flow after considering all of its liquidity needs over this period.

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

Table 16 - Short-Term Borrowings

As of and for the year ended December 31,
(in thousands)

	Period-end balance	Period end weighted- average interest rate	Maximum outstanding at any month-end	Average amounts outstanding during the year	Weighted-average rate for the year
2019					
Federal funds purchased	\$ —	—%	\$ 70,000	\$ 33,504	2.50%
	<u>\$ —</u>			<u>\$ 33,504</u>	
2018					
Federal funds purchased	\$ —	—%	\$ 65,000	\$ 55,799	1.98%
Repurchase agreements	—	—	—	1,577	0.44
	<u>\$ —</u>			<u>\$ 57,376</u>	
2017					
Federal funds purchased	\$ 50,000	1.56%	\$ 84,575	\$ 26,853	1.19%
Repurchase agreements	—	—	1,027	3	0.12
	<u>\$ 50,000</u>			<u>\$ 26,856</u>	

At December 31, 2019, we had sufficient qualifying collateral to increase FHLB advances by \$1.16 billion and Federal Reserve discount window capacity of \$1.56 billion, as well as unpledged investment securities of \$1.64 billion that could be used as collateral for additional borrowings. Management also has the ability to raise substantial funds through brokered deposits. In addition to these wholesale sources, we have the ability to attract retail deposits at any time by competing more aggressively on pricing.

As disclosed in the consolidated statements of cash flows, net cash provided by operating activities was \$154 million for the year ended December 31, 2019. Net income of \$186 million for the year included non-cash expenses for the following: deferred income tax expense of \$14.9 million, depreciation, amortization and accretion of \$24.0 million, provision expense of \$13.2 million, and stock-based compensation of \$9.36 million. Uses of cash from operating activities included an increase in other assets and accrued interest receivable of \$45.8 million, a decrease in accrued expenses and other liabilities of \$1.98 million, and an increase in loans held for sale of \$39.5 million. Net cash provided by investing activities of \$163 million consisted primarily of proceeds from sales of debt securities available-for-sale and equity securities of \$352 million, maturities and calls of debt securities available-for-sale of \$350 million, and maturities and calls of securities held-to-maturity of \$50.4 million. These sources of cash were partially offset by \$294 million of purchases of debt securities available-for-sale and equity securities, \$59.6 million of purchases of debt securities held-to-maturity, a net increase in loans of \$206 million, purchases of premises and equipment of \$20.9 million, and cash paid for acquisitions of \$19.5 million. The \$129 million used in financing activities consisted primarily of a \$160 million net reduction in FHLB advances, \$55.3 million repayment of long-term debt and \$53.0 million in common stock dividends, partially offset by a net increase in deposits of \$151 million. In the opinion of management, our liquidity position at December 31, 2019 was sufficient to meet our expected cash requirements.

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

Table 17 - Expected Maturity of Available-for-Sale and Held-to-Maturity Debt Securities

As of December 31, 2019

(in thousands)

	Maturity By Years				
	1 or Less	1 to 5	5 to 10	Over 10	Total
Available-for-Sale					
U.S. Treasuries	\$ 29,962	\$ 124,656	\$ —	\$ —	\$ 154,618
U.S. Government agencies	2,631	404	—	—	3,035
State and political subdivisions	940	63,500	162,050	—	226,490
Residential mortgage-backed securities, Agency	3,600	709,809	279,504	49,331	1,042,244
Residential mortgage-backed securities, Non-agency	20,998	235,783	—	—	256,781
Commercial mortgage-backed, Agency	11,059	183,058	74,786	—	268,903
Commercial mortgage-backed, Non-agency	—	—	16,050	—	16,050
Corporate bonds	170,380	31,713	—	998	203,091
Asset-backed securities	4,036	67,267	29,958	2,108	103,369
Total securities available-for-sale	\$ 243,606	\$ 1,416,190	\$ 562,348	\$ 52,437	\$ 2,274,581
Weighted average yield ⁽¹⁾	2.97%	2.87%	2.65%	3.22%	2.84%
Held-to-Maturity					
State and political subdivisions	\$ 3,100	\$ 11,011	\$ 31,368	\$ —	\$ 45,479
Residential mortgage-backed securities, Agency	1,671	113,848	9,994	28,454	153,967
Commercial mortgage-backed, Agency	9,393	6,861	4,161	63,672	84,087
Total securities held-to-maturity	\$ 14,164	\$ 131,720	\$ 45,523	\$ 92,126	\$ 283,533
Weighted average yield ⁽¹⁾	3.56%	2.64%	3.24%	2.90%	2.87%
Combined Portfolio					
U.S. Treasuries	\$ 29,962	\$ 124,656	\$ —	\$ —	\$ 154,618
U.S. Government agencies	2,631	404	—	—	3,035
State and political subdivisions	4,040	74,511	193,418	—	271,969
Residential mortgage-backed securities, Agency	5,271	823,657	289,498	77,785	1,196,211
Residential mortgage-backed securities, Non-agency	20,998	235,783	—	—	256,781
Commercial mortgage-backed, Agency	20,452	189,919	78,947	63,672	352,990
Commercial mortgage-backed, Non-agency	—	—	16,050	—	16,050
Corporate bonds	170,380	31,713	—	998	203,091
Asset-backed securities	4,036	67,267	29,958	2,108	103,369
Total securities	\$ 257,770	\$ 1,547,910	\$ 607,871	\$ 144,563	\$ 2,558,114
Weighted average yield ⁽¹⁾	3.01%	2.85%	2.70%	3.02%	2.84%

⁽¹⁾ Based on amortized cost, taxable equivalent basis

Off-Balance Sheet Arrangements

We are 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, which included commitments to extend credit and letters of credit, totaled \$2.15 billion at December 31, 2019.

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. We use the same credit underwriting procedures for making commitments, letters of credit and financial guarantees as we use 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. We believe that we have adequate sources of liquidity to fund commitments that are drawn upon by the borrowers. We are 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 21 to the consolidated financial statements for additional information on off-balance sheet arrangements.

In addition, at December 31, 2018, we had \$50 million in offsetting repurchase agreements / reverse repurchase agreements that were netted in the consolidated balance sheet. As of December 31, 2019, we had no such agreements outstanding. See Note 5 to the consolidated financial statements for additional information.

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

Table 18 - Contractual Obligations and Other Commitments

As of December 31, 2019

(in thousands)

	Total	Unamortized Premium (Discount)	Maturity By Years			
			1 or Less	1 to 3	3 to 5	Over 5
Contractual Cash Obligations						
Long-term debt	212,664	(8,588)	—	50,000	—	171,252
Operating leases	22,039	(1,802)	4,939	9,818	5,720	3,364
Total contractual cash obligations	\$ 234,703	\$ (10,390)	\$ 4,939	\$ 59,818	\$ 5,720	\$ 174,616
Other Commitments						
Commitments to extend credit	\$ 2,126,275	\$ —	\$ 575,137	\$ 404,420	\$ 371,035	\$ 775,683
Commercial letters of credit	22,533	—	17,842	1,805	2,150	736
Uncertain tax positions	3,370	—	1,628	911	831	—
Total other commitments	\$ 2,152,178	\$ —	\$ 594,607	\$ 407,136	\$ 374,016	\$ 776,419

Capital Resources and Dividends

The maintenance and management of capital levels is one of management's significant priorities. Shareholders' equity at December 31, 2019 was \$1.64 billion, an increase of \$178 million from December 31, 2018 primarily due to earnings and other comprehensive income partially offset by dividends declared and shares repurchased.

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

Common Equity Tier 1 ("CET1") capital consists of common shareholders' equity, excluding accumulated other comprehensive income (loss), intangible assets (goodwill, deposit-based intangibles and certain other intangibles, including certain servicing assets), net of associated deferred tax liabilities, and disallowed deferred tax assets. Tier 1 capital consists of CET1, plus perpetual preferred stock and

other qualifying capital securities. Tier 2 capital components include supplemental capital such as the qualifying portion of the allowance for loan losses and qualifying subordinated debt. Tier 1 capital plus Tier 2 capital is referred to as Total risk-based capital.

We have outstanding junior subordinated debentures related to trust preferred securities totaling \$25.0 million at December 31, 2019. The related trust preferred securities of \$24.3 million (excluding common securities) qualify as Tier 1 capital under risk-based capital guidelines provided that total trust preferred securities do not exceed certain quantitative limits. At December 31, 2019, all of our trust preferred securities qualified as Tier 1 capital. Further information on trust preferred securities is provided in Note 13 to the consolidated financial statements.

The following table outlines the minimum ratios required for capital adequacy purposes, as well as the thresholds for a categorization of “well-capitalized”.

Table 19 - Capital Requirements Under Basel III

As of December 31,

	Minimum Capital	Well-Capitalized	Minimum Capital Plus Capital Conservation Buffer		United Community Banks, Inc. (consolidated)		United Community Bank	
			2019	2018	2019	2018	2019	2018
CET1 capital to risk-weighted assets	4.5%	6.5%	7.0%	6.38%	12.97%	12.16%	14.87%	12.91%
Tier 1 capital to risk-weighted assets	6.0	8.0	8.5	7.88	13.21	12.42	14.87	12.91
Total capital to risk-weighted assets	8.0	10.0	10.5	9.88	15.01	14.29	15.54	13.60
Leverage ratio	4.0	5.0	N/A	N/A	10.34	9.61	11.63	9.98

Additional information related to capital ratios, as calculated under regulatory guidelines, as of December 31, 2019 and 2018, is provided in Note 20 to the consolidated financial statements. As of December 31, 2019 and 2018, both United and the Bank were characterized as “well-capitalized”.

Effect of Inflation and Changing Prices

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**Interest Rate Sensitivity Management**

The absolute level and volatility of interest rates can have a significant effect on 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 our 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.

Net interest revenue and the fair value of financial instruments are influenced by changes in the level of interest rates. We limit our exposure to fluctuations in interest rates through policies established by our 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 several 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 to in order to measure the change in net interest revenue. Policy limits are based on immediate rate shock scenarios, as well as gradually rising and falling rate scenarios, which are all compared to the base scenario. 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 12-month time frame, longer time horizons are also modeled.

Our 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 to 200 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. Our policy limits the projected change in net interest revenue over the first 12 months to an 8% decrease for each 100 basis point change in the increasing and decreasing rate ramp and shock scenarios. The following table presents our interest sensitivity position at the dates indicated. The change in simulation model results from December 31, 2018 to December 31, 2019 was primarily a result of a change in assumptions implemented in the first quarter of 2019, rather than a reflection of a significant change in balance sheet composition.

Table 20 - Interest Sensitivity

Change in Rates	Increase (Decrease) in Net Interest Revenue from Base Scenario at December 31,			
	2019		2018	
	Shock	Ramp	Shock	Ramp
100 basis point increase	2.91 %	2.22 %	(0.37)%	(0.81)%
100 basis point decrease	(4.86)	(3.92)	(2.89)	(2.17)

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

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

Derivative financial instruments are used to manage interest rate sensitivity. These contracts generally consist of interest rate swaps under which we pay a variable rate (or fixed rate, as the case may be) and receive a fixed rate (or variable rate, as the case may be). In addition, investment securities and wholesale funding strategies are used to manage interest rate risk.

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. We have 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, we 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. During the second quarter of 2019, we amortized the remaining balance of losses on terminated hedging positions from other comprehensive income.

Our policy requires all non-customer derivative financial instruments be used only for asset/liability management through the hedging of specific transactions, positions or risks, 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 we may require the counterparties to derivative contracts to pledge cash and/or securities as collateral to cover the net exposure.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

Management has assessed the effectiveness of the internal control over financial reporting as of December 31, 2019. In making this assessment, we used the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management also conducted an assessment of requirements pertaining to Section 112 of the Federal Deposit Insurance Corporation Improvement Act. This section relates to management's evaluation of internal control over financial reporting, including controls over the preparation of financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and in compliance with laws and regulations. Our evaluation included a review of the documentation of controls, evaluations of the design of the internal control system and tests of the effectiveness of internal controls.

Based on our assessment, management concluded that as of December 31, 2019, United Community Banks, Inc.'s internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ H. Lynn Harton

H. Lynn Harton

President and Chief Executive Officer

/s/ Jefferson L. Harralson

Jefferson L. Harralson

Executive Vice President and
Chief Financial Officer



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of United Community Banks, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of United Community Banks, Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, of comprehensive income (loss), of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management's assessment and our audit of United Community Banks, Inc.'s internal control over financial reporting also included controls over the preparation of financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) to comply with the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

As described in Notes 1 and 7 to the consolidated financial statements, management determines the general reserve portion of the allowance for loan losses using actual historical loss experience for each individual loan category, as well as evaluating whether qualitative adjustments are necessary. As of December 31, 2019, the allowance for loan losses was \$62.09 million on total loans, net of unearned income. In evaluating whether qualitative adjustments are necessary, management considers general economic and business conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, the findings of internal and external credit reviews, results from external bank regulatory examinations, and other macro environmental factors such as changes in unemployment rates, employment rates, debt per capita, home price indices, and trends in real estate value indices.

The principal considerations for our determination that performing procedures relating to the evaluation of qualitative adjustments used in the determination of the general reserve portion of the allowance for loan losses is a critical audit matter are there was significant judgment by management when evaluating the qualitative adjustments, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence relating to the qualitative adjustments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's allowance for loan losses estimation process, including controls over evaluating the qualitative adjustments used in the determination of the general reserve portion of the allowance for loan losses. Our procedures also included, among others, testing management's process for evaluating qualitative adjustments by (i) evaluating the appropriateness of the methodology management used in evaluating the qualitative adjustments, (ii) testing the inputs used in the estimate of qualitative adjustments, including the completeness and accuracy of underlying historical loss data, and (iii) evaluating the reasonableness of the qualitative adjustments given current macroeconomic trends and portfolio characteristics.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia
February 27, 2020

We have served as the Company's auditor since 2013.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2019 and 2018
(in thousands, except share data)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and due from banks	\$ 125,844	\$ 126,083
Interest-bearing deposits in banks	389,362	201,182
Cash and cash equivalents	515,206	327,265
Debt securities available-for-sale	2,274,581	2,628,467
Debt securities held-to-maturity (fair value \$287,904 and \$268,803)	283,533	274,407
Loans held for sale, at fair value	58,484	18,935
Loans, net of unearned income	8,812,553	8,383,401
Less allowance for loan losses	(62,089)	(61,203)
Loans, net	8,750,464	8,322,198
Premises and equipment, net	215,976	206,140
Bank owned life insurance	202,664	192,616
Accrued interest receivable	32,660	35,413
Net deferred tax asset	34,059	64,224
Derivative financial instruments	35,007	24,705
Goodwill and other intangible assets, net	342,247	324,072
Other assets	171,135	154,750
Total assets	\$ 12,916,016	\$ 12,573,192
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 3,477,979	\$ 3,210,220
Interest-bearing deposits	7,419,265	7,324,293
Total deposits	10,897,244	10,534,513
Federal Home Loan Bank advances	—	160,000
Long-term debt	212,664	267,189
Derivative financial instruments	15,516	26,433
Accrued expenses and other liabilities	154,900	127,503
Total liabilities	11,280,324	11,115,638
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$1 par value; 150,000,000 shares authorized; 79,013,729 and 79,234,077 shares issued and outstanding	79,014	79,234
Common stock issuable; 664,640 and 674,499 shares	11,491	10,744
Capital surplus	1,496,641	1,499,584
Retained earnings (accumulated deficit)	40,152	(90,419)
Accumulated other comprehensive income (loss)	8,394	(41,589)
Total shareholders' equity	1,635,692	1,457,554
Total liabilities and shareholders' equity	\$ 12,916,016	\$ 12,573,192

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Income
For the Years Ended December 31, 2019, 2018 and 2017
(in thousands, except per share data)

	2019	2018	2017
Interest revenue:			
Loans, including fees	\$ 476,039	\$ 420,383	\$ 315,050
Investment securities:			
Taxable	69,920	73,496	70,172
Tax exempt	4,564	4,189	2,216
Deposits in banks and short-term investments	2,183	2,012	2,282
Total interest revenue	552,706	500,080	389,720
Interest expense:			
Deposits	66,856	39,543	17,062
Short-term borrowings	838	1,112	352
Federal Home Loan Bank advances	2,697	6,345	6,095
Long-term debt	12,921	14,330	10,226
Total interest expense	83,312	61,330	33,735
Net interest revenue	469,394	438,750	355,985
Provision for credit losses	13,150	9,500	3,800
Net interest revenue after provision for credit losses	456,244	429,250	352,185
Noninterest income:			
Service charges and fees	36,797	35,997	38,295
Mortgage loan gains and related fees	27,145	19,010	18,320
Brokerage fees	6,150	5,191	4,633
Gains from other loan sales, net	6,867	9,277	10,493
Securities (losses) gains, net	(1,021)	(656)	42
Other	28,775	24,142	16,477
Total noninterest income	104,713	92,961	88,260
Total revenue	560,957	522,211	440,445
Noninterest expenses:			
Salaries and employee benefits	196,440	181,015	153,098
Occupancy	23,350	22,781	20,344
Communications and equipment	24,613	21,277	19,660
FDIC assessments and other regulatory charges	4,901	8,491	6,534
Professional fees	17,028	15,540	12,074
Lending and loan servicing expense	9,416	8,697	7,512
Outside services - electronic banking	7,020	6,623	6,487
Postage, printing and supplies	6,370	6,416	5,952
Advertising and public relations	6,170	5,991	4,242
Amortization of intangibles	4,938	6,846	4,845
Merger-related and other charges	6,907	5,414	13,901
Other	15,092	17,194	12,962
Total noninterest expenses	322,245	306,285	267,611
Income before income taxes	238,712	215,926	172,834
Income tax expense	52,991	49,815	105,013
Net income	\$ 185,721	\$ 166,111	\$ 67,821
Net income available to common shareholders	\$ 184,346	\$ 164,927	\$ 67,250
Income per common share:			
Basic	\$ 2.31	\$ 2.07	\$ 0.92
Diluted	2.31	2.07	0.92
Weighted average common shares outstanding:			
Basic	79,700	79,662	73,247
Diluted	79,708	79,671	73,259

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2019, 2018 and 2017
(in thousands, except per share data)

	2019			2018			2017		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$ 238,712	\$ (52,991)	\$ 185,721	\$ 215,926	\$ (49,815)	\$ 166,111	\$ 172,834	\$(105,013)	\$ 67,821
Other comprehensive income (loss):									
Unrealized gains (losses) on available-for-sale securities:									
Unrealized holding gains (losses) arising during period	64,749	(15,696)	49,053	(24,990)	6,081	(18,909)	8	75	83
Reclassification adjustment for losses (gains) included in net income	1,021	(247)	774	656	(132)	524	(42)	14	(28)
Net unrealized gains (losses)	65,770	(15,943)	49,827	(24,334)	5,949	(18,385)	(34)	89	55
Amortization of losses included in net income on available-for-sale securities transferred to held to maturity	383	(92)	291	739	(180)	559	1,069	(401)	668
Amortization of losses included in net income on terminated derivative financial instruments previously accounted for as cash flow hedges	337	(86)	251	499	(129)	370	891	(346)	545
Reclassification of disproportionate tax effect related to terminated and current cash flow hedges	—	—	—	—	—	—	—	3,289	3,289
Net cash flow hedge activity	337	(86)	251	499	(129)	370	891	2,943	3,834
Termination of defined benefit pension plan	1,558	(398)	1,160	—	—	—	—	—	—
Amendments to defined benefit pension plans	(386)	99	(287)	(413)	105	(308)	(700)	180	(520)
Net actuarial (loss) gain on defined benefit pension plans	(2,390)	610	(1,780)	1,015	(259)	756	(1,819)	563	(1,256)
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plans	699	(178)	521	907	(247)	660	798	(310)	488
Net defined benefit pension plan activity	(519)	133	(386)	1,509	(401)	1,108	(1,721)	433	(1,288)
Total other comprehensive income (loss)	65,971	(15,988)	49,983	(21,587)	5,239	(16,348)	205	3,064	3,269
Comprehensive income	\$ 304,683	\$ (68,979)	\$ 235,704	\$ 194,339	\$ (44,576)	\$ 149,763	\$ 173,039	\$(101,949)	\$ 71,090

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2019, 2018 and 2017
(in thousands except share data)

	Common Stock	Common Stock Issuable	Capital Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2016	\$ 70,899	\$ 7,327	\$ 1,275,849	\$ (251,857)	\$ (26,483)	\$ 1,075,735
Net income				67,821		67,821
Other comprehensive income					3,269	3,269
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (17,826 common shares)	18		432			450
Common stock issued for acquisitions (6,515,505 common shares)	6,516		172,949			179,465
Amortization of stock options and restricted stock unit awards			5,827			5,827
Vesting of restricted stock unit awards, net of shares withheld to cover payroll taxes (114,837 common shares issued, 111,090 common shares deferred)	115	1,763	(3,472)			(1,594)
Deferred compensation plan, net, including dividend equivalents		361				361
Shares issued from deferred compensation plan (32,279 shares)	32	(368)	229			(107)
Common stock dividends (\$0.38 per share)				(28,330)		(28,330)
Reclassification of disproportionate tax effects resulting from the Tax Cuts and Jobs Act of 2017 pursuant to ASU 2018-02				2,027	(2,027)	—
Cumulative effect of change in accounting principle				437		437
Balance, December 31, 2017	77,580	9,083	1,451,814	(209,902)	(25,241)	1,303,334
Net income				166,111		166,111
Other comprehensive loss					(16,348)	(16,348)
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (25,248 common shares)	25		654			679
Common stock issued for acquisitions (1,443,987 common shares)	1,444		44,302			45,746
Amortization of stock options and restricted stock unit awards			6,057			6,057
Exercise of stock options (12,000 shares)	12		130			142
Vesting of restricted stock unit awards, net of shares withheld to cover payroll taxes (125,067 common shares issued, 99,779 common shares deferred)	125	1,931	(4,044)			(1,988)
Deferred compensation plan, net, including dividend equivalents		459				459
Shares issued from deferred compensation plan (48,214 shares)	48	(729)	671			(10)
Common stock dividends (\$0.58 per share)				(46,628)		(46,628)
Balance, December 31, 2018	79,234	10,744	1,499,584	(90,419)	(41,589)	1,457,554
Net income				185,721		185,721
Other comprehensive income					49,983	49,983
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (83,557 common shares)	83		2,110			2,193
Amortization of restricted stock unit awards			9,360			9,360
Exercise of stock options (13,000 shares)	13		199			212
Vesting of restricted stock unit awards, net of shares withheld to cover payroll taxes (109,100 common shares issued, 55,271 common shares deferred)	109	1,476	(3,027)			(1,442)
Deferred compensation plan, net, including dividend equivalents		525				525
Shares issued from deferred compensation plan (74,490 shares)	75	(1,254)	935			(244)
Common stock dividends (\$0.68 per share)				(54,601)		(54,601)
Purchases of common stock (500,495 shares)	(500)		(12,520)			(13,020)
Adoption of new accounting standard				(549)		(549)
Balance, December 31, 2019	<u>\$ 79,014</u>	<u>\$ 11,491</u>	<u>\$ 1,496,641</u>	<u>\$ 40,152</u>	<u>\$ 8,394</u>	<u>\$ 1,635,692</u>

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019, 2018 and 2017
(in thousands)

	2019	2018	2017
Operating activities:			
Net income	\$ 185,721	\$ 166,111	\$ 67,821
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	23,952	30,971	27,494
Provision for credit losses	13,150	9,500	3,800
Stock based compensation	9,360	6,057	5,827
Deferred income tax expense	14,909	32,630	99,562
Securities losses (gains), net	1,021	656	(42)
Gains from other loan sales, net	(6,867)	(9,277)	(10,493)
Changes in assets and liabilities:			
(Increase) decrease in other assets and accrued interest receivable	(45,789)	13,195	(15,525)
(Decrease) increase in accrued expenses and other liabilities	(1,975)	3,772	24,280
(Increase) decrease in loans held for sale	(39,549)	16,391	5,238
Net cash provided by operating activities	153,933	270,006	207,962
Investing activities:			
Debt securities held-to-maturity:			
Proceeds from maturities and calls	50,379	58,605	56,917
Purchases	(59,629)	(11,983)	(36,638)
Debt securities available-for-sale and equity securities with readily determinable fair values:			
Proceeds from sales	352,106	168,891	340,540
Proceeds from maturities and calls	349,758	346,505	605,889
Purchases	(294,245)	(566,333)	(936,947)
Net increase in loans	(205,612)	(291,890)	(109,433)
Net cash (paid) received for acquisitions	(19,545)	(56,800)	53,678
Purchase of bank owned life insurance	—	—	(10,000)
Purchases of premises and equipment	(20,944)	(17,617)	(22,183)
Proceeds from sales of premises and equipment	6,595	6,483	3,137
Proceeds from sale of other real estate owned	2,439	4,664	9,534
Other investing activities	1,916	—	—
Net cash provided by (used in) investing activities	163,218	(359,475)	(45,506)
Financing activities:			
Net increase in deposits	151,401	727,839	287,073
Net (decrease) increase in short-term borrowings	—	(264,923)	43,859
Proceeds from Federal Home Loan Bank advances	1,625,000	2,860,000	4,000,000
Repayment of Federal Home Loan Bank advances	(1,785,000)	(3,204,003)	(4,294,000)
Repayment of long-term debt	(55,266)	(71,831)	(75,000)
Proceeds from issuance of long-term debt, net of issuance costs	—	98,188	—
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	2,193	679	450
Proceeds from exercise of stock options	212	142	—
Cash paid for shares withheld to cover payroll taxes upon vesting of restricted stock units	(1,686)	(1,998)	(1,701)
Repurchase of common stock	(13,020)	—	—
Cash dividends on common stock	(53,044)	(41,634)	(26,210)
Net cash (used in) provided by financing activities	(129,210)	102,459	(65,529)
Net change in cash and cash equivalents, including restricted cash	187,941	12,990	96,927
Cash and cash equivalents, including restricted cash, at beginning of year	327,265	314,275	217,348
Cash and cash equivalents, including restricted cash, at end of year	\$ 515,206	\$ 327,265	\$ 314,275
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ 85,973	\$ 56,830	\$ 34,657
Income taxes paid	33,776	7,880	6,514

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

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

Organization and Basis of Presentation

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

The Bank is a Georgia state chartered commercial bank that serves both rural and metropolitan markets in Georgia, South Carolina, North Carolina and Tennessee and provides a full range of banking services. The Bank is insured and subject to the regulation of the Federal Deposit Insurance Corporation (“FDIC”) and is also subject to the regulation of the Georgia Department of Banking and Finance.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the balance sheet and revenue and expenses for the years then ended. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change are the determination of the allowance for loan losses, the valuation of acquired loans, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of goodwill and separately identifiable intangible assets associated with mergers and acquisitions, and the valuation of deferred tax assets.

Operating Segments

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

Additionally, management assessed other operating units to determine if they should be classified and reported as segments, including Mortgage, Advisory Services and Commercial Banking Solutions. Qualitatively, these business units are currently operating in the same geographic footprint as the community banks and face many of the same customers as the community banks. While the chief operating decision maker does have some limited production information for these entities, that information is not complete since it does not include a full allocation of revenue, costs and capital from key corporate functions. The business units are currently viewed more as a product line extension of the community banks. However, management will continue to evaluate these business units for separate reporting as facts and circumstances change.

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

Accounting for Variable Interest Entities

The consolidated financial statements also include the results of a bankruptcy-remote securitization entity, Navitas Equipment Receivables LLC 2016-1 (“NER 16-1”), acquired with NLFC Holdings Corp. (“Navitas”). NER 16-1 was formed solely to receive loans transferred from Navitas to be used as collateral for a term note securitization. Navitas is the primary beneficiary of NER 16-1. As a result, while the transfer of the loans meets the criteria of a sale, NER 16-1 is consolidated on United’s books and therefore the transfer is accounted for as a secured borrowing. NER 16-1 differs from other entities included in United’s consolidated statements because the assets it holds are legally isolated. At December 31, 2018, NER 16-1 had total assets of \$65.5 million and total liabilities of \$55.3 million. During 2019, NER 16-1 executed a payoff and termination of the remaining notes outstanding in accordance with the terms of the related securitization documents.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

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

The terms of securitizations acquired with Navitas require various restricted cash accounts. These cash accounts were funded from either a portion of the proceeds from the issuance of notes or from the collections on leases and loans that were conveyed in the securitization. These restricted cash accounts provide additional collateral to the note holders under specific provisions of the securitizations which govern when funds in these accounts may be released as well as conditions under which collections on contracts transferred to the securitizations may be used to fund deposits into the restricted cash accounts. At December 31, 2018, these restricted cash accounts totaled \$6.70 million and were included in interest-bearing deposits in banks on the consolidated balance sheet. There were no restricted cash accounts related to securitizations at December 31, 2019.

Investment Securities

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

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

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

Equity securities are included in other assets on the consolidated balance sheets. Those with readily determinable fair values are carried at fair value with changes in fair value recognized in net income. Those without readily determinable fair values include, among others, Federal Home Loan Bank ("FHLB") stock held to meet FHLB requirements related to outstanding advances and Community Reinvestment Act ("CRA") equity investments, including those where the returns are primarily derived from low income housing tax credits ("LIHTC"). Our investment in FHLB stock, which totaled \$11.5 million at December 31, 2019, is accounted for using the cost method of accounting. Our LIHTC investments are accounted for using the proportional amortization method of accounting for qualified affordable housing investments which results in the amortization being reported as a component of income tax expense. Our obligations related to unfunded commitments for our LIHTC investments are reported in other liabilities. Our other CRA investments are accounted for using the equity method of accounting. As conditions warrant, we review our investments for impairment and will adjust the carrying value of the investment if it is deemed to be impaired.

Loans Held for Sale

United has elected the fair value option for most of its newly originated mortgage loans held for sale in order to reduce certain timing differences and match changes in fair values of the loans with changes in the fair value of derivative instruments used to economically hedge them.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Loans and Leases

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

Equipment Financing Lease Receivables: Equipment financing lease receivables, which are classified as sales-type or direct financing leases, are recorded as the sum of the future minimum lease payments, initial deferred costs and estimated or contractual residual values less unearned income and security deposits. The determination of residual value is derived from a variety of sources including equipment valuation services, appraisals, and publicly available market data on recent sales transactions on similar equipment. The length of time until contract termination, the cyclical nature of equipment values and the limited marketplace for re-sale of certain leased assets are important variables considered in making this determination. Interest income, which is included in loan interest revenue in the consolidated statements of income, is recognized as earned using the effective interest method. Direct fees and costs associated with the origination of leases are deferred and included as a component of equipment financing receivables. Net deferred fees or costs are recognized as an adjustment to interest income over the contractual life of the lease using the effective interest method. These lease agreements may include options to renew and for the lessee to purchase the leased equipment at the end of the lease term. United excludes sales taxes from consideration in these lease contracts.

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

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

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

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

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

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

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

Concentration of Credit Risk: Most of United's business activity is with customers located within the markets where it has banking operations. Therefore, United's exposure to credit risk is significantly affected by changes in the economy within its markets. Approximately 76% of United's loan portfolio is secured by real estate and is therefore susceptible to changes in real estate valuations.

Allowance for Credit Losses

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

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

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

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

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

Owner occupied commercial real estate – Loans in this category are susceptible to business failure and general economic conditions.

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

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

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

Equipment financing - Risks associated with equipment financing are similar to those described for commercial and industrial loans, including general economic conditions, as well as appropriate lien priority on equipment, equipment obsolescence and the general mobility of the collateral.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

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

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

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

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

Indirect auto - Risks common to indirect auto loans include unemployment and changes in local economic conditions as well as the inability to monitor collateral. During 2019, United sold its portfolio of indirect auto loans.

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

Management believes the allowance for loan losses is appropriate at December 31, 2019. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review United's allowance for loan losses.

Premises and Equipment

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

Foreclosed Properties (Other Real Estate Owned, or "OREO")

Foreclosed property is initially recorded at fair value, less cost to sell. If the fair value, less cost to sell at the time of foreclosure is less than the loan balance, the deficiency is recorded as a loan charge-off against the allowance for loan losses. If the fair value, less cost to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to operating expenses. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property.

Goodwill and Other Intangible Assets

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

Other intangible assets, which are initially recorded at fair value, consist of core deposit intangible assets and noncompete agreements resulting from acquisitions. Core deposit intangible assets are amortized on a sum-of-the-years-digits basis over their estimated useful lives. Noncompete agreements, which were fully amortized at December 31, 2019, were amortized on a straight line basis over their estimated useful lives.

Management evaluates other intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Transfers of Financial Assets

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

Servicing Rights

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

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

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.

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

United accounts for the servicing liabilities associated with sold equipment financing loans using the amortization method.

Bank Owned Life Insurance

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

Operating Leases

Effective January 1, 2019, United records a right-of-use asset, included in other assets, and a related lease liability, included in other liabilities, for eligible operating leases for which it is the lessee, which include leases for land, buildings, and equipment. Payments related to these leases consist primarily of base rent and, in the case of building leases, additional operating costs associated with the leased property such as common area maintenance and utilities. In most cases these operating costs vary over the term of the lease, and therefore are classified as variable lease costs, which are recognized as incurred in the consolidated statement of income. In addition, certain operating leases include costs such as property taxes and insurance, which are recognized as incurred in the consolidated statement of income. Many of United’s operating leases contain renewal options, most of which are excluded from the measurement of the right-of-use asset and lease liability as they are not reasonably certain to be exercised. United also subleases and leases certain real estate properties to third parties under operating leases. United does not recognize a lease liability or right-of-use asset on the consolidated balance sheet related to short-term leases with a term of less than one year. Lease payments for short-term leases are recognized as expense over the lease term.

See Note 14 for additional information on operating leases. See Note 2 for further detail related to the adoption of ASU No. 2016-02, *Leases (Topic 842)*.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Loan Commitments and Related Financial Instruments

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

Revenue from Contracts with Customers

In addition to lending and related activities, United offers various services to customers that generate revenue, certain of which are governed by ASC Topic 606 *Revenue from Contracts with Customers* ("ASC 606"). United's services that fall within the scope of ASC 606 are presented within noninterest income and include service charges and fees, brokerage fees, and other transaction-based fees. Revenue is recognized when the transactions occur or as services are performed over primarily monthly or quarterly periods. Payment is typically received in the period the transactions occur. Fees may be fixed or, where applicable, based on a percentage of transaction size.

Income Taxes

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

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

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

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

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

Derivative Instruments and Hedging Activities

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

In carrying out this part of its interest rate risk management strategy, management uses derivatives, primarily interest rate swaps. Interest rate swaps generally involve the exchange of fixed- and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date. United has also occasionally used interest rate caps to serve as an economic macro hedge of exposure to rising interest rates.

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

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

To accommodate customers, United enters into interest rate swaps or caps with certain commercial loan customers, with offsetting positions to dealers under a back-to-back swap/cap program. In addition, 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.

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

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

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

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

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

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

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Acquisition Activities

United accounts for business combinations under the acquisition method of accounting. Assets acquired and liabilities assumed are measured and recorded at fair value at the date of acquisition, including identifiable intangible assets. If the fair value of net assets purchased exceeds the fair value of consideration paid, a bargain purchase gain is recognized at the date of acquisition. Conversely, if the consideration paid exceeds the fair value of the net assets acquired, goodwill is recognized at the acquisition date. Fair values are subject to refinement for a period not to exceed one year after the closing date of an acquisition as information relative to closing date fair values becomes available. The determination of the fair value of loans acquired takes into account credit quality deterioration and probability of loss; therefore, the related allowance for loan losses is not carried forward.

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

Earnings Per Common Share

Basic earnings per common share is net income available to common shareholders divided by the weighted average number of shares of common stock outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Additionally, shares issuable to participants in United's deferred compensation plan are considered to be participating securities for purposes of calculating basic earnings per share. Accordingly, net income available to common shareholders is calculated pursuant to the two-class method, whereby net income is allocated between common shareholders and participating securities. Diluted earnings per common share includes the dilutive effect of additional potential shares of common stock issuable under stock options, unvested restricted stock units without nonforfeitable rights to dividends, warrants and securities convertible into common stock.

Loss Contingencies

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

Dividend Restrictions

Banking regulations require maintaining certain capital levels and may limit dividends paid by the Bank to the Holding Company or by the Holding Company to shareholders. The board of directors may declare dividends from the Bank to the Holding Company out of retained earnings of up to fifty percent of the Bank's net income from the previous year without notifying or seeking approval from the Georgia Department of Banking and Finance as long as total classified assets do not exceed 80% of tier 1 capital and the tier 1 risk based capital ratio is not less than 6%. Dividends paid by the Bank to the Holding Company in excess of that amount require pre-approval of the Georgia Department of Banking and Finance.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions as more fully disclosed in Note 24. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Stock-Based Compensation

United uses the fair value method of recognizing expense for stock-based compensation based on the fair value of option and restricted stock unit awards at the date of grant. United accounts for forfeitures as they occur.

Reclassifications

Certain amounts have been reclassified to conform to the 2019 presentation.

Notes to Consolidated Financial Statements

(2) Accounting Standards Updates and Recently Adopted Standards

Accounting Standards Updates

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new guidance, which was further modified by subsequent related updates, replaces the incurred loss impairment framework in current GAAP with a current expected credit loss (“CECL”) framework, which requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost and some off-balance sheet credit exposures. 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 deteriorated (“PCD”) loans will receive an initial allowance at the acquisition date that represents an adjustment to the amortized cost basis of the loan, with no impact to earnings. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses prospectively, with such allowance limited to the amount by which fair value is below amortized cost.

United adopted ASC 326 as of January 1, 2020 using the modified retrospective method for loans, leases and off-balance sheet credit exposures. Adoption of this guidance resulted in an \$8.75 million increase in the allowance for credit losses, comprised of increases in the allowance for loan losses of \$6.88 million and the reserve for unfunded commitments of \$1.87 million, with \$3.59 million of the increase reclassified from the amortized cost basis of PCD financial assets that were previously classified as PCI. The cumulative effect adjustment to retained earnings was \$3.53 million, net of tax. Calculated credit losses on held-to-maturity debt securities were not material and there was no impact to the available-for-sale portfolio or other financial instruments. The allowance for loan losses for the majority of loans and leases was calculated using a discounted cash flow methodology applied to fourteen portfolios with a one-year reasonable and supportable forecast period and a two-year straight-line reversion period. The increase in the allowance for loan losses at transition was primarily due to the equipment financing and residential mortgage portfolios. In connection with the adoption, management has implemented changes to relevant systems, processes and controls where necessary. Model validation was completed during the fourth quarter of 2019. In addition, management is in the final stages of implementing the accounting, reporting and governance processes to comply with the new guidance. United’s CECL allowance will fluctuate over time due to macroeconomic conditions and forecasts as well as the size and composition of the loan portfolios.

With regard to PCD assets, because United has elected to break apart the former PCI pools and will no longer consider these pools to be the unit of account, contractually delinquent PCD loans will be reported as nonaccrual loans using the same criteria as other loans. Similarly, PCD loans that are restructured and meet the definition of troubled debt restructurings after the adoption of CECL will be reported as such.

In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments*. In addition to amending guidance related to the new CECL standard, this update clarifies certain aspects of hedge accounting and recognition and measurement of financial instruments. United adopted this update as of January 1, 2020, with no material impact to the consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This update removes several exceptions related to intraperiod tax allocation when there is a loss from continuing operations and income from other items, foreign subsidiaries becoming equity method investments and vice versa, and calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The guidance also amends requirements related to franchise tax that is partially based on income, a step up in the tax basis of goodwill, allocation of consolidated tax expense to a legal entity not subject to tax in its separate financial statements, the effects of enacted changes in tax laws and other minor codification improvements regarding employee stock ownership plans and investments in qualified affordable housing projects. For public entities, this guidance is effective for fiscal years beginning after December 15, 2020. United does not expect the new guidance to have a material impact on the consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)*. This update clarifies whether an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative and how to account for certain forward contracts and purchased options to purchase securities. For public entities, this

Notes to Consolidated Financial Statements

(2) Accounting Standards Updates and Recently Adopted Standards, continued

guidance is effective for fiscal years beginning after December 15, 2020. United does not expect the new guidance to have a material impact on the consolidated financial statements.

Standards Adopted in 2019

On January 1, 2019, United adopted ASU No. 2016-02, *Leases (Topic 842)*, as modified by ASU No. 2018-10, *Codification Improvements to Topic 842 Leases*, ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, ASU No. 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors* and ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*. These standards require a lessee to recognize in the consolidated balance sheet 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. United adopted the standard using the optional transition method, which allowed for a modified retrospective method of adoption with a cumulative effect adjustment to shareholders' equity without restating comparable periods. United also elected the relief package of practical expedients for which there is no requirement to reassess existence of leases, their classification, and initial direct costs as well as an exemption for short-term leases with a term of less than one year, whereby United does not recognize a lease liability or right-of-use asset on the consolidated balance sheet but instead recognizes lease payments as an expense over the lease term as appropriate. The adoption of this guidance resulted in recognition of a right-of-use asset of \$23.8 million, a lease liability of \$26.8 million and a reduction of shareholders' equity of \$549,000, net of tax, related to its operating leases. In addition, United has equipment financing leases for which it is the lessor, which were previously accounted for as capital leases. Upon adoption of Topic 842, these leases were classified as sales-type or direct financing leases, which required no significant change in accounting policy or treatment. These lease agreements may include options to renew and for the lessee to purchase the leased equipment at the end of the lease term. As a lessor, United elected to exclude sales taxes from consideration in lease contracts. In the opinion of management, the changes described above resulting from the adoption of the standard did not have a material impact on the consolidated financial statements. See Notes 7 and 14 for additional information on operating leases and equipment financing leases, respectively. See Note 1 for further accounting policy detail related to leases.

In July of 2019, the FASB issued ASU No. 2019-07, *Codification updates to SEC sections: amendments to SEC paragraphs pursuant to SEC final rule releases No. 33-10532, disclosure update and simplification, and nos. 33-10231 and 33-10442, investment company reporting modernization, and miscellaneous updates*. This standard updates various SEC financial statement disclosure requirements, including disclosures related to bank holding companies. The standard was effective immediately, and did not have a material impact on disclosures.

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 on January 1, 2019 did not have a material impact on the consolidated financial statements.

In August 2017, The FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. This update expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. This update also makes certain targeted improvements to simplify the application of hedge accounting guidance and ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness. For public entities, this update is effective for fiscal years beginning after December 15, 2018. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings. The amended presentation and disclosure guidance is required prospectively. The adoption of this update on January 1, 2019 did not have a material impact on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. This update expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. As a result, nonemployee share-based payment awards will be measured at the grant-date fair value of the equity instruments that an entity is obligated to issue when the service has been rendered, subject to the probability of satisfying performance conditions when applicable. For public entities, this update is effective for fiscal years beginning after December 15, 2018. The adoption of the new guidance on January 1, 2019 did not have a material impact on the consolidated

Notes to Consolidated Financial Statements

(2) Accounting Standards Updates and Recently Adopted Standards, continued

financial statements as United does not currently grant equity awards to nonemployees other than directors and does not anticipate doing so.

In June 2018, the FASB issued ASU No. 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies the guidance about whether a transfer of assets (or the reduction, settlement or cancellation of liabilities) is a contribution or an exchange transaction. In addition, the guidance clarifies the determination of whether a transaction is conditional. For public entities, this update is effective for contributions made in fiscal years beginning after December 15, 2018. The adoption of the new guidance on January 1, 2019 did not have a material impact on the consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-09, *Codification Improvements* to address stakeholder suggestions for minor corrections and clarifications within the codification. The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments in this update do not require transition guidance and will be effective upon issuance of this update. However, many of the amendments in this update do have transition guidance with effective dates for annual periods beginning after December 15, 2018, for public business entities. The adoption of the new guidance on January 1, 2019 did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The update removes disclosures that are no longer considered cost beneficial, modifies certain requirements of disclosures, and adds disclosure requirements identified as relevant. For public entities, this guidance is effective for fiscal years ending after December 15, 2019 and, depending on the provision, requires either prospective or retrospective application to prior periods presented. The adoption of this update did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*. This update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal use software. For public entities, this guidance is effective for fiscal years ending after December 15, 2019 with either retrospective or prospective application. The adoption of this update did not have a material impact on the consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*. This update permits the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes. For public entities, this guidance is effective for fiscal years beginning after December 15, 2018 and should be applied on a prospective basis for qualifying new or redesignated hedging relationships. The adoption of this update on January 1, 2019 did not have a material impact on the consolidated financial statements.

(3) Mergers and Acquisitions**Acquisition of First Madison Bank & Trust**

On May 1, 2019, United completed the acquisition of First Madison Bank & Trust ("FMBT"). FMBT operated four banking offices in Athens-Clarke County, Georgia. In connection with the acquisition, United acquired \$245 million of assets and assumed \$213 million of liabilities. Under the terms of the merger agreement, FMBT shareholders received \$52.1 million in cash. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$20.3 million, representing the intangible value of FMBT's business and reputation within the markets it served. None of the goodwill recognized is expected to be deductible for income tax purposes. United is amortizing the related core deposit intangible of \$2.80 million using the sum-of-the-years-digits method over 9.25 years, which represents the expected useful life of the asset.

United's operating results for the year ended December 31, 2019, include the operating results of the acquired business for the period subsequent to the acquisition date of May 1, 2019.

Notes to Consolidated Financial Statements

(3) Mergers and Acquisitions, continued

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

	As Recorded by FMBT	Fair Value Adjustments ⁽¹⁾	As Recorded by United
Assets			
Cash and cash equivalents	\$ 32,548	\$ —	\$ 32,548
Loans	197,682	(5,188)	192,494
Allowance for loan losses	(6,338)	6,338	—
Premises and equipment, net	7,124	1,400	8,524
Bank owned life insurance	6,823	—	6,823
Net deferred tax asset	1,386	(1,229)	157
Core deposit intangible	—	2,800	2,800
Other assets	1,032	246	1,278
Total assets acquired	\$ 240,257	\$ 4,367	\$ 244,624
Liabilities			
Deposits	\$ 211,884	\$ 243	\$ 212,127
Other liabilities	924	(207)	717
Total liabilities assumed	212,808	36	212,844
Excess of assets acquired over liabilities assumed	\$ 27,449		
Aggregate fair value adjustments		\$ 4,331	
Total identifiable net assets			31,780
Cash consideration transferred			52,093
Goodwill			\$ 20,313

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

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

	May 1, 2019
Accounted for pursuant to ASC 310-30:	
Contractually required principal and interest	\$ 13,145
Non-accretable difference	2,517
Cash flows expected to be collected	10,628
Accretable yield	1,300
Fair value	\$ 9,328
Excluded from ASC 310-30:	
Fair value	\$ 183,166
Gross contractual amounts receivable	218,855
Estimate of contractual cash flows not expected to be collected	8,826

Acquisition of Navitas

On February 1, 2018, United completed the acquisition of Navitas, a specialty lending company providing equipment finance credit services to small and medium-sized businesses nationwide. In connection with the acquisition, United acquired \$393 million of assets and assumed \$350 million of liabilities. Under the terms of the merger agreement, Navitas shareholders received \$130 million in total consideration, of which \$84.5 million was paid in cash and \$45.7 million was paid in United common stock. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$87.4 million, representing the intangible value of Navitas's business and reputation within the markets it served. None of the goodwill recognized is expected to be deductible for income tax purposes.

Since the acquisition date, within the one-year measurement period, United received additional information regarding the fair value of loans. As a result, the provisional value assigned to the acquired loans was reduced by \$526,000, partially offset by acquisition-related adjustments to deferred tax assets. The net of the adjustments was reflected as a \$390,000 increase to goodwill.

Notes to Consolidated Financial Statements

(3) Mergers and Acquisitions, continued

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

	As Recorded by Navitas	Fair Value Adjustments	As Recorded by United
Assets			
Cash and cash equivalents	\$ 27,700	—	\$ 27,700
Loans and leases, net	365,533	(7,181)	358,352
Premises and equipment, net	628	(304)	324
Net deferred tax asset	—	2,873	2,873
Other assets	5,117	(1,066)	4,051
Total assets acquired	\$ 398,978	\$ (5,678)	\$ 393,300
Liabilities			
Short-term borrowings	\$ 214,923	\$ —	\$ 214,923
Long-term debt	119,402	—	119,402
Other liabilities	17,059	(951)	16,108
Total liabilities assumed	351,384	(951)	350,433
Excess of assets acquired over liabilities assumed	\$ 47,594		
Aggregate fair value adjustments		\$ (4,727)	
Total identifiable net assets			42,867
Consideration transferred			
Cash			84,500
Common stock issued (1,443,987 shares)			45,746
Total fair value of consideration transferred			130,246
Goodwill			\$ 87,379

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

	February 1, 2018
Accounted for pursuant to ASC 310-30:	
Contractually required principal and interest	\$ 24,711
Non-accretable difference	5,505
Cash flows expected to be collected	19,206
Accretable yield	1,977
Fair value	\$ 17,229
Excluded from ASC 310-30:	
Fair value	\$ 341,123
Gross contractual amounts receivable	389,432
Estimate of contractual cash flows not expected to be collected	8,624

In January 2018, after announcement of its intention to acquire Navitas but prior to the completion of the acquisition, United purchased \$19.9 million in loans from Navitas in a transaction separate from the business combination.

Acquisition of Four Oaks FinCorp, Inc.

On November 1, 2017, United completed the acquisition of Four Oaks FinCorp, Inc. (“FOFN”) and its wholly-owned bank subsidiary, Four Oaks Bank & Trust Company. FOFN operated 14 banking offices in the Raleigh, North Carolina area. In connection with the acquisition, United acquired \$730 million of assets and assumed \$658 million of liabilities. Under the terms of the merger agreement, FOFN shareholders received 0.6178 shares of United common stock and \$1.90 for each share of FOFN common stock issued and outstanding at the closing date. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$53.5 million, representing the intangible value of FOFN’s business and reputation within the market it served. None of the goodwill recognized is expected to be deductible for income tax purposes. United is amortizing the related core deposit intangible of \$7.83 million using the sum-of-the-years-digits method over 11.5 years, which represents the expected useful life of the asset. United amortized the related noncompete agreement intangibles of \$908,000 using the straight line method over the one year terms of the agreements. In connection with the acquisition, United assumed \$11.5 million in subordinated debentures and \$12.4 million in trust preferred securities. See Note 13 for further information on long-term debt.

Notes to Consolidated Financial Statements

(3) Mergers and Acquisitions, continued

During first quarter 2018, within the one-year measurement period, United received additional information regarding the acquisition date fair values of loans held for sale and servicing assets. As a result, the provisional values assigned to the acquired loans held for sale and servicing assets have been adjusted to \$10.7 million and \$65,000, respectively, which represent an increase of \$2.59 million and a decrease of \$354,000, respectively, from amounts previously disclosed. The tax effect of these adjustments was reflected as a decrease to the deferred tax asset of \$1.08 million, with the net amount of \$1.16 million reflected as a decrease to goodwill.

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

	As Recorded by FOFN	Fair Value Adjustments	As Recorded by United
Assets			
Cash and cash equivalents	\$ 48,652	\$ 6	\$ 48,658
Securities	114,190	782	114,972
Loans held for sale	13,976	(3,290)	10,686
Loans, net	491,721	(5,477)	486,244
Premises and equipment, net	11,251	1,147	12,398
Bank owned life insurance	20,339	—	20,339
Accrued interest receivable	1,858	(118)	1,740
Net deferred tax asset	18,333	(999)	17,334
Intangibles	—	8,738	8,738
Other real estate owned	1,173	(514)	659
Other assets	8,792	(69)	8,723
Total assets acquired	\$ 730,285	\$ 206	\$ 730,491
Liabilities			
Deposits	\$ 563,840	\$ 1,365	\$ 565,205
Federal Home Loan Bank advances	65,000	224	65,224
Long-term debt	23,872	(4,125)	19,747
Other liabilities	7,330	60	7,390
Total liabilities assumed	660,042	(2,476)	657,566
Excess of assets acquired over liabilities assumed	\$ 70,243		
Aggregate fair value adjustments		\$ 2,682	
Total identifiable net assets			72,925
Consideration transferred			
Cash			12,802
Common stock issued (4,145,343 shares)			113,665
Total fair value of consideration transferred			126,467
Goodwill			\$ 53,542

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

	November 1, 2017
Accounted for pursuant to ASC 310-30:	
Contractually required principal and interest	\$ 49,377
Non-accretable difference	8,244
Cash flows expected to be collected	41,133
Accretable yield	3,313
Fair value	\$ 37,820
Excluded from ASC 310-30:	
Fair value	\$ 448,462
Gross contractual amounts receivable	509,629
Estimate of contractual cash flows not expected to be collected	6,081

Notes to Consolidated Financial Statements

(3) Mergers and Acquisitions, continued

Acquisition of HCSB Financial Corporation

On July 31, 2017, United completed the acquisition of HCSB Financial Corporation (“HCSB”) and its wholly-owned bank subsidiary, Horry County State Bank. HCSB operated eight branches in coastal South Carolina. In connection with the acquisition, United acquired \$389 million of assets and assumed \$347 million of liabilities. Under the terms of the merger agreement, HCSB shareholders received 0.0050 shares of United common stock for each share of HCSB common stock issued and outstanding at the closing date. The fair value of consideration paid exceeded the fair value of the identifiable assets and liabilities acquired and resulted in the establishment of goodwill in the amount of \$24.2 million, representing the intangible value of HCSB’s business and reputation within the market it served. None of the goodwill recognized is expected to be deductible for income tax purposes. United is amortizing the related core deposit intangible of \$3.48 million using the sum-of-the-years-digits method over six years, which represents the expected useful life of the asset. United amortized the related noncompete agreement intangibles of \$2.24 million using the straight line method over the terms of the agreements, which vary between one year and two years.

During second quarter 2018, within the one-year measurement period, United received additional information regarding the acquisition date fair value of premises and equipment. As a result, the provisional value assigned to the acquired premises and equipment has been adjusted to \$7.42 million, which represents a decrease of \$493,000 from the amount previously disclosed. The tax effect of this adjustment was reflected as an increase to the deferred tax asset of \$190,000, resulting in a net \$303,000 increase to goodwill.

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

	As Recorded by HCSB	Fair Value Adjustments	As Recorded by United
Assets			
Cash and cash equivalents	\$ 17,855	\$ (2)	\$ 17,853
Securities	101,462	(142)	101,320
Loans, net	228,483	(12,536)	215,947
Premises and equipment, net	14,030	(6,606)	7,424
Bank owned life insurance	11,827	—	11,827
Accrued interest receivable	1,322	(275)	1,047
Net deferred tax asset	—	25,579	25,579
Intangibles	—	5,716	5,716
Other real estate owned	1,177	(372)	805
Other assets	1,950	(32)	1,918
Total assets acquired	\$ 378,106	\$ 11,330	\$ 389,436
Liabilities			
Deposits	\$ 318,512	\$ 430	\$ 318,942
Repurchase agreements	1,141	—	1,141
Federal Home Loan Bank advances	24,000	517	24,517
Other liabilities	1,955	91	2,046
Total liabilities assumed	345,608	1,038	346,646
Excess of assets acquired over liabilities assumed	\$ 32,498		
Aggregate fair value adjustments		\$ 10,292	
Total identifiable net assets			42,790
Consideration transferred			
Cash			31
Common stock issued (2,370,331 shares)			65,800
Total fair value of consideration transferred			65,831
Equity interest in HCSB held before the business combination			1,125
Goodwill			\$ 24,166

Notes to Consolidated Financial Statements

(3) Mergers and Acquisitions, continued

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

	<u>July 31, 2017</u>
Accounted for pursuant to ASC 310-30:	
Contractually required principal and interest	\$ 46,069
Non-accretable difference	12,413
Cash flows expected to be collected	33,656
Accretable yield	3,410
Fair value	<u>\$ 30,246</u>
Excluded from ASC 310-30:	
Fair value	\$ 185,701
Gross contractual amounts receivable	212,780
Estimate of contractual cash flows not expected to be collected	3,985

Pro forma information - unaudited

The following table discloses the impact of the mergers with FMBT, Navitas, FOFN, and HCSB since the respective acquisition dates through December 31 of the year of acquisition. The table also presents certain pro forma information as if FMBT had been acquired on January 1, 2018, Navitas had been acquired on January 1, 2017, and FOFN and HCSB had been acquired on January 1, 2016. These results combine the historical results of the acquired entities with United's consolidated statements of income and, while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not necessarily indicative of what would have occurred had the acquisitions taken place in earlier years.

For purposes of pro forma information, merger-related costs incurred in the year of acquisition are excluded from the actual acquisition year results and included in the pro forma acquisition year results. As a result, merger-related costs related to the acquisition of FMBT of \$2.02 million are reflected in 2018 pro forma information and merger-related costs related to the acquisition of Navitas of \$4.98 million are reflected in 2017 pro forma information. Merger-related costs related to the acquisitions of FOFN and HCSB of \$8.71 million were reflected in the 2016 pro forma results which are not presented below. The following table presents the actual results and pro forma information for the periods indicated (*in thousands*).

	<i>(Unaudited)</i>	
	Year Ended December 31,	
	<u>Revenue</u>	<u>Net Income</u>
2019		
Actual FMBT results included in statement of income since acquisition date	\$ 7,525	\$ 4,053
Supplemental consolidated pro forma as if FMBT had been acquired January 1, 2018	563,872	187,124
2018		
Actual Navitas results included in the statement of income since acquisition date	\$ 24,285	\$ 7,149
Supplemental consolidated pro forma as if FMBT had been acquired January 1, 2018 and Navitas had been acquired January 1, 2017	539,152	171,218
2017		
Actual FOFN results included in statement of income since acquisition date	\$ 5,265	\$ 1,406
Actual HCSB results included in statement of income since acquisition date	5,775	1,385
Supplemental consolidated pro forma as if FOFN and HCSB had been acquired January 1, 2016 and Navitas had been acquired January 1, 2017	495,052	78,958

(4) Cash Flows

During 2019, 2018 and 2017, loans having a value of \$1.17 million, \$3.02 million and \$4.15 million, respectively, were transferred to foreclosed property.

United accounts for sales of SBA/USDA loans on the trade date. At December 31, 2019, 2018 and 2017, United had unsettled sales of SBA/USDA loans of \$8.19 million, \$32.9 million and \$27.5 million, respectively.

Notes to Consolidated Financial Statements

(4) Cash Flows, continued

During 2019, United acquired, through a business combination, assets with a fair value totaling \$265 million and liabilities with a fair value totaling \$213 million, for net assets acquired of \$52.1 million. During 2018, United acquired, through a business combination, assets with a fair value totaling \$481 million and liabilities with a fair value totaling \$350 million, for net assets acquired of \$130 million. Common stock issued pursuant to this business combination totaled \$45.7 million. During 2017, United acquired, through business combinations, assets with a fair value totaling \$1.12 billion and liabilities with a fair value totaling \$1.00 billion, for net assets acquired of \$115 million. Common stock issued pursuant to these business combinations totaled \$179 million.

(5) Balance Sheet Offsetting and Repurchase Agreements Accounted for as Secured Borrowings

From time to time, United enters into repurchase agreements and reverse repurchase agreements and offsetting securities lending transactions 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.

The following table presents a summary of amounts outstanding under reverse repurchase agreements, of which there were none as of December 31, 2019, 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*).

December 31, 2019	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Asset Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Received	
Derivatives	\$ 35,007	\$ —	\$ 35,007	\$ (401)	\$ —	\$ 34,606
Total	\$ 35,007	\$ —	\$ 35,007	\$ (401)	\$ —	\$ 34,606

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Liability Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Pledged	
Derivatives	\$ 15,516	\$ —	\$ 15,516	\$ (401)	\$ (14,933)	\$ 182
Total	\$ 15,516	\$ —	\$ 15,516	\$ (401)	\$ (14,933)	\$ 182

December 31, 2018	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Asset Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Received	
Repurchase agreements / reverse repurchase agreements	\$ 50,000	\$ (50,000)	\$ —	\$ —	\$ —	\$ —
Derivatives	24,705	—	24,705	(973)	(8,029)	15,703
Total	\$ 74,705	\$ (50,000)	\$ 24,705	\$ (973)	\$ (8,029)	\$ 15,703

Weighted average interest rate of reverse repurchase agreements 3.20%

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Liability Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Pledged	
Repurchase agreements / reverse repurchase agreements	\$ 50,000	\$ (50,000)	\$ —	\$ —	\$ —	\$ —
Derivatives	26,433	—	26,433	(973)	(16,126)	9,334
Total	\$ 76,433	\$ (50,000)	\$ 26,433	\$ (973)	\$ (16,126)	\$ 9,334

Weighted average interest rate of repurchase agreements 2.45%

Notes to Consolidated Financial Statements

(5) Balance Sheet Offsetting and Repurchase Agreements Accounted for as Secured Borrowings, continued

At December 31, 2019, United recognized the right to reclaim cash collateral of \$14.9 million. At December 31, 2019, there was no cash collateral held for derivatives. At December 31, 2018, United recognized the right to reclaim cash collateral of \$16.1 million and the obligation to return cash collateral of \$8.03 million. The right to reclaim cash collateral and the obligation to return cash collateral were included in the consolidated balance sheets in other assets and other liabilities, respectively.

The following table presents additional detail regarding repurchase agreements accounted for as secured borrowings and the securities underlying these agreements as of December 31, 2018 (*in thousands*).

	Remaining Contractual Maturity of the Agreements				Total
	Overnight and Continuous	Up to 30 Days	30 to 90 Days	91 to 110 Days	
As of December 31, 2018					
Mortgage-backed securities	\$ —	\$ —	\$ 50,000	\$ —	\$ 50,000
Total	\$ —	\$ —	\$ 50,000	\$ —	\$ 50,000
Gross amount of recognized liabilities for repurchase agreements in offsetting disclosure					\$ 50,000
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.

(6) Investment Securities

At December 31, 2019 and 2018, securities with a carrying value of \$918 million and \$925 million, respectively, were pledged to secure public deposits, derivatives and other secured borrowings.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2019				
State and political subdivisions	\$ 45,479	\$ 1,574	\$ 9	\$ 47,044
Residential mortgage-backed securities, Agency	153,967	2,014	694	155,287
Commercial mortgage-backed, Agency	84,087	1,627	141	85,573
Total	\$ 283,533	\$ 5,215	\$ 844	\$ 287,904
As of December 31, 2018				
State and political subdivisions	\$ 68,551	\$ 952	\$ 2,191	\$ 67,312
Residential mortgage-backed securities, Agency	176,488	652	5,094	172,046
Commercial mortgage-backed, Agency	29,368	173	96	29,445
Total	\$ 274,407	\$ 1,777	\$ 7,381	\$ 268,803

Notes to Consolidated Financial Statements

(6) Investment Securities, continued

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>As of December 31, 2019</u>				
U.S. Treasuries	\$ 152,990	\$ 1,628	\$ —	\$ 154,618
U.S. Government agencies	2,848	188	1	3,035
State and political subdivisions	214,677	11,813	—	226,490
Residential mortgage-backed securities, Agency	1,030,948	12,022	726	1,042,244
Residential mortgage-backed securities, Non-agency	250,550	6,231	—	256,781
Commercial mortgage-backed, Agency	266,770	2,261	128	268,903
Commercial mortgage-backed, Non-agency	15,395	918	263	16,050
Corporate bonds	202,131	1,178	218	203,091
Asset-backed securities	104,298	743	1,672	103,369
Total	<u>\$ 2,240,607</u>	<u>\$ 36,982</u>	<u>\$ 3,008</u>	<u>\$ 2,274,581</u>
<u>As of December 31, 2018</u>				
U.S. Treasuries	\$ 150,712	\$ 767	\$ 2,172	\$ 149,307
U.S. Government agencies	25,493	335	275	25,553
State and political subdivisions	234,750	907	1,716	233,941
Residential mortgage-backed securities, Agency	1,125,194	2,448	20,124	1,107,518
Residential mortgage-backed securities, Non-agency	339,186	980	1,774	338,392
Commercial mortgage-backed, Agency	384,222	1	7,339	376,884
Commercial mortgage-backed, Non-agency	15,441	186	594	15,033
Corporate bonds	200,582	502	1,921	199,163
Asset-backed securities	184,683	328	2,335	182,676
Total	<u>\$ 2,660,263</u>	<u>\$ 6,454</u>	<u>\$ 38,250</u>	<u>\$ 2,628,467</u>

At year-end 2019 and 2018, there were no holdings of debt obligations of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<u>As of December 31, 2019</u>						
State and political subdivisions	\$ 10,117	\$ 9	\$ —	\$ —	\$ 10,117	\$ 9
Residential mortgage-backed securities, Agency	16,049	64	48,237	630	64,286	694
Commercial mortgage-backed, Agency	21,841	87	1,685	54	23,526	141
Total unrealized loss position	<u>\$ 48,007</u>	<u>\$ 160</u>	<u>\$ 49,922</u>	<u>\$ 684</u>	<u>\$ 97,929</u>	<u>\$ 844</u>
<u>As of December 31, 2018</u>						
State and political subdivisions	\$ 7,062	\$ 46	\$ 34,146	\$ 2,145	\$ 41,208	\$ 2,191
Residential mortgage-backed securities, Agency	6,579	61	136,376	5,033	142,955	5,094
Commercial mortgage-backed, Agency	—	—	4,290	96	4,290	96
Total unrealized loss position	<u>\$ 13,641</u>	<u>\$ 107</u>	<u>\$ 174,812</u>	<u>\$ 7,274</u>	<u>\$ 188,453</u>	<u>\$ 7,381</u>

Notes to Consolidated Financial Statements

(6) Investment Securities, continued

The following summarizes debt securities available-for-sale in an unrealized loss position as of the dates indicated (*in thousands*):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<u>As of December 31, 2019</u>						
U.S. Government agencies	\$ 404	\$ 1	\$ —	\$ —	\$ 404	\$ 1
Residential mortgage-backed securities, Agency	228,611	576	18,294	150	246,905	726
Commercial mortgage-backed, Agency	—	—	33,517	128	33,517	128
Commercial mortgage-backed, Non-agency	—	—	4,864	263	4,864	263
Corporate bonds	19,742	216	998	2	20,740	218
Asset-backed securities	32,294	625	38,990	1,047	71,284	1,672
Total unrealized loss position	<u>\$ 281,051</u>	<u>\$ 1,418</u>	<u>\$ 96,663</u>	<u>\$ 1,590</u>	<u>\$ 377,714</u>	<u>\$ 3,008</u>
<u>As of December 31, 2018</u>						
U.S. Treasuries	\$ —	\$ —	\$ 120,391	\$ 2,172	\$ 120,391	\$ 2,172
U.S. Government agencies	—	—	21,519	275	21,519	275
State and political subdivisions	15,160	28	133,500	1,688	148,660	1,716
Residential mortgage-backed securities, Agency	80,202	332	723,094	19,792	803,296	20,124
Residential mortgage-backed securities, Non-agency	154,381	476	52,266	1,298	206,647	1,774
Commercial mortgage-backed, Agency	—	—	355,292	7,339	355,292	7,339
Commercial mortgage-backed, Non-agency	4,552	594	—	—	4,552	594
Corporate bonds	—	—	117,296	1,921	117,296	1,921
Asset-backed securities	74,492	1,879	31,968	456	106,460	2,335
Total unrealized loss position	<u>\$ 328,787</u>	<u>\$ 3,309</u>	<u>\$ 1,555,326</u>	<u>\$ 34,941</u>	<u>\$ 1,884,113</u>	<u>\$ 38,250</u>

At December 31, 2019, there were 51 debt securities available-for-sale and 33 debt securities held-to-maturity that were in an unrealized loss position. Management does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of its amortized cost basis. Unrealized losses at December 31, 2019 and 2018 were primarily attributable to changes in interest rates.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analyst's reports. No impairment charges were recognized during 2019, 2018 or 2017.

Realized gains and losses are derived using the specific identification method for determining the cost of the securities sold. The following summarizes securities sales activities for the years ended December 31 (*in thousands*):

	2019	2018	2017
Proceeds from sales	<u>\$ 352,106</u>	<u>\$ 168,891</u>	<u>\$ 340,540</u>
Gross gains on sales	\$ 1,843	\$ 2,082	\$ 1,247
Gross losses on sales	(2,864)	(2,738)	(1,205)
Net (losses) gains on sales of securities	<u>\$ (1,021)</u>	<u>\$ (656)</u>	<u>\$ 42</u>
Income tax (benefit) expense attributable to sales	<u>\$ (247)</u>	<u>\$ (132)</u>	<u>\$ 14</u>

Notes to Consolidated Financial Statements

(6) Investment Securities, continued

The amortized cost and fair value of debt available-for-sale and held-to-maturity securities at December 31, 2019, by contractual maturity, are presented in the following table (*in thousands*):

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
US Treasuries:				
Within 1 year	\$ 29,877	\$ 29,962	\$ —	\$ —
1 to 5 years	123,113	124,656	—	—
	<u>152,990</u>	<u>154,618</u>	<u>—</u>	<u>—</u>
US Government agencies:				
1 to 5 years	405	404	—	—
More than 10 years	2,443	2,631	—	—
	<u>2,848</u>	<u>3,035</u>	<u>—</u>	<u>—</u>
State and political subdivisions:				
Within 1 year	935	939	1,350	1,369
1 to 5 years	54,102	55,491	11,761	12,370
5 to 10 years	22,585	23,766	6,202	6,866
More than 10 years	137,055	146,294	26,166	26,439
	<u>214,677</u>	<u>226,490</u>	<u>45,479</u>	<u>47,044</u>
Corporate bonds:				
Within 1 year	170,007	170,380	—	—
1 to 5 years	27,624	28,171	—	—
5 to 10 years	3,500	3,542	—	—
More than 10 years	1,000	998	—	—
	<u>202,131</u>	<u>203,091</u>	<u>—</u>	<u>—</u>
Asset-backed securities:				
1 to 5 years	1,585	1,578	—	—
More than 10 years	102,713	101,791	—	—
	<u>104,298</u>	<u>103,369</u>	<u>—</u>	<u>—</u>
Total securities other than mortgage-backed securities:				
Within 1 year	200,819	201,281	1,350	1,369
1 to 5 years	206,829	210,300	11,761	12,370
5 to 10 years	26,085	27,308	6,202	6,866
More than 10 years	243,211	251,714	26,166	26,439
Residential mortgage-backed securities	1,281,498	1,299,025	153,967	155,287
Commercial mortgage-backed securities	282,165	284,953	84,087	85,573
	<u>\$ 2,240,607</u>	<u>\$ 2,274,581</u>	<u>\$ 283,533</u>	<u>\$ 287,904</u>

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

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses

Major classifications of the loan and lease portfolio (collectively referred to as the “loan portfolio” or “loans”) are summarized as of the dates indicated as follows (*in thousands*):

	December 31,	
	2019	2018
Owner occupied commercial real estate	\$ 1,720,227	\$ 1,647,904
Income producing commercial real estate	2,007,950	1,812,420
Commercial & industrial	1,220,657	1,278,347
Commercial construction	976,215	796,158
Equipment financing	744,544	564,614
Total commercial	6,669,593	6,099,443
Residential mortgage	1,117,616	1,049,232
Home equity lines of credit	660,675	694,010
Residential construction	236,437	211,011
Consumer	128,232	122,013
Indirect auto	—	207,692
Total loans	8,812,553	8,383,401
Less allowance for loan losses	(62,089)	(61,203)
Loans, net	\$ 8,750,464	\$ 8,322,198

At December 31, 2019 and 2018, \$1.30 million and \$1.19 million, respectively, in overdrawn deposit accounts were reclassified as consumer loans.

At December 31, 2019 and 2018, loans with a carrying value of \$4.06 billion and \$3.98 billion were pledged as collateral to secure FHLB advances, securitized notes payable and other contingent funding sources.

At December 31, 2019, the carrying value and outstanding balance of PCI loans was \$58.6 million and \$83.1 million, respectively. At December 31, 2018, the carrying value and outstanding balance of PCI loans was \$74.4 million and \$109 million, respectively. The following table presents changes in the value of the accretable yield for PCI loans for the years ended December 31 (*in thousands*):

	2019	2018
Balance at beginning of period	\$ 26,868	\$ 17,686
Additions due to acquisitions	1,300	1,977
Accretion	(17,885)	(13,696)
Reclassification from nonaccretable difference	9,237	15,326
Changes in expected cash flows that do not affect nonaccretable difference	4,400	5,575
Balance at end of period	\$ 23,920	\$ 26,868

In addition to the accretable yield on PCI loans, the fair value adjustments on non-PCI purchased loans are also accreted to interest income over the life of the loans. At December 31, 2019 and 2018, the remaining accretable net fair value discount on these loans was \$5.00 million and \$4.31 million, respectively, which included a net premium on acquired equipment financing loans.

During 2019, United sold \$81.1 million of SBA/USDA guaranteed loans, \$103 million of indirect auto loans, and \$31.0 million of equipment financing receivables. The gains and losses on these loan sales were included in noninterest income on the consolidated statements of income. During 2018 and 2017, United sold SBA/USDA guaranteed loans totaling \$121 million and \$117 million, respectively.

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

At December 31, 2019 and 2018, equipment financing assets included leases of \$37.4 million and \$30.4 million, respectively. The components of the net investment in leases, which included both sales-type and direct financing, are presented below (*in thousands*).

	December 31,	
	2019	2018
Minimum future lease payments receivable	\$ 39,709	\$ 31,915
Estimated residual value of leased equipment	3,631	3,593
Initial direct costs	842	827
Security deposits	(989)	(1,189)
Purchase accounting premium	273	806
Unearned income	(6,088)	(5,568)
Net investment in leases	<u>\$ 37,378</u>	<u>\$ 30,384</u>

Minimum future lease payments expected to be received from equipment financing lease contracts as of December 31, 2019 are as follows (*in thousands*):

Year	
2020	\$ 14,772
2021	11,177
2022	7,549
2023	4,436
2024	1,462
Thereafter	313
Total	<u>\$ 39,709</u>

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

Allowance for Credit Losses and Loans Individually Evaluated for Impairment

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 sheets. Combined, the allowance for loan losses and allowance for unfunded commitments are referred to as the allowance for credit losses.

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

Year Ended December 31, 2019	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Owner occupied commercial real estate	\$ 12,207	\$ (5)	\$ 375	\$ (1,173)	\$ 11,404
Income producing commercial real estate	11,073	(1,227)	283	2,177	12,306
Commercial & industrial	4,802	(5,849)	852	5,461	5,266
Commercial construction	10,337	(290)	1,165	(1,544)	9,668
Equipment financing	5,452	(5,675)	781	6,826	7,384
Residential mortgage	8,295	(616)	481	(79)	8,081
Home equity lines of credit	4,752	(996)	610	209	4,575
Residential construction	2,433	(306)	157	220	2,504
Consumer	853	(2,390)	911	1,527	901
Indirect auto	999	(663)	186	(522)	—
Total allowance for loan losses	61,203	(18,017)	5,801	13,102	62,089
Allowance for unfunded commitments	3,410	—	—	48	3,458
Total allowance for credit losses	\$ 64,613	\$ (18,017)	\$ 5,801	\$ 13,150	\$ 65,547

Year Ended December 31, 2018	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Owner occupied commercial real estate	\$ 14,776	\$ (303)	\$ 1,227	\$ (3,493)	\$ 12,207
Income producing commercial real estate	9,381	(3,304)	1,064	3,932	11,073
Commercial & industrial	3,971	(1,669)	1,390	1,110	4,802
Commercial construction	10,523	(622)	734	(298)	10,337
Equipment financing	—	(1,536)	460	6,528	5,452
Residential mortgage	10,097	(754)	336	(1,384)	8,295
Home equity lines of credit	5,177	(1,194)	423	346	4,752
Residential construction	2,729	(54)	376	(618)	2,433
Consumer	710	(2,445)	807	1,781	853
Indirect auto	1,550	(1,277)	228	498	999
Total allowance for loan losses	58,914	(13,158)	7,045	8,402	61,203
Allowance for unfunded commitments	2,312	—	—	1,098	3,410
Total allowance for credit losses	\$ 61,226	\$ (13,158)	\$ 7,045	\$ 9,500	\$ 64,613

Year Ended December 31, 2017	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Owner occupied commercial real estate	\$ 16,446	\$ (406)	\$ 980	\$ (2,244)	\$ 14,776
Income producing commercial real estate	8,843	(2,985)	178	3,345	9,381
Commercial & industrial	3,810	(1,528)	1,768	(79)	3,971
Commercial construction	13,405	(1,023)	1,018	(2,877)	10,523
Equipment financing	—	—	—	—	—
Residential mortgage	8,545	(1,473)	314	2,711	10,097
Home equity lines of credit	4,599	(1,435)	567	1,446	5,177
Residential construction	3,264	(129)	178	(584)	2,729
Consumer	708	(1,803)	917	888	710
Indirect auto	1,802	(1,420)	284	884	1,550
Total allowance for loan losses	61,422	(12,202)	6,204	3,490	58,914
Allowance for unfunded commitments	2,002	—	—	310	2,312
Total allowance for credit losses	\$ 63,424	\$ (12,202)	\$ 6,204	\$ 3,800	\$ 61,226

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

The following table presents 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 for the periods indicated (*in thousands*):

	Allowance for Credit Losses							
	December 31, 2019				December 31, 2018			
	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	\$ 816	\$ 10,483	\$ 105	\$ 11,404	\$ 862	\$ 11,328	\$ 17	\$ 12,207
Income producing commercial real estate	770	11,507	29	12,306	402	10,671	—	11,073
Commercial & industrial	21	5,193	52	5,266	32	4,761	9	4,802
Commercial construction	55	9,613	—	9,668	71	9,974	292	10,337
Equipment financing	—	7,240	144	7,384	—	5,045	407	5,452
Residential mortgage	782	7,296	3	8,081	861	7,410	24	8,295
Home equity lines of credit	16	4,541	18	4,575	1	4,740	11	4,752
Residential construction	47	2,456	1	2,504	51	2,382	—	2,433
Consumer	5	885	11	901	6	847	—	853
Indirect auto	—	—	—	—	26	973	—	999
Total allowance for loan losses	2,512	59,214	363	62,089	2,312	58,131	760	61,203
Allowance for unfunded commitments	—	3,458	—	3,458	—	3,410	—	3,410
Total allowance for credit losses	\$ 2,512	\$ 62,672	\$ 363	\$ 65,547	\$ 2,312	\$ 61,541	\$ 760	\$ 64,613

	Loans Outstanding							
	December 31, 2019				December 31, 2018			
	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	\$ 19,233	\$ 1,692,448	\$ 8,546	\$ 1,720,227	\$ 17,602	\$ 1,620,450	\$ 9,852	\$ 1,647,904
Income producing commercial real estate	18,134	1,962,588	27,228	2,007,950	16,584	1,757,525	38,311	1,812,420
Commercial & industrial	1,449	1,218,882	326	1,220,657	1,621	1,276,318	408	1,278,347
Commercial construction	3,675	965,678	6,862	976,215	2,491	787,760	5,907	796,158
Equipment financing	1,027	739,532	3,985	744,544	—	556,672	7,942	564,614
Residential mortgage	15,991	1,092,046	9,579	1,117,616	14,220	1,025,862	9,150	1,049,232
Home equity lines of credit	992	658,273	1,410	660,675	276	692,122	1,612	694,010
Residential construction	1,256	234,807	374	236,437	1,207	209,070	734	211,011
Consumer	214	127,682	336	128,232	211	121,269	533	122,013
Indirect auto	—	—	—	—	1,237	206,455	—	207,692
Total loans	\$ 61,971	\$ 8,691,936	\$ 58,646	\$ 8,812,553	\$ 55,449	\$ 8,253,503	\$ 74,449	\$ 8,383,401

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. On a quarterly basis, management individually evaluates certain impaired loans, including all non-PCI nonaccrual relationships with a balance of \$500,000 or greater and all troubled debt restructurings (“TDRs”) for impairment. Impairment for collateral dependent loans within this population is measured based on the fair value of the collateral. If impairment is identified, the loan is generally charged down to the fair value of the underlying collateral, less selling costs. Impairment for non-collateral dependent TDRs within this population is measured based on discounted cash flows or the loan’s observable market price. Impairment identified using these methods would result in the establishment of a specific reserve.

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.

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

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 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, employment rates, debt per capita, home price indices, and trends in real estate value indices.

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 and evaluated for impairment, which, if necessary, could result in fully or partially charging off the loan or establishing a specific reserve. 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 that are collateral dependent are generally charged down to fair value less costs to sell at the time they are placed on nonaccrual status.

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

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.

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

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

	December 31, 2019			December 31, 2018		
	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	\$ 9,527	\$ 8,118	\$ —	\$ 8,650	\$ 6,546	\$ —
Income producing commercial real estate	5,159	4,956	—	9,986	9,881	—
Commercial & industrial	1,144	890	—	525	370	—
Commercial construction	2,458	2,140	—	685	507	—
Equipment financing	1,027	1,027	—	—	—	—
Total commercial	19,315	17,131	—	19,846	17,304	—
Residential mortgage	7,362	6,436	—	5,787	5,202	—
Home equity lines of credit	1,116	861	—	330	234	—
Residential construction	731	626	—	554	428	—
Consumer	66	53	—	18	17	—
Indirect auto	—	—	—	294	292	—
Total with no related allowance recorded	28,590	25,107	—	26,829	23,477	—
With an allowance recorded:						
Owner occupied commercial real estate	11,136	11,115	816	11,095	11,056	862
Income producing commercial real estate	13,591	13,178	770	6,968	6,703	402
Commercial & industrial	559	559	21	1,652	1,251	32
Commercial construction	1,535	1,535	55	2,130	1,984	71
Equipment financing	—	—	—	—	—	—
Total commercial	26,821	26,387	1,662	21,845	20,994	1,367
Residential mortgage	9,624	9,555	782	9,169	9,018	861
Home equity lines of credit	146	131	16	45	42	1
Residential construction	643	630	47	791	779	51
Consumer	161	161	5	199	194	6
Indirect auto	—	—	—	946	945	26
Total with an allowance recorded	37,395	36,864	2,512	32,995	31,972	2,312
Total	\$ 65,985	\$ 61,971	\$ 2,512	\$ 59,824	\$ 55,449	\$ 2,312

As of December 31, 2019 and 2018, United has allocated \$2.51 million and \$2.31 million, respectively, of specific reserves to customers whose loan terms have been modified in TDRs. As of December 31, 2019 and December 31, 2018, there were no commitments to lend additional amounts to customers with outstanding loans 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" in which 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.

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

Loans modified under the terms of a TDR during the years ended December 31 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 years ended December 31 that were initially restructured within one year prior to default (*dollars in thousands*):

Year Ended December 31, 2019	Number of Contracts	Pre-Modification Outstanding Recorded Investment	New TDRs				TDRs Modified Within the Year That Have Subsequently Defaulted	
			Post-Modification Outstanding Recorded Investment by Type of Modification				Number of Contracts	Recorded Investment
			Rate Reduction	Structure	Other	Total		
Owner occupied commercial real estate	4	\$ 1,864	\$ —	\$ 1,739	\$ —	\$ 1,739	—	\$ —
Income producing commercial real estate	3	9,126	—	9,013	—	9,013	—	—
Commercial & industrial	2	136	—	75	7	82	—	—
Commercial construction	—	—	—	—	—	—	—	—
Equipment financing	9	1,071	—	1,071	—	1,071	—	—
Total commercial	18	12,197	—	11,898	7	11,905	—	—
Residential mortgage	15	2,102	—	2,057	—	2,057	1	135
Home equity lines of credit	1	50	—	50	—	50	—	—
Residential construction	1	22	—	—	21	21	1	13
Consumer	5	46	—	—	45	45	—	—
Indirect auto	15	271	—	—	262	262	—	—
Total loans	55	\$ 14,688	\$ —	\$ 14,005	\$ 335	\$ 14,340	2	\$ 148
Year Ended December 31, 2018								
Owner occupied commercial real estate	5	\$ 1,438	\$ —	\$ 1,387	\$ —	\$ 1,387	3	\$ 1,869
Income producing commercial real estate	2	3,753	106	3,637	—	3,743	—	—
Commercial & industrial	2	108	—	32	—	32	1	232
Commercial construction	—	—	—	—	—	—	1	3
Equipment financing	—	—	—	—	—	—	—	—
Total commercial	9	5,299	106	5,056	—	5,162	5	2,104
Residential mortgage	15	1,933	130	1,770	—	1,900	1	101
Home equity lines of credit	1	42	—	—	41	41	—	—
Residential construction	2	47	—	32	13	45	—	—
Consumer	2	7	—	—	7	7	—	—
Indirect auto	35	643	—	—	643	643	—	—
Total loans	64	\$ 7,971	\$ 236	\$ 6,858	\$ 704	\$ 7,798	6	\$ 2,205
Year Ended December 31, 2017								
Owner occupied commercial real estate	6	\$ 2,603	\$ —	\$ 2,161	\$ 108	\$ 2,269	—	\$ —
Income producing commercial real estate	2	257	—	—	252	252	—	—
Commercial & industrial	6	901	—	174	533	707	—	—
Commercial construction	—	—	—	—	—	—	—	—
Equipment financing	—	—	—	—	—	—	—	—
Total commercial	14	3,761	—	2,335	893	3,228	—	—
Residential mortgage	23	2,174	—	2,165	—	2,165	4	852
Home equity lines of credit	1	296	—	—	176	176	—	—
Residential construction	4	135	40	95	—	135	—	—
Consumer	2	16	—	16	—	16	—	—
Indirect auto	34	786	—	—	786	786	—	—
Total loans	78	\$ 7,168	\$ 40	\$ 4,611	\$ 1,855	\$ 6,506	4	\$ 852

Collateral dependent TDRs that subsequently default or are placed on nonaccrual are charged down to the fair value of the collateral consistent with United's policy for nonaccrual loans. Impairment on TDRs that are not collateral dependent continues to be measured based on discounted cash flows regardless of whether the loan has subsequently defaulted.

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

The average balances of impaired loans and income recognized on impaired loans while they were considered impaired is presented below for the last three years (*in thousands*):

	2019			2018			2017		
	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received
Owner occupied commercial real estate	\$ 18,575	\$ 1,124	\$ 1,171	\$ 19,881	\$ 1,078	\$ 1,119	\$ 27,870	\$ 1,271	\$ 1,291
Income producing commercial real estate	14,253	739	730	17,138	893	895	24,765	1,265	1,178
Commercial & industrial	1,837	84	100	1,777	100	100	2,994	125	127
Commercial construction	3,233	129	146	3,247	176	174	5,102	225	229
Equipment financing	159	23	23	—	—	—	—	—	—
Total commercial	38,057	2,099	2,170	42,043	2,247	2,288	60,731	2,886	2,825
Residential mortgage	16,115	748	749	14,515	641	643	14,257	555	574
Home equity lines of credit	488	14	15	284	18	16	248	10	12
Residential construction	1,332	92	94	1,405	96	95	1,582	95	95
Consumer	203	15	15	249	18	18	292	22	22
Indirect auto	1,028	50	50	1,252	64	64	1,244	64	64
Total	\$ 57,223	\$ 3,018	\$ 3,093	\$ 59,748	\$ 3,084	\$ 3,124	\$ 78,354	\$ 3,632	\$ 3,592

Nonaccrual and Past Due Loans

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 generally 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 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 loan loss provision or future period yield adjustments. No PCI loans were classified as nonaccrual at December 31, 2019 or 2018 as the cash flows of the respective loan or pool of loans 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 \$1.26 million, \$1.09 million, and \$1.11 million for 2019, 2018, and 2017, respectively.

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

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

	December 31,	
	2019	2018
Owner occupied commercial real estate	\$ 10,544	\$ 6,421
Income producing commercial real estate	1,996	1,160
Commercial & industrial	2,545	1,417
Commercial construction	2,277	605
Equipment financing	3,141	2,677
Total commercial	20,503	12,280
Residential mortgage	10,567	8,035
Home equity lines of credit	3,173	2,360
Residential construction	939	288
Consumer	159	89
Indirect auto	—	726
Total	\$ 35,341	\$ 23,778

Excluding PCI loans, substantially all loans more than 90 days past due were on nonaccrual status at December 31, 2019 and December 31, 2018. 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*):

	Loans Past Due				Total	Loans Not Past Due	PCI Loans	Total
	30 - 59 Days	60 - 89 Days	> 90 Days	Total				
As of December 31, 2019								
Owner occupied commercial real estate	\$ 2,913	\$ 2,007	\$ 6,079	\$ 10,999	\$ 1,700,682	\$ 8,546	\$ 1,720,227	
Income producing commercial real estate	562	706	401	1,669	1,979,053	27,228	2,007,950	
Commercial & industrial	2,140	491	2,119	4,750	1,215,581	326	1,220,657	
Commercial construction	1,867	557	96	2,520	966,833	6,862	976,215	
Equipment financing	2,065	923	3,045	6,033	734,526	3,985	744,544	
Total commercial	9,547	4,684	11,740	25,971	6,596,675	46,947	6,669,593	
Residential mortgage	5,655	2,212	2,171	10,038	1,097,999	9,579	1,117,616	
Home equity lines of credit	1,697	421	1,385	3,503	655,762	1,410	660,675	
Residential construction	325	125	402	852	235,211	374	236,437	
Consumer	668	181	27	876	127,020	336	128,232	
Total loans	\$ 17,892	\$ 7,623	\$ 15,725	\$ 41,240	\$ 8,712,667	\$ 58,646	\$ 8,812,553	
As of December 31, 2018								
Owner occupied commercial real estate	\$ 2,542	\$ 2,897	\$ 1,011	\$ 6,450	\$ 1,631,602	\$ 9,852	\$ 1,647,904	
Income producing commercial real estate	1,624	291	301	2,216	1,771,893	38,311	1,812,420	
Commercial & industrial	7,189	718	400	8,307	1,269,632	408	1,278,347	
Commercial construction	267	—	68	335	789,916	5,907	796,158	
Equipment financing	1,351	739	2,658	4,748	551,924	7,942	564,614	
Total commercial	12,973	4,645	4,438	22,056	6,014,967	62,420	6,099,443	
Residential mortgage	5,461	1,788	1,950	9,199	1,030,883	9,150	1,049,232	
Home equity lines of credit	2,112	864	902	3,878	688,520	1,612	694,010	
Residential construction	509	63	190	762	209,515	734	211,011	
Consumer	600	82	21	703	120,777	533	122,013	
Indirect auto	750	323	633	1,706	205,986	—	207,692	
Total loans	\$ 22,405	\$ 7,765	\$ 8,134	\$ 38,304	\$ 8,270,648	\$ 74,449	\$ 8,383,401	

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

Risk Ratings

United categorizes commercial loans, with the exception of equipment financing receivables, 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.

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.

Equipment Financing Receivables and Consumer Purpose Loans. United applies a pass / fail grading system to all equipment financing receivables and consumer purpose loans. Under the pass / fail grading system, 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, loans in these categories that are classified as "fail" are reported in the substandard column and all other 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.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Loans and Leases and Allowance for Credit Losses, continued

As of December 31, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows (*in thousands*):

	Pass	Watch	Substandard	Doubtful / Loss	Total
As of December 31, 2019					
Owner occupied commercial real estate	\$ 1,638,398	\$ 24,563	\$ 48,720	\$ —	\$ 1,711,681
Income producing commercial real estate	1,914,524	40,676	25,522	—	1,980,722
Commercial & industrial	1,156,366	16,385	47,580	—	1,220,331
Commercial construction	960,251	2,298	6,804	—	969,353
Equipment financing	737,418	—	3,141	—	740,559
Total commercial	6,406,957	83,922	131,767	—	6,622,646
Residential mortgage	1,093,902	—	14,135	—	1,108,037
Home equity lines of credit	654,619	—	4,646	—	659,265
Residential construction	234,791	—	1,272	—	236,063
Consumer	127,507	8	381	—	127,896
Total loans, excluding PCI loans	8,517,776	83,930	152,201	—	8,753,907
Owner occupied commercial real estate	3,238	2,797	2,511	—	8,546
Income producing commercial real estate	19,648	6,305	1,275	—	27,228
Commercial & industrial	104	81	141	—	326
Commercial construction	3,628	590	2,644	—	6,862
Equipment financing	3,952	—	33	—	3,985
Total commercial	30,570	9,773	6,604	—	46,947
Residential mortgage	8,112	—	1,467	—	9,579
Home equity lines of credit	1,350	—	60	—	1,410
Residential construction	348	—	26	—	374
Consumer	303	—	33	—	336
Total PCI loans	40,683	9,773	8,190	—	58,646
Total loan portfolio	\$ 8,558,459	\$ 93,703	\$ 160,391	\$ —	\$ 8,812,553
As of December 31, 2018					
Owner occupied commercial real estate	\$ 1,585,797	\$ 16,651	\$ 35,604	\$ —	\$ 1,638,052
Income producing commercial real estate	1,735,456	20,923	17,730	—	1,774,109
Commercial & industrial	1,247,206	8,430	22,303	—	1,277,939
Commercial construction	777,780	4,533	7,938	—	790,251
Equipment financing	553,995	—	2,677	—	556,672
Total commercial	5,900,234	50,537	86,252	—	6,037,023
Residential mortgage	1,028,660	—	11,422	—	1,040,082
Home equity lines of credit	688,493	—	3,905	—	692,398
Residential construction	209,744	—	533	—	210,277
Consumer	121,247	19	214	—	121,480
Indirect auto	205,632	—	2,060	—	207,692
Total loans, excluding PCI loans	8,154,010	50,556	104,386	—	8,308,952
Owner occupied commercial real estate	3,352	2,774	3,726	—	9,852
Income producing commercial real estate	23,430	13,403	1,478	—	38,311
Commercial & industrial	266	48	94	—	408
Commercial construction	3,503	188	2,216	—	5,907
Equipment financing	7,725	—	217	—	7,942
Total commercial	38,276	16,413	7,731	—	62,420
Residential mortgage	6,914	—	2,236	—	9,150
Home equity lines of credit	1,492	—	120	—	1,612
Residential construction	687	—	47	—	734
Consumer	493	—	40	—	533
Indirect auto	—	—	—	—	—
Total PCI loans	47,862	16,413	10,174	—	74,449
Total loan portfolio	\$ 8,201,872	\$ 66,969	\$ 114,560	\$ —	\$ 8,383,401

Notes to Consolidated Financial Statements

(8) Premises and Equipment

Premises and equipment are summarized as follows as of the dates indicated (*in thousands*):

	December 31,	
	2019	2018
Land and land improvements	\$ 81,150	\$ 78,066
Buildings and improvements	170,629	153,980
Furniture and equipment	97,997	93,854
Construction in progress	1,701	5,350
	<u>351,477</u>	<u>331,250</u>
Less accumulated depreciation	(135,501)	(125,110)
Premises and equipment, net	<u>\$ 215,976</u>	<u>\$ 206,140</u>

Depreciation expense was \$15.3 million, \$14.2 million and \$12.0 million for 2019, 2018 and 2017, respectively.

(9) Goodwill and Other Intangible Assets

The carrying amount of goodwill and other intangible assets is summarized below as of the dates indicated (*in thousands*):

	December 31,	
	2019	2018
Core deposit intangible ⁽¹⁾	\$ 32,802	\$ 62,652
Less: accumulated amortization ⁽¹⁾	(17,980)	(46,141)
Net core deposit intangible	14,822	16,511
Noncompete agreement	3,144	3,144
Less: accumulated amortization	(3,144)	(2,695)
Net noncompete agreement	—	449
Total intangibles subject to amortization, net	14,822	16,960
Goodwill	327,425	307,112
Total goodwill and other intangible assets, net	<u>\$ 342,247</u>	<u>\$ 324,072</u>

⁽¹⁾ Balances for 2019 exclude fully amortized core deposit intangibles.

The following is a summary of changes in the carrying amounts of goodwill for the years indicated (*in thousands*):

	Goodwill ⁽¹⁾
December 31, 2017	\$ 220,591
Acquisition of Navitas	87,379
Measurement period adjustments - FOFN and HCSB	(858)
December 31, 2018	<u>307,112</u>
Acquisition of FMBT	20,313
December 31, 2019	<u>\$ 327,425</u>

⁽¹⁾ Goodwill balances presented as of December 31, 2019, 2018, and 2017 are shown net of accumulated impairment losses of \$306 million incurred prior to 2017. Gross goodwill for December 31, 2019, 2018, and 2017 totaled \$633 million, \$613 million and \$526 million, respectively.

Notes to Consolidated Financial Statements

(9) Goodwill and Other Intangible Assets, continued

The estimated aggregate amortization expense for future periods for core deposit intangibles is as follows (*in thousands*):

<u>Year</u>	
2020	\$ 3,842
2021	3,019
2022	2,379
2023	1,852
2024	1,431
Thereafter	2,299
Total	<u>\$ 14,822</u>

(10) Servicing Assets and Liabilities
Servicing Rights for SBA/USDA Loans

United accounts for servicing rights for SBA/USDA loans at fair value. The following table summarizes the changes in SBA/USDA servicing rights for the years indicated (*in thousands*)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Servicing rights for SBA/USDA loans, beginning of period	\$ 7,510	\$ 7,740	\$ 5,752
Additions:			
Acquired servicing rights ⁽¹⁾	—	(354)	419
Originated servicing rights capitalized upon sale of loans	1,835	2,573	2,737
Subtractions:			
Disposals	(1,258)	(810)	(621)
Changes in fair value:			
Due to change in inputs or assumptions used in the valuation model	(1,293)	(1,639)	(547)
Servicing rights for SBA/USDA loans, end of period	<u>\$ 6,794</u>	<u>\$ 7,510</u>	<u>\$ 7,740</u>

⁽¹⁾ Includes measurement period adjustments further discussed in Note 3.

The portfolio of SBA/USDA loans serviced for others, which is not included in the accompanying balance sheets, was \$411 million and \$386 million, respectively, at December 31, 2019 and 2018. The amount of contractually specified servicing fees earned by United on these servicing rights during the years ended December 31, 2019, 2018 and 2017 was \$3.82 million, \$3.44 million and \$2.60 million, respectively.

A summary of the key characteristics, inputs, and economic assumptions used in the discounted cash flow method utilized to estimate the fair value of the servicing asset for SBA/USDA loans and the sensitivity of the fair values to immediate adverse changes in those assumptions are shown in the table below as of the dates indicated (*dollars in thousands*):

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Fair value of retained servicing assets	\$ 6,794	\$ 7,510
Prepayment rate assumption	16.5%	12.1%
10% adverse change	\$ (352)	\$ (267)
20% adverse change	\$ (671)	\$ (515)
Discount rate	12.3%	14.5%
100 bps adverse change	\$ (184)	\$ (196)
200 bps adverse change	\$ (358)	\$ (381)
Weighted-average life (years)	3.9	5.0
Weighted-average gross margin	1.9%	1.9%

The above sensitivities are hypothetical and changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Notes to Consolidated Financial Statements

(10) Servicing Assets and Liabilities, continued

Residential Mortgage Servicing Rights

United accounts for residential mortgage servicing rights at fair value. The following table summarizes the changes in residential mortgage servicing rights for the years indicated (*in thousands*).

	2019	2018	2017
Residential mortgage servicing rights, beginning of period	\$ 11,877	\$ 8,262	\$ 4,372
Additions:			
Originated servicing rights capitalized upon sale of loans	5,783	4,587	3,602
Subtractions:			
Disposals	(1,098)	(537)	(328)
Changes in fair value:			
Initial election to carry at fair value on January 1, 2017	—	—	698
Due to change in inputs or assumptions used in the valuation	(2,997)	(435)	(82)
Residential mortgage servicing rights, end of period	<u>\$ 13,565</u>	<u>\$ 11,877</u>	<u>\$ 8,262</u>

The portfolio of residential mortgage loans serviced for others, which is not included in the consolidated balance sheets, was \$1.60 billion and \$1.21 billion, respectively, at December 31, 2019 and 2018. The amount of contractually specified servicing fees earned by United on these servicing rights during the year ended December 31, 2019, 2018 and 2017 was \$3.67 million, \$2.37 million and \$1.72 million, respectively.

A summary of the key characteristics, inputs, and economic assumptions used to estimate the fair value of the servicing asset for residential mortgage loans and the sensitivity of the fair values to immediate adverse changes in those assumptions are shown in the table below as of the dates indicated (*in thousands*):

	December 31,	
	2019	2018
Fair value of retained servicing assets	\$ 13,565	\$ 11,877
Prepayment rate assumption	14.1%	10.6%
10% adverse change	\$ (662)	\$ (466)
20% adverse change	\$ (1,270)	\$ (898)
Discount rate	10.0%	10.0%
100 bps adverse change	\$ (467)	\$ (448)
200 bps adverse change	\$ (900)	\$ (863)

The above sensitivities are hypothetical and changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Servicing Liability for Equipment Financing Loans

United accounts for the servicing liability associated with sold equipment finance loans using the amortization method. The portfolio of equipment financing loans serviced for others, which is not included in the accompanying balance sheets, was \$42.4 million and \$28.4 million at December 31, 2019 and 2018, respectively. The servicing liability related to these loans totaled \$363,000 and \$207,000 at December 31, 2019 and 2018, respectively.

Notes to Consolidated Financial Statements

(11) Deposits

At December 31, 2019, the contractual maturities of time deposits, including brokered time deposits, are summarized as follows (*in thousands*):

2020	\$	1,639,355
2021		187,367
2022		41,402
2023		12,451
2024		8,064
thereafter		56,444
Total time deposits	<u>\$</u>	<u>1,945,083</u>

At December 31, 2019 and 2018, time deposits, excluding brokered time deposits, that met or exceeded the FDIC insurance limit of \$250,000 totaled \$367 million and \$262 million, respectively.

At December 31, 2019 and 2018, United held \$85.5 million and \$544 million, respectively, in certificates of deposit obtained through third party brokers. The daily average balance of these brokered deposits totaled \$241 million and \$347 million in 2019 and 2018, respectively. The brokered certificates of deposit at December 31, 2019 had maturities ranging from 2020 through 2033 and are callable by United. United has certain market-linked brokered deposits that are considered hybrid instruments that contain embedded derivatives that have been bifurcated from the host contract leaving host instruments paying a rate of 90 day London Interbank Offered Rate (“LIBOR”) minus a spread that, at times, has resulted in a negative yield.

(12) Federal Home Loan Bank Advances

At December 31, 2018, United had FHLB advances totaling \$160 million with a weighted average interest rate of 2.52%. At December 31, 2019, United had no FHLB advances outstanding. FHLB advances are collateralized by owner occupied and income producing commercial real estate and residential mortgage loans, investment securities and FHLB stock.

Notes to Consolidated Financial Statements

(13) Long-term Debt

Long-term debt consisted of the following (*in thousands*):

	December 31,		Issue Date	Stated Maturity Date	Earliest Call Date	Interest Rate
	2019	2018				
Obligations of the Bank and its Subsidiaries:						
NER 16-1 Class A-2 notes	\$ —	\$ 19,975	2016	2021	n/a	2.20%
NER 16-1 Class B notes	—	25,489	2016	2021	n/a	3.22%
NER 16-1 Class C notes	—	6,319	2016	2021	n/a	5.05%
NER 16-1 Class D notes	—	3,213	2016	2023	n/a	7.87%
Total securitized notes payable	—	54,996				
Obligations of the Holding Company:						
2022 senior debentures	50,000	50,000	2015	2022	2020	5.000% through August 13, 2020, 3-month LIBOR plus 3.814% thereafter
2027 senior debentures	35,000	35,000	2015	2027	2025	5.500% through August 13, 2025, 3-month LIBOR plus 3.71% thereafter
Total senior debentures	85,000	85,000				
2028 subordinated debentures	100,000	100,000	2018	2028	2023	4.500% through January 30, 2023, 3-month LIBOR plus 2.12% thereafter
2025 subordinated debentures	11,250	11,500	2015	2025	2020	6.250%
Total subordinated debentures	111,250	111,500				
Southern Bancorp Capital Trust I	4,382	4,382	2004	2034	2009	Prime + 1.00%
Tidelands Statutory Trust I	8,248	8,248	2006	2036	2011	3-month LIBOR plus 1.38%
Four Oaks Statutory Trust I	12,372	12,372	2006	2036	2011	3-month LIBOR plus 1.35%
Total trust preferred securities	25,002	25,002				
Less discount	(8,588)	(9,309)				
Total long-term debt	\$ 212,664	\$ 267,189				

Interest is currently paid at least semiannually for all senior and subordinated debentures, securitized notes payable and trust preferred securities.

Senior Debentures

The 2022 senior debentures are redeemable, in whole or in part, on or after August 14, 2020 at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, and will mature on February 14, 2022 if not redeemed prior to that date. The 2027 senior debentures are redeemable, in whole or in part, on or after August 14, 2025 at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, and will mature on February 14, 2027 if not redeemed prior to that date.

Subordinated Debentures

United acquired, as part of the FOFN acquisition, \$11.5 million aggregate principal amount of subordinated debentures. The notes are due on November 30, 2025. United may prepay the notes at any time after November 30, 2020, subject to compliance with applicable laws. In January 2018, United issued \$100 million fixed to floating rate subordinated notes due January 30, 2028. The subordinated debentures qualify as Tier 2 regulatory capital.

Securitized Notes Payable

United acquired, as part of the Navitas acquisition, NER 16-1, which is a bankruptcy-remote securitization entity whose sole purpose is to receive loans to secure financings. NER 16-1 provided financing by issuing notes to investors through a private offering of Receivable-Backed Notes under Rule 144A of the Securities and Exchange Act of 1934. These notes are collateralized by specific

Notes to Consolidated Financial Statements

(13) Long-term Debt, continued

qualifying loans and by cash placed in restricted cash accounts. These notes will continue amortizing sequentially based on collections on the underlying loans available to pay the note holders at each monthly payment date after payment of certain amounts as specified in the securitization documents including fees to various parties to the securitizations, interest due to the note holders and certain other payments. Sequentially, each subsequent class of note holders receive principal payments until paid down in full prior to the remaining subsequent class of note holders receiving principal payments. In addition to the pay-downs on these notes, they also have legal final maturity dates as reflected in the table above. During 2019, NER 16-1 executed a payoff and termination of the remaining notes outstanding in accordance with the terms of the related securitization documents.

Trust Preferred Securities

Trust preferred securities qualify as Tier 1 capital under risk based capital guidelines subject to certain limitations. The trust preferred securities are mandatorily redeemable upon maturity, or upon earlier redemption as provided in the indentures.

(14) Operating Leases

As of December 31, 2019, United had a right-of-use asset and lease liability of \$19.9 million and \$22.0 million, respectively, included in other assets and other liabilities, respectively, on the balance sheet.

The table below presents the operating lease income and expense recognized for the year ended December 31, 2019 (*in thousands*).

	2019	Income Statement Location
Operating lease cost	\$ 5,067	Occupancy expense
Variable lease cost	449	Occupancy expense
Short-term lease cost	136	Occupancy expense
Total lease cost	<u>\$ 5,652</u>	
Sublease income and rental income from owned properties under operating leases	\$ 1,160	Other noninterest income

As of December 31, 2019, the weighted average remaining lease term and weighted average discount rate of operating leases was 5.33 years and 2.79%, respectively. Absent a readily determinable interest rate in the lease agreement, the discount rate applied to each individual lease obligation was the Bank's incremental borrowing rate for secured borrowings.

As of December 31, 2019, future minimum lease payments under operating leases were as follows (*in thousands*):

Year	
2020	\$ 4,939
2021	5,124
2022	4,694
2023	3,992
2024	1,728
Thereafter	3,364
Total	<u>23,841</u>
Less discount	(1,802)
Present value of lease liability	<u>\$ 22,039</u>

As discussed in Note 2, United adopted Topic 842 using the modified retrospective method with a cumulative effect adjustment to shareholders' equity without restating comparable periods. As a result, disclosures for comparative periods under the predecessor standard, ASC 840, Leases, are required in the year of transition. As of December 31, 2018, rent commitments under operating leases were \$5.35 million, \$5.16 million, \$4.91 million, \$4.48 million, and \$3.91 million, for 2019 through 2023, respectively, and \$5.04 million in the aggregate for years thereafter. Rent expense recorded in accordance with ASC 840 for the years ended December 31, 2018 and 2017 was \$4.70 million and \$4.32 million, respectively.

Notes to Consolidated Financial Statements

(15) Reclassifications Out of Accumulated Other Comprehensive Income

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

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income For the Years Ended December 31,			Affected Line Item in the Statement Where Net Income is Presented
	2019	2018	2017	
Realized (losses) gains on available-for-sale securities:				
	\$ (1,021)	\$ (656)	\$ 42	Securities (losses) gains, net
	247	132	(14)	Income tax benefit (expense)
	<u>\$ (774)</u>	<u>\$ (524)</u>	<u>\$ 28</u>	Net of tax
Amortization of losses included in net income on available-for-sale securities transferred to held to maturity:				
	\$ (383)	\$ (739)	\$ (1,069)	Investment securities interest revenue
	92	180	401	Income tax benefit
	<u>\$ (291)</u>	<u>\$ (559)</u>	<u>\$ (668)</u>	Net of tax
Amortization of losses included in net income on terminated derivative financial instruments previously accounted for as cash flow hedges:				
	\$ (235)	\$ —	\$ —	Other expense
	(102)	(499)	(599)	Deposit interest expense
	—	—	(292)	Federal Home Loan Bank advances interest expense
	<u>(337)</u>	<u>(499)</u>	<u>(891)</u>	Total before tax
	86	129	346	Income tax benefit
	<u>\$ (251)</u>	<u>\$ (370)</u>	<u>\$ (545)</u>	Net of tax
Reclassification of disproportionate tax effect related to terminated and current cash flow hedges:				
	\$ —	\$ —	\$ (3,289)	Income tax expense
Reclassifications related to defined benefit pension plan activity:				
Prior service cost	\$ (640)	\$ (666)	\$ (560)	Salaries and employee benefits expense
Actuarial losses	(59)	(241)	—	Other expense
Actuarial losses	—	—	(238)	Salaries and employee benefits expense
Termination of defined benefit pension plan	<u>(1,558)</u>	<u>—</u>	<u>—</u>	Merger-related and other
	<u>(2,257)</u>	<u>(907)</u>	<u>(798)</u>	Total before tax
	576	247	310	Income tax benefit
	<u>\$ (1,681)</u>	<u>\$ (660)</u>	<u>\$ (488)</u>	Net of tax
Total reclassifications for the period	<u>\$ (2,997)</u>	<u>\$ (2,113)</u>	<u>\$ (4,962)</u>	Net of tax

Amounts shown above in parentheses reduce earnings

Notes to Consolidated Financial Statements

(16) Earnings Per Share

The following table sets forth the computation of basic and diluted net income per common share for the years indicated (*in thousands, except per share data*):

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 185,721	\$ 166,111	\$ 67,821
Dividends and undistributed earnings allocated to unvested shares	(1,375)	(1,184)	(571)
Net income available to common stockholders	<u>\$ 184,346</u>	<u>\$ 164,927</u>	<u>\$ 67,250</u>
Income per common share:			
Basic	\$ 2.31	\$ 2.07	\$ 0.92
Diluted	2.31	2.07	0.92
Weighted average common shares:			
Basic	79,700	79,662	73,247
Effect of dilutive securities:			
Stock options	1	7	12
Restricted stock units	7	2	—
Diluted	<u>79,708</u>	<u>79,671</u>	<u>73,259</u>

At December 31, 2019, United had the following potentially dilutive instruments outstanding: 1,000 shares of common stock issuable upon exercise of stock options with a weighted average exercise price of \$30.45 and 183,168 shares of common stock issuable upon vesting of restricted stock unit awards.

At December 31, 2018, United excluded 32,316 potentially dilutive shares of common stock issuable upon exercise of stock options because of their antidilutive effect.

At December 31, 2017, United had the following potentially dilutive instruments outstanding: a warrant to purchase 219,909 shares of common stock at \$61.40 per share; 60,287 shares of common stock issuable upon exercise of stock options; and 663,817 shares of common stock issuable upon completion of vesting of restricted stock unit awards.

(17) Income Taxes

Income tax expense is as follows for the years indicated (*in thousands*):

	Year Ended December 31,		
	2019	2018	2017
Current	\$ 38,082	\$ 17,185	\$ 5,451
Deferred	14,909	32,630	60,951
Increase in valuation allowance	—	—	413
Expense due to enactment of federal tax reform	—	—	38,198
Total income tax expense	<u>\$ 52,991</u>	<u>\$ 49,815</u>	<u>\$ 105,013</u>

Notes to Consolidated Financial Statements

(17) Income Taxes, continued

The differences between the provision for income taxes and the amount computed by applying the statutory federal income tax rate of 21% in 2019 and 2018 and 35% in 2017 to income before income taxes are as follows for the years indicated (*in thousands*):

	Year Ended December 31,		
	2019	2018	2017
Pretax income at statutory rates	\$ 50,130	\$ 45,344	\$ 60,492
Add (deduct):			
State taxes, net of federal benefit	7,168	6,765	4,139
Bank owned life insurance earnings	(1,127)	(747)	(1,141)
Adjustment to reserve for uncertain tax positions	84	80	59
Tax-exempt interest revenue	(1,827)	(1,229)	(1,199)
Equity compensation	(375)	(892)	(799)
Transaction costs	16	78	408
Tax credit investments	(464)	(29)	(89)
Change in state statutory tax rate	—	583	81
Increase in valuation allowance	—	—	413
Release of disproportionate tax effects related to de-designated cash flow hedges	—	—	3,400
Expense due to enactment of federal tax reform	—	—	38,198
Other	(614)	(138)	1,051
Total income tax expense	<u>\$ 52,991</u>	<u>\$ 49,815</u>	<u>\$ 105,013</u>

On December 22, 2017, H.R.1, commonly known as the Tax Cuts and Jobs Act of 2017 (the “Tax Act”) was signed into law. Among other things, the Tax Act reduced United’s corporate federal tax rate from 35% to 21% effective January 1, 2018. As a result, United was required to re-measure, through 2017 income tax expense, its deferred tax assets and liabilities using the enacted rate at which United expects them to be recovered or settled.

Also, on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provided guidance on accounting for the tax effects of the Tax Act. SAB118 provided a one-year measurement period from the Tax Act enactment date for companies to complete the related accounting under ASC Topic 740, *Income Taxes* (“ASC 740”). United’s 2017 financial results reflected both the income tax effects of the Tax Act for which the accounting was complete and provisional amounts for certain income tax effects of the Tax Act for which the accounting was incomplete, but a reasonable estimate could be determined. In 2017, United recorded a provisional amount of income tax expense of \$38.2 million for the impact of the re-measurement of its deferred tax asset. No material adjustments to the provisional amount were recorded during the one-year measurement period.

Notes to Consolidated Financial Statements

(17) Income Taxes, continued

The following summarizes the sources and expected tax consequences of future taxable deductions (revenue) which comprise the net deferred tax asset as of the dates indicated (*in thousands*):

	December 31,	
	2019	2018
Deferred tax assets:		
Allowance for loan losses	\$ 14,910	\$ 14,604
Net operating loss carryforwards	27,568	39,204
Deferred compensation	9,363	8,535
Loan purchase accounting adjustments	6,599	8,658
Reserve for losses on foreclosed properties	20	61
Nonqualified share based compensation	2,041	1,190
Accrued expenses	3,958	3,536
Investment in partnerships	67	426
Unamortized pension actuarial losses and prior service cost	1,739	1,606
Unrealized losses on securities available-for-sale	—	8,092
Unrealized losses on cash flow hedges	—	86
Lease liability	5,327	—
Other	2,038	1,235
Total deferred tax assets	73,630	87,233
Deferred tax liabilities:		
Unrealized gains on securities available-for-sale	7,943	—
Acquired intangible assets	2,530	2,772
Premises and equipment	3,002	1,291
Loan origination costs	3,538	3,734
True tax leases	7,783	6,020
Prepaid expenses	373	398
Servicing assets	4,428	2,862
Derivatives	1,075	525
Right-of-use asset	4,809	—
Uncertain tax positions	1,792	2,036
Total deferred tax liabilities	37,273	19,638
Less valuation allowance	2,298	3,371
Net deferred tax asset	\$ 34,059	\$ 64,224

The change in the net deferred tax asset includes an increase of \$203,000 due to current year merger and acquisition activity and the adoption of Topic 842.

At December 31, 2019, United had state net operating loss carryforwards of approximately \$10.5 million that begin to expire in 2021, \$3.71 million that begin to expire in 2027 and \$197 million that begin to expire in 2031, if not previously utilized. United had \$74.6 million in federal net operating loss carryforwards subject to annual limitation under IRC Section 382 that begin to expire in 2027, if not previously utilized. United had \$4.33 million of state tax credits that begin to expire in 2025, if not previously utilized.

Management assesses the valuation allowance recorded against deferred tax assets at each reporting period. The determination of whether a valuation allowance for deferred tax assets is appropriate is subject to considerable judgment and requires an evaluation of all the positive and negative evidence. ASC 740 requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a “more likely than not” standard.

At December 31, 2019 and 2018, based on the assessment of all the positive and negative evidence, management concluded that it is more likely than not that nearly all of the net deferred tax asset will be realized based upon future taxable income. The valuation allowance of \$2.30 million and \$3.37 million, respectively, was related to specific state income tax credits that have short carryforward periods and certain acquired state net operating losses, both of which are expected to expire unused.

Notes to Consolidated Financial Statements

(17) Income Taxes, continued

The valuation allowance could fluctuate in future periods based on the assessment of the positive and negative evidence. Management's conclusion at December 31, 2019 that it was more likely than not that the net deferred tax asset of \$34.1 million will be realized is based on management's estimate of future taxable income. Management's estimate of future taxable income is based on internal forecasts which 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 the deferred tax asset.

A reconciliation of the beginning and ending unrecognized tax benefit related to uncertain tax positions is as follows for the years indicated (*in thousands*):

	2019	2018	2017
Balance at beginning of year	\$ 3,264	\$ 3,163	\$ 3,892
Additions based on tax positions related to the current year	481	470	441
Decreases resulting from a lapse in the applicable statute of limitations	(375)	(369)	(351)
Remeasurement due to enactment of federal tax reform	—	—	(819)
Balance at end of year	<u>\$ 3,370</u>	<u>\$ 3,264</u>	<u>\$ 3,163</u>

Approximately \$2.92 million of the unrecognized tax benefit at December 31, 2019 would increase income from continuing operations, and thus affect United's effective tax rate, if ultimately recognized into income.

It is United's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in their respective federal or state income taxes accounts. There were no penalties and interest related to income taxes recorded in the income statement in 2019, 2018 or 2017. No amounts were accrued for interest and penalties on the balance sheet at December 31, 2019 or 2018.

United and its subsidiaries file a consolidated U.S. federal income tax return, as well as various state returns in the states where it operates. United's federal and state income tax returns are no longer subject to examination by taxing authorities for years before 2016.

(18) Pension and Employee Benefit Plans

United offers a defined contribution 401(k) plan (the "401(k) Plan") that covers substantially all employees meeting certain minimum service requirements. The 401(k) Plan allows employees to make pre-tax contributions to the 401(k) Plan and, prior to March 1, 2018, United matched 70% of employee contributions up to 5% of eligible compensation. The matching contribution was increased to 100% of employee contributions up to 5% of eligible compensation effective March 1, 2018. Employees begin to receive matching contributions after completing one year of service and benefits vest after three years of service. United's 401(k) Plan is administered in accordance with applicable laws and regulations. Compensation expense from continuing operations related to the 401(k) Plan totaled \$5.30 million, \$4.73 million and \$2.66 million in 2019, 2018 and 2017, respectively. The 401(k) Plan allows employees to choose to invest among a number of investment options that previously included United's common stock. Effective January 1, 2015, United's common stock was no longer offered as an investment option for new contributions.

United sponsors a non-qualified deferred compensation plan for its executive officers, certain other key employees and members of United's Board of Directors and its community banks' advisory boards of directors. The deferred compensation plan provides for the pre-tax deferral of compensation, fees and other specified benefits. The deferred compensation plan also permits each employee participant to elect to defer a portion of his or her base salary, bonus or vested restricted stock units and permits each eligible director participant to elect to defer all or a portion of his or her director's fees. Further, the deferred compensation plan allows for additional contributions by an employee, with matching contributions by United, for amounts that exceed the allowable amounts under the 401(k) Plan. During 2019, 2018 and 2017, United recognized \$162,000, \$119,000 and \$35,000, respectively, in matching contributions for this provision of the deferred compensation plan. The Board of Directors may also elect to make a discretionary contribution to any or all participants. No discretionary contributions were made in 2019, 2018 or 2017.

Defined Benefit Pension Plans

United has an unfunded noncontributory defined benefit pension plan ("Modified Retirement Plan") that covers certain executive officers and other key employees. The Modified Retirement Plan provides a fixed annual retirement benefit to plan participants.

Notes to Consolidated Financial Statements

(18) Pension and Employee Benefit Plans, continued

United acquired Palmetto Bancshares, Inc. (“Palmetto”) on September 1, 2015, including its funded noncontributory defined benefit pension plan (“Funded Plan”), which covered all full-time Palmetto employees who had fulfilled at least 12 months of continuous service and attained age 21 by December 31, 2007. Benefits under the Funded Plan were no longer accrued for service subsequent to 2007. On December 28, 2018, United filed a Notice of Standard Termination with the Pension Benefit Guaranty Corporation in accordance with regulatory requirements. During 2019, United settled the liabilities of its Funded Plan. Participants elected to receive either lump sum distributions or annuity contracts purchased from a third-party insurance company that provided for the payment of vested benefits. United contributed \$4.90 million to the Funded Plan in the third quarter 2019 to fund its liquidation.

As a result of the pension termination, unrecognized losses of \$1.56 million, which were previously recorded in accumulated other comprehensive income (loss) on the consolidated balance sheets, were recognized as expense and an additional pension plan settlement loss of \$1.38 million was recorded in the consolidated statements of income. Including both charges, the total Funded Plan settlement loss was \$2.94 million, which was included in merger-related and other charges for the year ended December 31, 2019.

Weighted-average assumptions used to determine pension benefit obligations at year end and net periodic pension cost are shown in the table below:

	2019	2018	
	Modified Retirement Plan	Modified Retirement Plan	Funded Plan
Discount rate for disclosures	3.25%	4.40%	Various
Discount rate for net periodic benefit cost	4.40%	3.75%	3.75%
Expected long-term rate of return	N/A	N/A	4.00%
Rate of compensation increase	N/A	N/A	N/A
Measurement date	12/31/2019	12/31/2018	12/31/2018

The Modified Retirement Plan discount rates are determined in consultation with the third-party actuary and are set by matching the projected benefit cash flow to a notional yield curve developed by reference to high-quality fixed income investments. The discount rates are determined as the rate which would provide the same present value as the plan cash flows discounted to the measurement date using the full series of spot rates along the notional yield curve as of the measurement date. This process was also utilized when determining the Funded Plan discount rate for net periodic benefit cost. Because plan termination of the Funded Plan was imminent when determining the 2018 discount rate for disclosures, assumptions were utilized that were consistent with those to be used with regard to plan termination. For retirees, a discount rate of 3.6% was determined based on the third-party actuary’s recent experience with group annuities from insurance companies. For non-retirees, the assumption was that all participants would elect a lump-sum payment and, as a result, the IRS assumptions for lump-sum payments were utilized (discount rate of 3.33% for payments in first five years, 4.39% for payments during next 15 years and 4.72% for payments beyond 20 years).

The expected long-term rate of return was designed to approximate the actual long-term rate of return over time. Therefore, the pattern of income / expense recognition should match the stable pattern of services provided by employees over the life of the pension obligation. Expected returns on plan assets were developed in conjunction with input from external advisors and took into account the investment policy, actual investment allocation, long-term expected rates of return on the relevant asset classes and considered any material forward-looking return expectations for these major asset classes.

Notes to Consolidated Financial Statements

(18) Pension and Employee Benefit Plans, continued

United recognizes the underfunded status of the plans as a liability in the consolidated balance sheets. Information about changes in obligations and plan assets follows (*in thousands*):

	2019		2018	
	Modified Retirement Plan	Funded Plan	Modified Retirement Plan	Funded Plan
Accumulated benefit obligation:				
Accumulated benefit obligation - beginning of year	\$ 21,736	\$ 16,011	\$ 21,705	\$ 17,700
Service cost	392	—	363	—
Interest cost	931	166	801	647
Plan amendments	386	—	412	—
Actuarial (gains) losses	2,390	1,489	(949)	(839)
Benefits paid	(730)	(17,666)	(596)	(1,497)
Accumulated benefit obligation - end of year	25,105	—	21,736	16,011
Change in plan assets, at fair value:				
Beginning plan assets	—	12,595	—	14,308
Actual return	—	173	—	(216)
Employer contribution	730	4,898	596	—
Benefits paid	(730)	(17,666)	(596)	(1,497)
Plan assets - end of year	—	—	—	12,595
Funded status - end of year (plan assets less benefit obligations)	\$ (25,105)	\$ —	\$ (21,736)	\$ (3,416)

Components of net periodic benefit cost and other amounts recognized in other comprehensive income are as follows (*in thousands*):

	2019		2018		2017	
	Modified Retirement Plan	Funded Plan	Modified Retirement Plan	Funded Plan	Modified Retirement Plan	Funded Plan
Service cost	\$ 392	\$ —	\$ 363	\$ —	\$ 551	\$ —
Interest cost	931	166	801	647	778	738
Expected return on plan assets	—	(106)	—	(551)	—	(630)
Amortization of prior service cost	635	—	666	—	560	—
Amortization of net losses	59	—	241	—	238	—
Net periodic benefit cost	\$ 2,017	\$ 60	\$ 2,071	\$ 96	\$ 2,127	\$ 108

The estimated net loss and prior service costs for the Modified Retirement Plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$326,000 and \$531,000, respectively, as of December 31, 2019.

The following table summarizes the estimated future benefit payments expected to be paid from the Modified Retirement Plan for the periods indicated (*in thousands*).

2020	\$ 1,301
2021	1,176
2022	1,170
2023	1,164
2024	1,156
2025-2029	7,133

Notes to Consolidated Financial Statements

(18) Pension and Employee Benefit Plans, continued

The following table summarizes the Funded Plan assets by major category as of the December 31, 2018, aggregated by the level in the fair value hierarchy within which those measurements fall (*in thousands*).

	Level 1	Level 2	Level 3	Total
Money market fund	\$ —	\$ 1,033	\$ —	\$ 1,033
Mutual funds	4,881	—	—	4,881
Corporate stocks	4,465	—	—	4,465
Exchange traded funds	2,216	—	—	2,216
Total plan assets	\$ 11,562	\$ 1,033	\$ —	\$ 12,595

For fair value measurement, money market funds were valued at amortized cost, which approximates fair value. Mutual funds, U.S. treasuries, corporate stocks, and exchange traded funds were valued at the closing price reported in the active market in which the instrument is traded. See Note 24 for more details regarding fair value measurements and the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods were appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(19) 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 through a combination of pricing and term structure of deposit product offerings, the amount and duration of its investment securities portfolio and wholesale funding and, to a lesser degree, through the use of derivative financial instruments. From time to time, United enters into derivative financial instruments to manage interest rate risk 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 arrangements on a gross basis.

United clears certain derivatives centrally through the Chicago Mercantile Exchange ("CME"). CME rules legally characterize variation margin payments for centrally cleared derivatives as settlements of the derivatives' exposure rather than as collateral. As a result, the variation margin payment and the related derivative instruments are considered a single unit of account for accounting purposes. Variation margin, as determined by the CME, is settled daily. As a result, derivative contracts that clear through the CME have an estimated fair value of zero. 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 sheets (*in thousands*):

Derivatives designated as hedging instruments

Interest Rate Products	Balance Sheet Location	December 31,	
		2019	2018
Fair value hedge of brokered CDs	Derivative liabilities	\$ 880	\$ 1,682
		\$ 880	\$ 1,682

Notes to Consolidated Financial Statements

(19) Derivatives and Hedging Activities, continued

Derivatives not designated as hedging instruments

Interest Rate Products	Balance Sheet Location	December 31,	
		2019	2018
Customer derivative positions	Derivative assets	\$ 27,277	\$ 5,216
Dealer offsets to customer derivative positions	Derivative assets	394	7,620
Mortgage banking - loan commitment	Derivative assets	1,970	1,190
Mortgage banking - forward sales commitment	Derivative assets	98	28
Bifurcated embedded derivatives	Derivative assets	5,268	10,651
		<u>\$ 35,007</u>	<u>\$ 24,705</u>
Customer derivative positions	Derivative liabilities	\$ 446	\$ 9,661
Dealer offsets to customer derivative positions	Derivative liabilities	6,425	781
Risk participations	Derivative liabilities	12	8
Mortgage banking - forward sales commitment	Derivative liabilities	86	259
Dealer offsets to bifurcated embedded derivatives	Derivative liabilities	7,667	13,339
De-designated hedges	Derivative liabilities	—	703
		<u>\$ 14,636</u>	<u>\$ 24,751</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. In addition, 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. The agreements, which are typically executed in conjunction with a participation in a loan with the same customer, allow customers to execute an interest rate swap with one bank while allowing for the distribution of the credit risk among participating members. Collateral used to support the credit risk for the underlying lending relationship is also available to offset the risk of credit risk participations and customer derivative positions.

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 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.

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 also enters into forward sale agreements to mitigate risk and to protect the expected gain on the eventual loan sale. The commitments to originate residential mortgage loans and forward loan sales commitments are freestanding derivative instruments. United accounts for most newly originated mortgage 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 statements of income.

Cash Flow Hedges of Interest Rate Risk

At December 31, 2019 and 2018, United did not have any active cash flow hedges. Changes in balance sheet composition and interest rate risk position made cash flow hedges not currently necessary as protection against rising interest rates. The loss remaining in other comprehensive income from prior hedges that had previously been de-designated was being amortized into earnings over the original term of the swaps as the forecasted transactions that the swaps were originally designated to hedge were still expected to occur. This was the only effect of cash flow hedges on the consolidated statements of income for the years ended December 31, 2019, 2018 and 2017. During the second quarter of 2019, United amortized the remaining balance of losses on terminated hedging positions from other comprehensive income. See Note 15 for further detail.

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. 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

Notes to Consolidated Financial Statements

(19) Derivatives and Hedging Activities, continued

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.

At December 31, 2019 and 2018, United had four interest rate swaps with an aggregate notional amount of \$37.9 million and \$39.0 million, respectively, that were designated as fair value hedges of fixed-rate brokered time deposits. The swaps involved the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreements.

During 2017 and through the first quarter of 2018, United also had receive-variable / pay-fixed interest rate swaps designated as fair value hedges of fixed-rate investments.

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

	Year Ended December 31,					
	2019		2018		2017	
	Interest expense - deposits	Interest expense - deposits	Interest revenue - taxable investment securities	Other noninterest income	Interest expense - deposits	Interest revenue - taxable investment securities
Total amounts presented in the consolidated statements of income	\$ 66,856	\$ 39,543	\$ 73,496	\$ 24,142	\$ 17,062	\$ 70,172
Gains (losses) on fair value hedging relationships:						
Interest rate contracts:						
Amounts related to interest settlements on derivatives	(327)	(245)	17	—	160	(302)
Recognized on derivatives	733	(220)	—	356	(657)	72
Recognized on hedged items	(766)	(145)	—	(447)	371	(265)
Net income (expense) recognized on fair value hedges	\$ (360)	\$ (610)	\$ 17	\$ (91)	\$ (126)	\$ (495)

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.

The table below presents the carrying amount of hedged fixed-rate brokered time deposits and cumulative fair value hedging adjustments included in the carrying amount of the hedged liability for the periods presented (*in thousands*).

Balance Sheet Location	December 31,			
	2019		2018	
	Carrying amount of Assets (Liabilities)	Hedge Accounting Basis Adjustment	Carrying amount of Assets (Liabilities)	Hedge Accounting Basis Adjustment
Deposits	\$ (35,880)	\$ 645	\$ (35,776)	\$ 1,838

Notes to Consolidated Financial Statements

(19) Derivatives and Hedging Activities, continued**Derivatives Not Designated as Hedging Instruments**

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

	Income Statement Location	Year Ended December 31,		
		2019	2018	2017
Customer derivatives and dealer offsets	Other noninterest income	\$ 2,878	\$ 2,658	\$ 2,416
Bifurcated embedded derivatives and dealer offsets	Other noninterest income	212	307	429
Interest rate caps	Other noninterest income	—	501	252
De-designated hedges	Other noninterest income	(193)	31	(62)
Mortgage banking derivatives	Mortgage loan revenue	(1,797)	904	(676)
Risk participations	Other noninterest income	(3)	12	5
Total gains and losses		\$ 1,097	\$ 4,413	\$ 2,364

Credit-risk-related Contingent Features

United manages its credit exposure on derivatives transactions by entering into a bilateral credit support agreement with each non-customer 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 December 31, 2019, collateral totaling \$14.9 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 provide that 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. Derivatives that are centrally cleared do not have credit-risk-related features that require additional collateral if United's credit rating were downgraded.

(20) Regulatory Matters**Capital Requirements**

United and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on United. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, United and the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures (as defined) established by regulation to ensure capital adequacy require United and the Bank to maintain minimum amounts and ratios of total capital, Tier 1 capital, and common equity Tier 1 capital ("CET1") to risk-weighted assets, and of Tier 1 capital to average assets.

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

As of December 31, 2019, United and the Bank were categorized as well-capitalized under the regulatory framework for prompt corrective action in effect at such time. To be categorized as well-capitalized at December 31, 2019, United and the Bank must have exceeded the well-capitalized guideline ratios in effect at such time, as set forth in the table below and have met certain other requirements. Management believes that United and the Bank exceeded all well-capitalized requirements at December 31, 2019, and there have been no conditions or events since year-end that would change the status of well-capitalized.

Notes to Consolidated Financial Statements

(20) Regulatory Matters, continued

Regulatory capital ratios at December 31, 2019 and 2018, along with the minimum amounts required for capital adequacy purposes and to be well-capitalized under prompt corrective action provisions in effect at such times are presented below for United and the Bank (*dollars in thousands*):

	Basel III Guidelines		United Community Banks, Inc. (consolidated)		United Community Bank	
	Minimum ⁽¹⁾	Well Capitalized	2019	2018	2019	2018
Risk-based ratios:						
Common equity tier 1 capital	4.5%	6.5%	12.97%	12.16%	14.87%	12.91%
Tier 1 capital	6.0	8.0	13.21	12.42	14.87	12.91
Total capital	8.0	10.0	15.01	14.29	15.54	13.60
Tier 1 leverage ratio	4.0	5.0	10.34	9.61	11.63	9.98
Common equity tier 1 capital			\$ 1,275,148	\$ 1,148,355	\$ 1,458,720	\$ 1,216,449
Tier 1 capital			1,299,398	1,172,605	1,458,720	1,216,449
Total capital			1,476,302	1,348,843	1,524,267	1,281,062
Risk-weighted assets			9,834,051	9,441,622	9,810,477	9,421,009
Average total assets			12,568,563	12,207,986	12,545,254	12,183,341

⁽¹⁾ As of December 31, 2019 and 2018 the additional capital conservation buffer in effect was 2.50% and 1.87%

Cash, Dividend, Loan and Other Restrictions

At December 31, 2019 and 2018, the Bank did not have a required reserve balance at the Federal Reserve Bank of Atlanta.

Federal and state banking regulations place certain restrictions on dividends paid by the Bank to the Holding Company. During 2018, the Bank received regulatory approval to pay cash dividends to the Holding Company of \$162 million. No cash dividends were paid by the Bank to the Holding Company in 2019.

The Federal Reserve Act requires that extensions of credit by the Bank to certain affiliates, including the Holding Company, be secured by specific collateral, that the extension of credit to any one affiliate be limited to 10% of capital and surplus (as defined), and that extensions of credit to all such affiliates be limited to 20% of capital and surplus.

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of their 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 consolidated balance sheets. The contract amounts of these instruments reflect the extent of involvement the Bank 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 most cases, collateral or other security is required to support financial instruments with credit risk.

(21) Commitments and Contingencies

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

	December 31,	
	2019	2018
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 2,126,275	\$ 2,129,463
Letters of credit	22,533	25,447

Commitments to extend credit are agreements 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. Since many of the commitments may expire without being drawn on, the total commitment amounts do not necessarily represent

Notes to Consolidated Financial Statements

(21) Commitments and Contingencies, continued

future cash requirements. United evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit is based on management's credit evaluation. Collateral held varies, but may include unimproved and improved real estate, certificates of deposit, personal property or other acceptable collateral.

Letters of credit are conditional commitments issued by United and could result in the commitment being drawn on when the underlying transaction is consummated between the customer and the third party or upon the non-performance of the customer. Those guarantees are primarily issued to local businesses and government agencies. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. In most cases, the Bank holds real estate, certificates of deposit, and other acceptable collateral as security supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments varies.

United maintains an allowance for unfunded loan commitments which is included in the balance of other liabilities in the consolidated balance sheets. The allowance for unfunded loan commitments is determined as part of the quarterly analysis of the allowance for credit losses and is based on probable incurred losses in unfunded loan commitments that are expected to result in funded loans.

The Bank holds minor investments in certain limited partnerships for CRA purposes. As of December 31, 2019, the Bank had a recorded investment of \$34.8 million in these limited partnerships and had committed to fund an additional \$5.72 million related to future capital calls that has not been reflected in the consolidated balance sheet.

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 financial position or results of operations.

(22) Common and Preferred Stock

In November of 2019, United's Board of Directors authorized an update to the existing common stock repurchase plan to authorize the repurchase of its common stock up to \$50 million. The program is scheduled to expire on the earlier of United's repurchase of its common stock having an aggregate purchase price of \$50 million or December 31, 2020. Under the program, shares may be repurchased in open market transactions or in privately negotiated transactions, from time to time, subject to market conditions. During 2019, 500,495 shares were repurchased under the program. During 2018, no shares were repurchased under the program. As of December 31, 2019, United had remaining authorization to repurchase up to \$50.0 million of outstanding common stock under the program.

United may issue preferred stock in one or more series, up to a maximum of 10,000,000 shares. Each series shall include the number of shares issued, preferences, special rights and limitations as determined by the Board of Directors. United had no preferred stock outstanding as of December 31, 2019 or 2018.

(23) Equity Compensation and Related Plans

United has an equity compensation plan that allows for grants of various share-based compensation. 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 and restricted stock unit awards provide for accelerated vesting if there is a change in control of United or certain other conditions are met (as defined in the plan document). As of December 31, 2019, 1.32 million additional awards could be granted under the plan.

Notes to Consolidated Financial Statements

(23) Equity Compensation and Related Plans, continued

Restricted stock units and options outstanding and activity for the years ended December 31 consisted of the following:

	Restricted Stock Units			Options			
	Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (000's)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs.)	Aggregate Intrinsic Value (000's)
December 31, 2016	690,970	\$ 18.60		72,665	\$ 34.34		
Granted	270,339	26.50		—	—		
Vested	(284,662)	17.48		—	—		
Expired	—	—		(1,538)	147.60		
Cancelled	(12,830)	19.91		(10,840)	75.08		
December 31, 2017	663,817	22.40		60,287	24.12		
Granted	416,484	30.54		—	—		
Vested / Exercised	(290,013)	20.18		(12,000)	11.85		
Cancelled	(30,542)	23.65		(1,148)	31.50		
December 31, 2018	759,746	27.66		47,139	27.07		
Granted	315,827	26.74		—	—		
Vested / Exercised	(216,138)	25.38	\$ 6,004	(13,000)	16.34		
Expired	—	—		(30,243)	31.43		
Cancelled	(51,011)	27.18		(2,396)	29.68		
December 31, 2019	808,424	27.94	24,964	1,500	27.95	0.27	\$ 4
Vested / Exercisable							
at December 31, 2019	—	—		1,500	27.95	0.27	4

The following is a summary of stock options outstanding at December 31, 2019:

Options Outstanding				Options Exercisable	
Shares	Range	Weighted Average Price	Average Remaining Life	Shares	Weighted Average Price
500	20.00 - 25.00	\$ 22.95	0.22	500	\$ 22.95
1,000	30.01 - 30.45	30.45	0.29	1,000	30.45
1,500	20.00 - 30.45	27.95	0.27	1,500	27.95

No compensation expense relating to options was included in earnings for 2019. Compensation expense relating to options of \$18,000 and \$28,000, respectively, was included in earnings for 2018 and 2017. The amount of compensation expense for all periods was determined based on the fair value of 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.

Compensation expense for restricted stock units without market conditions is based on the market 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 service period. Compensation expense recognized in the consolidated statements of income for employee restricted stock unit awards in 2019, 2018 and 2017 was \$8.98 million, \$5.69 million and \$5.51 million, respectively. Of the expense related to restricted stock unit awards during the twelve months ended December 31, 2019, \$1.38 million related to the modification of existing awards resulting from an acceleration of vesting of awards due to retirement and \$740,000 related to awards granted in conjunction with an acquisition, both of which were recognized in merger-related and other charges in the consolidated statement of income. The remaining expense of \$6.86 million was recognized in salaries and employee benefits expense, as was the entire amount for 2018. Of the expense recognized related to restricted stock unit awards during 2017, \$696,000 related 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 \$4.82 million was recognized in compensation expense. In addition, in 2019, 2018, and 2017, \$379,000, \$338,000 and \$287,000, respectively, was recognized in other operating expenses for restricted stock unit awards granted to members of United's board of directors.

During 2019 and 2018, in addition to time-based restricted stock unit awards, United's Board of Directors approved performance-based restricted stock unit awards with market conditions ("PSUs"). The PSUs will vest based on achieving, during the applicable

Notes to Consolidated Financial Statements

(23) Equity Compensation and Related Plans, continued

calendar-year performance periods, certain performance and market targets relative to a bank peer group. Achievement of the base-level performance and market targets for all applicable periods will result in the issuance of 96,910 shares, which are included in the outstanding balance in the table above. Additional shares may be issued if more stringent performance and market hurdles are met. The grant date per share fair market value of these PSUs was estimated using the Monte Carlo Simulation valuation model.

A deferred income tax benefit related to compensation expense for options and restricted stock units of \$2.39 million, \$1.54 million and \$2.27 million was included in the determination of income tax expense in 2019, 2018 and 2017, respectively. As of December 31, 2019, there was \$14.8 million of unrecognized compensation cost related to nonvested stock options and restricted stock units granted under the plan. The cost is expected to be recognized over a weighted-average period of 2.5 years.

United sponsors a Dividend Reinvestment and Stock Purchase Plan (“DRIP”) that allows participants who already own United’s common stock to purchase additional shares directly from the Company. The DRIP also allows participants to automatically reinvest their quarterly dividends in additional shares of common stock without a commission. In 2019, 2018 and 2017, 62,629, 7,307 and 4,404 shares, respectively, were issued under the DRIP.

United has an Employee Stock Purchase Program (“ESPP”) that allows eligible employees to purchase shares of common stock at a discount (10%), with no commission charges. During 2019, 2018 and 2017 United issued 20,928, 17,941 shares and 13,422 shares, respectively, through the ESPP.

United offers its common stock as an investment option in its deferred compensation plan. The common stock component is accounted for as an equity instrument and is reflected in the consolidated balance sheets as common stock issuable. The deferred compensation plan does not allow for diversification once an election is made to invest in United stock and settlement must be accomplished in shares at the time the deferral period is completed. United also allows restricted stock unit grantees to defer all or a portion of their awards into the deferred compensation plan upon vesting. At December 31, 2019 and 2018, United had 664,640 shares and 674,499 shares, respectively, of its common stock that was issuable under the deferred compensation plan.

(24) Fair Value Measurements

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.

Notes to Consolidated Financial Statements

(24) Fair Value Measurements, continued

Investment Securities

Debt securities available-for-sale and equity securities with readily determinable fair values 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, U.S. 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 those traded in less liquid markets and are valued based on estimates obtained from broker-dealers that are not directly observable.

Deferred Compensation Plan Assets and Liabilities

Included in other assets in the consolidated balance sheets 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 sheets.

Mortgage Loans Held for Sale

United has elected the fair value option for newly originated 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).

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, management 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, management 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 December 31, 2019, management had assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and 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 Residential Mortgage and SBA/USDA Loans

United recognizes servicing rights upon the sale of residential mortgage and SBA/USDA loans sold with servicing retained. Management has elected to carry these assets at fair value. Given the nature of the assets, the key valuation inputs are unobservable and management considers these Level 3 assets. For disclosure regarding the fair value of servicing rights, see Note 10.

Notes to Consolidated Financial Statements

(24) Fair Value Measurements, continued

Pension Plan Assets

For disclosure regarding the fair value of pension plan assets, see Note 18.

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, aggregated by the level in the fair value hierarchy within which those measurements fall (*in thousands*):

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Debt securities available for sale:				
U.S. Treasuries	\$ 154,618	\$ —	\$ —	\$ 154,618
U.S. Government agencies	—	3,035	—	3,035
State and political subdivisions	—	226,490	—	226,490
Residential mortgage-backed securities	—	1,299,025	—	1,299,025
Commercial mortgage-backed securities	—	284,953	—	284,953
Corporate bonds	—	202,093	998	203,091
Asset-backed securities	—	103,369	—	103,369
Equity securities with readily determinable fair values	1,973	—	—	1,973
Mortgage loans held for sale	—	58,484	—	58,484
Deferred compensation plan assets	8,133	—	—	8,133
Servicing rights for SBA/USDA loans	—	—	6,794	6,794
Residential mortgage servicing rights	—	—	13,565	13,565
Derivative financial instruments	—	27,769	7,238	35,007
Total assets	<u>\$ 164,724</u>	<u>\$ 2,205,218</u>	<u>\$ 28,595</u>	<u>\$ 2,398,537</u>
Liabilities:				
Deferred compensation plan liability	\$ 8,132	\$ —	\$ —	\$ 8,132
Derivative financial instruments	—	6,957	8,559	15,516
Total liabilities	<u>\$ 8,132</u>	<u>\$ 6,957</u>	<u>\$ 8,559</u>	<u>\$ 23,648</u>
December 31, 2018				
Assets:				
Securities available for sale:				
U.S. Treasuries	\$ 149,307	\$ —	\$ —	\$ 149,307
U.S. Government agencies	—	25,553	—	25,553
State and political subdivisions	—	233,941	—	233,941
Residential mortgage-backed securities	—	1,445,910	—	1,445,910
Commercial mortgage-backed securities	—	391,917	—	391,917
Corporate bonds	—	198,168	995	199,163
Asset-backed securities	—	182,676	—	182,676
Equity securities with readily determinable fair values	1,076	—	—	1,076
Mortgage loans held for sale	—	18,935	—	18,935
Deferred compensation plan assets	6,404	—	—	6,404
Servicing rights for SBA/USDA loans	—	—	7,510	7,510
Residential mortgage servicing rights	—	—	11,877	11,877
Derivative financial instruments	—	12,864	11,841	24,705
Total assets	<u>\$ 156,787</u>	<u>\$ 2,509,964</u>	<u>\$ 32,223</u>	<u>\$ 2,698,974</u>
Liabilities:				
Deferred compensation plan liability	\$ 6,404	\$ —	\$ —	\$ 6,404
Derivative financial instruments	—	10,701	15,732	26,433
Total liabilities	<u>\$ 6,404</u>	<u>\$ 10,701</u>	<u>\$ 15,732</u>	<u>\$ 32,837</u>

Notes to Consolidated Financial Statements

(24) Fair Value Measurements, continued

For disclosure regarding the fair value of servicing rights, see Note 10. The following table shows a reconciliation of the beginning and ending balances for all other assets measured at fair value on a recurring basis using significant unobservable inputs that are classified as Level 3 values (*in thousands*):

	Derivative Asset	Derivative Liability	Debt Securities Available- for-Sale
December 31, 2016	\$ 11,777	\$ 16,347	\$ 675
Sales and settlements	(1,744)	(2,423)	—
Other comprehensive income	—	—	225
Amounts included in earnings - fair value adjustments	2,174	2,820	—
December 31, 2017	12,207	16,744	900
Sales and settlements	(1,029)	(1,347)	—
Other comprehensive income	—	—	95
Amounts included in earnings - fair value adjustments	663	335	—
December 31, 2018	11,841	15,732	995
Sales and settlements	(1,135)	(2,330)	—
Other comprehensive income	—	—	3
Amounts included in earnings - fair value adjustments	(3,468)	(4,843)	—
December 31, 2019	<u>\$ 7,238</u>	<u>\$ 8,559</u>	<u>\$ 998</u>

The following table presents quantitative information about recurring Level 3 fair value measurements, excluding servicing rights which are detailed in Note 10 (*in thousands*):

Level 3 Assets	Fair Value		Valuation Technique	Unobservable Inputs	Weighted Average	
	December 31, 2019	2018			December 31, 2019	2018
Corporate bonds	998	995	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	1,970	1,190	Internal model	Pull through rate	83.6%	80.7%
Derivative assets - other	5,268	10,651	Dealer priced	Dealer priced	N/A	N/A
Derivative liabilities - risk participations	12	8	Internal model	Probable exposure rate	0.36%	0.44%
				Probability of default rate	1.80%	1.80%
Derivative liabilities - other	8,547	15,724	Dealer priced	Dealer priced	N/A	N/A

Fair Value Option

At December 31, 2019, mortgage loans held for sale for which the fair value option was elected had an aggregate fair value and outstanding principal balance of \$58.5 million and \$56.6 million, respectively. At December 31, 2018, mortgage loans held for sale for which the fair value option was elected had an aggregate fair value and outstanding principal balance of \$18.9 million and \$18.2 million, respectively. Interest income on these loans is calculated based on the note rate of the loan and is recorded in interest revenue. During 2019, 2018, and 2017 changes in fair value of these loans resulted in net gains of \$1.18 million, net losses of \$133,000, and net gains of \$505,000 respectively, which 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.

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 lower of amortized cost or fair value accounting or write-downs of individual assets due to impairment.

Notes to Consolidated Financial Statements

(24) Fair Value Measurements, continued

The following table presents the fair value hierarchy and carrying value of all assets that were still held as of December 31, 2019 and 2018, for which a nonrecurring fair value adjustment was recorded during the periods presented (*in thousands*).

December 31, 2019	Level 1	Level 2	Level 3	Total
Loans	\$ —	\$ —	\$ 20,977	\$ 20,977
December 31, 2018	Level 1	Level 2	Level 3	Total
Loans	\$ —	\$ —	\$ 8,631	\$ 8,631

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. 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 is further impaired below the appraised value and there is no observable market price, United records the impaired loan as nonrecurring Level 3.

Assets and Liabilities Not Measured at Fair Value

For financial instruments that have quoted market prices in active markets, 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 have variable interest rates that reset 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.

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. Because no ready market exists for a significant portion of United's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. 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.

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.

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

Notes to Consolidated Financial Statements

(24) Fair Value Measurements, continued

The carrying amount and fair values for other financial instruments that are not measured at fair value on a recurring basis in United's consolidated balance sheets are as follows (*in thousands*):

December 31, 2019	Carrying Amount	Fair Value Level			Total
		Level 1	Level 2	Level 3	
Assets:					
Securities held to maturity	\$ 283,533	\$ —	\$ 287,904	\$ —	\$ 287,904
Loans, net	8,750,464	—	—	8,714,592	8,714,592
Liabilities:					
Deposits	10,897,244	—	10,897,465	—	10,897,465
Long-term debt	212,664	—	—	217,665	217,665
December 31, 2018					
Assets:					
Securities held to maturity	\$ 274,407	\$ —	\$ 268,803	\$ —	\$ 268,803
Loans, net	8,322,198	—	—	8,277,387	8,277,387
Liabilities:					
Deposits	10,534,513	—	10,528,834	—	10,528,834
Federal Home Loan Bank advances	160,000	—	159,988	—	159,988
Long-term debt	267,189	—	—	278,996	278,996

Notes to Consolidated Financial Statements

(25) Condensed Financial Statements of United Community Banks, Inc. (Holding Company Only)

Statements of Income
For the Years Ended December 31, 2019, 2018 and 2017
(in thousands)

	2019	2018	2017
Dividends from bank	\$ —	\$ 161,500	\$ 103,200
Dividends from other subsidiaries	4,651	850	—
Shared service fees from subsidiaries	14,721	10,257	10,481
Other	1,468	133	1,078
Total income	<u>20,840</u>	<u>172,740</u>	<u>114,759</u>
Interest expense	11,573	11,868	10,258
Other expense	18,965	14,456	14,960
Total expenses	<u>30,538</u>	<u>26,324</u>	<u>25,218</u>
Income tax benefit	8,711	1,640	1,447
Income before equity in undistributed (loss) earnings of subsidiaries	(987)	148,056	90,988
Equity in undistributed earnings (loss) of subsidiaries	186,708	18,055	(23,167)
Net income	<u>\$ 185,721</u>	<u>\$ 166,111</u>	<u>\$ 67,821</u>

Balance Sheets
As of December 31, 2019 and 2018
(in thousands)

	2019	2018
<u>Assets</u>		
Cash	\$ 32,495	\$ 145,669
Investment in bank	1,814,414	1,522,402
Investment in other subsidiaries	752	4,549
Other assets	29,308	21,881
Total assets	<u>\$ 1,876,969</u>	<u>\$ 1,694,501</u>
<u>Liabilities and Shareholders' Equity</u>		
Long-term debt	\$ 212,664	\$ 212,193
Other liabilities	28,613	24,754
Total liabilities	<u>241,277</u>	<u>236,947</u>
Shareholders' equity	1,635,692	1,457,554
Total liabilities and shareholders' equity	<u>\$ 1,876,969</u>	<u>\$ 1,694,501</u>

Notes to Consolidated Financial Statements

(25) Condensed Financial Statements of United Community Banks, Inc. (Holding Company Only), continued

Statements of Cash Flows
For the Years Ended December 31, 2019, 2018 and 2017
(in thousands)

	2019	2018	2017
Operating activities:			
Net income	\$ 185,721	\$ 166,111	\$ 67,821
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed (earnings) loss of the subsidiaries	(186,708)	(18,055)	23,167
Stock-based compensation	9,360	6,057	5,827
Change in assets and liabilities:			
Other assets	(3,022)	1,777	1,220
Other liabilities	2,080	3,124	(758)
Net cash provided by operating activities	7,431	159,014	97,277
Investing activities:			
Payment for acquisition	(52,093)	(84,499)	(11,034)
Purchases of premises and equipment	—	(364)	(708)
Purchases of debt securities available-for-sale and equity securities	(3,000)	(2,489)	—
Proceeds from sales and maturities of debt securities available-for-sale and equity securities	83	—	—
Net cash used in investing activities	(55,010)	(87,352)	(11,742)
Financing activities:			
Repayment of long-term debt	(250)	(7,424)	(75,000)
Proceeds from issuance of long-term debt, net of issuance costs	—	98,188	—
Cash related to shares withheld to cover payroll taxes upon vesting of restricted stock units	(1,686)	(1,998)	(1,701)
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	2,193	679	450
Proceeds from exercise of stock options	212	142	—
Repurchase of common stock	(13,020)	—	—
Cash dividends on common stock	(53,044)	(41,634)	(26,210)
Net cash (used in) provided by financing activities	(65,595)	47,953	(102,461)
Net change in cash	(113,174)	119,615	(16,926)
Cash at beginning of year	145,669	26,054	42,980
Cash at end of year	\$ 32,495	\$ 145,669	\$ 26,054

Notes to Consolidated Financial Statements

(26) Subsequent Events

Dividends Declared

On February 5, 2020, United's Board of Directors approved a regular quarterly cash dividend of \$0.18 per common share. The dividend is payable April 6, 2020, to shareholders of record on March 16, 2020.

Stock Repurchases

As of February 26, 2020, United had repurchased 331,482 shares totaling \$9.40 million during 2020 through its common stock repurchase plan.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the company's disclosure controls and procedures (as such term is defined in Exchange Act Rule 13a-15(e)) as of December 31, 2019.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of December 31, 2019.

Changes in Internal Control Over Financial Reporting

No changes were made to our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fourth quarter of 2019 that materially affected, or are reasonably likely to materially affect, United's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019 is included in Part II, Item 8 of this Report under the heading "Management's Report on Internal Control Over Financial Reporting."

Our independent auditors have issued an audit report on management's assessment of internal controls over financial reporting. This report entitled "Report of Independent Registered Accounting Firm" is included in Part II, Item 8 of this Report under the heading "Report of Independent Registered Public Accounting Firm."

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

(a) *Information Regarding Directors and Executive Officers.* The information required by this Item 10 regarding our directors and director nominees contained under the captions “Who are the nominees this year?” and “Are there any family relationships between any of the directors, executive officers or nominees,” in each case under the heading “Proposal 1: Election of Directors” in the 2020 Proxy Statement is incorporated herein by reference. Pursuant to the instructions to Item 401 of Regulation S-K, information relating to our executive officers of United is included in Part I, Item 1 of this Report.

(b) *Compliance with Section 16(a) of the Exchange Act.* Information required by this Item 10 regarding compliance with Section 16(a) of the Exchange Act is contained under the caption “Delinquent Section 16(a) Reports” under the heading “Security Ownership” in the 2020 Proxy Statement, which information under such caption is incorporated herein by reference.

(c) *Code of Business Conduct and Ethics.* We have adopted a Corporate Code of Ethics (“Code”). This Code is posted on the “Corporate Governance” section of our Internet website at www.ucbi.com. If we choose to no longer post such Code, we will provide a free copy to any person upon written request to Corporate Secretary, United Community Banks, Inc., 125 Highway 515 East, Blairsville, Georgia 30512. We intend to provide any required disclosure of any amendment to or waiver from such Code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on our Internet website located at www.ucbi.com promptly following the amendment or waiver. We may elect to disclose any such amendment or waiver in a Current Report on Form 8-K filed with the SEC either in addition to or in lieu of the website disclosure. The information contained on or connected to our Internet website is not incorporated by reference into this Report and should not be considered part of this or any other report that we file with or furnish to the SEC.

(d) *Procedures for Shareholders to Recommend Director Nominees.* There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors.

(e) *Audit Committee Information.* Information required by this Item 10 regarding our Audit Committee and our audit committee financial experts may be found under the captions “What functions are performed by the Audit, Compensation, and Nominating Committees” and “Does United have an audit committee financial expert serving on its Audit Committee,” in each case under the heading “Corporate Governance” in the 2020 Proxy Statement, which information pertaining to the audit committee and its membership and audit committee financial experts under such captions is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by Item 11 regarding director and executive officer compensation, the Compensation Committee Report, the risks arising from our compensation policies and practices for employees, pay ratio disclosure, and compensation committee interlocks and insider participation is contained under the captions “Director Compensation” and “Executive Compensation” in the 2020 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information contained under the heading “Security Ownership” and the “Equity Compensation Plan Information” table in the 2020 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item 13 regarding certain relationships and related transactions is contained under the caption “Transactions With Management and Others” in the 2020 Proxy Statement, which information under such heading is incorporated herein by reference. The information required by this Item 13 regarding director independence is contained under the caption “Director Independence” in the 2020 Proxy Statement, which information under such caption is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by Item 14 regarding fees we paid to our principal accountant and the pre-approval policies and procedures established by the Audit Committee of our Board of Directors is contained under the caption "Fees Paid to Auditors" in the 2020 Proxy Statement, which information under such caption is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) 1. Financial Statements.

The following consolidated financial statements are located in Item 8 of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Income - Years ended December 31, 2019, 2018, and 2017

Consolidated Balance Sheets - December 31, 2019 and 2018

Consolidated Statements of Changes in Shareholders' Equity - Years ended December 31, 2019, 2018, and 2017

Consolidated Statements of Cash Flows - Years ended December 31, 2019, 2018, and 2017

Notes to Consolidated Financial Statements

2. Financial Statement Schedules.

Schedules to the consolidated financial statements are omitted, as the required information is not applicable.

3. Exhibits.

The exhibits required to be filed with this Report by Item 601 of Regulation S-K are set forth in the Exhibit Index below:

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
2.1	Agreement and Plan of Merger, dated April 19, 2017, by and between United Community Banks, Inc. and HCSB Financial Corporation (incorporated herein by reference to Exhibit 2.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 000-26995, filed with the SEC on April 21, 2017).
2.2	Agreement and Plan of Merger, dated June 26, 2017, by and between United Community Banks, Inc. and Four Oaks Fincorp, Inc. (incorporated by reference herein by reference to Exhibit 2.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 000-22787, filed with the SEC on June 27, 2017).
2.3	Agreement and Plan of Merger, dated January 8, 2018, by and between United Community Banks, Inc., United Community Bank, Symph Acquisition Corp., NLFC Holdings Corp. and Shareholder Representative Services LLC (incorporated by reference herein by reference to Exhibit 2.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on January 9, 2018).
3.1	Restated Articles of Incorporation of United Community Banks, Inc., as amended (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2016, filed with the SEC on August 8, 2016).
3.2	Amended and Restated Bylaws of United Community Banks, Inc., as amended (incorporated herein by reference to Exhibit 3.2 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2015, filed with the SEC on May 11, 2015).
4.1	Description of Registrant's Common Stock, \$1.00 par value.**
4.2	Indenture, dated August 14, 2015, by and between United Community Banks, Inc. and The Bank of New York Mellon Trust Company, N.A., Trustee (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on August 14, 2015).
4.3	First Supplemental Indenture to the Indenture, dated August 14, 2015, by and between United Community Banks, Inc. and The Bank of New York Mellon Trust Company, N.A., Trustee (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on August 14, 2015).
4.4	Second Supplemental Indenture to the Indenture, dated August 14, 2015, by and between United Community Banks, Inc. and The Bank of New York Mellon Trust Company, N.A., Trustee (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on August 14, 2015).

- [4.5](#) [Indenture, dated January 18, 2018, by and between United and The Bank of New York Mellon, N.A., Trustee \(incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on January 23, 2018\).](#)
- [4.6](#) [First Supplemental Indenture to the Indenture, dated January 18, 2018, by and between United and The Bank of New York Mellon, N.A., Trustee \(incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on January 23, 2018\).](#)
- [4.7](#) [Form of Indenture for Senior Indebtedness \(incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Form S-3, File No. 333-224367, filed with the SEC on April 20, 2018\).](#)
- [4.8](#) [Form of Indenture for Subordinated Indebtedness \(incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Form S-3, File No. 333-224367, filed with the SEC on April 20, 2018\).](#)
- Pursuant to Item 601(b)(4)(iii)(A), other instruments that define the rights of holders of the long-term indebtedness of United Community Banks, Inc. and its subsidiaries that does not exceed 10% of United's consolidated assets have not been filed; however, United agrees to furnish a copy of any such agreement to the SEC upon request.
- [10.1](#) Split-Dollar Agreement between United Community Banks, Inc. and Jimmy C. Tallent dated June 1, 1994 (incorporated herein by reference to Exhibit 10.11 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-21656).#
- [10.2](#) [United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan \(incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 000-21656, filed with the SEC on May 1, 2007\).#](#)
- [10.3](#) [Amendment No. 1 to United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan dated April 13, 2007 \(incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 000-21656, filed with the SEC on April 13, 2007\).#](#)
- [10.4](#) [Amendment No. 2 to United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan dated March 20, 2012 \(incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on May 24, 2012\).#](#)
- [10.5](#) [Amendment No. 3 to United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan dated March 20, 2012 \(incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on May 24, 2012\).#](#)
- [10.6](#) [Amendment No. 4 to United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan dated March 18, 2016 \(incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on June 23, 2016\).#](#)
- [10.7](#) [Amendment No. 5 to United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan dated August 2, 2017.***](#)
- [10.8](#) [Change of Control Severance Agreement dated March 31, 2015 by and between United Community Banks, Inc. and H. Lynn Harton.***](#)
- [10.9](#) [Change of Control Severance Agreement dated March 31, 2015 by and between United Community Banks, Inc. and Jimmy C. Tallent \(not filed because substantially identical to Exhibit 10.8\). #](#)
- [10.10](#) [Executive Transition Agreement by and between United Community Banks, Inc. and Jimmy C. Tallent dated May 10, 2018 \(incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2018, File No. 001-35095, filed with the SEC on August 6, 2018\).#](#)
- [10.11](#) [Change in Control Severance Agreement dated April 17, 2017 by and between United Community Banks, Inc. and Jefferson L. Harralson.***](#)
- [10.12](#) [Change of Control Severance Agreement dated March 31, 2015 by and between United Community Banks, Inc. and Richard William Bradshaw \(not filed because substantially identical to Exhibit 10.11\). #](#)
- [10.13](#) [Change of Control Severance Agreement dated March 31, 2015 by and between United Community Banks, Inc. and Robert A. Edwards \(not filed because substantially identical to Exhibit 10.11\). #](#)
- [10.14](#) [Change of Control Severance Agreement dated March 31, 2015 by and between United Community Banks, Inc. and Bradley J. Miller \(not filed because substantially identical to Exhibit 10.11\). #](#)
- [10.15](#) [United Community Banks, Inc.'s Modified Retirement Plan \(as amended and restated effective as of January 1, 2016\).***](#)

10.16	First Amendment dated as of April 1, 2018 to United Community Banks, Inc.'s Modified Retirement Plan (as amended and restated effective as of January 1, 2016). ***
10.17	United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of January 1, 2017. ***
10.18	Amendment No. 1 to United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of April 1, 2018. ***
10.19	Amendment No. 2 to United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of January 1, 2019. ***
10.20	United Community Banks, Inc. Amended and Restated Dividend Reinvestment and Share Purchase Plan (incorporated herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-3D, File No. 333-197026, filed with the SEC on June 25, 2014).
10.21	United Community Banks, Inc. Employee Stock Purchase Plan, (as amended and restated effective as of January 1, 2015). ***
10.22	United Community Banks, Inc.'s Management Annual Incentive Plan, effective as of January 1, 2007 (incorporated herein by reference to Exhibit 10.5 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 000-21656, filed with the SEC on May 1, 2007). #
10.23	Form of Incentive Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.15 to United Community Banks, Inc.'s Form 10-K for the year ended December 31, 2014, File No. 001-35095, filed with the SEC on February 27, 2015). #
10.24	Form of Nonqualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.16 to United Community Banks, Inc.'s Form 10-K for the year ended December 31, 2014, File No. 001-35095, filed with the SEC on February 27, 2015). #
10.25	Form of Restricted Stock Unit Award Agreement for Directors. ***
10.26	Form of Restricted Stock Unit Award Agreement. ***
10.27	Form of Restricted Stock Unit Award for Key Employees. ***
10.28	Form of Performance Restricted Stock Unit Award for Key Employees. ***
10.29	Credit Agreement, dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank, as amended, Amendment No. 1 dated as of June 30, 2015, Amendment No. 2 dated as of June 30, 2016 and Amendment No. 3 dated as of June 30, 2017 (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2017, File No. 001-35095, filed with the SEC on August 4, 2017).
10.30	Amendment No. 4 dated as of August 7, 2018 to Credit Agreement, dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank. **
10.31	Amendment No. 5 dated as of February 18, 2020 to Credit Agreement, dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank. **
21	Subsidiaries of United Community Banks, Inc. **
23	Consent of Independent Registered Public Accounting Firm **
24	Power of Attorney of certain officers and directors of United (included on signature page hereto)
31.1	Certification of Chief Executive Officer under Exchange Act Rule 13a-14(a) **
31.2	Certification of Chief Financial Officer under Exchange Act Rule 13a-14(a) **
32	Certifications of CEO and CFO pursuant to 18 U.S.C. Section 1350 (furnished only) **
101.INS**	XBRL Report Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Label Linkbase Document
101.PRE**	XBRL Presentation Linkbase Document

101.DEF** XBRL Taxonomy Extension Definition Linkbase Document

104 Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

Management contract or compensatory plan or arrangement.

** Indicates filed or furnished herewith.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, United has duly caused this annual report on Form 10-K, to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of February, 2020.

**UNITED COMMUNITY BANKS, INC.
(Registrant)**

/s/ H. Lynn Harton

H. Lynn Harton
President 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, Chief Accounting Officer
(Principal Accounting Officer)

POWER OF ATTORNEY AND SIGNATURES

Know all men by these presents, that each person whose signature appears below constitutes and appoints H. Lynn Harton and Thomas A. Richlovsky, or either of them, as attorney-in-fact, with each having the power of substitution, for him in any and all capacities, to sign any amendments to this annual report on Form 10-K and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report on Form 10-K has been signed below by the following persons on behalf of United and in the capacities set forth and on the 5th day of February, 2020.

/s/ **H. Lynn Harton**

H. Lynn Harton
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

/s/ **Kenneth L. Daniels**

Kenneth L. Daniels
Director

/s/ **Jefferson L. Harralson**

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

/s/ **Lance F. Drummond**

Lance F. Drummond
Director

/s/ **Alan H. Kumler**

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

/s/ **Jennifer Mann**

Jennifer Mann
Director

/s/ **Thomas A. Richlovsky**

Thomas A. Richlovsky
Lead Independent Director

/s/ **David C. Shaver**

David C. Shaver
Director

/s/ **Robert Blalock**

Robert Blalock
Director

/s/ **Tim Wallis**

Tim Wallis
Director

/s/ **L. Cathy Cox**

L. Cathy Cox
Director

/s/ **David H. Wilkins**

David H. Wilkins
Director

**Description of the Company's Common Stock Registered
Under Section 12 of the Securities Exchange Act of 1934**

The following summary of the common stock (par value \$1.00 per share) of United Community Banks, Inc. ("United" or the "Company") is based on and qualified by the Company's Amended and Restated Articles of Incorporation, as subsequently amended (the "Amended Articles of Incorporation") and Amended and Restated Bylaws, as amended (the "Amended Bylaws"). For a complete description of the terms and provisions of the Company's equity securities, including its common stock, refer to the Amended Articles of Incorporation and Amended Bylaws, each of which is filed or incorporated by reference as an exhibit to this Annual Report on Form 10-K.

United's Amended Articles of Incorporation authorize the issuance of 150,000,000 shares of common stock ("Common Stock"), 26,000,000 shares of non-voting common stock ("Non-voting Common Stock") and 15,000,000 shares of preferred stock ("Preferred Stock"), all with a par value of \$1.00 per share (the "Common Stock," the "Non-voting Common Stock" and the "Preferred Stock," collectively, the "Capital Stock").

Voting Rights. Subject to such voting rights, if any, of any Preferred Stock, all voting rights are vested in the holders of the Common Stock. Each holder of Common Stock is entitled to one vote per share on any issue requiring a vote at any meeting. There are no cumulative voting rights in the election of directors.

Preemption. No holder of shares of any class of United's Capital Stock has or will have any right, pre-emptive or other, to subscribe for or to purchase from the Company any of the shares of any class of the Company that may be issued or sold in the future.

Dividends. Subject to the preferential dividend rights, if any, of any Non-voting Common Stock or Preferred Stock that might be issued, the holders of Common stock will be entitled to share equally in such dividends as United's board of directors (the "Board") may declare on the Company's Common Stock from sources legally available therefor. The determination and declaration of dividends is within the discretion of the Board.

Distributions. After distribution in full of any preferential amount to be distributed to the holders of any Non-voting Common Stock or Preferred Stock that might be issued, holders of Common Stock will be entitled to receive, in the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of United, all of the Company's remaining assets of whatever kind available for distribution to the shareholders, after payment or provision for payment of all the Company's debts and liabilities, ratably in proportion to the number of shares of Common Stock held by them.

Classified Board. United's Board is not classified and each member is elected annually. The Company's Amended Articles of Incorporation provide that directors can only be removed for cause and upon the affirmative vote of the holders of two-thirds of the issued and outstanding shares entitled to vote on such matter.

Assessment and Other Provisions. The outstanding shares of United's Common Stock are and, upon payment of consideration payable therefor, any shares of Common Stock issued by United in the future, will be fully paid and nonassessable. United's Common Stock does not have any conversion rights and is not subject to any redemption provisions. No shares of any class of the Company's Capital Stock are subject to any sinking fund provisions or to calls, assessments by, or liabilities of the Company.

Issuance of Non-voting Common Stock. United's Non-voting Common Stock is issuable at any time, and from time to time, bearing such dividend, conversion, liquidation and other rights and preferences as the Board may determine. The Non-voting Common stock could be issued for any lawful corporate purpose without further action by the shareholders. The issuance of any Non-voting Common Stock having conversion rights could have the effect of diluting the interests of the other shareholders. Shares of Non-voting Common Stock also could be issued with such rights, privileges and preferences as would deter a tender or exchange offer or to discourage the acquisition of control of the Company.

Issuance of Preferred Stock. United's Preferred Stock is issuable at any time, and from time to time, in such amounts and series and bearing such voting, dividend, conversion, liquidation and other rights and preferences as the Board may determine. The Preferred Stock could be issued for any lawful corporate purpose without further action by the shareholders. The issuance of any Preferred Stock having conversion rights could have the effect of diluting the interests of the other shareholders. Shares of Preferred Stock also could be issued with such rights, privileges and preferences as would deter a tender or exchange offer or to discourage the acquisition of control of the Company.

Provisions in United's Amended Articles of Incorporation. United's Amended Articles of Incorporation contain certain other provisions that could impede or delay a change in control of the Company, including:

- A provision that allows directors, in discharging their fiduciary duties, in addition to considering the effects of any action on the Company or its shareholders, to consider interests of United's employees, customers, suppliers, and creditors, and the communities in which United's offices or other establishments are located when considering an acquisition proposal;
- A provision that requires, in addition to any affirmative vote required by law, and subject to the provisions of any series of Preferred Stock that may at the time be outstanding, the affirmative vote of the holders of not less than 75% of the outstanding shares of United's Common Stock other than those beneficially owned (as defined in the Amended Articles of Incorporation) by an Interested Shareholder (as defined in the Amended Articles of Incorporation, but generally a person who owns 10% or more of the shares of Common Stock) for the approval or authorization of any Business Combination (as defined in the Amended Articles of Incorporation but including transactions such as a merger or other acquisition) of the Company with such Interested Shareholder; provided that the 75%

voting requirement is not be applicable if the Business Combination is approved by three-fourths of all members of the Board;

- a provision that amendments to the Amended Articles of Incorporation and certain provisions in the Amended Bylaws must be approved by a majority of the outstanding shares of United's Capital Stock entitled to vote;
- a provision that any special meeting of shareholders may be called only by the United's chairman, chief executive officer, president, chief financial officer, Board or the holders of 25% of the outstanding shares of United's Capital Stock entitled to vote; and
- a provision establishing certain advance notice procedures for matters to be considered at an annual meeting of United's shareholders.

**AMENDMENT NO. 5
TO THE
UNITED COMMUNITY BANKS, INC.
2000 KEY EMPLOYEE STOCK OPTION PLAN
(As Amended and Restated Effective as of March 15, 2007)**

THIS AMENDMENT NO. 5 is made as of the 2nd day of August, 2017, by **UNITED COMMUNITY BANKS, INC.** (the “Company”) to be effective as set forth below.

WITNESSETH:

WHEREAS, the Company previously established the United Community Banks, Inc. 2000 Key Employee Stock Option Plan, which plan was amended and restated effective as of March 15, 2007, and further amended thereafter by Amendment No. 1 dated April 13, 2007, Amendments No. 2 and 3. dated March 20, 2012 and Amendment No. 4 dated March 18, 2016 (collectively the “Plan”); and

WHEREAS, the Company now desires to amend the Plan to allow the Company with a statutory income tax withholding obligation to withhold shares with a fair value up to the amount of tax owed using the maximum statutory tax rate in the employee’s applicable jurisdiction(s) as set forth below; and

WHEREAS, the Board of Directors of the Company has reserved the authority to amend the Plan as described above without the need for shareholder approval given shares of Company stock withheld or surrendered for payment of any tax withholding obligations under the Plan are counted as issued under the Plan and reduce the number of shares of Company stock available for issuance under the Plan.

NOW, THEREFORE, the Plan is hereby amended, as follows:

1.

Section 16.2 of the Plan is hereby amended by deleting the first sentence of the present section and substituting the following in lieu thereof:

“With respect to withholding required upon the exercise of Options, or upon any other taxable event arising as a result of Awards granted hereunder, which are to be paid in the form of Shares, Participants may elect, subject to the Committee providing for such right in the Agreement, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined up to the amount equal to the tax owed on such transaction using the maximum statutory tax rate in the Participant’s applicable jurisdiction(s), provided using Shares to satisfy any such withholding requirement, or any such withholding requirement in excess of the Participant’s minimum statutory withholding obligation, does not result in such Options or other Awards being classified as liability instruments for financial accounting purposes. Notwithstanding the foregoing, (i) for Options and Awards granted

after the date hereof, Participants may only elect to satisfy such withholdings by having the Company withhold Shares as described above if (A) the Committee provides for such right in the Agreement, (B) the Company has a statutory income tax withholding obligation and (C) the amounts subject to withholdings constitute supplemental wages, and (ii) for Options and Awards outstanding as of the date hereof, Participants may only elect to satisfy such withholdings by having the Company withhold Shares as described above if (A) the Committee previously provided for the right in the Participant's Agreement to satisfy any such withholding requirements in the amount of the Participant's minimum statutory withholding obligation, (B) the Company has a statutory income tax withholding obligation and (C) the amounts subject to withholdings constitute supplemental wages, in which event the Participants now will be permitted to satisfy the Participant's withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined up to the amount equal to the tax owed on such transaction using the maximum statutory tax rate in the Participant's applicable jurisdiction(s) as described above. In the event permitting the Participants to elect to satisfy withholding requirements, in whole or in part, using up to the maximum statutory tax rate in the Participant's applicable jurisdiction(s) would result in such Options or other Awards being classified as liability instruments for financial accounting purposes, Participants may still elect to satisfy their withholding requirements, in whole or in part, by having the Company withhold Shares in the amount of the Participant's minimum statutory withholding obligations if the Committee provided for the right in the Agreement to satisfy such withholdings by having the Company withhold Shares and such right does not result in such Options or other Awards being classified as liability instruments for financial accounting purposes."

2.

The amendments to the Plan set forth in section 1 of this Amendment shall become fully effective upon their adoption by the Board of Directors of the Company. Except as hereby modified, the Plan shall remain in full force and effect.

AS APPROVED BY THE BOARD OF DIRECTORS OF UNITED COMMUNITY BANKS, INC. ON AUGUST 2, 2017.

**UNITED COMMUNITY BANKS, INC.
CHANGE IN CONTROL SEVERANCE AGREEMENT**

THIS AGREEMENT (this “*Agreement*”), is made and entered into as of this 31st day of March 2015, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia corporation (the “*Company*”), and **H. LYNN HARTON** (“*Executive*”).

WHEREAS, Executive is a key employee of the Company and an integral part of the Company’s management;

WHEREAS, the Company desires to assure both itself and its key employees of continuity of management and objective judgment in the event of any Change in Control of the Company, and to induce its key employees to remain employed by the Company; and

WHEREAS, the Company desires to provide certain compensation and benefits to Executive in the event of the termination of his employment under certain circumstances;

NOW, THEREFORE, the parties hereby agree as follows:

1. **TERM OF AGREEMENT.** This Agreement shall commence on the date hereof and shall terminate on the later of (i) Executive’s termination of employment without entitlement to any benefits hereunder and (ii) six (6) months after Executive’s termination of employment if there has been no Change in Control by that time; provided, however, this Agreement may be terminated by mutual written agreement of Executive and the Company. This Agreement shall not be considered an employment agreement and in no way guarantees Executive the right to continue in the employment of the Company. Executive’s employment is considered employment at will, subject to Executive’s right to receive payments and benefits upon certain terminations of employment as provided below.

2. **DEFINITIONS.** For purposes of this Agreement, the following terms shall have the meanings specified below:

2.1 “**Affiliate.**” Any entity that is part of a controlled group of corporations or is under common control with the Company within the meaning of Sections 1563(a), 414(b) or 414(c) of the Code, except that, in making any such determination, fifty percent (50%) shall be substituted for eighty percent (80%) under such Code sections.

2.2 “**Area**” shall mean a radius of twenty (20) miles from each office maintained by the Company as of Executive’s Date of Termination.

2.3 “**Base Salary.**” Executive’s annual salary in effect on his Date of Termination or, if greater, Executive’s highest rate of annual salary in effect during the period beginning six (6) months prior to the date of the Change in Control and ending eighteen (18) months following the date of the Change in Control.

2.4 “**Board**” or “**Board of Directors.**” The Board of Directors of the Company, or its successor.

2.5 “**Cause.**” The involuntary termination of Executive by the Company for the following reasons shall constitute a termination for Cause:

(a) If termination shall have been the result of an act or acts by Executive which have been found in an applicable court of law to constitute a felony (other than traffic-related offenses);

(b) If termination shall have been the result of an act or acts by Executive which are in the good faith judgment of the Board determined to be in violation of law or of policies of the Company and which result in demonstrably material injury to the Company;

(c) If termination shall have been the result of an act or acts of proven or undenied dishonesty by Executive resulting or intended to result directly or indirectly in significant gain or personal enrichment to Executive at the expense of the Company; or

(d) Upon the willful and continued failure by Executive substantially to perform his duties with the Company (other than any such failure resulting from incapacity due to mental or physical illness whether or not constituting a Disability) for a period of thirty (30) days after a demand in writing for substantial performance is delivered by the Board or President, which demand specifically identifies the manner in which the Board or President believes that Executive has not substantially performed his duties, and such failure results in demonstrably material injury to the Company.

With respect to clauses (b), (c) or (d) above of this Section 2.5, Executive shall not be deemed to have been involuntarily terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board, finding that, in the good faith opinion of the Board, Executive was guilty of conduct set forth above in clauses (b), (c) or (d) and specifying the particulars thereof in detail. For purposes of this Agreement, no act or failure to act by Executive shall be deemed to be "willful" unless done or omitted to be done by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interests of the Company.

2.6 "Change in Control." A Change in Control of the Company means any one of the following events:

(a) The acquisition (other than from the Company) during the twelve (12) month period ending on the date of the most recent acquisition by any Person of Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that for purposes of this definition, Person shall not include any person who as of the date hereof owned ten percent (10%) or more of the Company's outstanding securities, and a Change in Control shall not be deemed to occur solely because thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one (1) or more employee benefit plans maintained by the Company or any of its subsidiaries, or (ii) any corporation, which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

(b) Approval by shareholders of the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation (and provided no person acquires Beneficial Ownership of the Company's then outstanding voting securities

as described in (a) above), or (2) a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

(c) A change in the composition of the Board during any twelve (12) month period such that the individuals who, as of the date hereof, constitute the Board (such Board shall be hereinafter referred to as the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this definition that any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

Notwithstanding the foregoing, a Change in Control shall only be deemed to have occurred if the Change in Control also constitutes a change in the ownership or effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, within the meaning of Section 409A of the Code and the regulations and rulings thereunder (“**Section 409A**”).

2.7 “CIC Severance Period.” A period equal to thirty-six (36) months following (i) the date of the Change in Control if Executive’s employment is terminated within six (6) months prior to the Change in Control or (ii) Executive’s Date of Termination if Executive’s employment is terminated on or within eighteen (18) months following the date of the Change in Control.

2.8 “Code.” The Internal Revenue Code of 1986, as it may be amended from time to time.

2.9 “Company.” United Community Banks, Inc., a Georgia corporation, or any successor to its business and/or assets, and all of its and their respective Affiliates.

2.10 “Company’s Business.” The business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

2.11 “Competing Business” shall mean any entity (other than the Company) that is conducting a commercial and consumer banking business.

2.12 “Customers.” All Persons (i) provided products or services by the Company with whom Executive had material contact during the last two (2) years of Executive’s employment, or (ii) whose dealings with the Company were coordinated or supervised, in whole or in part, by Executive.

2.13 “Date of Termination.” The date specified in the Notice of Termination (which, unless otherwise required by this Agreement, may be immediate) on which Executive’s employment with the Company is to cease. In the case of termination by Executive for Good Reason, the Date of Termination shall not be less than thirty (30) days nor more than sixty (60) days from the date the notice of termination is given. For purposes of this Agreement, termination of employment shall mean a “separation from service” within the meaning of Section 409A where it is reasonably anticipated that no further services will be performed after such date or that the level of bona fide services Executive will perform after that date (whether as an employee or an independent contractor) will permanently decrease to no more than twenty percent

(20%) of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period (or, if lesser, Executive's period of service).

2.14 "Disability." Disability shall have the meaning ascribed to such term in the Company's long-term disability plan covering Executive, or in the absence of such plan or Executive's participation therein, a meaning consistent with Section 22(e)(3) of the Code.

2.15 "Good Reason." A Good Reason for termination by Executive of Executive's employment shall mean the occurrence (without Executive's express written consent) during the six (6) month period prior to, or within the eighteen (18) month period following, the date of a Change in Control of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraphs (a), (b), (c), or (d) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(a) the substantial adverse change in Executive's responsibilities at the Company from those in effect immediately prior to the Measurement Date;

(b) a material change in Executive's principal place of employment on the Measurement Date (a change in Executive's principal place of employment will be considered material only if it is more than fifty (50) miles from Executive's principal place of employment on the Measurement Date and it increases Executive's one-way commute by more than fifty (50) miles), except for required travel on Company business to the extent substantially consistent with Executive's business travel obligations on the Measurement Date;

(c) a material reduction from those in effect on the Measurement Date in the levels of coverage of Executive under the Company's director and officer liability insurance policy or indemnification commitments;

(d) after the Measurement Date, a reduction in Executive's Base Salary, a reduction in his incentive compensation or the failure by the Company to continue to provide Executive with benefits substantially similar to those enjoyed by Executive under any of the Company's pension, deferred compensation, life insurance, medical, health and accident or disability plans in which Executive was participating at the Measurement Date, the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the Measurement Date; or

(e) the Company's failure to comply with Section 7.3(a) below.

Executive's right to terminate Executive's employment for Good Reason shall not be affected by Executive's incapacity due to physical or mental illness, except for a Disability. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.16 "Measurement Date." Any date during the period beginning six (6) months prior to the date of a Change in Control and ending eighteen (18) months following the date of a Change in Control, and prior to Executive's Date of Termination, on which Executive would have Good Reason to resign under the definition herein.

2.17 “Notice of Termination.” A written notice from one party to the other party specifying the Date of Termination and which sets forth in reasonable detail the facts and circumstances relating to the basis for termination of Executive’s employment.

2.18 “Person.” Any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

3. SCOPE OF AGREEMENT. This Agreement provides for the payment of compensation and benefits to Executive in the event in connection with a Change in Control his employment is involuntarily terminated by the Company without Cause or if Executive terminates his employment for Good Reason. If Executive is terminated by the Company for Cause, dies, incurs a Disability or voluntarily terminates employment (other than for Good Reason), this Agreement shall terminate, and Executive shall be entitled to no payments of compensation or benefits pursuant to the terms of this Agreement; provided that in such event, Executive will be entitled to whatever benefits are payable pursuant to the terms of any health, life insurance, disability, welfare, retirement, deferred compensation, or other plan or program maintained by the Company, in which Executive participates, in accordance with the terms of such plans and programs.

4. BENEFITS UPON TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL. If a Change in Control occurs during the term of this Agreement and Executive’s employment is terminated within six (6) months prior to or eighteen (18) months following the date of the Change in Control, and if such termination is an involuntary termination by the Company without Cause (and does not arise as a result of Executive’s death or Disability) or a termination by Executive for Good Reason (and does not arise as a result of Executive’s voluntary termination without Good Reason), Executive shall be entitled to the following compensation:

4.1 Base Salary. Executive shall continue to receive his Base Salary (subject to withholding of all applicable taxes) for the CIC Severance Period in accordance with the Company’s normal payroll practices (but no less frequently than monthly) beginning on (i) the date of the Change in Control if Executive’s employment is terminated within six (6) months prior to the Change in Control or (ii) Executive’s Date of Termination if Executive’s employment is terminated on or within eighteen (18) months following the date of the Change in Control.

4.2 Annual Bonus. Executive shall be entitled to bonus payments from the Company as follows:

(a) Notwithstanding any terms of any applicable plan to the contrary, for the fiscal year that ended immediately prior to Executive’s Date of Termination, but for which no annual bonus payments have been paid as of his Date of Termination, Executive shall receive a bonus calculated using the actual results for all performance criteria for such fiscal year. Such amount shall be paid (subject to withholding of all applicable taxes) on (i) the date of the Change in Control if Executive’s employment is terminated within six (6) months prior to the Change in Control or (ii) Executive’s Date of Termination if Executive’s employment is terminated on or within eighteen (18) months following the date of the Change in Control.

(b) For the fiscal year during which Executive’s Date of Termination occurs, and provided Executive’s Date of Termination occurs after June 30th of such fiscal year, Executive shall receive a prorated bonus (based on the number of days that he was employed during such fiscal year), calculated as if Executive’s target award level (including any personal performance component) under the Company’s annual incentive plan had been achieved for such year. Such amount shall be paid (subject to withholding of all applicable taxes) on (i) the date of the Change in Control if Executive’s employment is terminated

within six (6) months prior to the Change in Control or (ii) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control.

(c) In addition to the bonus payment payable under subsections (a) and/or (b) above, if any, Executive shall be entitled to an additional bonus amount equal to the average of the bonuses paid to him with respect to the two (2) fiscal years in which annual bonuses were paid to Executive most recently preceding the year in which his Date of Termination occurs (counting the bonus, if any, payable under subsection (a) above), multiplied by three (3). If a bonus was not paid to Executive in any two (2) such prior years, for purposes of calculating Executive's average bonus, an amount equal to Executive's potential bonus for the fiscal year during which Executive's Date of Termination occurs, calculated as if Executive's target award level (including any personal performance criteria) under the Company's annual incentive plan had been achieved for such year, shall be used for any missing year(s). Such bonus amount shall be paid (subject to withholding of all applicable taxes) in thirty-six (36) equal monthly payments beginning on (i) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (ii) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control.

4.3 Health and Life Insurance Coverages.

(a) The group health care (including any executive medical plan) and group term life insurance benefits coverages provided to Executive at his Date of Termination shall be continued on a monthly basis during the CIC Severance Period at the same level as for active executives and in the same manner as if his employment under this Agreement had not terminated, beginning on (1) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (2) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control. Any additional coverage Executive had at termination, including dependent coverage, will also be continued on a monthly basis for such period on the same terms as for dependents of active executives and in the same manner as if his employment under this Agreement had not terminated, to the extent permitted by the applicable policies or contracts. Any costs Executive was paying for such coverages at the time of termination shall be paid by Executive by separate check payable to the Company each month in advance. Executive will be permitted to pay the full cost for such coverages by separate check payable to the Company each month in advance for all such coverage from Executive's Date of Termination until the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control and Executive elects to continue such coverage during that time period. If the terms of any life insurance plan referred to in this Section 4.3, or the laws applicable to such plan, do not permit continued participation by Executive after Executive's Date of Termination and for the full term contemplated herein, then the Company will arrange for other life insurance coverage(s) satisfactory to Executive at Company's expense which provides substantially similar benefits or will pay Executive on a monthly basis the cost of such coverage(s) for the CIC Severance Period or portion thereof which does not permit such continued participation (and for which no other satisfactory life insurance is arranged).

If the terms of the health care plan referred to in this subsection (a) do not permit continued participation by Executive and his dependents through the CIC Severance Period as required by this subsection or if the healthcare benefits to be provided to Executive and his dependents pursuant to this subsection (a) cannot be provided in a manner such that the benefit payments will be tax-free to Executive and his dependents, then the Company shall (i) pay to Executive on a monthly basis during the CIC Severance Period or portion thereof which does not permit such continued participation (or participation on a tax-free basis) an amount equal to the monthly rate for COBRA coverage at such date under the healthcare plan that is then being paid by former active employees for the level of coverage that applies to Executive and his

dependents, minus the amount active employees are then paying for such coverage, for the applicable month such continued participation (or participation on a tax-free basis) is not permitted, and (ii) permit Executive and his dependents to elect to participate in the healthcare plan for the COBRA continuation period upon payment of the applicable rate for COBRA coverage during the COBRA continuation period.

(b) For purposes of any individual executive life insurance policy (or policies) maintained by the Company for Executive, the Company shall continue to pay, on a monthly basis, the premiums for such policy or policies during the CIC Severance Period. Executive will be permitted to pay the full cost for such coverage by separate check payable to the Company each month in advance for all such coverage from Executive's Date of Termination until the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control and Executive elects to continue such coverage during that time period.

(c) Notwithstanding any of the foregoing, the Company shall not be required to continue any group health care (including any executive medical plan), group term life insurance benefits coverage or individual executive life insurance policy provided to Executive at his Date of Termination (as described above) during the CIC Severance Period, if (i) Executive's employment is terminated within six (6) months prior to the Change in Control and Executive elects not to continue such coverage during the period beginning on Executive's Date of Termination and ending on the date of the Change in Control and (ii) Executive's failure to continue any such coverage during such period materially increases the costs the Company would incur to provide such coverage during the CIC Severance Period (except as otherwise required by law).

4.4 Retiree Medical Coverage. If Executive has satisfied the requirements for receiving Retiree Medical Coverage on his Date of Termination or would have satisfied such requirements prior to the last day of the CIC Severance Period had Executive's employment not terminated, Executive (and his dependents) shall be covered by, and receive benefits under, the Company's Retiree Medical Coverage program for executives at his level. Executive's Retiree Medical Coverage shall commence on the date his group health care coverage terminates under Section 4.3 above, and shall continue for the life of Executive (and his dependents) (i.e., the coverage shall be vested and may not be terminated except as described below), subject only to such changes in the level of coverage that apply to executives at his level generally. Notwithstanding any provision of this Section 4.4, however, the Company expressly reserves the right to amend or terminate the Company's Retiree Medical Coverage program to the extent set forth therein.

4.5 Profit Sharing Plan. Executive will be treated as if he continued to participate, consistent with past practices, for the CIC Severance Period in the Profit Sharing Plan (or any successor or replacement plan) as in effect as of his Date of Termination. The compensation payable to Executive under Sections 4.1 and 4.2(c) above shall be treated (unless otherwise excluded) as compensation under the applicable plan as if it were paid on a monthly basis. Executive will be entitled to receive an amount equal to the Company's contributions to the Profit Sharing Plan (or any successor or replacement plan), assuming Executive had participated in such plan for the CIC Severance Period at the maximum permissible contributions level. The Company shall pay to Executive or, if applicable, his beneficiary, the amount equal to the Present Value on the Date of Termination (calculated as provided in the applicable plan) of the excess of (i) the benefit Executive would have been paid under such plan if he had continued to be covered for the CIC Severance Period (less any amounts Executive would have been required to contribute), over (ii) the benefit actually payable under such plan. The Company shall pay such additional amount in a lump sum within thirty (30) days of (1) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (2) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control.

4.6 Automobile, Club Dues. Executive shall be provided for the CIC Severance Period at the Company's expense with an automobile or automobile allowance (and reimbursement of related automobile expenses) commensurate with the practice in effect for executives at Executive's Date of Termination or the date of the Change in Control, whichever is greater, and reimbursement of club dues and assessments in accordance with the practice in effect for executives at Executive's Date of Termination or the date of the Change in Control, whichever is greater. The amount of reimbursable expenses under this Section 4.6 for one (1) calendar year shall not affect the amount of reimbursable expenses in any other calendar year and the reimbursement payment shall be made no less frequently than monthly and no later than thirty (30) days following the calendar year during which the expense is incurred.

4.7 Section 409A Compliance. This Agreement shall at all times be operated in accordance with the requirements of Section 409A. The Company shall have authority to take action, or refrain from taking any action, with respect to any payments and benefits under this Agreement that is reasonably necessary to comply with Section 409A. Notwithstanding any of the provisions of this Agreement, it is intended that any payment which is provided pursuant to or in connection with this Agreement which is considered to be non-qualified deferred compensation subject to Section 409A shall be provided and paid in a manner, and at such time, as complies with the applicable requirements of Section 409A to avoid the unfavorable tax consequences provided therein for non-compliance. For purposes of this Agreement, all rights to payments shall be treated as rights to receive a series of separate payments to the fullest extent permitted by Section 409A. If Executive is a key employee (as defined in Section 416(i) without regard to paragraph (5) thereof), and any of the Company's stock is publicly traded on an established securities market or otherwise, then payment of any amount under this Agreement which is considered non-qualified deferred compensation subject to Section 409A shall be deferred for six (6) months after Executive's Date of Termination or, if earlier, Executive's death, as and to the extent required by Section 409A (the "**409A Deferral Period**"). In the event such payments are otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. Any benefits subject to deferral may be provided during the 409A Deferral Period at Executive's expense, with Executive having the right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled.

4.8 Other Benefits. Except as expressly provided herein, all other benefits provided to Executive as an active employee of the Company (e.g., long-term disability, AD&D, etc.), shall cease on his Date of Termination, provided that any conversion or extension rights applicable to such benefits shall be made available to Executive at his Date of Termination or when such coverages otherwise cease in accordance with the terms of the applicable plans or programs, including, with respect to any options, restricted stock units or other awards granted under any equity compensation plan, the terms of such plan and any applicable award agreement.

5. LIMITATION ON BENEFITS.

5.1 If any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right, restricted stock unit or similar right, or the lapse or termination of any restriction on or the vesting or exercisability, or acceleration of payment, of any of the foregoing (a "**Payment**"), would be subject to the excise tax imposed by Section 4999 of the Code or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together

with any such interest and penalties, being hereafter collectively referred to as the “**Excise Tax**”), then the benefits payable or provided under this Agreement (or other Payments as described above) shall be reduced (but not in excess of the amount of the benefits payable or provided under this Agreement) if, and only to the extent that, such reduction will allow Executive to receive a greater Net After Tax Amount than such Executive would receive absent such reduction.

5.2 The Accounting Firm (as defined below) will first determine the amount of any Parachute Payments (as defined below) that are payable to Executive. The Accounting Firm also will determine the Net After Tax Amount attributable to Executive’s total Parachute Payments.

5.3 The Accounting Firm will next determine the largest amount of payments that may be made to Executive without subjecting Executive to the Excise Tax (the “**Capped Payments**”). Thereafter, the Accounting Firm will determine the Net After Tax Amount attributable to the Capped Payments.

5.4 Executive then will receive the total Parachute Payments or the total Capped Payments, whichever provides Executive with the higher Net After Tax Amount; if reductions are necessary, then the total Payments will be adjusted by first reducing, on a pro rata basis, the amount of any cash benefits under this Agreement, then cash benefits under any other plan, agreement or arrangement, then any noncash payments or benefits under this Agreement and finally any noncash payments or benefits under any other plan, agreement or arrangement. The Accounting Firm will notify Executive and the Company if it determines that the Parachute Payments must be reduced and will send Executive and the Company a copy of its detailed calculations supporting that determination.

5.5 Section 6 of this Agreement provides certain restrictive covenants where Executive has agreed to refrain from certain activities deemed harmful to the Company for a set period of time in exchange for the promises contained herein. If Executive is deemed eligible to receive payments and benefits under Section 4 of this Agreement, the Company shall seek a valuation from the Accounting Firm to determine the value, if any, of the restrictive covenants contained in Section 6 and such amount shall be allocated to the restrictive covenants and be excluded from treatment as a Parachute Payment to the extent, in the Accounting Firm’s judgment, reasonably permitted by Section 280G of the Code. For the avoidance of doubt, it is the intention of this Agreement that the value assigned to the restrictive covenants contained in Section 6 by the Accounting Firm not be considered a Parachute Payment for purposes of this Section 5 to the extent, in the Accounting Firm’s judgment, reasonably permitted by Section 280G of the Code.

5.6 As a result of the uncertainty in the application of Sections 280G and 4999 of the Code at the time that the Accounting Firm makes its determinations under this Section 5 or in the value assigned to the restrictive covenants which is not treated as a Parachute Payment as described above, it is possible that Executive will have received Parachute Payments or Capped Payments in excess of the amount that should have been paid or distributed (“**Overpayments**”), or that additional Parachute Payments or Capped Payments should be paid or distributed to Executive (“**Underpayments**”). If the Accounting Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or Executive, which assertion the Accounting Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, that Overpayment may, at Executive’s discretion, be treated for all purposes as a loan ab initio that Executive must repay to the Company immediately together with interest at the applicable Federal rate under Section 7872 of the Code; *provided, however*, that no loan will be deemed to have been made and no amount will be payable by Executive to the Company unless, and then only to the extent that, the deemed loan and payment would either reduce the amount on which Executive is subject to tax under Section 4999 of the Code or generate a refund of tax imposed under Section 4999 of the Code and Executive will receive a greater Net After Tax

Amount than such Executive would otherwise receive. If the Accounting Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Accounting Firm will notify Executive and the Company of that determination and the amount of that Underpayment will be paid to Executive promptly by the Company after such determination.

5.7 For purposes of this Section 5, the following terms shall have their respective meanings:

(a) “Accounting Firm” means the independent accounting firm currently engaged by the Company, or a mutually agreed upon independent accounting firm if requested by Executive; and

(b) “Net After Tax Amount” means the amount of any Parachute Payments or Capped Payments, as applicable, net of taxes imposed under Sections 1, 3101(b) and 4999 of the Code and any State, local or other income and employment taxes applicable to Executive on the date of payment. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Payments, as applicable, in effect on the date of payment.

(c) “Parachute Payment” means a payment that is described in Section 280G(b)(2) of the Code, determined in accordance with Section 280G of the Code and the regulations promulgated or proposed thereunder.

5.8 The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by the preceding subsections shall be borne by the Company.

5.9 The Company and Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by the preceding subsections. Any determination by the Accounting Firm shall be final and binding upon the Company and Executive.

6. CANCELLATION OF BENEFIT; RETURN OF PREVIOUS PAYMENTS.

6.1 After Executive’s Date of Termination and until the expiration of the CIC Severance Period (until eighteen (18) months following Executive’s Date of Termination for purposes of Section 6.1(a) below only), if Executive is entitled to any payment or benefit under this Agreement, Executive will not directly or indirectly, individually, or on behalf of any Person (except on behalf of or with the prior written consent of the Company):

(a) within the Area perform for any Competing Business any services which are the same as or essentially the same as the services the Executive provided for the Company.

(b) solicit, divert or appropriate or attempt to solicit, divert or appropriate, any business from any of the Company’s Customers, including prospective Customers actively sought by the Company, for purposes of providing products or services that are competitive with those provided by the Company;

(c) solicit, recruit or hire away or attempt to solicit, recruit or hire away, any employee of the Company, whether or not such employment is pursuant to a written contract with the Company is at will; or

(d) knowingly or intentionally damage or destroy the goodwill and esteem of the Company or the Company's Business.

6.2 Executive agrees that the restrictive covenants set forth in Section 6.1 of this Agreement are of the essence of this Agreement; that each of the covenants is reasonable and necessary to protect the business, interests and properties of the Company, and that irreparable loss and damage will be suffered by the Company should Executive breach any of such covenants. Therefore, if at any time after Executive's Date of Termination and until the expiration of the CIC Severance Period, Executive violates the restrictive covenants set forth in Section 6.1, then notwithstanding any other provision in this Agreement to the contrary, (i) Executive shall immediately forfeit any payment that is or may become due under Section 4 and all such payments shall immediately terminate, and (ii) Executive shall immediately return to the Company the gross amount of any previous payments made to Executive pursuant to Section 4. In addition, Executive agrees and consents that the Company shall be entitled to a temporary restraining order and temporary and permanent injunctions to prevent a breach or contemplated breach of any of such covenants. The Company and Executive agree that all remedies shall be cumulative.

6.3 If any term of this Section 6 shall be held to be illegal, invalid or unenforceable by a court of competent jurisdiction, the remaining terms shall remain in full force and effect. If any court of competent jurisdiction shall determine that the restrictions set forth in any provision of this Section 6 are overbroad or unreasonable as applied to Executive, the parties hereto acknowledge their mutual intention and agreement that those restrictions be enforced to the fullest extent the court deems reasonable, and this Agreement shall be modified to that extent.

7. MISCELLANEOUS.

7.1 No Obligation to Mitigate. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer after the Date of Termination or otherwise.

7.2 Contract Non-Assignable. The parties acknowledge that this Agreement has been entered into due to, among other things, the special skills and knowledge of Executive, and agree that this Agreement may not be assigned or transferred by Executive.

7.3 Successors; Binding Agreement.

(a) In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or that acquires a controlling stock interest in the Company to expressly assume and agree to perform this Agreement, in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effective date of such succession shall be a breach of this Agreement and shall entitle Executive to terminate his employment for Good Reason as described above.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive shall die while any amount is still payable to Executive hereunder (other than amounts which, by their terms, terminate upon the death of Executive), all such amounts, unless otherwise provided

herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Executive's estate.

7.4 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or seven (7) days after mailing if mailed first class, certified mail, postage prepaid, addressed as follows:

If to the Company: United Community Banks, Inc.
Attention: Secretary
125 Highway 515 East
Blairsville, GA 30512

If to Executive: H. Lynn Harton
Address omitted

Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

7.5 Provisions Severable. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

7.6 Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

7.7 Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

7.8 Governing Law. The validity and effect of this Agreement shall be governed by and be construed and enforced in accordance with the laws of the State of Georgia.

7.9 Disputes. All claims by Executive for compensation and benefits under this Agreement shall be in writing and shall be directed to and be determined by the Board. Any denial by the Board of a claim for benefits under this Agreement shall be provided in writing to Executive within thirty (30) days of such decision and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to Executive for a review of its decision denying a claim and shall further allow Executive to appeal in writing to the Board a decision of the Board within sixty (60) days after notification by the Board that Executive's claim has been denied. To the extent permitted by applicable law, any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Atlanta, Georgia, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

7.10 Legal Fees. If, in connection with a Change in Control, Executive terminates his employment for Good Reason or if the Company involuntarily terminates Executive without Cause, then, in the event Executive incurs legal fees and other expenses in seeking to obtain or to enforce any rights or benefits provided by this Agreement and is successful, in whole or in part, in obtaining or enforcing any such rights or benefits through settlement, mediation, arbitration or otherwise, the Company shall pay Executive's reasonable legal fees and expenses and related costs incurred in enforcing this Agreement including, without limitation, attorneys fees and expenses, experts fees and expenses, investigative fees, and travel expenses. The legal fees, expenses and related costs payable to Executive under this Section 6.9(b) shall be paid within sixty (60) days after such amounts are determined to be payable pursuant to this Section 6.9(b). Except to the extent provided in the preceding sentences, each party shall pay its own legal fees and other expenses associated with any dispute under this Agreement.

7.11 Indemnification. During the Term of this Agreement and after Executive's termination, the Company shall indemnify Executive and hold Executive harmless from and against any claim, performance as an officer, director or employee of the Company or any of its subsidiaries or other affiliates or in any other capacity, including any fiduciary capacity, in which Executive serves at the Company's request, in each case to the maximum extent permitted by law and under the Company's Articles of Incorporation and By-Laws (the "**Governing Documents**"), provided that in no event shall the protection afforded to Executive hereunder be less than that afforded under the Governing Documents as in effect on the date of this Agreement except from changes mandated by law.

7.12 Prior Agreement. This Agreement replaces and supersedes the United Community Banks, Inc. Change in Control Severance Agreement previously made and entered into as of the 7th day of June, 2001, by and between the Company and Executive (the "Prior Agreement"). The Prior Agreement is hereby cancelled in its entirety.

[Signature continued on next page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

EXECUTIVE

By: _____
Name: H. Lynn Harton

UNITED COMMUNITY BANKS, INC.

By: _____
Name: _____
Title: _____

Attest:

Secretary
(CORPORATE SEAL)

UNITED COMMUNITY BANKS, INC.
CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT (this "*Agreement*"), is made and entered into as of this 17th day of April 2017, by and between UNITED COMMUNITY BANKS, INC., a Georgia corporation (the "*Company*"), and JEFFERSON L. HARALSON ("*Executive*").

WHEREAS, Executive is a key employee of the Company and an integral part of the Company's management;

WHEREAS, the Company desires to assure both itself and its key employees of continuity of management and objective judgment in the event of any Change in Control of the Company, and to induce its key employees to remain employed by the Company; and

WHEREAS, the Company desires to provide certain compensation and benefits to Executive in the event of the termination of his employment under certain circumstances;

NOW, THEREFORE, the parties hereby agree as follows:

1. TERM OF AGREEMENT. This Agreement shall commence on the date hereof and shall terminate on the later of (i) Executive's termination of employment without entitlement to any benefits hereunder and (ii) six (6) months after Executive's termination of employment if there has been no Change in Control by that time; provided, however, this Agreement may be terminated by mutual written agreement of Executive and the Company. This Agreement shall not be considered an employment agreement and in no way guarantees Executive the right to continue in the employment of the Company. Executive's employment is considered employment at will, subject to Executive's right to receive payments and benefits upon certain terminations of employment as provided below.

2. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meanings specified below:

2.1 "Affiliate." Any entity that is part of a controlled group of corporations or is under common control with the Company within the meaning of Sections 1563(a), 414(b) or 414(c) of the Code, except that, in making any such determination, fifty percent (50%) shall be substituted for eighty percent (80%) under such Code sections.

2.2 "Area" shall mean a radius of twenty (20) miles from each office maintained by the Company as of Executive's Date of Termination.

2.3 "Base Salary." Executive's annual salary in effect on his Date of Termination or, if greater, Executive's highest rate of annual salary in effect during the period beginning six (6) months prior to the date of the Change in Control and ending eighteen (18) months following the date of the Change in Control.

2.4 "Board" or "Board of Directors." The Board of Directors of the Company, or its successor.

2.5 "Cause." The involuntary termination of Executive by the Company for the following reasons shall constitute a termination for Cause:

(a) If termination shall have been the result of an act or acts by Executive which

have been found in an applicable court of law to constitute a felony (other than traffic-related offenses);

(b) If termination shall have been the result of an act or acts by Executive which are in the good faith judgment of the Board determined to be in violation of law or of policies of the Company and which result in demonstrably material injury to the Company;

(c) If termination shall have been the result of an act or acts of proven or undenied dishonesty by Executive resulting or intended to result directly or indirectly in significant gain or personal enrichment to Executive at the expense of the Company; or

(d) Upon the willful and continued failure by Executive substantially to perform his duties with the Company (other than any such failure resulting from incapacity due to mental or physical illness whether or not constituting a Disability) for a period of thirty (30) days after a demand in writing for substantial performance is delivered by the Board or President, which demand specifically identifies the manner in which the Board or President believes that Executive has not substantially performed his duties, and such failure results in demonstrably material injury to the Company.

With respect to clauses (b), (c) or (d) above of this Section 2.5, Executive shall not be deemed to have been involuntarily terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board, finding that, in the good faith opinion of the Board, Executive was guilty of conduct set forth above in clauses (b), (c) or (d) and specifying the particulars thereof in detail. For purposes of this Agreement, no act or failure to act by Executive shall be deemed to be "willful" unless done or omitted to be done by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interests of the Company.

2.6 "Change in Control." A Change in Control of the Company means any one of the following events:

(a) The acquisition (other than from the Company) during the twelve (12) month period ending on the date of the most recent acquisition by any Person of Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that for purposes of this definition, Person shall not include any person who as of the date hereof owned ten percent (10%) or more of the Company's outstanding securities, and a Change in Control shall not be deemed to occur solely because thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one (1) or more employee benefit plans maintained by the Company or any of its subsidiaries, or (ii) any corporation, which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

(b) Approval by shareholders of the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation (and provided no person acquires Beneficial Ownership of the Company's then outstanding voting securities as described in (a) above), or (2) a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

(c) A change in the composition of the Board during any twelve (12) month period such that the individuals who, as of the date hereof, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this definition that any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

Notwithstanding the foregoing, a Change in Control shall only be deemed to have occurred if the Change in Control also constitutes a change in the ownership or effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, within the meaning of Section 409A of the Code and the regulations and rulings thereunder ("*Section 409A*").

2.7 "CIC Severance Period." A period equal to twenty-four (24) months following (i) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (ii) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control.

2.8 "Code." The Internal Revenue Code of 1986, as it may be amended from time to time.

2.9 "Company." United Community Banks, Inc., a Georgia corporation, or any successor to its business and/or assets, and all of its and their respective Affiliates.

2.10 "Company's Business." The business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

2.11 "Competing Business" shall mean any entity (other than the Company) that is conducting a commercial and consumer banking business.

2.12 "Customers." All Persons (i) provided products or services by the Company with whom Executive had material contact during the last two (2) years of Executive's employment, or (ii) whose dealings with the Company were coordinated or supervised, in whole or in part, by Executive.

2.13 "Date of Termination." The date specified in the Notice of Termination (which, unless otherwise required by this Agreement, may be immediate) on which Executive's employment with the Company is to cease. In the case of termination by Executive for Good Reason, the Date of Termination shall not be less than thirty (30) days nor more than sixty (60) days from the date the notice of termination is given. For purposes of this Agreement, termination of employment shall mean a "separation from service" within the meaning of Section 409A where it is reasonably anticipated that no further services will be performed after such date or that the level of bona fide services Executive will perform after that date (whether as an employee or an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed over the immediately preceding twenty-four (24) month period (or, if lesser, Executive's period of service).

2.14 "Disability." Disability shall have the meaning ascribed to such term in the Company's

long-term disability plan covering Executive, or in the absence of such plan or Executive's participation therein, a meaning consistent with Section 22(e)(3) of the Code.

2.15 "Good Reason." A Good Reason for termination by Executive of Executive's employment shall mean the occurrence (without Executive's express written consent) during the six (6) month period prior to, or within the eighteen (18) month period following, the date of a Change in Control of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraphs (a), (b), (c), or (d) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(a) the substantial adverse change in Executive's responsibilities at the Company from those in effect immediately prior to the Measurement Date;

(b) a material change in Executive's principal place of employment on the Measurement Date (a change in Executive's principal place of employment will be considered material only if it is more than fifty (50) miles from Executive's principal place of employment on the Measurement Date and it increases Executive's one-way commute by more than fifty (50) miles), except for required travel on Company business to the extent substantially consistent with Executive's business travel obligations on the Measurement Date;

(c) a material reduction from those in effect on the Measurement Date in the levels of coverage of Executive under the Company's director and officer liability insurance policy or indemnification commitments;

(d) after the Measurement Date, a reduction in Executive's Base Salary, a reduction in his incentive compensation or the failure by the Company to continue to provide Executive with benefits substantially similar to those enjoyed by Executive under any of the Company's pension, deferred compensation, life insurance, medical, health and accident or disability plans in which Executive was participating at the Measurement Date, the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the Measurement Date; or

(e) the Company's failure to comply with Section 7.3(a) below.

Executive's right to terminate Executive's employment for Good Reason shall not be affected by Executive's incapacity due to physical or mental illness, except for a Disability. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.16 "Measurement Date." Any date during the period beginning six (6) months prior to the date of a Change in Control and ending eighteen (18) months following the date of a Change in Control, and prior to Executive's Date of Termination, on which Executive would have Good Reason to resign under the definition herein.

2.17 "Notice of Termination." A written notice from one party to the other party specifying the Date of Termination and which sets forth in reasonable detail the facts and circumstances relating to the basis for termination of Executive's employment.

2.18 "Person." Any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

3. SCOPE OF AGREEMENT. This Agreement provides for the payment of compensation and benefits to Executive in the event in connection with a Change in Control his employment is involuntarily terminated by the Company without Cause or if Executive terminates his employment for Good Reason. If Executive is terminated by the Company for Cause, dies, incurs a Disability or voluntarily terminates employment (other than for Good Reason), this Agreement shall terminate, and Executive shall be entitled to no payments of compensation or benefits pursuant to the terms of this Agreement; provided that in such event, Executive will be entitled to whatever benefits are payable pursuant to the terms of any health, life insurance, disability, welfare, retirement, deferred compensation, or other plan or program maintained by the Company, in which Executive participates, in accordance with the terms of such plans and programs.

4. BENEFITS UPON TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL. If a Change in Control occurs during the term of this Agreement and Executive's employment is terminated within six (6) months prior to or eighteen (18) months following the date of the Change in Control, and if such termination is an involuntary termination by the Company without Cause (and does not arise as a result of Executive's death or Disability) or a termination by Executive for Good Reason (and does not arise as a result of Executive's voluntary termination without Good Reason), Executive shall be entitled to the following compensation:

4.1 Base Salary. Executive shall continue to receive his Base Salary (subject to withholding of all applicable taxes) for the CIC Severance Period in accordance with the Company's normal payroll practices (but no less frequently than monthly) beginning on (i) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (ii) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control.

4.2 Annual Bonus. Executive shall be entitled to bonus payments from the Company as follows:

(a) Notwithstanding any terms of any applicable plan to the contrary, for the fiscal year that ended immediately prior to Executive's Date of Termination, but for which no annual bonus payments have been paid as of his Date of Termination, Executive shall receive a bonus calculated using the actual results for all performance criteria for such fiscal year. Such amount shall be paid (subject to withholding of all applicable taxes) on (i) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (ii) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control.

(b) For the fiscal year during which Executive's Date of Termination occurs, and provided Executive's Date of Termination occurs after June 30th of such fiscal year, Executive shall receive a prorated bonus (based on the number of days that he was employed during such fiscal year), calculated as if Executive's target award level (including any personal performance component) under the Company's annual incentive plan had been achieved for such year. Such amount shall be paid (subject to withholding of all applicable taxes) on (i) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (ii) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control.

(c) In addition to the bonus payment payable under subsections (a) and/or (b) above, if any, Executive shall be entitled to an additional bonus amount equal to the average of the bonuses paid to him with respect to the two (2) fiscal years in which annual bonuses were paid to Executive most

recently preceding the year in which his Date of Termination occurs (counting the bonus, if any, payable under subsection (a) above), multiplied by two (2). If a bonus was not paid to Executive in any two (2) such prior years, for purposes of calculating Executive's average bonus, an amount equal to Executive's potential bonus for the fiscal year during which Executive's Date of Termination occurs, calculated as if Executive's target award level (including any personal performance criteria) under the Company's annual incentive plan had been achieved for such year, shall be used for any missing year(s). Such bonus amount shall be paid (subject to withholding of all applicable taxes) in thirty-six (36) equal monthly payments beginning on (i) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (ii) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control.

4.3 Health and Life Insurance Coverages.

(a) The group health care (including any executive medical plan) and group term life insurance benefits coverages provided to Executive at his Date of Termination shall be continued on a monthly basis during the CIC Severance Period at the same level as for active executives and in the same manner as if his employment under this Agreement had not terminated, beginning on (1) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (2) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control. Any additional coverage Executive had at termination, including dependent coverage, will also be continued on a monthly basis for such period on the same terms as for dependents of active executives and in the same manner as if his employment under this Agreement had not terminated, to the extent permitted by the applicable policies or contracts. Any costs Executive was paying for such coverages at the time of termination shall be paid by Executive by separate check payable to the Company each month in advance. Executive will be permitted to pay the full cost for such coverages by separate check payable to the Company each month in advance for all such coverage from Executive's Date of Termination until the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control and Executive elects to continue such coverage during that time period. If the terms of any life insurance plan referred to in this Section 4.3, or the laws applicable to such plan, do not permit continued participation by Executive after Executive's Date of Termination and for the full term contemplated herein, then the Company will arrange for other life insurance coverage(s) satisfactory to Executive at Company's expense which provides substantially similar benefits or will pay Executive on a monthly basis the cost of such coverage(s) for the CIC Severance Period or portion thereof which does not permit such continued participation (and for which no other satisfactory life insurance is arranged).

If the terms of the health care plan referred to in this subsection (a) do not permit continued participation by Executive and his dependents through the CIC Severance Period as required by this subsection or if the healthcare benefits to be provided to Executive and his dependents pursuant to this subsection (a) cannot be provided in a manner such that the benefit payments will be tax-free to Executive and his dependents, then the Company shall (i) pay to Executive on a monthly basis during the CIC Severance Period or portion thereof which does not permit such continued participation (or participation on a tax-free basis) an amount equal to the monthly rate for COBRA coverage at such date under the healthcare plan that is then being paid by former active employees for the level of coverage that applies to Executive and his dependents, minus the amount active employees are then paying for such coverage, for the applicable month such continued participation (or participation on a tax-free basis) is not permitted, and (ii) permit Executive and his dependents to elect to participate in the healthcare plan for the COBRA continuation period upon payment of the applicable rate for COBRA coverage during the COBRA continuation period.

(b) For purposes of any individual executive life insurance policy (or policies)

maintained by the Company for Executive, the Company shall continue to pay, on a monthly basis, the premiums for such policy or policies during the CIC Severance Period. Executive will be permitted to pay the full cost for such coverage by separate check payable to the Company each month in advance for all such coverage from Executive's Date of Termination until the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control and Executive elects to continue such coverage during that time period.

(c) Notwithstanding any of the foregoing, the Company shall not be required to continue any group health care (including any executive medical plan), group term life insurance benefits coverage or individual executive life insurance policy provided to Executive at his Date of Termination (as described above) during the CIC Severance Period, if (i) Executive's employment is terminated within six (6) months prior to the Change in Control and Executive elects not to continue such coverage during the period beginning on Executive's Date of Termination and ending on the date of the Change in Control and (ii) Executive's failure to continue any such coverage during such period materially increases the costs the Company would incur to provide such coverage during the CIC Severance Period (except as otherwise required by law).

4.4 Retiree Medical Coverage. If Executive has satisfied the requirements for receiving Retiree Medical Coverage on his Date of Termination or would have satisfied such requirements prior to the last day of the CIC Severance Period had Executive's employment not terminated, Executive (and his dependents) shall be covered by, and receive benefits under, the Company's Retiree Medical Coverage program for executives at his level. Executive's Retiree Medical Coverage shall commence on the date his group health care coverage terminates under Section 4.3 above, and shall continue for the life of Executive (and his dependents) (i.e., the coverage shall be vested and may not be terminated except as described below), subject only to such changes in the level of coverage that apply to executives at his level generally. Notwithstanding any provision of this Section 4.4, however, the Company expressly reserves the right to amend or terminate the Company's Retiree Medical Coverage program to the extent set forth therein.

4.5 Profit Sharing Plan. Executive will be treated as if he continued to participate, consistent with past practices, for the CIC Severance Period in the Profit Sharing Plan (or any successor or replacement plan) as in effect as of his Date of Termination. The compensation payable to Executive under Sections 4.1 and 4.2(c) above shall be treated (unless otherwise excluded) as compensation under the applicable plan as if it were paid on a monthly basis. Executive will be entitled to receive an amount equal to the Company's contributions to the Profit Sharing Plan (or any successor or replacement plan), assuming Executive had participated in such plan for the CIC Severance Period at the maximum permissible contributions level. The Company shall pay to Executive or, if applicable, his beneficiary, the amount equal to the Present Value on the Date of Termination (calculated as provided in the applicable plan) of the excess of (i) the benefit Executive would have been paid under such plan if he had continued to be covered for the CIC Severance Period (less any amounts Executive would have been required to contribute), over (ii) the benefit actually payable under such plan. The Company shall pay such additional amount in a lump sum within thirty (30) days of (1) the date of the Change in Control if Executive's employment is terminated within six (6) months prior to the Change in Control or (2) Executive's Date of Termination if Executive's employment is terminated on or within eighteen (18) months following the date of the Change in Control.

4.6 Automobile, Club Dues. Executive shall be provided for the CIC Severance Period at the Company's expense with an automobile or automobile allowance (and reimbursement of related automobile expenses) commensurate with the practice in effect for executives at Executive's Date of Termination or the date of the Change in Control, whichever is greater, and reimbursement of club dues and assessments in accordance with the practice in effect for executives at Executive's Date of

Termination or the date of the Change in Control, whichever is greater. The amount of reimbursable expenses under this Section 4.6 for one (1) calendar year shall not affect the amount of reimbursable expenses in any other calendar year and the reimbursement payment shall be made no less frequently than monthly and no later than thirty (30) days following the calendar year during which the expense is incurred.

4.7 Section 409A Compliance. This Agreement shall at all times be operated in accordance with the requirements of Section 409A. The Company shall have authority to take action, or refrain from taking any action, with respect to any payments and benefits under this Agreement that is reasonably necessary to comply with Section 409A. Notwithstanding any of the provisions of this Agreement, it is intended that any payment which is provided pursuant to or in connection with this Agreement which is considered to be non-qualified deferred compensation subject to Section 409A shall be provided and paid in a manner, and at such time, as complies with the applicable requirements of Section 409A to avoid the unfavorable tax consequences provided therein for non-compliance. For purposes of this Agreement, all rights to payments shall be treated as rights to receive a series of separate payments to the fullest extent permitted by Section 409A. If Executive is a key employee (as defined in Section 416(i) without regard to paragraph (5) thereof), and any of the Company's stock is publicly traded on an established securities market or otherwise, then payment of any amount under this Agreement which is considered non-qualified deferred compensation subject to Section 409A shall be deferred for six (6) months after Executive's Date of Termination or, if earlier, Executive's death, as and to the extent required by Section 409A (the "**409A Deferral Period**"). In the event such payments are otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. Any benefits subject to deferral may be provided during the 409A Deferral Period at Executive's expense, with Executive having the right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled.

4.8 Other Benefits. Except as expressly provided herein, all other benefits provided to Executive as an active employee of the Company (e.g., long-term disability, AD&D, etc.), shall cease on his Date of Termination, provided that any conversion or extension rights applicable to such benefits shall be made available to Executive at his Date of Termination or when such coverages otherwise cease in accordance with the terms of the applicable plans or programs, including, with respect to any options, restricted stock units or other awards granted under any equity compensation plan, the terms of such plan and any applicable award agreement.

5. LIMITATION ON BENEFITS.

5.1 If any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right, restricted stock unit or similar right, or the lapse or termination of any restriction on or the vesting or exercisability, or acceleration of payment, of any of the foregoing (a "**Payment**"), would be subject to the excise tax imposed by Section 4999 of the Code or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "**Excise Tax**"), then the benefits payable or provided under this Agreement (or other Payments as described above) shall be reduced (but not in excess of the amount of the benefits payable or provided under this Agreement) if, and only to the extent that, such reduction will allow Executive to receive a greater Net After Tax Amount than such Executive would receive absent such reduction.

5.2 The Accounting Firm (as defined below) will first determine the amount of any Parachute Payments (as defined below) that are payable to Executive. The Accounting Firm also will determine the Net After Tax Amount attributable to Executive's total Parachute Payments.

5.3 The Accounting Firm will next determine the largest amount of payments that may be made to Executive without subjecting Executive to the Excise Tax (the "*Capped Payments*"). Thereafter, the Accounting Firm will determine the Net After Tax Amount attributable to the Capped Payments.

5.4 Executive then will receive the total Parachute Payments or the total Capped Payments, whichever provides Executive with the higher Net After Tax Amount; if reductions are necessary, then the total Payments will be adjusted by first reducing, on a pro rata basis, the amount of any cash benefits under this Agreement, then cash benefits under any other plan, agreement or arrangement, then any noncash payments or benefits under this Agreement and finally any noncash payments or benefits under any other plan, agreement or arrangement. The Accounting Firm will notify Executive and the Company if it determines that the Parachute Payments must be reduced and will send Executive and the Company a copy of its detailed calculations supporting that determination.

5.5 Section 6 of this Agreement provides certain restrictive covenants where Executive has agreed to refrain from certain activities deemed harmful to the Company for a set period of time in exchange for the promises contained herein. If Executive is deemed eligible to receive payments and benefits under Section 4 of this Agreement, the Company shall seek a valuation from the Accounting Firm to determine the value, if any, of the restrictive covenants contained in Section 6 and such amount shall be allocated to the restrictive covenants and be excluded from treatment as a Parachute Payment to the extent, in the Accounting Firm's judgment, reasonably permitted by Section 280G of the Code. For the avoidance of doubt, it is the intention of this Agreement that the value assigned to the restrictive covenants contained in Section 6 by the Accounting Firm not be considered a Parachute Payment for purposes of this Section 5 to the extent, in the Accounting Firm's judgment, reasonably permitted by Section 280G of the Code.

5.6 As a result of the uncertainty in the application of Sections 280G and 4999 of the Code at the time that the Accounting Firm makes its determinations under this Section 5 or in the value assigned to the restrictive covenants which is not treated as a Parachute Payment as described above, it is possible that Executive will have received Parachute Payments or Capped Payments in excess of the amount that should have been paid or distributed ("*Overpayments*"), or that additional Parachute Payments or Capped Payments should be paid or distributed to Executive ("*Underpayments*"). If the Accounting Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or Executive, which assertion the Accounting Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, that Overpayment may, at Executive's discretion, be treated for all purposes as a loan ab initio that Executive must repay to the Company immediately together with interest at the applicable Federal rate under Section 7872 of the Code; *provided, however*, that no loan will be deemed to have been made and no amount will be payable by Executive to the Company unless, and then only to the extent that, the deemed loan and payment would either reduce the amount on which Executive is subject to tax under Section 4999 of the Code or generate a refund of tax imposed under Section 4999 of the Code and Executive will receive a greater Net After Tax Amount than such Executive would otherwise receive. If the Accounting Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Accounting Firm will notify Executive and the Company of that determination and the amount of that Underpayment will be paid to Executive promptly by the Company after such determination.

5.7 For purposes of this Section 5, the following terms shall have their respective meanings:

(a) "Accounting Firm" means the independent accounting firm currently engaged by the Company, or a mutually agreed upon independent accounting firm if requested by Executive; and

(b) "Net After Tax Amount" means the amount of any Parachute Payments or Capped Payments, as applicable, net of taxes imposed under Sections 1, 3101(b) and 4999 of the Code and any State, local or other income and employment taxes applicable to Executive on the date of payment. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Payments, as applicable, in effect on the date of payment.

(c) "Parachute Payment" means a payment that is described in Section 280G(b)(2) of the Code, determined in accordance with Section 280G of the Code and the regulations promulgated or proposed thereunder.

5.8 The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by the preceding subsections shall be borne by the Company.

5.9 The Company and Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by the preceding subsections. Any determination by the Accounting Firm shall be final and binding upon the Company and Executive.

6. CANCELLATION OF BENEFIT; RETURN OF PREVIOUS PAYMENTS.

6.1 After Executive's Date of Termination and until the expiration of the CIC Severance Period (until eighteen (18) months following Executive's Date of Termination for purposes of Section 6.1(a) below only), if Executive is entitled to any payment or benefit under this Agreement, Executive will not directly or indirectly, individually, or on behalf of any Person (except on behalf of or with the prior written consent of the Company):

(a) within the Area perform for any Competing Business any services which are the same as or essentially the same as the services the Executive provided for the Company.

(b) solicit, divert or appropriate or attempt to solicit, divert or appropriate, any business from any of the Company's Customers, including prospective Customers actively sought by the Company, for purposes of providing products or services that are competitive with those provided by the Company;

(c) solicit, recruit or hire away or attempt to solicit, recruit or hire away, any employee of the Company, whether or not such employment is pursuant to a written contract with the Company is at will; or

(d) knowingly or intentionally damage or destroy the goodwill and esteem of the Company or the Company's Business.

6.2 Executive agrees that the restrictive covenants set forth in Section 6.1 of this Agreement are of the essence of this Agreement; that each of the covenants is reasonable and necessary to protect the business, interests and properties of the Company, and that irreparable loss and damage will be suffered by

the Company should Executive breach any of such covenants. Therefore, if at any time after Executive's Date of Termination and until the expiration of the CIC Severance Period, Executive violates the restrictive covenants set forth in Section 6.1, then notwithstanding any other provision in this Agreement to the contrary, (i) Executive shall immediately forfeit any payment that is or may become due under Section 4 and all such payments shall immediately terminate, and (ii) Executive shall immediately return to the Company the gross amount of any previous payments made to Executive pursuant to Section 4. In addition, Executive agrees and consents that the Company shall be entitled to a temporary restraining order and temporary and permanent injunctions to prevent a breach or contemplated breach of any of such covenants. The Company and Executive agree that all remedies shall be cumulative.

6.3 If any term of this Section 6 shall be held to be illegal, invalid or unenforceable by a court of competent jurisdiction, the remaining terms shall remain in full force and effect. If any court of competent jurisdiction shall determine that the restrictions set forth in any provision of this Section 6 are overbroad or unreasonable as applied to Executive, the parties hereto acknowledge their mutual intention and agreement that those restrictions be enforced to the fullest extent the court deems reasonable, and this Agreement shall be modified to that extent.

7. MISCELLANEOUS.

7.1 No Obligation to Mitigate. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer after the Date of Termination or otherwise.

7.2 Contract Non-Assignable. The parties acknowledge that this Agreement has been entered into due to, among other things, the special skills and knowledge of Executive, and agree that this Agreement may not be assigned or transferred by Executive.

7.3 Successors; Binding Agreement.

(a) In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or that acquires a controlling stock interest in the Company to expressly assume and agree to perform this Agreement, in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effective date of such succession shall be a breach of this Agreement and shall entitle Executive to terminate his employment for Good Reason as described above.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive shall die while any amount is still payable to Executive hereunder (other than amounts which, by their terms, terminate upon the death of Executive), all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Executive's estate.

7.4 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or seven (7) days after mailing if mailed first class, certified mail, postage prepaid, addressed as follows:

If to the Company: United Community Banks, Inc.
Attention: Secretary
125 Highway 515 East
Blairsville, GA 30512

If to Executive: Jefferson L. Harralson
Address omitted

Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

7.5 Provisions Severable. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

7.6 Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

7.7 Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

7.8 Governing Law. The validity and effect of this Agreement shall be governed by and be construed and enforced in accordance with the laws of the State of Georgia.

7.9 Disputes. All claims by Executive for compensation and benefits under this Agreement shall be in writing and shall be directed to and be determined by the Board. Any denial by the Board of a claim for benefits under this Agreement shall be provided in writing to Executive within thirty (30) days of such decision and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to Executive for a review of its decision denying a claim and shall further allow Executive to appeal in writing to the Board a decision of the Board within sixty (60) days after notification by the Board that Executive's claim has been denied. To the extent permitted by applicable law, any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Atlanta, Georgia, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

7.10 Legal Fees. If, in connection with a Change in Control, Executive terminates his employment for Good Reason or if the Company involuntarily terminates Executive without Cause, then, in the event Executive incurs legal fees and other expenses in seeking to obtain or to enforce any rights or benefits provided by this Agreement and is successful, in whole or in part, in obtaining or enforcing any such rights or benefits through settlement, mediation, arbitration or otherwise, the Company shall pay Executive's reasonable legal fees and expenses and related costs incurred in enforcing this Agreement including, without limitation, attorneys fees and expenses, experts fees and expenses, investigative fees, and travel expenses. The legal fees, expenses and related costs payable to Executive under this Section 6.9(b) shall be paid within sixty (60) days after such amounts are determined to be payable pursuant to this Section 6.9(b). Except to the extent

provided in the preceding sentences, each party shall pay its own legal fees and other expenses associated with any dispute under this Agreement.

7.11 Indemnification. During the Term of this Agreement and after Executive's termination, the Company shall indemnify Executive and hold Executive harmless from and against any claim, performance as an officer, director or employee of the Company or any of its subsidiaries or other affiliates or in any other capacity, including any fiduciary capacity, in which Executive serves at the Company's request, in each case to the maximum extent permitted by law and under the Company's Articles of Incorporation and By-Laws (the "*Governing Documents*"), provided that in no event shall the protection afforded to Executive hereunder be less than that afforded under the Governing Documents as in effect on the date of this Agreement except from changes mandated by law.

7.12 Prior Agreement. This Agreement replaces and supersedes the United Community Banks, Inc. Change in Control Severance Agreement previously made and entered into as of the 7th day of June, 2001, by and between the Company and Executive (the "Prior Agreement"). The Prior Agreement is hereby cancelled in its entirety.

[Signature continued on next page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

EXECUTIVE

By: /s/ Jefferson Harralson

Name: Jefferson L. Harralson

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy Tallent

Name: Jimmy C. Tallent

Title: Chairman & CEO

Attest:

Name: /s/ Lori McKay

Title: Secretary

**UNITED COMMUNITY BANKS
MODIFIED RETIREMENT PLAN**
(As Amended and Restated Effective as of January 1, 2016)

Pursuant to the authorization of its Board of Directors, UNITED COMMUNITY BANKS, INC. ("the Company"), a Georgia bank holding company located in Blairsville, Georgia, established the United Community Banks Modified Retirement Plan (the "Plan"), effective as of January 1, 2004 and amended and restated the Plan effective as of January 1, 2005 to address Section 409A. The Company does hereby amend and restate the Plan, effective as of January 1, 2016 (referred to as the "Effective Date"), to clarify the determination and time of payment of a Participant's benefits under the Plan. If and to the extent this amendment and restatement of the Plan increases any payments to be made under the Plan, the increase shall only be applied on a prospective basis with respect to payments to be made after the execution of this amended and restated Plan with respect to Employees who remain employed as of January 1, 2016. All other amounts will continue to be paid consistent with the terms of the Plan in effect when the payments commenced and/or at the time the Participant terminated employment.

The purpose of this Plan is to provide specified benefits to a select group of management or highly compensated Employees who contribute materially to the continued growth, development and future business success of the Company and its Subsidiaries that participate in this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

ARTICLE 1

DEFINITIONS

The following words and phrases shall have the following meanings, unless the context requires otherwise:

1.1 "Accrued Benefit" is the product of the Participant's Annual Target Benefit multiplied by a fraction, not to exceed one, the numerator of which is the Participant's actual number of Years of Service and the denominator of which is the Participant's potential number of Years of Service to Normal Retirement Age (determined beginning on the Participant's hire date and continuing as if the Participant continued employment with the Employer until his Normal Retirement Age), provided that the Plan Administrator may provide on an Appendix or a Participation Agreement applicable to a Participant for a different method to determine the Accrued Benefit fraction through adjustment of the Participant's hire date or otherwise.

1.2 "Actuarial Equivalent" means an actuarial equivalent value of an amount payable in a different form or at a different date computed on the basis of the following actuarial assumptions:

Mortality: GAR 94 unisex mortality table
set forth in Revenue Ruling 2001-62

Interest Rate: 7.00%

As the Plan Administrator deems necessary, in its sole discretion, the above actuarial assumptions may be adjusted from time to time, and no Participant shall be deemed to have any right, vested or nonvested, regarding the continued use of any previously adopted actuarial assumptions.

1.3 "Annual Early Retirement Target Benefit" means the annual target benefit, if any, set forth in the Participant's Participation Agreement which is to become payable if the Participant terminates employment on or after attaining Early Retirement Age but prior to Normal Retirement Age.

1.4 "Annual Target Benefit" means the annual target benefit set forth in the Participant's Participation Agreement which is to become payable if the Participant terminates employment on or after attaining Normal Retirement Age.

1.5 "Beneficiary" means a Participant's designated Eligible Spouse or other person entitled

to benefits, if any, upon the death of a Participant determined pursuant to Articles 3 and 4.

1.6 "Beneficiary Designation Form" means the form established from time to time by the Plan Administrator that a Participant completes, signs and returns to the Plan Administrator to designate a Beneficiary.

1.7 "Board" means the Board of Directors of the Company as from time to time constituted.

1.8 "Change in Control" means for purposes of the Plan any of the following:

- (A) The acquisition (other than from the Company) by any Person of Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that for purposes of this Section 1.7, Person shall not include any person who on January 1, 2004 owned ten percent (10%) or more of the Company's outstanding securities, and a Change in Control shall not be deemed to occur solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one (1) or more employee benefit plans maintained by the Company or any of its Subsidiaries, or (ii) any corporation, which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.
- (B) Consummation by the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation, or (2) a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company.
- (C) A change in the composition of the Board such that the individuals who, as of January 1, 2004, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 1.7 that any individual who becomes a member of the Board subsequent to January 1, 2004 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

Notwithstanding anything else to the contrary set forth in this Plan, if (i) an agreement is executed by the Company providing for any of the transactions or events constituting a Change in Control as defined herein, and the agreement subsequently expires or is terminated without the transaction or event being consummated, and (ii) Participant's employment did not terminate during the period after the agreement and prior to such expiration or termination, for purposes of this Plan it shall be as though such agreement was never executed and no Change in Control event shall be deemed to have occurred as a result of the execution of such agreement.

- 1.9 "Change in Control Benefit" means the benefit as set forth in Section 3.7. 1.10 "Code" means the Internal Revenue Code of 1986, as amended.
- 1.11 "Company" means United Community Banks, Inc., a bank holding company organized under the laws of Georgia.
- 1.12 "Disability" means the Participant has been determined to be "Disabled" (i) under the Company's long-term disability plan covering the Participant, provided the definition of disability in such plan complies with the standards consistent with the requirements of Section 409A, or (ii) in accordance with standards consistent with the requirements of Section 409A.
- 1.13 "Disability Retirement Benefit" means the benefit set forth in Section 3.5.
- 1.14 "Early Retirement Age" means, if provided for in the Participation Agreement with respect to a Participant, the Participant reaching the designated age and completing the number of Years of Service as set forth in the Participation Agreement applicable to such Participant that will entitle the Participant to receive the Participant's Early Retirement Benefit. If the Participant meets these requirements at Participant's Termination of Employment, but has not attained Normal Retirement Age, then the Early Retirement Benefit in the Participation Agreement is applicable. If the Participant does not meet the designated age and number of Years of Service that constitute the Participant's Early Retirement Age at Participant's Termination of Employment (or if no Early Retirement Age and Early Retirement Benefit is provided for in the Participant's Participation Agreement), then the Participant shall not be eligible for, and shall not be entitled to receive, any Early Retirement Benefit.
- 1.15 "Early Retirement Benefit" means the annual benefit payable to the Participant as set forth in Section 3.3 if, first, the Participant is designated with an Early Retirement Age and an Annual Early Retirement Target Benefit in their Participation Agreement and then, second, at Termination of Employment the Participant has attained the Participant's Early Retirement Age but not the Participant's Normal Retirement Age.
- 1.16 "Election Form" means the form established from time to time by the Plan Administrator that a Participant completes, signs and returns to the Plan Administrator to make elections under the Plan.
- 1.17 "Eligible Spouse" means the individual to whom the Participant is legally married on the earlier of the Participant's date of benefit commencement or date of death.
- 1.18 "Employee" means a person who is an active employee of an Employer.
- 1.19 "Employer" means the Company and any of its Subsidiaries (now in existence or hereafter formed or acquired) that have been designated by the Board to participate in the Plan.
- 1.20 "Named Executive Officer" means the principal executive officer, the principal financial officer and the next three most highly paid executive officers of the Company as of the end of the most recently completed fiscal year or expected to be as of the end of the fiscal year which includes the time of the determination, based on total compensation as determined under the Securities laws, which may include up to two more officers who would have been deemed to be named executive officers if they had still been serving as officers at the end of the applicable year.
- 1.21 "Normal Retirement Age" means, with respect to a Participant, the Participant reaching age sixty-five (65) and completing at least five (5) Years of Service.
- 1.22 "Normal Retirement Benefit" means the Annual Target Benefit payable to the Participant if the Participant at Termination of Employment has attained the Participant's Normal Retirement Age, as set forth in Section 3.4.

- 1.23 "Participant" means any Employee (i) who is selected to participate in the Plan by the Plan Administrator (subject, where applicable, to ratification by the Compensation Committee), (ii) who elects to participate in the Plan, (iii) who signs a Participation Agreement and a Beneficiary Designation Form, (iv) whose signed Participation Agreement and Beneficiary Designation Form are accepted by the Plan Administrator, (v) who commences participation in the Plan, and (vi) whose Participation Agreement has not terminated.
- 1.24 "Participation Agreement" means a written agreement, as may be amended from time to time, which is entered into between a Participant and the Company. Each Participation Agreement executed by a Participant shall provide for the benefit to which such Participant is entitled under the Plan, the terms and conditions applicable to such benefit, and the Participation Agreement bearing the latest date of acceptance by the Plan Administrator shall govern such entitlement.
- 1.25 "Plan Administrator" means the Chief Executive Officer of the Company and individual(s) appointed by the Board as described in Article 6.1. In the absence of such appointment, the Employee Benefits Committee of the Company shall serve as the Plan Administrator.
- 1.26 "Plan Year" means the twelve (12) month period from January 1 to December 31. 1.27 "Pre-Retirement Death Benefit" means the benefit set forth in Section 3.8.
- 1.28 "Prior Plan" means the Executive Revenue Neutral Retirement Agreement or similar agreement covering a Participant which was replaced by and superseded in its entirety by the Plan and the Participation Agreement, effective as of January 1, 2005.
- 1.29 "Retirement Benefit" means the benefit payable as set forth in Section 3.4.
- 1.30 "Section 409A" means Section 409A of the Code, as it may be amended from time to time, and the regulations and rulings thereunder.
- 1.31 "Subsidiary" means any corporation, partnership, limited liability company, joint venture or other entity in which the Company has, directly or indirectly, a fifty percent (50%) or greater voting interest.
- 1.32 "Termination for Cause" means, notwithstanding any provision of this Plan to the contrary, the Company shall not pay any benefit under this Plan, if the Company terminates the Participant's employment for Cause. Termination of the Participant's employment for "Cause" shall mean termination because of (i) willful misconduct on the part of a Participant that is materially detrimental to the Company; or (ii) the conviction of a Participant for the commission of a felony. The existence of "Cause" under either (i) or (ii) shall be determined by the Plan Administrator. Notwithstanding the foregoing, if the Participant has entered into an employment agreement that is binding as of the date of employment termination, and if such employment agreement defines "Cause," and/or provides a means of determining whether "Cause" exists, such definition of "Cause" and means of determining its existence shall supersede this provision. For purposes of this paragraph, no act or failure to act on the Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interest of the Company.
- 1.33 "Termination of Employment" means the date on which the Participant ceases to perform services for an Employer. Termination of Employment shall be construed consistent with the meaning of a "separation from service" as defined under Section 409A.
- 1.34 "Vested Accrued Benefit" means the Accrued Benefit payable to the Participant at the time the Participant attains Normal Retirement Age if the Participant at Termination of Employment has attained age fifty-five (55) and completed at least five (5) Years of Service but has not attained Early Retirement Age (if applicable) or Normal Retirement Age or incurred a Disability, as set forth in Section 3.2.

1.35 "Years of Service" means the twelve consecutive month period beginning on a Participant's date of hire with the Employer and any twelve (12) month anniversary thereof, during the entirety of which time the Participant is an Employee of an Employer. Service for partial years shall be calculated pro-rated based on the number of months completed. Service with a Subsidiary or other entity controlled by the Company before the time such entity became a Subsidiary or under such control shall not be considered a "Year of Service" unless the Plan Administrator specifically agrees to credit such service. In addition, the Plan Administrator in its discretion may provide on an Appendix or in a Participation Agreement for the grant of additional Years of Service in such circumstances where it deems such additional service appropriate and in the best interests of the Company.

ARTICLE 2 ELIGIBILITY AND PARTICIPATION

- 2.1 Selection by Plan Administrator. Participation in the Plan shall be limited to a select group of management and highly compensated employees of the Employer, as determined by the Plan Administrator in its sole discretion. From that group, the Plan Administrator shall select the Employees to participate in the Plan (except that the designation of Named Executive Officers of the Company as Participants and the determination of their related Annual Target Benefit and, if applicable, Early Retirement Benefit, must be ratified by the Compensation Committee of the Board).
- 2.2 Enrollment Requirements. As a condition to participation, each selected Employee shall complete, execute and return to the Plan Administrator a Participation Agreement and a Beneficiary Designation Form. In addition, the Plan Administrator shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary or desirable.
- 2.3 Eligibility; Commencement of Participation. Provided an Employee selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Plan Administrator, that Employee will become a Participant in the Plan and will be eligible to receive benefits at the time and in the manner provided hereunder, subject to the provisions of the Plan.
- 2.4 Termination of Participation and/or Eligibility. If the Plan Administrator determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated employees, the Plan Administrator shall have the right, in its sole discretion, (i) to provide that the Participant shall cease accruing additional benefits hereunder and/or (ii) to terminate the Participant's participation in the Plan. A Participant who ceases active participation in the Plan as described herein but who remains employed shall only be entitled to receive the benefit accrued under the Plan before cessation of active participation, in accordance with the terms of the Plan, if the Participant is at least age 55 with five or more years of service, or has incurred a Disability, attained Early Retirement Age, if applicable, or attained Normal Retirement Age, in any such case by the time the Participant ceases active participation.

ARTICLE 3 BENEFITS

- 3.1 Plan Benefits. Each Participant's benefits under the Plan shall be limited to those described in this Article 3 and the Participation Agreement, and shall be subject to any conditions and limitations set forth in Article 5 and contained elsewhere in this Plan and the Participation Agreement.
- 3.2 Vested Accrued Benefit. A Participant shall become vested in their Accrued Benefit upon attainment of age fifty-five (55) and completion of five (5) Years of Service. A Participant who terminates employment after attaining age 55 and completion of 5 Years of Service but prior to attaining Normal Retirement Age, prior to attaining Early Retirement Age (if applicable), and prior to incurring a Disability, shall be entitled to his Vested Accrued Benefit determined as of his date of Termination of Employment. Payment of such benefit shall commence on the first day of the calendar month next following the Participant's Normal Retirement Age.

The Participant's Vested Accrued Benefit shall be payable as a life annuity, commencing as of the first day of the calendar month next following the Participant's Normal Retirement Age and payable on or about the first day of each successive month thereafter until the Participant's death, provided that if the Participant has an Eligible Spouse on the date his benefit commences, the Vested Accrued Benefit shall be payable in the form of an actuarial life with 100% survivor annuity as described in Section 3.11(ii) below (unless the Participant elects an Alternative Payment Method). Upon making all of such installments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.3 Early Retirement Benefit. If the Participant is designated with an Early Retirement Age and an Annual Early Retirement Target Benefit in their Participation Agreement and terminates employment on or after attaining their Early Retirement Age but prior to attaining Normal Retirement Age, the Participant's Early Retirement Benefit will be the greater of (A) the Participant's Early Retirement Annual Target Benefit as set forth in the Participant's Participation Agreement or (B) the Participant's Vested Accrued Benefit, which Vested Accrued Benefit will be reduced 5% for each calendar year (and prorated for each partial year thereof) that the Participant's Termination of Employment precedes the Participant's Normal Retirement Age. Payment of such Early Retirement Benefit shall commence on the first day of the calendar month next following the Participant's Termination of Employment. The Company shall pay the Early Retirement Benefit to the Participant in the form of a life annuity, commencing on the first day of the calendar month next following the Participant's Termination of Employment, and payable on or about the first day of each successive month thereafter until the Participant's death, provided that if the Participant has an Eligible Spouse on the date his benefits commence, the Early Retirement Benefit shall be payable in the form of an actuarial life with 100% survivor annuity as described in Section 3.11(ii) below (unless the Participant elects an Alternative Payment Method). Upon making all of such installments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.4 Normal Retirement Benefit. If the Participant terminates employment on or after attaining Normal Retirement Age, the Company shall pay to the Participant the Annual Target Benefit as set forth in the Participant's Participation Agreement. Payment of such Normal Retirement Benefit shall commence on the first day of the calendar month next following the Participant's Termination of Employment. The Company shall pay such Normal Retirement Benefit to the Participant in the form of a life annuity, commencing on the first day of the calendar month next following the Participant's Termination of Employment, and payable on or about the first day of each successive month thereafter until the Participant's death, provided that if the Participant has an Eligible Spouse on the date his benefits commence, the Retirement Benefit shall be payable in the form of an actuarial life with 100% survivor annuity as described in Section 3.11(ii) below (unless the Participant elects an Alternative Payment Method). Upon making all of such installments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.5 Disability Retirement Benefit. A Participant shall be eligible for a Disability Retirement Benefit if he incurs a Disability during employment (prior to attaining Early Retirement Age, if applicable, or Normal Retirement Age) and his Disability Retirement Date shall be the day on which the Participant is deemed to have incurred a Disability as defined in Section 1.11. The amount of the Participant's Disability Retirement Benefit shall be equal to his Accrued Benefit as of his Disability Retirement Date. A Disability Retirement Benefit shall commence as of the first day of the calendar month next following the date of the Participant's Normal Retirement Age and shall be payable in the form of a life annuity, commencing on the first day of the calendar month next following the Participant's Normal Retirement Age and payable on or about the first day of each successive month thereafter until the Participant's death, provided that if the Participant has an Eligible Spouse on the date his benefits commence, the Disability Retirement Benefit shall be payable in the form of an actuarial life with 100% survivor annuity as described in Section 3.11(ii) below (unless the Participant elects an Alternative Payment Method). If a Participant who is entitled to a Disability Retirement Benefit dies prior to commencing payments and has a surviving Eligible Spouse on the date this benefit is to commence, unless the Participant elected the 15-year period Alternative Payment Method, the Company shall pay the Participant's surviving Eligible Spouse the actuarial 100% survivor benefit under the Participant's life and 100% survivor benefit commencing as of the first day of the calendar month next following the Participant's Normal

Retirement Age. The Committee may in its sole discretion provide that a Participant who has a Disability will be credited with additional Years of Service after the Participant's Disability Retirement Date. Upon making all of such installments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.6 Termination Prior to Completion of Vesting Requirements. Except in the event of a Participant's death, Disability, attainment of his Early Retirement Age (if applicable) or attainment of Normal Retirement Age, or the occurrence of a Change in Control, prior to the Participant's Termination of Employment, a Participant whose Termination of Employment occurs prior to meeting the vesting requirements of Section 3.2 shall be entitled to no benefits under this Plan.

3.7 Change in Control Benefit. Upon a Change in Control prior to the Participant's Termination of Employment, a Participant shall become immediately vested in no less than (i) the Participant's Annual Target Benefit if the Participant has attained Normal Retirement Age at such time or (ii) the greater of the Participant's Early Retirement Benefit, if applicable, or his Accrued Benefit (without any reduction for commencement of the payments before Normal Retirement Age), if the Participant has not attained Normal Retirement Age at such time but has qualified for Participant's Early Retirement Benefit, if applicable, or (iii) his Accrued Benefit (notwithstanding the Years of Service at such time or whether the Participant has incurred a Disability), which benefit shall be payable as otherwise set forth in this Article 3. Notwithstanding any other provisions of this Plan, however, the Change in Control Benefit shall be increased as set forth in the Plan to the extent the Participant continues employment and accrues additional benefits after the Change in Control and the Participant's Change in Control Benefit shall not be reduced for any calendar year or partial calendar year that the commencement of the Change in Control Benefit precedes the Participant's Normal Retirement Age. The Company shall pay the Change in Control Benefit to the Participant in the form of a life annuity, commencing on the date set forth in this Article 3 and payable on or about the first day of each successive month thereafter until the Participant's death, provided that if the Participant has an Eligible Spouse on the date his benefits commence, the Change in Control Benefit shall be payable in the form of an actuarial life with 100% survivor annuity as described in Section 3.11(ii) below (unless the Participant elects an Alternative Payment Method). Upon making all of such installments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.8 Pre-Retirement Age Death Benefit for Married Participant. If a Participant entitled to a Vested Accrued Benefit pursuant to Section 3.2 dies prior to incurring a Disability, prior to Early Retirement Age, if applicable, and prior to Normal Retirement Age, and in either case prior to commencing payments and has a surviving Eligible Spouse on the date the Vested Accrued Benefit is to commence, unless the Participant elected the 15- year period Alternative Payment Method, the Company shall pay to the Participant's surviving Eligible Spouse commencing on the first day of the calendar month following the date that would have been the Participant's Normal Retirement Age, a survivor benefit amount equal to the benefit due as though

- (i) the Participant had a Termination of Employment just prior to his or her death,
- (ii) the Participant had survived to his or her Normal Retirement Age,
- (iii) at his or her Normal Retirement Age, the Participant had elected an actuarial life and 100% survivor benefit, and
- (iv) the Participant died immediately after his or her election.

The survivor benefit shall be payable to the Participant's surviving Eligible Spouse commencing on the date indicated above over the Eligible Spouse's lifetime. Upon making all of such payments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.9 Death Benefit for Married Participant After Attaining Early Retirement Age, if Applicable, or Normal Retirement Age. If a married Participant dies prior to commencing retirement payments but after attaining Early Retirement Age, if applicable, or Normal Retirement Age as set forth in the Participation Agreement,

and has a surviving Eligible Spouse, unless the Participant elected the 15-year period Alternative Payment Method, the Company shall pay the Participant's Eligible Spouse the actuarial 100% survivor benefit under the Participant's life and 100% survivor benefit, as defined in Article 3.11(ii), commencing on the first day of the calendar month next following the Participant's death, as if the Participant had a Termination of Employment, elected an actuarial life and 100% survivor benefit and commenced benefits just prior to his death and then died. The benefit shall be payable to the surviving Eligible Spouse over the Eligible Spouse's lifetime. Upon making all of such payments, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided.

3.10 Death of Unmarried Participant. If a Participant who does not have an Eligible Spouse and has elected the 15-year period Alternative Payment Method pursuant to Section 3.11(iv) dies prior to commencing payments but after completing the requirements for a Vested Accrued Benefit, Disability Retirement Benefit, Early Retirement Benefit (if applicable) or Normal Retirement Benefit, the Participant's surviving Beneficiary shall be paid an amount equal to fifty percent (50%) of the lump sum Actuarial Equivalent of the Participant's Vested Accrued Benefit, Early Retirement Benefit, Disability Retirement Benefit, or Normal Retirement Benefit, as applicable, as set forth in Section 3.2, 3.3, 3.4 or 3.5 above, as applicable. Upon making such payment, the Company's obligation to provide such payments will cease. No further benefit under this Plan is to be provided. If a Participant who does not have an Eligible Spouse has elected any payment method other than the 15-year period Alternative Payment Method, then no survivor benefit will be paid to any Beneficiary under the Plan other than the Eligible Spouse.

3.11 Alternative Payment Methods. A Participant may choose on the Election Form one of the following alternative forms of benefit payments that will apply when the Participant's benefit commences:

- (i) A life annuity payable for the Participant's life only with payments ceasing upon the Participant's death;
- (ii) Life annuity with 100% continuation to his surviving Eligible Spouse, where payments continue without reduction until the later of the Participant's death or the death of a designated Eligible Spouse;
- (iii) Life annuity with 50% continuation to his surviving Eligible Spouse, where payments continue until the Participant's death then, if the designated Eligible Spouse survives the Participant, fifty percent (50%) of the payment is paid to such designated Eligible Spouse until his or her death;
- (iv) 15 year period certain (180 monthly payments) with no further payment after 15 years, provided that if the Participant dies prior to receiving 180 monthly payments, his designated Beneficiary will receive the remainder of such 180 monthly payments.

The amount of any alternative payment shall be based on the Actuarial Equivalent of the benefit that would otherwise be payable and commence as of the same time as the Participant's original payment form except as described below.

An eligible Participant may change the election of the form of benefit payment among the annuity options in (i), (ii) and (iii) above by submitting a new Election Form, provided that if a Participant who is entitled to, or has elected, an annuity option under (i), (ii) or (iii) above wants to elect the 15-year period certain option in (iv) above or to change the Participant's election from the 15-year period certain option to an annuity option in (i), (ii) or (iii) above, the change must be permitted pursuant to Section 409A and the following rules shall apply: (i) the request for a change must be made at least one year prior to the date the Participant's distributions would otherwise commence; (ii) the new payment commencement date will be five (5) years after the date of commencement of payment previously elected by the Participant; and (iii) only one such change is permitted.

Notwithstanding anything to the contrary in Sections 3.8, 3.9 or 3.10 above, if the Participant has elected the 15-year period certain option in (iv) above, (A) the payments set forth in Sections 3.8 or 3.9 shall be made to the Participant's surviving Eligible Spouse and shall commence at the time described therein but be made in the form described in Section 3.11(iv) above, provided the Participant has not designated someone other than

his or her Eligible Spouse as a Beneficiary, subject to the provisions of this Section 3.11 for changes in elections, and (B) the payments set forth in Section 3.10 shall be made to the Participant's surviving Beneficiary and shall commence at the time described therein but be made in the form described in Section 3.11(iv) above, subject to the provisions of this Section 3.11 for changes in elections.

- 3.12 Withholding and Payroll Taxes. The Company shall withhold from any and all benefit payments made under this Article 3, all federal, state and local income taxes, employment and other taxes required to be withheld by the Company in connection with the benefits hereunder, in amounts to be determined in the sole discretion of the Company. If employment or other taxes are required to be withheld prior to payment of benefits, the Company may reduce the Participant's other compensation, require that the Participant remit to the Company additional amounts, or make such other arrangements with the Participant as the Company shall determine to be necessary to satisfy such obligation.
- 3.13 Prior Plan Benefits. An Employee who participated in a Prior Plan shall not be eligible to participate in this Plan and no benefit shall be payable to, or for the benefit of, such Employee under this Plan until the Employee has waived and released all of his rights under the Prior Plan (and to any insurance policies or contracts relating to the Prior Plan) in a manner satisfactory to the Plan Administrator. In the event for any reason an Employee receives any benefit under a Prior Plan, the Employee's benefits under this Plan shall be reduced in an equitable manner (as determined by the Plan Administrator) by the amount of benefits received from the Prior Plan.
- 3.14 Section 409A Compliance. To the extent applicable, this Plan shall at all times be operated in accordance with the requirements of Section 409A, including any applicable transition rules. The Company shall have authority to take action, or refrain from taking any action, with respect to the payments and benefits under this Plan that is reasonably necessary to comply with Section 409A. Notwithstanding the other provisions of this Article 3, in the event a Participant who is a "specified employee" (as determined by the Plan Administrator in accordance with rules established by the Plan Administrator under Section 409A) becomes entitled to payment of his benefits, payment shall not commence until six (6) months and a day after his Termination of Employment (unless otherwise permitted by Section 409A), and on such date the payments that would have been made during such six (6)-month and a day period (unless otherwise permitted by Section 409A to be paid earlier) shall be made in a lump sum and the remaining payments will continue to be made as scheduled.

ARTICLE 4

BENEFICIARY

- 4.1 Beneficiary. A married Participant's Eligible Spouse shall be entitled to receive any benefits payable under the Plan upon the death of a Participant, provided, that, the Participant may designate someone other than his or her Eligible Spouse as a Beneficiary, but that designation shall only be effective if the Participant elects the 15-year period Alternative Payment Method pursuant to Section 3.10(iv), and the Participant dies after commencing to receive benefit payments and prior to the expiration of the 15-year period. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates. An unmarried Participant may designate a Beneficiary for the benefit payable pursuant to Section 3.10(iv).
- 4.2 Beneficiary Designation: Change. A Participant shall designate a Beneficiary by completing and signing the Beneficiary Designation Form, and delivering it to the Plan Administrator or its designated agent. The Participant's beneficiary designation shall be deemed automatically revoked if the Beneficiary predeceases the Participant or if the Participant designates his Eligible Spouse and the marriage is subsequently dissolved or terminated. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Plan Administrator's rules and procedures, as in effect from time to time. Upon the acceptance by the Plan Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be cancelled. The Plan Administrator

shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Plan Administrator prior to the Participant's death.

- 4.3 Acknowledgment. No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Plan Administrator or its designated agent.
- 4.4 No Beneficiary Designation. If a married Participant who has elected the 15-year period payment option dies after commencing to receive payments without a valid Beneficiary designation, then the Participant's Eligible Spouse shall be the designated Beneficiary. If an unmarried Participant dies without designating a surviving Beneficiary, the benefits (or remaining benefits) shall be paid to the personal representative on behalf of the Participant's estate.
- 4.5 Facility of Payment. If the Plan Administrator determines in its discretion that a benefit is to be paid to a minor, to a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct payment of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

ARTICLE 5 GENERAL LIMITATIONS ON BENEFITS

- 5.1 Termination for Cause. If there is a Termination for Cause by an Employer of the Participant's employment, the Participant shall cease participation hereunder as of the date of such Termination for Cause and all benefits payable (or to be payable) to the Participant or the Participant's Beneficiary shall be forfeited, unless the Plan Administrator determines in its sole discretion to pay part or all of the Participant's Accrued Benefit.
- 5.2 Restrictive Covenant Provisions. (a) If, during his employment with an Employer or at any time during the one (1) year period after his Termination of Employment ("Restriction Period"), the Participant violates any of the Restrictive Covenants set forth in subsections (i) through (v) below, the Participant (and his Beneficiary) shall forfeit all rights to any benefits under the Plan. During the Restriction Period, the Participant shall not:
- (i) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;
 - (ii) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Affiliate or is at will;
 - (iii) engage in any Restricted Activities within the Territory or from a business location servicing any part of the Territory;
 - (iv) manage any personnel engaging in any Restricted Activities within the Territory; or
 - (v) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Affiliate, the Company's Business or the Company's or any Affiliate's suppliers, employees, patrons, customers, and others who may at any time have or have had relations with the Company or any Subsidiary.

The Participant further agrees that he or she will not, except as necessary to carry out his duties as an employee of the Company, disclose or use Confidential Information. The Participant further agrees that, upon termination or expiration of employment with the Company for any reason whatsoever or at any time, the Participant will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents,

plans, records, notes, or other papers, and any copies in the Participant's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

- (b) For purposes of this Section 5.2, the following terms shall have the meanings specified below:
- (i) "Company's Business" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.
 - (ii) "Confidential Information" means information, without regard to form, relating to the Company's or any Affiliate's customers, operation, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including, but not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Affiliate by third parties that the Company or any Affiliate is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two (2) year period after the Date of Termination.
 - (iii) "Customers" means all Persons that (1) the Participant serviced or solicited on behalf of the Company or any Affiliate, (2) whose dealings with the Company or any Affiliate were coordinated or supervised, in whole or in part, by the Participant, or (3) about whom the Participant obtained Confidential Information, in each case during the term of this Agreement or while otherwise employed by the Company.
 - (iv) "Date of Termination" means the date upon which the Participant's employment with the Company ceases for any reason.
 - (v) "Person" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.
 - (vi) "Restricted Activities" means serving as a director, officer, executive, manager, employee or business consultant for a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.
 - (vii) "Territory" means the Territory as defined in the Participant's most recent Award Agreement under the 2000 Key Employee Stock Option Plan.
- (c) The Participant expressly acknowledges and agrees that: (i) the restrictions set forth in this Section 5.2 are reasonable, in terms of scope, duration, geographic area, and otherwise, (ii) the protections afforded the Company in Section 5.2 are necessary to protect its legitimate business interest, (iii) the restrictions set forth in Section 5.2 will not be materially adverse to the Participant's employment with the Company, and (iv) his agreement to observe such restrictions forms a material part of the consideration for this Plan.
- (d) It is the intention of the parties that if any restrictive covenant in this Plan is determined by a court of competent jurisdiction to be overly broad, then the court should enforce such restrictive covenant to the maximum extent permitted under the law as to area, breadth and duration.

5.3 Change in Control. The non-compete and non-solicitation provisions set forth in

Section shall not be enforceable against a Participant following a Change in Control, provided that if the Participant has violated such provisions prior to a Change in Control, his benefits shall not be restored unless the Plan Administrator elects to reinstate the Participant's benefits.

- 5.4 Participant's Suicide or Misstatement. An Employee shall not be considered a Participant and the Company shall not pay any benefit under this Plan if the Participant commits suicide within three years after the date of the Participant's initial Participation Agreement. In addition, an Employee shall not be considered a Participant and the Company shall not pay any benefit under this Plan if the Participant has made any material misstatement of fact on any application for insurance or any benefits provided by the Company to, or with respect to, the Participant.

ARTICLE 6 ADMINISTRATION OF PLAN

- 6.1 Plan Administrator Duties. This Plan shall be administered by a Plan Administrator that shall be an individual or committee appointed by the Board. The Plan Administrator shall have the discretionary authority to (i) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan or the benefits payable under the Plan. Notwithstanding any other provision hereof, the administration of the Plan relating to Named Executive Officers of the Company is subject to ratification by the Compensation Committee of the Board.
- 6.2 Agents. In the administration of this Plan, the Plan Administrator may employ agents and delegate to them such administrative duties as it sees fit, (including acting through a duly appointed representative), and may from time to time consult with counsel who may be counsel to an Employer.
- 6.3 Binding Effect of Decisions. The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 6.4 Indemnity of Plan Administrator. The Company shall indemnify and hold harmless the Plan Administrator (and any members of a committee serving as Plan Administrator) against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Plan Administrator or any of its members.
- 6.5 Employer Information. To enable the Plan Administrator to perform its functions, the Employers shall supply full and timely information to the Plan Administrator on all matters relating to the compensation of their Participants, the date and circumstances of the retirement, Disability, death or Termination of Employment of their Participants, and such other pertinent information as the Plan Administrator may reasonably require.

ARTICLE 7 CLAIMS AND REVIEW PROCEDURE

- 7.1 All claims for benefits under the Plan shall be submitted, in writing, to the Plan Administrator on forms prescribed by the Plan Administrator and must be signed by the Participant or, in the case of a death benefit, by Participant's Beneficiary or legal representative. Any Participant or Beneficiary who disputes the amount of his or her entitlement to Plan benefits must file a claim in writing within two-hundred seventy (270) days of the event that the Participant or Beneficiary is asserting constitutes an entitlement to such Plan benefits or, if later, within ninety (90) days of the date the payment is due. Failure by the Participant or Beneficiary to submit such claim within such time periods shall bar the Participant or Beneficiary from any claim for benefits under the Plan as the result of the occurrence of such event or the failure to make such payment. In no event shall the Participant or other claimant be entitled to challenge a decision of the Plan Administrator with respect to a claim unless and until the claims procedures herein have been complied with and exhausted. Each claim shall be approved or disapproved by the Plan Administrator within ninety (90) days of the Plan Administrator's receipt of each such claim. However, if special circumstances require an extension of time for the Plan

Administrator to process the claim, the ninety (90) day period may be extended for an additional ninety (90) days. Prior to the termination of the initial ninety (90) day period, the Plan Administrator shall provide the claimant with a written notice setting forth the reason for the extension. The notice shall indicate the special circumstance requiring the extension of time and the date by which the Plan Administrator expects to render the benefit determination.

- 7.2 In the event any claim (or benefit) is denied in whole or in part, the Plan Administrator shall, within the time period described in Section 7.1 above, notify the claimant in writing of such denial and of the claimant's right to a review by the Plan Administrator and shall set forth, in a manner calculated to be understood by the claimant, specific reasons for such denial; including specific references to the Plan provisions on which the denial is based; descriptions of, and reasons for, any material or information necessary for the claimant to perfect his claim for review; and an explanation of the Plan's review procedure and time limits applicable to such procedures, including the claimant's right to bring civil action following an adverse benefit determination on review.
- 7.3 Any person whose application is denied in whole or in part may appeal to the Plan Administrator for a review of such denial. Such appeal shall be made by submitting to the Plan Administrator, within sixty (60) days of the receipt of initial denial, a written statement requesting a review of such denial and setting forth the grounds on which such appeal is made and any issues or comments which the claimant deems pertinent to his application. The claimant shall have the opportunity to submit written comments, documents and records relating to the claim and shall have reasonable access to and copies of documents and records relevant to the claim, upon request and free of charge. The Plan Administrator shall make an independent determination of the claimant's eligibility for benefits within sixty (60) days of such appeal and shall give written notice to the claimant of its determination on review within such time period. If there are special circumstances requiring an extension of time for processing, a decision shall be rendered within one hundred twenty (120) days after receipt of the request for review. If an extension of time is required, the Plan Administrator will provide the claimant with written notification of the special circumstances involved and the date by which the Plan Administrator expects to render a final decision. The decision of the Plan Administrator on any appeal for benefits shall be final and conclusive. If a claimant's request is wholly or partially denied on review, the Plan Administrator must give written notice to the claimant that contains the specific reasons for the denial, the Plan provisions on which the denial is based, a description of the Plan's claim review procedures and the time limits applicable thereto, including the claimant's right to bring civil action.
- 7.4 Notwithstanding the claims procedure set forth in Sections 7.1, 7.2 and 7.3 above, the following claims procedure shall apply for any claim based on a Disability.
- (a) If a Participant applies for a benefit under the Plan based on a Disability, and in the event a claim for benefits is wholly or partially denied by the Plan Administrator, the Plan Administrator shall, within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim, notify the claimant in writing of the denial of the claim. This forty-five (45) day period may be extended up to thirty (30) days if such an extension is necessary due to matters beyond the control of the Plan, and the claimant is notified, prior to the expiration of the initial forty-five (45) day period, of the circumstances requiring the extension of time and the date by which the Plan Administrator expects to render a decision. If, prior to the end of the first thirty (30) day extension period, the Plan Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional thirty (30) days, provided that the Plan Administrator notifies the claimant, prior to the expiration of the first thirty (30) days extension period, of the circumstances requiring the extension and the date as of which the Plan Administrator expects to render a decision. In the case of any extension, the notice of extension also shall specifically explain the standards on which entitlement to a benefit upon a Disability is based, the unresolved issues that prevent a decision on

the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least forty-five (45) days within which to provide the specified information, if any.

- (b) If the Plan Administrator denies the claim for a Disability benefit in whole or in part, the claimant shall be provided with written notice of the denial stating the specific reason for the denial; reference to the specific Plan provisions on which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including the claimant's right to bring civil action following an adverse benefit determination. If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion shall be provided to the claimant free of charge, or the claimant shall be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request.
- (c) If the claim for a Disability benefit is denied in full or in part, the claimant shall have the right to appeal the decision by sending a written request for review to the Plan Administrator within one hundred eighty (180) days of his receipt of the claim denial notification. The claimant may submit written comments, documents, records, and other information relating to his or her claim for benefits. Upon request, the claimant shall be provided free of charge and reasonable access to, and copies of, all documents, records and other information relevant to his claim.
- (d) Upon receipt of the claimant's appeal of the denial of his claim, the Plan Administrator shall conduct a review that takes into account all comments, documents, records, and other information submitted by the claimant or his authorized representative relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review shall not afford deference to the initial benefit determination and shall be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Plan Administrator shall consult a medical professional who has appropriate training and experience in the field of medicine relating to the claimant's disability and who is neither consulted as part of the initial denial nor is the subordinate to such individual and shall identify the medical or vocational experts whose advice is obtained with respect to the initial benefit denial, without regard to whether the advice was relied upon in making the decisions. If a claim is denied due a medical judgment, the Plan Administrator will consult with a healthcare professional who has appropriate training and experience in the field of medicine involved in the medical judgment. The healthcare professional consulted will not be the same person consulted in connection with the initial benefit decision (nor be the subordinate of that person). The decision on review also will identify any medical or vocational experts who advised the Company's benefits department in connection with the original benefit decision, even if the advice was not relied upon in making the decision.
- (e) The Plan Administrator shall notify the claimant of its determination on review within a reasonable period of time, but generally not later than forty-five (45) days after receipt of the request for review, unless the Plan Administrator determines that special circumstances require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to the claimant prior to the termination of the initial forty-five (45) day period. In no event shall such extension exceed a period of forty-five (45) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring extension of time and the date by which the Plan Administrator expects to render the determination on review.
- (f) If the Plan Administrator denies the claim on appeal, it shall notify the claimant in

a manner to be understood by him of the specific reason or reasons for the adverse determination; reference to the specific Plan provisions on which the adverse determination is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his claim; and a statement indicating the claimant's right to file a lawsuit upon completion of the claims procedure process. If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion shall be provided free of charge, or the claimant may be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request.

- 7.5 The Participant or other claimant shall only have ninety (90) days from the date of receipt of the Plan Administrator's final decision on review in which to file suit regarding a claim for benefits under the Plan. If suit is not filed within such ninety (90) days, it shall be forever barred. The Plan Administrator's decisions made hereunder shall be final and binding on all interested parties.

ARTICLE 8 AMENDMENT AND TERMINATION OF THE PLAN

- 8.1 Termination. The Company reserves the right to terminate the Plan at any time by the actions of the Board. In addition, the Company reserves the right to terminate an Employer's participation (and such Employer's Employees' participation) in the Plan by action of the Board; provided, however, that upon such termination, the Plan Administrator in its discretion may determine that all Participants who cease to be eligible to continue participation in the Plan because of such action will become one hundred percent (100%) vested in the greater of their Accrued Benefit, their Annual Early Retirement Target Benefit, or their Annual Target Benefit. Further, the termination of the Plan shall not adversely affect any Participant or his or her Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination regardless of whether payment of such benefits has commenced and the benefits of such affected Participant or Beneficiary shall be payable at the time and in the manner provided in Article 3.
- 8.2 Amendment. The Company may, at any time, amend or modify the Plan in whole or in part by the actions of the Board. The amendment or modification of the Plan shall not affect any Participant or his or her Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification.
- 8.3 Termination of Participation Agreement. Absent the earlier termination, modification or amendment of the Plan, the Participation Agreement of any Participant shall terminate upon the full payment of the applicable benefits as provided under Article 3.

ARTICLE 9 MISCELLANEOUS

- 9.1 Unsecured General Creditor. Participants and their Beneficiaries shall have no legal or equitable rights, interests or claims in any property or assets of the Company or an Employer. The Company's or Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.
- 9.2 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between an Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, with or without cause, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of an Employer or to interfere with the right of an Employer to discipline or discharge the Participant at any time.

- 9.3 Participation in Other Plans. Nothing herein contained shall be construed to alter, abridge, or in any manner affect the rights and privileges of the Participant to participate in and be covered by any pension, profit sharing, group insurance, bonus or similar employee plans which an Employer may now or hereafter maintain.
- 9.4 Alienability. Neither the Participant nor any Beneficiary under this Plan shall have any power or right to transfer, assign, anticipate, hypothecate, mortgage, commute, modify, or otherwise encumber in advance any of the benefits payable hereunder, nor shall any of said benefits be subject to seizure for the payment of any debts, judgments, alimony, or separate maintenance owed by the Participant or the Participant's Beneficiary or any of them, or to be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. In the event the Participant or any Beneficiary attempts assignment, commutation, hypothecation, transfer, or disposal of the benefit hereunder such action shall be of no force or effect and the Company's obligations hereunder to such Participant or Beneficiary shall immediately cease and terminate.
- 9.5 Successors. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns and the Participant and the Participant's Beneficiary.
- 9.6 Reorganization. The Company shall require any corporation with which it merges or consolidates or to which it sells substantially all of its assets to assume and discharge the obligations of the Company under this Plan. Upon the occurrence of such event, the term "Company" as used in this Plan shall be deemed to refer to such succeeding or continuing company, firm, or person.
- 9.7 Interpretation. Wherever the fulfillment of the intent and purpose of this Plan requires, and the context will permit, the use of the masculine gender includes the feminine and use of the singular includes the plural.
- 9.8 Alternative Action. In the event it shall become impossible for the Company or the Plan Administrator to perform any act required by this Plan, the Company or Plan Administrator may in its discretion perform such alternative act as most nearly carries out the intent and purpose of this Plan.
- 9.9 Applicable Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted in accordance with the laws of the state of Georgia, without regard to its conflict of law principles.
- 9.10 Headings. Article and section headings are for convenient reference only and shall not control or affect the meaning or construction of any of its provisions.
- 9.11 Furnishing Information. A Participant or his or her Beneficiary will cooperate with the Plan Administrator by furnishing any and all information requested by the Plan Administrator and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Plan Administrator may deem necessary.
- 9.12 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision has never been inserted herein.
- 9.13 Notice. Any notice or filing required or permitted to be given to the Plan Administrator under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

United Community Banks, Inc.
Attention: Plan Administrator of the Modified Retirement Plan
P.O. Box 398
Blairsville, Georgia 30514

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

9.14 Signed Copies. This Plan may be executed in any number of counterparts, each of whom shall be deemed to be an original, and such counterparts taken together shall constitute one (1) and the same instrument.

9.15 Section 409A. This Plan is intended to satisfy the requirements of Code Section 409A and any regulations or guidance that may be adopted thereunder from time to time, including any transition relief available under applicable guidance related to Code Section 409A. The Plan may be amended or interpreted by the Committee as it determines necessary or appropriate in accordance with Code Section 409A and to avoid a plan failure under Code Section 409A(1).

IN WITNESS WHEREOF, the Company has caused this Plan to be duly executed by its authorized officers to be effective as of January 1, 2016.

**FIRST AMENDMENT TO THE
UNITED COMMUNITY BANKS
MODIFIED RETIREMENT PLAN**

(As Amended and Restated Effective as of January 1, 2016)

Pursuant to the authorization of its Board of Directors, UNITED COMMUNITY BANKS, INC. (the "*Company*"), a Georgia bank holding company located in Blairsville, Georgia, established the United Community Banks Modified Retirement Plan (the "*Plan*"), effective as of January 1, 2004 and amended and restated the Plan effective as of January 1, 2005 to address Section 409A. The Company further amended and restated the Plan, effective as of January 1, 2016, to clarify the determination and time of payment of a Participant's benefits under the Plan. The Company now amends the Plan, effective as of April 1, 2018, to reflect the final Department of Labor regulations regarding any claim under the Plan based on a Disability. All other terms of the Plan in effect as of the effective date of this amendment shall remain in full force and effect.

1. Effective as of April 1, 2018, **Section 7.4 of the Plan** shall be amended and restated in its entirety to read as follows:

7.4 Notwithstanding the claims procedure set forth in Sections 7.1, 7.2 and 7.3 above, the following claims procedure shall apply for any claim based on a Disability.

- (a) If a Participant applies for a benefit under the Plan based on a Disability, and in the event a claim for benefits is wholly or partially denied by the Plan Administrator, the Plan Administrator shall, within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim, notify the claimant in writing of the denial of the claim. This forty-five (45) day period may be extended up to thirty (30) days if such an extension is necessary due to matters beyond the control of the Plan, and the claimant is notified, prior to the expiration of the initial forty-five (45) day period, of the circumstances requiring the extension of time and the date by which the Plan Administrator expects to render a decision. If, prior to the end of the first thirty (30) day extension period, the Plan Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional thirty (30) days, provided that the Plan Administrator notifies the claimant, prior to the expiration of the first thirty (30) days extension period, of the circumstances requiring the extension and the date as of which the Plan Administrator expects to render a decision. In the case of any extension, the notice of extension also shall specifically explain the standards on which entitlement to a benefit upon a Disability is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least forty-five (45) days within which to provide the specified information, if any.
- (b) If the Plan Administrator denies the claim for a Disability benefit in whole or in part, the claimant shall be provided with notice, written in a culturally and linguistically appropriate manner, of the denial stating the specific reason for the denial; reference to the specific Plan provisions on which the denial is based; a discussion of the decision, including any explanation for disagreeing with or not following (i) the views presented by the claimant of health care professionals treating the claimant and vocational professionals who evaluated the claimant, (ii) the views of medical or vocation experts whose advice was obtained on behalf of the Plan in connection with the adverse benefit determination, without regard to whether the advice was relied upon in making the determination, and (iii) any disability determinations made by the Social Security Administration; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including the claimant's right to bring civil

action following an adverse benefit determination. The notice will specify whether or not an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, and if so, the specific rule, guideline, protocol, or other similar criterion shall be provided to the claimant free of charge, or the claimant shall be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request. If the claim denial is based on an exclusion or limit (such as a medical necessity requirement or an experimental treatment exclusion), the claimant shall be provided with an explanation of the scientific or clinical judgment, applying the terms of the Plan to the claimant's circumstances, or the claimant shall be informed that such explanation shall be provided free of charge upon request.

- (c) If the claim for a Disability benefit is denied in full or in part, the claimant shall have the right to appeal the decision by sending a written request for review to the Plan Administrator within one hundred eighty (180) days of his receipt of the claim denial notification. The claimant may submit written comments, documents, records, and other information relating to his or her claim for benefits. Upon request, the claimant shall be provided free of charge and reasonable access to, and copies of, all documents, records and other information relevant to his claim.
- (d) Upon receipt of the claimant's appeal of the denial of his claim, the Plan Administrator shall conduct a review that takes into account all comments, documents, records, and other information submitted by the claimant or his authorized representative relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review shall not afford deference to the initial benefit determination and shall be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. If a claim is denied due to a medical judgment, the reviewer will consult with a healthcare professional who has appropriate training and experience in the field of medicine involved in the medical judgment. The healthcare professional consulted will not be the same person consulted in connection with the initial benefit decision (nor be the subordinate of that person). The decision on review also will identify any medical or vocational experts who advised the reviewer in connection with the benefit decision, even if the advice was not relied upon in making the decision.
- (e) The Plan Administrator shall notify the claimant of its determination on review within a reasonable period of time, but generally not later than forty-five (45) days after receipt of the request for review, unless the Plan Administrator determines that special circumstances require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to the claimant prior to the termination of the initial forty-five (45) day period. In no event shall such extension exceed a period of forty-five (45) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring extension of time and the date by which the Plan Administrator expects to render the determination on review.
- (f) If the Plan Administrator anticipates denying the claimant's appeal, in whole or in part, the Plan Administrator will provide to the claimant (i) any new or additional evidence considered, relied upon, or generated in connection with the claim by the Plan; and (ii) if the anticipated adverse determination is based on a new or additional rationale, the rationale for the determination. Such information shall be provided as soon as possible and sufficiently in advance of the date the Plan Administrator is required to render its decision to provide the claimant a reasonable opportunity to review the information and submit a response.
- (g) If the Plan Administrator denies the claim on appeal, it shall notify the claimant in a culturally and linguistically appropriate manner of the specific reason or reasons for the adverse determination; reference to the specific Plan provisions on which the adverse determination is based; a discussion of the decision, including any explanation for disagreeing with or not following (i) the views presented

by the claimant of health care professionals treating the claimant and vocational professionals who evaluated the claimant, (ii) the views of medical or vocation experts whose advice was obtained on behalf of the Plan in connection with the adverse benefit determination, without regard to whether the advice was relied upon in making the determination, and (iii) any disability determinations made by the Social Security Administration; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his claim; and a statement indicating the claimant's right to file a lawsuit upon completion of the claims procedure process. The notice will specify whether or not an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, and if so, the specific rule, guideline, protocol, or other similar criterion shall be provided to the claimant free of charge, or the claimant shall be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request. If the claim denial is based on an exclusion or limit (such as a medical necessity requirement or an experimental treatment exclusion), the claimant shall be provided with an explanation of the scientific or clinical judgment, applying the terms of the Plan to the claimant's circumstances, or the claimant shall be informed that such explanation shall be provided free of charge upon request.

2. Effective as of April 1, 2018, Section 7.5 of the Plan shall be amended and restated in its entirety to read as follows:

7.5 The Participant or other claimant shall only have ninety (90) days from the date of receipt of the Plan Administrator's final decision on review in which to file suit regarding a claim for benefits under the Plan. If suit is not filed within such ninety (90) days, it shall be forever barred. The Plan Administrator's decisions made hereunder shall be final and binding on all interested parties. Any civil action by a claimant must be based only on the issues identified during the administrative review process. Judicial review will be limited to the Plan document and the record developed during the administrative review process.

3. All of the other terms of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to the Plan to be duly executed by its authorized officer to be effective as of April 1, 2018.

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy Tallent

Name: Jimmy C. Tallent

Title: Chairman & CEO

Attest:

By: /s/ Lori McKay

Name: Lori McKay

Title: Corporate Secretary

**UNITED COMMUNITY BANKS
DEFERRED COMPENSATION PLAN**

(As Amended and Restated Effective as of January 1, 2017)

Pursuant to the authorization of its Board of Directors, UNITED COMMUNITY BANKS, INC. (the "Company"), a Georgia Corporation, does hereby amend and restate the United Community Banks Deferred Compensation Plan (the "Plan"), effective as of January 1, 2017 (referred to as the "Effective Date").

The Plan was initially established effective as of October 21, 2004. Because of changes to the tax laws resulting from the enactment of Section 409A and adoption of related regulations, the Company amended and restated the Plan effective as of January 1, 2005 to address Section 409A. The Company amended and restated the Plan again as of January 1, 2015 to (i) document the treatment of dividend equivalents payable with respect to Restricted Stock Units ("RSUs") and Performance-Based Restricted Stock Units ("PSUs"), (ii) permit Participants to elect for payment of their Accounts on Retirement, Disability or death (while employed) to be made in five annual installments commencing in January of the sixth calendar year following the calendar year in which the Participant's Retirement, Disability or death occurs, (iii) conform the Plan's claims procedures to the regulations and (iv) make certain other clarifications to the Plan. The Company then amended the Plan pursuant to the First Amendment to the United Community Banks Deferred Compensation Plan effective as of August 4, 2016 to (i) exclude from participation, effective on and after January 1, 2017, any Advisory Director of the Company or any Affiliate who commences (or recommences) service on or after January 1, 2017 or who is currently engaged in service but not an active Participant in the Plan as of the date hereof and (ii) permit the Company, by action of the Board of Directors, the Compensation Committee of the Board of Directors or the Benefits Committee of the Company, to distribute in a lump sum the entirety of a Participant's Account in the Plan in certain limited circumstances.

The Company now desires to amend and restate the Plan to (i) clarify that Participants may defer Base Salary and/or Bonus Payments without regard to any limits imposed under the 401(k) plan, (ii) provide the Company more flexibility to determine Employer contribution amounts and/or formulas, (iii) provide the Company more flexibility to determine vesting schedules in connection with Employer contributions, (iv) provide for additional distribution alternatives for payments upon retirement/disability and death, and (v) confirm that the Benefits Committee shall be the Committee to administer the Plan (except to the extent of authority specifically reserved to the Board of Directors or the Compensation Committee). The Plan, as in effect prior to this amendment and restatement, shall continue to govern the distribution of amounts subject to deferral elections made with respect to periods prior to the Effective Date.

The purpose of the Plan is to provide specified benefits to a select group of management or highly compensated employees and members of the Board of Directors and Advisory Directors of the Company or a participating Affiliate who contribute materially to the continued growth, development and future business success of the Company and its Affiliates that participate in this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

ARTICLE I
DEFINITIONS

- 1.1 "401(k) Restoration Deferral" shall mean deferrals of Base Salary that cannot be deferred under the United 401(k) Plan and, thus, are ineligible for matching contributions under the United 401(k) Plan, as determined in accordance with Section 2.3(a).
- 1.2 "Account" or "Accounts" means the records maintained by the Company to determine each Participant's interest under this Plan. The accounts may be reflected as entries in the Company's (or Employer's) records, or as separate accounts under a trust, or as a combination of both. The Company may establish such sub-accounts as it deems necessary for the proper administration of the Plan.

- 1.3 "Affiliate" means any person, corporation or other entity that controls or is controlled by, directly or indirectly, the Company, as determined by the Committee in its sole discretion.
- 1.4 "Base Salary" for any Plan Year means the base salary of an Eligible Employee for such Plan Year, including any amounts of base salary deferred or set aside under Code Sections 401(k) and 125, amounts deferred under this Plan or other authorized deferrals and payroll deductions.
- 1.5 "Beneficial Ownership" shall mean beneficial ownership as that term is used in Rule 13d-3 promulgated under the Exchange Act.
- 1.6 "Beneficiary" means any person(s), trusts, partnerships or other legal entity(ies) designated by the Participant or otherwise determined in accordance with Section 10.7.
- 1.7 "Board of Directors" means the Board of Directors of the Company.
- 1.8 "Bonus Payment(s)" means any bonus amounts awarded to an Eligible Employee under any incentive plan maintained by the Employer, including annual bonus payments, long-term incentive plan payments and special incentive or bonus payments that may be awarded from time to time, payable in cash or cash equivalence.
- 1.9 "Cause" shall mean (i) willful misconduct on the part of a Participant that is materially detrimental to the Company or any Affiliate; or (ii) the commission by a Participant of a felony. The existence of "Cause" under either (i) or (ii) shall be determined by the Committee. Notwithstanding the foregoing, if the Participant has entered into an employment agreement that is binding as of the date of employment termination, and if such employment agreement defines "Cause," and/or provides a means of determining whether "Cause" exists, such definition of "Cause" and means of determining its existence shall supersede this provision.
- 1.10 "Change in Control" means any of the following events:
- a. The acquisition (other than from the Company) by any Person of Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that for purposes of this Section 1.10, Person shall not include any person who as of January 1, 2005 owns ten percent (10%) or more of the Company's outstanding securities, and a Change in Control shall not be deemed to occur solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one (1) or more employee benefit plans maintained by the Company or any of its Subsidiaries, or (ii) any corporation, which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.
- b. Consummation by the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation, or (2) a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company.
- c. A change in the composition of the Board such that the individuals who, as of January 1, 2015, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 1.10 that any individual who becomes a member of the Board subsequent to January 1, 2015 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to

this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

Notwithstanding anything else to the contrary set forth in this Plan, if (i) an agreement is executed by the Company providing for any of the transactions or events constituting a Change in Control as defined herein, and the agreement subsequently expires or is terminated without the transaction or event being consummated, and (ii) Participant's employment did not terminate during the period after the agreement and prior to such expiration or termination, for purposes of this Plan it shall be as though such agreement was never executed and no Change in Control event shall be deemed to have occurred as a result of the execution of such agreement.

- 1.11 "Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.
- 1.12 "Committee" means the Benefits Committee of the Company which will administer the Plan in accordance with Article VIII and its designee(s) with respect to the duties they are delegated.
- 1.13 "Company" means United Community Banks, Inc., a Georgia corporation, or any successor thereto.
- 1.14 "Company Securities" means the common stock, par value \$1.00 per share, of the Company ("Common Stock") any other securities of the Company into which a Participant's Account may be deemed to be invested.
- 1.15 "Compensation Committee" means the Compensation Committee of the Board of Directors of the Company.
- 1.16 "Deferral Account" means any account maintained under the Plan for a Participant pursuant to Section 4.2.
- 1.17 "Director" means a member of the Board of Directors of the Company or the Board of Directors of any Affiliate or an Advisory Director of the Company or any Affiliate, other than any affiliate designated by the Board of Directors of the Company as not eligible to participate in the Plan. Notwithstanding the foregoing, effective January 1, 2017, Director does not include any Advisory Director of the Company or any Affiliate (i) who commences (or re-commences) service after August 4, 2016 or (ii) who is engaged in service as of August 4, 2016 but has not elected to defer any Director Fees earned, or RSUs granted, for the portion of calendar year 2016 prior to August 4, 2016.
- 1.18 "Director's Fees" means any retainer, advisory and meeting fees payable to the Director by the Company for the Plan Year, before reductions for contributions to or deferrals under this or any other deferred compensation or benefit plans sponsored by the Company.
- 1.19 "Disability" means the Participant has been determined to be "Disabled" as defined under Section 409A (a)(2)(C) of the Code.
- 1.20 "Effective Date" means January 1, 2017.
- 1.21 "Eligible Employee" means for each Plan Year selected members of senior management and certain other employees of the Employer designated by the Plan Administrator or Committee as eligible to participate in the Plan for such Plan Year or portion thereof.
- 1.22 "Employer" means the Company and any Affiliate other than any Affiliate that shall be designated by the Board of Directors or the Committee as not eligible to participate under the Plan.
- 1.23 "Employer Contribution Account" means any account maintained for a Participant pursuant to Section 4.3.

- 1.24 "ERISA" means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.
- 1.25 "Exchange Act" shall mean the Securities Exchange Act of 1934, including amendments, or successor statutes of similar intent.
- 1.26 "Fiscal Year" means each twelve-month period beginning January 1 and ending the next following December 31.
- 1.27 "Investment Option" means a deemed investment fund or asset allocation account that is available in accordance with Section 6.1 as the basis to calculate bookkeeping earnings, gains and losses on any amount credited to a Participant's Account. The Committee may establish an Investment Option under which the Participant may direct that amounts credited to the Participant's Account are deemed to be invested in Company Securities, provided, that the Committee may limit the group or class of Participants that may elect to have their Accounts deemed to be invested in Company Securities, and may require that any amounts that are deemed to be invested in Company Securities must remain deemed to be invested in Company Securities.
- 1.28 "Key Employee" shall mean a key employee as defined in Section 416(i) of the Code (without regard to Section 416(i)(5)).
- 1.29 "Participant" means an Eligible Employee who participates in the Plan in accordance with Article 2 and a Director who participates in the Plan in accordance with Article 3.
- 1.30 "Performance-Based Restricted Stock Units or PSUs" are the same as RSUs except that PSUs have additional specific performance criteria that must be met in order to vest, which is specific for each applicable performance year (normally a calendar year), and such PSUs must qualify as performance-based compensation within the meaning of Treasury Regulation Section 1.409A-1(e). Any PSUs that do not qualify as performance-based compensation under Code Section 409A shall be treated as RSUs for purposes of this Plan.
- 1.31 "Person" shall mean any individual, entity or group within the meaning of Section 13(d)(3) or 14 (d)(2) of the Exchange Act.
- 1.32 "Plan" means the United Community Banks Deferred Compensation Plan as set forth in this document and as amended from time to time.
- 1.33 "Plan Administrator" means the Committee and its designee(s) with respect to the duties they are delegated.
- 1.34 "Plan Year" means the calendar year.
- 1.35 "Retirement" means, for purposes of this Plan only, an Eligible Employee's voluntary or involuntary Termination of Employment after attaining age 55 and completing five (5) or more Years of Service or a Director's Termination of Service.
- 1.36 "RSU or PSU Account" means the account to which the Eligible Employee's or Director's deferrals of shares of Company Securities subject to RSUs or PSUs are credited pursuant to Section 2.6(b) or Section 2.6(c).
- 1.37 "Section 409A" means Section 409A of the Code, as it may be amended from time to time, and the regulations and rulings thereunder.

- 1.38 "Stock Incentive Plan" means the United Community Banks, Inc. 2000 Key Employee Stock Incentive Plan, as it may be amended from time to time, or any other equity incentive plan of the Company pursuant to which RSUs or PSUs may be awarded to Participants.
- 1.39 "Termination of Employment" means a Participant's separation from service with the Employer and the Affiliates for any reason. Transfer of employment among the entities constituting the Employer and the Affiliates shall not be deemed to be a Termination of Employment (even if the Affiliate is not a participating Employer in the Plan). Termination of Employment shall be construed consistent with the meaning of a "separation from service" under Section 409A.
- 1.40 "Termination of Service" shall mean the date a Director ceases to serve as a member of the Board of Directors of the Company or any Affiliate, or as an Advisory Director, for any reason including resignation, removal, or the failure to be re-elected by the Company's shareholders. Termination of Service shall be construed consistent with the meaning of a "separation from service" under Section 409A.
- 1.41 "Time-Based Restricted Stock Units or RSUs" means an award under the Stock Incentive Plan of the right to receive shares of Company Securities on a Vesting Date.
- 1.42 "Trust" means any trust established by the Company that includes the Plan as a plan with respect to which assets are to be held by the Trustee, provided that such trust shall not affect the status of the Plan as an unfunded plan for purposes of Title I of ERISA.
- 1.43 "Trustee" means the trustee or trustees or their successors under the Trust.
- 1.44 "United 401(k) Plan" means the United Community Banks, Inc. 401(k) Plan, or any successor plan maintained by an Employer that is qualified under Section 401(a) of the Code and includes a Code Section 401(k) feature that allows employees the ability to defer a portion of their compensation. Any reference herein to a provision or term of the United 401(k) Plan shall mean such provision or term as it may be amended from time to time.
- 1.45 "Valuation Date" means the Annual Valuation Date, December 31, and any other dates selected by the Committee as of which the Participant's Accounts are valued.
- 1.46 "Vesting Date" means the date or dates on which the RSUs or PSUs vest, subject to performance criteria if applicable, and on which the Eligible Employee or Director will have the right to receive shares of Company Securities.
- 1.47 "Years of Service" means a Participant's years of service determined in the same manner as under the United 401(k) Plan.

**ARTICLE II
EMPLOYEE PARTICIPATION,
DEFERRALS AND EMPLOYER CREDITS**

2.1 Eligibility

Participation in the Plan shall be limited to select members of senior management and certain other highly compensated employees of an Employer, as determined by the Plan Administrator, in its sole discretion, and Directors. From that group of employees, the Plan Administrator shall determine the individual Eligible Employees who are eligible to participate in the Plan for any Plan Year. The Plan Administrator may make such determination by establishing a minimum compensation level or job title for participation or by the use of such other criteria as deemed appropriate from time to time.

2.2 Election to Participate

Each Eligible Employee may elect to participate for the Plan Year, or part of a Plan Year for which he is eligible, by delivering to the Plan Administrator or Human Resources Department a written or electronic notice, at such time and in such form as approved by the Plan Administrator, electing to participate and specifying the dollar amount or percentage of Base Salary he elects to defer for such Plan Year (or part of a Plan Year), as a 401(k) Restoration Deferral or otherwise. An election to defer Base Salary for a Plan Year shall be made prior to the commencement of the Plan Year (or within thirty (30) days after the date the Plan is adopted or the Participant's initial eligibility to participate in the Plan).

Each Eligible Employee may also elect to participate by delivering to the Plan Administrator or Human Resources Department a written or electronic notice, at such time and in such form as approved by the Plan Administrator, specifying the dollar amount or percentage of any Bonus Payment he elects to defer for the Plan Year (or part of a Plan Year). An election to defer a Bonus Payment for a Plan Year shall be made prior to the commencement of such Plan Year (or within thirty (30) days after the date the Plan is adopted or the Participant's initial eligibility to participate in the Plan) or, with respect to performance-based compensation based on services performed over a period of at least twelve (12) months, no later than six (6) months before the end of the period, in each case in a manner consistent with the requirements of Section 409A. The Plan Administrator may provide for different elections with respect to different types of Bonus Payments.

A Participant shall be required to submit a new election form on a timely basis to change the Participant's election for a subsequent Plan Year. If no new election form is filed during the prescribed enrollment period, the Participant's elections for the prior Plan Year shall continue in force for the next Plan Year.

The Plan Administrator may provide that an Eligible Employee may elect to defer any special payments ("Special Payments"), such as a sign-on bonus, change in control payment or similar payments, the Eligible Employee may become entitled to receive; provided that such election shall be made prior to the time the Eligible Employee becomes entitled to receive such payment and in a manner consistent with the requirements of Section 409A. In such event, the Plan Administrator shall provide a separate deferral election and distribution election with respect to any deferrals of Special Payments. Deferrals of Special Payments shall be credited to a separate subaccount within the Eligible Employee's Deferral Account. Deferrals of Special Payments shall not be eligible for any 401(k) Matching Contributions.

2.3 Amount of Deferral

(a) 401(k) Restoration Deferral. Each Eligible Employee may make a 401(k) Restoration Deferral by electing to defer from 1% to 5% (or such lesser or greater percentage as would be subject to a matching contribution under the United 401(k) Plan if such amount were contributed to the United 401(k) Plan notwithstanding any limitations therein) of the Eligible Employee's Base Salary in excess of the sum of the limit for the applicable Plan Year on elective deferrals under Section 402(g) of the Code and the limit for the applicable Plan Year on catch-up contributions under Section 414(v) of the Code. The Plan Administrator may set a minimum amount of deferrals for a Plan Year and/or for any payroll period. The Base Salary deferrals of the Eligible Employee constitute the Participant's 401(k) Restoration Deferral to be deferred under the Plan. The amount of the 401(k) Restoration Deferral to be deferred under the Plan will not be impacted by whether or not the Eligible Employee makes deferrals into the United 401(k) Plan; it being assumed, for purposes of the 401(k) Restoration Deferral, that the Eligible Employee deferred (or could have deferred) Base Salary in an amount equal to the sum of the limit on elective deferrals for the Plan Year under Section 402(g) of the Code and the limit on catch-up contributions for the Plan Year under Section 414(v) of the Code.

(b) Additional Deferrals. In addition to and/or in lieu of the 401(k) Restoration Deferrals, subject to Section 2.3(c) below, each Eligible Employee may elect to defer an amount not to exceed: (a) 75% of Base Salary for a Plan Year (or part of a Plan Year), and (b) 100% of Bonus Payments. These additional deferrals may be in addition to or in lieu of 401(k) Restoration Deferrals and in excess of the limit on elective deferrals for the Plan Year under Section 402(g) of the Code and the limit on catch-up contributions for the Plan Year under Section 414(v) of the Code.

(c) Deferral Limits. An Eligible Employee shall not be permitted to reduce his compensation below the amount necessary to make required or elected contributions to employee benefit plans, required federal, state and local tax withholdings, and any other withholdings deemed necessary by the Plan Administrator or required by law. The Plan Administrator may also set a minimum amount of deferrals for a Plan Year and/or for any payroll period.

2.4 Employer Contribution

(a) 401(k) Matching Contribution on Base Salary Deferrals. The Employer Contribution Account of each Participant shall be credited each Plan Year with an amount determined by subtracting the amount described in (2) below from the amount described in (1) below:

i. The amount that equals the product of (i) the percentage of the Eligible Employee's Base Salary that would be subject to matching contributions under the United 401(k) Plan for the applicable Plan Year if contributed to such plan (disregarding any limitations under the United 401(k) Plan) multiplied by (iii) the sum of the Eligible Employee's 401(k) Restoration Deferral, the limit on elective deferrals for the applicable Plan Year under Section 402(g) of the Code and the limit on catch-up contributions for the applicable Plan Year under Section 414(v) of the Code.

ii. The amount that would be contributed by the Employer as a matching contribution for the Participant under the United 401(k) Plan for Base Salary deferrals to the United 401(k) Plan if the Participant were able to defer Base Salary to the United 401(k) Plan in an amount that equaled the sum of the limit on elective deferrals for the applicable Plan Year under Section 402(g) of the Code.

(b) 401(k) Matching Contribution on Bonus Payment Deferrals. The Employer Contribution Account of each Participant who has elected to make a deferral of Bonus Payments shall be credited with the amount that the Employer would have contributed as a matching contribution for the Participant under the United 401(k) Plan if the amount of the Bonus Payments that the Participant elected to defer under this Plan was instead deferred in full under the United 401(k) Plan without regard to any limitations of the United 401(k) Plan or under the Code or ERISA and assuming the Bonus Payments are eligible for deferral and matching contributions under the United 401(k) Plan.

(c) Discretionary Matching Contributions. In addition to the foregoing, the Company may, from time to time in its sole and absolute discretion, credit a Participant's Employer Contribution Account with such other matching contributions as the Compensation Committee may designate. Such contributions, if any, may be made on behalf of one, some or all Participants, and may or may not be based on the matching contribution formula under the United 401(k) Plan, but substituting Participant deferrals to this Plan in that formula in lieu of elective contributions to the United 401(k) Plan. Alternatively, such contributions may or may not be limited to deferrals to this Plan that reduce the Participant's compensation that is taken into account in the United 401(k) Plan match formula below the Code Section 401(a)(17) limit, or may or may not be limited to deferrals to this Plan that do not exceed the portion of the Participant's qualifying compensation that is in excess of the United 401(k) Plan's Code Section 401(a)(17) limit. The Company shall provide Participants with information regarding the matching contributions that will be credited to this Plan, if any. Matching contributions are credited at the sole discretion of the Company and the fact that a matching contribution is credited in one year shall not obligate the Company to continue to make such contributions in subsequent years.

(d) Discretionary Contribution. During a Plan Year, the Committee also may, in its sole discretion, credit to an Eligible Employee's Employer Contribution Account an amount determined in the discretion of the Committee that may be a percentage of the Eligible Employee's Base Salary, a dollar amount, or some other amount. The Employer Contribution for a Plan Year may differ among Eligible Employees and may be made for some Eligible Employees but not others. The Employer Contribution shall be credited to the Employer Contribution Account for the Eligible Employee.

2.5 Withholding

The amount of Base Salary or Bonus Payments that an Eligible Employee elects to defer under Section 2.2 shall be withheld from his Base Salary or Bonus Payments in accordance with such rules and procedures as the Committee shall establish consistent with the requirements of Section 409A.

2.6 Deferral of Restricted Stock Units (RSUs or PSUs)

(a) Eligibility. The Plan Administrator may determine which Eligible Employees are eligible to elect to defer receipt of Company Securities resulting from awards of RSUs or PSUs under the Stock Incentive Plan. The Plan Administrator may make such determination by establishing a minimum compensation level or job title for participation or by the use of such other criteria as deemed appropriate from time to time.

(b) Deferral Election of RSUs. An Eligible Employee may make an election to defer the receipt of Company Securities resulting from awards of RSUs by completing an election form at such time or times as may be established by the Plan Administrator; provided that, unless otherwise permitted by applicable law and Section 409A, the election shall be made (i) no later than thirty (30) days after the date of grant of such RSUs (provided that any RSUs do not vest within 12 months of the effective date of such election), and (ii) at least 12 months prior to the Vesting Date for the RSUs being deferred. On the Vesting Date for the RSUs, the Participant's RSU Account will be credited with a number of share units equal to the number of shares subject to the RSUs with respect to which the deferral election was made that were payable absent the deferral election. The deferral election under this Section 2.6(b) shall be made on such form, in such percentages and in such manner as may be provided by the Plan Administrator.

(c) Deferral Election of PSUs. An Eligible Employee may make an election to defer the receipt of Company Securities resulting from awards of PSUs by completing an initial election form at such time or times as may be established by the Plan Administrator; provided, that the initial election shall be made no later than thirty (30) days after the date of grant of the PSUs. The Eligible Employee may modify his deferral election for PSUs up to six (6) months before the end of the performance period with respect to which the PSUs relate. The Eligible Employee will be notified before such time to verify or modify the Eligible Employee's deferral election. The Eligible Employee's deferral election will become irrevocable immediately before the last six (6) months of the performance year to which his election relates. On the Vesting Date for the PSUs, the Participant's PSU Account will be credited with a number of share units equal to the number of shares subject to the PSUs with respect to which the deferral election was made that were payable absent the deferral election. The deferral election under this Section 2.6(c) shall be made on such form, in such percentages and in such manner as may be provided by the Plan Administrator.

(d) Dividend Equivalents for RSUs and PSUs Prior to Vesting Date. If the Eligible Employee was designated by the Committee at the time of grant of the RSU or PSU not to be an executive officer and the RSUs or PSUs are not vested as of a quarterly dividend record date, then the dividend equivalent amount for those unvested RSUs or PSUs shall be payable to the Eligible Employee in cash (net of withholdings) as soon as administratively practicable (and within 30 days) after the dividend payable date (normally the first day after each quarter-end) provided the Eligible Employee was employed by, or in service with, the Company as of the quarterly dividend record date. If the Eligible Employee was designated by the Committee at the time of grant of the RSUs or PSUs to be an executive officer and the RSUs or PSUs are not vested as of a quarterly dividend record date, then the dividend equivalent amount for those RSUs or PSUs shall be accrued and credited to the Eligible Employee's Dividend Equivalent Cash Account (provided that such dividend equivalents shall not be deemed to be invested in shares of Company Securities unless otherwise provided by the Committee). After the Vesting Date for the RSUs or PSUs, the amount in the Eligible Employee's accrued Dividend Equivalent Cash Account shall be paid to the Eligible Employee in cash (net of withholdings) as soon as administratively practicable (and within 30 days) after the Vesting Date provided the related RSUs or PSUs become vested on such Vesting Date.

(e) Payment of the RSU or PSU Account. At the time the Eligible Employee elects to make the deferrals under Section 2.6(b) or Section 2.6(c), the Eligible Employee shall also elect, on such form as approved by the Plan Administrator, the time and manner of payment of such RSU or PSU Account upon his Retirement or Disability, any scheduled payments during employment, payments upon death and such other matters as determined by the Plan Administrator. The payment elections under this Section 2.6(e) shall be made in accordance with the provisions of Article VII. The Eligible Employee's rights to change his payment election shall be determined in accordance with Article VII. The form of payment of the RSU or PSU Account pursuant to Section 2.6(e) shall be shares of Company Securities.

**ARTICLE III
DIRECTOR PARTICIPATION AND DEFERRALS**

3.1 Director's Election to Participate

Each Director may elect to participate for the Plan Year, or part of a Plan Year for which he is eligible, by delivering to the Plan Administrator a written notice, at such time and in such form as approved by the Plan Administrator, electing to participate and specifying the dollar amount or percentage of their (i) Director's Fees elected to defer for such Plan Year (or part of a Plan Year), which may include separate elections with respect to meeting fees, advisory fees, and retainer fees and/or (ii) RSUs (in accordance with the procedures set forth in Section 2.6(b) above). An election to defer Director's Fees for a Plan Year shall be made prior to the commencement of the Plan Year (or within thirty (30) days after the date the Plan is adopted or the Participant's initial eligibility to participate in the Plan), unless the Plan Administrator in its discretion permits an extension of the election period. Increases or decreases in the amount of Director's Fees a Director elects to defer shall not be permitted during the Plan Year. The Director shall be required to submit a new election form to change the Director's election for a subsequent Plan Year. If no new election form is filed during the prescribed enrollment period, the Director's election for the prior Plan Year shall continue in force for the next Plan Year.

3.2 Amount of Deferral

Each Director may elect to defer an amount up to 100% of his Director's Fees for a Plan Year; provided, a Director shall not be permitted to reduce his Director's Fees below the amount necessary to make required or elected contributions to employee benefit plans, required federal, state and local tax withholdings, and any other withholdings deemed necessary by the Plan Administrator or required by law.

**ARTICLE IV
DEFERRED COMPENSATION ACCOUNTS**

4.1 Accounts

The Plan Administrator shall establish a Deferral Account and, if applicable, an Employer Contribution Account for each Eligible Employee for all periods during which such Eligible Employee is a Participant in the Plan. The Plan Administrator shall also establish a Deferral Account for each Director for all periods during which such Director is a Participant in the Plan.

4.2 Deferral Account

Each Participant's Deferral Account shall be credited with an amount equal to all of the Participant's Base Salary, Bonus Payments, RSUs or PSUs, if the Participant is an Eligible Employee, or Director's Fees or RSUs, if the Participant is a Director, elected to be deferred on or about the dates such amounts would have been payable (or as otherwise determined by the Plan Administrator), and shall be credited with earnings, gains or losses in accordance with Section 6.1.

4.3 Employer Contribution Account

Each Participant's Employer Contribution Account shall be credited each Plan Year with an amount equal to the Employer Contribution for the Plan Year (including make-up 401(k) matching contributions and/or any discretionary contributions) and shall be credited with earnings, gains or losses in accordance with Section 6.1.

**ARTICLE V
VESTING OF DEFERRAL ACCOUNT**

5.1 Deferral Account

A Participant shall be immediately 100% vested in all amounts credited to his Deferral Account.

5.2 Employer Contribution Account

A Participant shall become vested in his Employer Contribution Account in accordance with (i) the Participant's Years of Service and (ii) the vesting schedule as may be determined by the Committee to apply to an Employer Contribution at the time such Employer Contribution is made to the Plan. If no such vesting schedule is designated by the Committee, the Participant's Employer Contribution will vest in accordance with the following schedule based on the Participant's Years of Service:

<u>Years of Service</u>	<u>% of Account Vested</u>
Less Than 1	0%
1 but less than 2	33%
2 but less than 3	66%
3 or more	100%

Accordingly, each Participant will be 100% vested in Participant's share of any Employer Contribution on and after the time the Participant has three (3) or more Years of Service unless the Committee, at the time such Employer Contribution is made to the Plan, specifically provides that only Years of Service earned after the date of the Employer Contribution are to be counted for vesting purposes with respect to such Employer Contribution. The Committee may, but is not obligated to, provide at any time that a Participant's Employer Contribution Account or portion thereof shall be fully vested notwithstanding any vesting schedule previously designated to the respective Employer Contributions. If the Participant terminates employment prior to becoming fully vested in his Employer Contribution Account, any unvested amount shall be immediately forfeited.

ARTICLE VI EARNINGS; TRUST ARRANGEMENTS

6.1 Crediting of Earnings, Gains and Losses

The Investment Options shall consist of such investment options as the Plan Administrator may, in its discretion, designate from time to time. Each Participant may select from time to time, in accordance with such rules as the Plan Administrator may establish, the Investment Options in which his Accounts will be deemed to be invested; provided, that the Plan Administrator may in its discretion make certain Investment Options available to only a limited group of Participants. Based on such selection, the Plan Administrator will credit an amount to Participants' Accounts to reflect the amounts by which the Participants' Accounts would have increased or decreased if they had been invested in the Investment Options selected by the Participant. The selection of Investment Options is to be used only for the purpose of valuing each Participant's Accounts. The Company and the Plan Administrator are under no obligation to acquire or provide any of the Investment Options designated by a Participant, and any investments actually made by the Plan Administrator will be made solely in the name of the Company and will remain the property of the Company, subject to the terms of any Trust. If a Participant fails to direct the deemed investment of 100% of his Accounts, any undirected amount shall be deemed to be invested in such fixed income Investment Option as shall be designated by the Plan Administrator.

The Employer shall pay all taxes required to be paid in connection with the deemed investment experience of Participants' Accounts prior to the distribution of a Participant's Account. The Plan Administrator shall periodically provide the Participant with a statement of his Accounts, in such reasonable detail as the Plan Administrator shall deem appropriate, showing the income, gains and losses (realized and unrealized), amounts of deferrals, and distributions from his Accounts since the prior statement.

The Investment Options are used solely for the purpose of determining the deemed earnings, gains and losses to be credited to a Participant's Accounts and no actual investment in the Investment Options shall be required. The Participant has no rights to any particular asset of any Employer.

6.2 Trust

The Company may establish a trust fund with regard to the Accounts hereunder, which is designed to be a grantor trust under Code Section 671. It is the intention of the Company that any trust established for this purpose shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan maintained for the purpose of providing deferred compensation for select members of senior management and certain other selected highly compensated employees for purposes of Title I of ERISA and Directors. The Employer may make payment of benefits directly to Participants or their Beneficiaries as they become due under the terms of the Plan. In addition, if the principal of any trust established for this purpose, and any earnings thereon, is not sufficient to make payments of benefits in accordance with the terms of the Plan, the Employer shall make the balance of each such payment as it falls due.

With respect to any benefits payable under the Plan, the Participants (and their Beneficiaries) shall have the same status as general unsecured creditors of the Company, and the Plan shall constitute a mere unsecured promise by the Company to make benefit payments in the future.

ARTICLE VII PAYMENT OF ACCOUNTS

7.1 Time and Method of Payment

a. Retirement or Disability. At the time an Eligible Employee or Director elects to participate in the Plan and to defer Base Salary, Bonus Payments, RSUs or PSU, if the Participant is an Eligible Employee, or Director's Fees or RSUs, if the Participant is a Director, they shall also elect, in such form as approved by the Plan Administrator, the method for the payment of such deferrals (and any related matching or employer contributions) upon his Retirement or Disability. The Participant may make a separate payment election each Plan Year with respect to deferrals (and any related matching or employer contributions) made for such Plan Year, and separate payment elections for such portions of any deferrals thereof as the Plan Administrator may permit and the Participant may elect, and the Plan Administrator may provide for separate payment elections for Base Salary, Bonus Payments, RSUs and PSUs and/or Director Fees' and RSU deferrals and/or portions of the foregoing. If the Participant does not make an election for any Plan Year, then the most recent previous election shall apply. If no valid distribution election has been previously made by a Participant with respect to a deferral, the distribution election shall be deemed to be a lump sum distribution. Upon Retirement or Disability, a Participant's vested Account balance (or applicable portions of the Account) may be payable in one or more of the following methods, as elected with respect to the deferrals (and any related matching or employer contributions) for each Plan Year:

i. A lump sum payment; or

ii. A partial lump sum payment of a specified percentage of the balance to be distributed with the remaining balance payable in annual installment payments over no more than ten (10) years (excluding the initial partial lump sum payment), with each such installment equal to the unpaid balance of the Account

(or the portion of the Account to which the election applies) as of the preceding December 31st divided by the number of remaining payments (including the payment being made at such time); or

iii. Annual installment payments over no more than ten (10) years, with each such installment equal to the unpaid balance of the Account (or the portion of the Account to which the election applies) as of the preceding December 31st divided by the number of remaining payments (including the payment being made at such time).

Except with respect to Key Employees as provided in Section 7.1(g), (1) full lump sum payments shall be made in January of the calendar year following the calendar year in which the Participant's Retirement or Disability occurs, (2) partial lump sum payments shall be made in January of the calendar year following the calendar year in which the Participant's Retirement or Disability occurs and (A) the first annual installment payment, where the Participant has elected for partial lump sum payments and annual installment payments over a period of no more than ten (10) years, may commence, if so elected by the Participant, in January of the second calendar year following the calendar year in which the Participant's Retirement or Disability occurs, or (B) the first annual installment payment, where the Participant has elected for partial lump sum payments and annual installment payments over a period of no more than five (5) years, may commence, if so elected by the Participant, in January of the sixth calendar year following the calendar year in which the Participant's Retirement or Disability occurs, (3) the first annual installment payment, where the Participant has elected for annual installment payments over a period of no more than ten (10) years, may commence, if so elected by the Participant, in January of the calendar year following the calendar year in which the Participant's Retirement or Disability occurs, and (4) the first annual installment payment, where the Participant has elected for annual installment payments over a period of no more than five (5) years, may commence, if so elected by the Participant, in January of the sixth calendar year following the calendar year in which the Participant's Retirement or Disability occurs. Second and subsequent installments, if any, shall be payable each year in January of such subsequent calendar year.

b. Scheduled Withdrawals During Employment. In addition to the election with respect to the time and method of payment upon Retirement as specified in Section 7.1(a), a Participant may elect, at the time he makes his deferral election each year, in such manner as approved by the Plan Administrator, to receive payment of such deferrals in, or commencing in, January of a specified year (which year must be at least two (2) years after the end of the Plan Year during which the deferral is made) during his term of employment or during his service as a Director, pursuant to one of the following payment methods:

i. A lump sum payment; or

ii. Annual installment payments over a period of two (2), three (3), four (4) or five (5) years with each installment equal to the unpaid balance (or designated portion) of such vested Account as of the preceding December 31st divided by the number of remaining payments.

If a Participant incurs a Disability or terminates employment under subsection (d) below or due to Retirement prior to the payment date in (b) (1), or the completion of the installment payments in (b)(2), the provisions of subsection (a) above (and, if applicable, subsection (g) below) relating to payments after Disability or Retirement or subsections (d) or (e) below (and if applicable, subsection (g) below) (which apply to the Plan Year with respect to which the Participant elected to defer payment under this section 7.1(b)) shall control with respect to the payment of (or payment of all remaining amounts of) such vested portion of the Participant's Account.

c. Termination for Cause or Violation of Restrictive Covenants. Upon a Participant's Termination of Employment by the Employer for Cause or if the Participant violates the Restrictive Covenants set forth in Subsection

(i) below, the Participant's Employer Contribution Account (whether or not otherwise vested), or any remaining payments due from such Employer Contribution Account, shall be immediately forfeited. Except as provided in Section 7.1(g), any vested amount in the Participant's Deferral Account shall be distributed, or shall continue to be distributed, to the Participant as otherwise provided in this Section 7.1.

d. Other Termination of Employment. Except as provided in Section 7.1(g) below, upon a Participant's Termination of Employment or Termination of Service other than due to death, Disability or Retirement, the Participant's entire vested Account balance shall be distributed to the Participant in a single lump sum as soon as administratively practicable (and within 90 days) following the Participant's Termination of Employment or Termination of Service.

e. Death. Upon the death of the Participant while employed, the Participant's Account shall become 100% vested and shall be payable to his Beneficiary in a lump sum in January of the calendar year following the calendar year in which the Participant dies; provided, however, the Participant may elect in advance, at such time and in such manner as determined by the Plan Administrator, that the Account will be paid to his Beneficiary in (1) a partial lump sum payment in January of the calendar year following the calendar year in which the Participant dies while employed and annual installment payments either (A) over a period of no more than ten (10) years, if so elected by the Participant, beginning in January of the second calendar year following the calendar year in which the Participant dies while employed or (B) over a period of no more than five (5) years, if so elected by the Participant, beginning in January of the sixth calendar year following the calendar year in which the Participant dies while employed, (2) annual installment payments over a period of no more than ten (10) years, if so elected by the Participant, beginning in January of the calendar year following the calendar year in which the Participant dies while employed, or (3) annual installment payments over a period of no more than five (5) years, if so elected by the Participant, beginning in January of the sixth calendar year following the calendar year in which the Participant dies while employed. Second and subsequent installments, if any, shall be payable each year in January of such subsequent calendar year. If the Participant dies after the time for payment of his Account has commenced, his Account shall continue to be paid in the same manner as it was to be paid prior to his death.

f. Lump Sum Distributions. The Plan Administrator (or its designee) may establish from time to time, consistent with the requirements of Section 409A, limitations on the Participant's ability to select the time and method of payment of his Account based upon the amount in the Account. The Plan Administrator may, if required by liquidity limitations resulting from a financial investment used to support an Investment Option (but only to such extent), establish limits on the timing and manner of payouts otherwise provided for under this Article VII for amounts attributable to such Investment Option but only to the extent permitted by Section 409A. Unless and until changed by the Committee (or its designee) consistent with the requirements of Section 409A, in accordance with Notice 2007-78, if the Participant's aggregate Account has a total vested balance of less than \$50,000 at the time the distribution of the Account is to commence (not counting any scheduled withdrawals during employment), the Participant's Account shall be paid in a single lump sum at the time described above, regardless of any election by the Participant to be paid in installments.

g. Unforeseeable Emergency. Upon the occurrence of an "unforeseeable emergency", as defined in Code Section 409A and the regulations thereunder, the Participant may receive a lump sum distribution of such amounts as are necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution. The Plan Administrator or the Human Resources Department shall determine the existence of an unforeseeable emergency and the maximum amount of any distribution in accordance with the requirements of Code Section 409A and the regulations and other guidance thereunder. Any distribution on account of an unforeseeable emergency shall be payable in a lump sum as soon as administratively practical following approval by the Plan Administrator or its designee and shall be payable only from the vested portion of the Participant's Account. The Plan Administrator or its designee may prescribe that a Participant who receives a distribution on account of an unforeseeable emergency may not make additional deferrals of Base Salary or Director's Fees for the remainder of the Plan Year or some other time period to the extent permitted by Section 409A.

h. Special Rule for Key Employees. Notwithstanding any other provision of this Plan, if the Participant is or could likely be considered a Key Employee (as determined by the Plan Administrator or its designee in accordance with procedures that are consistent with Section 409A, distributions to such Participant shall not be made before the date which is six (6) months after the date of the Participant's Termination of Employment or Termination of Service, as applicable (or, if earlier, the date of death of the Participant), and any distribution that would otherwise be payable before the six (6)-month anniversary (or, if earlier, the date of death of the Participant) shall be delayed and shall be paid within thirty (30) days following such six (6)-month anniversary (or, if earlier, the date of death of the Participant).

i. Form of Payment. All payments from the Plan shall be made in cash, except those amounts deemed to be invested in Company Securities shall be paid in shares of Company Securities.

j. Restrictive Covenants.

- (1) If, during his employment with the Company or at any time during the one (1) year period after the Date of Termination, the Participant violates the restrictive covenants ("Restrictive Covenants") set forth in subsection (2) below, then the forfeiture provisions of subsection (c) above shall apply.
- (2) The Participant shall not directly or indirectly, individually, or on behalf of any Person other than the Company or an Affiliate:
 - (i) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;
 - (ii) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Affiliate or is at will;
 - (iii) engage in any Restricted Activities within the Territory or from a business location servicing any part of the Territory;
 - (iv) manage any personnel engaging in any Restricted Activities within the Territory; or
 - (v) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Affiliate, the Company's Business or the Company's or any Affiliate's suppliers, employees, patrons, customers, and others who may at any time have or have had relations with the Company or any Subsidiary.
 - (vi) The Participant further agrees that he or she will not, except as necessary to carry out his duties as an employee of the Company, disclose or use Confidential Information. The Participant further agrees that, upon termination or expiration of employment with the Company for any reason whatsoever or at any time, the Participant will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Participant's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.
- (3) For purposes of this subsection (i), the following terms shall have the meanings specified below:
 - (i) "Company's Business" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.
 - (ii) "Confidential Information" means information, without regard to form, relating to the Company's or any Affiliate's customers, operation, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including, but not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information),

programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Affiliate by third parties that the Company or any Affiliate is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two (2) year period after the Date of Termination.

(iii) "Customers" means all Persons that (1) the Participant serviced or solicited on behalf of the Company or any Affiliate, (2) whose dealings with the Company or any Affiliate were coordinated or supervised, in whole or in part, by the Participant, or (3) about whom the Participant obtained Confidential Information, in each case during the term of this Agreement or while otherwise employed by the Company.

(iv) "Date of Termination" means the date upon which the Participant's employment with the Company ceases for any reason.

(v) "Person" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

(vi) "Restricted Activities" means serving as a director, officer, executive, manager, employee or business consultant for a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(vii) "Territory" means the Territory as defined in the Participant's most recent Award Agreement under the Company's 2000 Key Employee Stock Incentive Plan.

7.2 Changes in Election

A Participant may request a change in his election as to the method of payment under Section 7.1(a) or as to the date or method of payment under Section 7.1(b) on such form and pursuant to such procedures as may be established by the Plan Administrator. To be effective, a request for a change must be made at least one year prior to the date the Participant's distributions would otherwise commence and will not be effective until twelve (12) months after it is made. A Participant who requests a change as to the method of payment for Disability or Retirement or as to the date or method of payment with respect to payments during employment or service as a Director must request a new payment commencement date that is at least five (5) years after the date of commencement of payment previously elected by the Participant.

The Plan Administrator may only offer Participants the opportunity to make new payment elections under Sections 7.1(a), 7.1(b) and 7.1(e) in accordance with the rules under Section 409A. Any such elections shall be made at such time and on such forms as may be provided by the Plan Administrator; provided, however, only two subsequent deferral elections can be made with respect to the same portion of the Participant's Account, and no such election may be made if payment of that portion of the Participant's Account would be made later than the eleventh calendar year following the calendar year in which the Participant's Retirement or Disability occurs, in which the Participant dies while employed or in which the Participant's Termination of Employment occurs.

7.3 Direction of Payments

Payment under this Article VII of amounts credited to a Participant's Account shall be made to the Participant, provided that the Plan Administrator may, in its discretion and in accordance with such procedures, allow the Participant to direct (which direction may be required to be irrevocable) that the Plan make such payments directly to a trust, partnership or other legal entity established by, or for the benefit of, the Participant. Regardless

of the entity to which a Participant's Accounts are paid, the Participant shall remain liable for all income and other taxes with respect to such payments as provided in Section 10.4.

7.4 Consequences of a Change of Control

Notwithstanding anything to the contrary contained in this Plan, upon the occurrence of a Change of Control and provided Participant has not incurred a Termination of Employment or Termination of Service before such time, each Participant's Account shall become fully vested but shall remain subject to the Plan's payment provisions and the Participant's elections as to time and method of payment.

7.5 Cash-outs of Small Amounts

Subject to the remaining sentences of this section, if the total value of all of the Participant's Accounts is less than the applicable dollar amount under Section 402(g)(1)(B) of the Code (\$18,000 for 2016) or such lesser amount as the Board of Directors, the Compensation Committee or the Benefits Committee of the Company may designate, the Company reserves the right to distribute all of the Participant's Accounts to the Participant in a single lump sum. The foregoing sentence only applies if the payment results in the termination and liquidation of the entirety of the Participant's interest under the Plan, including any other plan of the Company that would be aggregated with the Plan under Treasury Regulation Section 1.409A-1(c). By no later than the date payment is to be made, the Company must specify in writing that it is exercising its discretion to make the payment in form of a single lump sum payment under this section 7.5 in accordance with the cash-out rules under Treasury Regulation Section 1.409A-3(i)(4)(v). The cash-out may occur at any time before, at or after the date the benefit otherwise is to commence.

ARTICLE VIII ADMINISTRATION

8.1 Committee

The general administration of the Plan and the responsibility for carrying out its provisions shall be placed with the Benefits Committee of the Company (the "Committee") and the Plan Administrator and their designee(s).

8.2 Duties and Binding Effect of Decisions

The Committee and the Plan Administrator shall have the discretion and authority to (i) make, amend, interpret and enforce all appropriate rules and procedures for the administration of this Plan, (ii) select the Investment Options, (iii) decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with the Plan or the benefits payable under the Plan, and (iv) maintain all records that may be necessary for the administration of the Plan. The decision or action of the Committee and the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules, regulations and procedures promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

8.3 Committee Action

Any act which the Plan authorizes or requires the Committee to do may be done by a majority of its members. The action of such majority, expressed from time to time by a vote at a meeting (a) in person, (b) by telephone, electronic mail or other means by which all members may hear one another or (c) in writing without a meeting, shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all members of the Committee at the time in office.

8.4 Delegation

The members of the Committee may authorize one or more of its members, and the Committee and the Plan Administrator may authorize any other person or persons, to execute and deliver any instrument, make any payment or perform any other act which the Plan authorizes or requires the Committee or Plan Administrator to do. Without limiting the generality of the foregoing, until the Committee determines otherwise, the Benefits Committee of the Company (or its designee) shall be the Plan Administrator and responsible for the execution of the routine administration of the Plan.

8.5 Services

The Committee or Plan Administrator may employ or retain agents to perform such clerical, accounting, legal, consulting, trust, trustee and other services as may be necessary or desirable to carry out the provisions of the Plan.

8.6 Indemnification

The Company shall indemnify and save harmless each member of the Committee, the Plan Administrator and their designee(s) against all expenses and liabilities, including reasonable legal fees and expenses arising out of actions taken, or not taken, with respect to the Plan, excepting only expenses and liabilities arising from their own gross negligence or willful misconduct, as determined by the Board of Directors.

8.7 Claims Procedure

a. All claims for benefits under the Plan shall be submitted, in writing, to the Plan Administrator on forms prescribed by the Plan Administrator and must be signed by the Participant or, in the case of a death benefit, by Participant's Beneficiary or legal representative. Any Participant or Beneficiary who disputes the amount of his or her entitlement to Plan benefits must file a claim in writing within two-hundred seventy (270) days of the event that the Participant or Beneficiary is asserting constitutes an entitlement to such Plan benefits or, if later, within ninety (90) days of the date the first payment is due. Failure by the Participant or Beneficiary to submit such claim within such time periods shall bar the Participant or Beneficiary from any claim for benefits under the Plan as the result of the occurrence of such event or the failure to make such payment. In no event shall the Participant or other claimant be entitled to challenge a decision of the Plan Administrator with respect to a claim unless and until the claims procedures herein have been complied with and exhausted. Each claim shall be approved or disapproved by the Plan Administrator within ninety (90) days of receipt of each such claim. However, if special circumstances require an extension of time for the Plan Administrator to process the claim, the ninety (90) day period may be extended for an additional ninety (90) days. Prior to the termination of the initial ninety (90) day period, the Plan Administrator shall provide the claimant with a written notice setting forth the reason for the extension. The notice shall indicate the special circumstance requiring the extension of time and the date by which the Plan Administrator expects to render the benefit determination.

b. In the event any claim (or benefit) is denied in whole or in part, the Plan Administrator shall, within the time period described in (a) above, notify the claimant in writing of such denial and of the claimant's right to a review by the Plan Administrator and shall set forth, in a manner calculated to be understood by the claimant, specific reasons for such denial; including specific references to the Plan provisions on which the denial is based; descriptions of, and reasons for, any material or information necessary for the claimant to perfect his claim for review; and an explanation of the Plan's review procedure and time limits applicable to such procedures, including the claimant's right to bring civil action following an adverse benefit determination on review.

c. Any person whose application is denied in whole or in part may appeal to the Plan Administrator for a review of such denial. Such appeal shall be made by submitting to the Plan Administrator, within sixty (60) days of the receipt of initial denial, a written statement requesting a review of such denial and setting forth the grounds on which such appeal is made and any issues or comments which the claimant deems pertinent to his application. The claimant shall have the opportunity to submit written comments,

documents and records relating to the claim and shall have reasonable access to and copies of documents and records relevant to the claim, upon request and free of charge. The Plan Administrator shall make an independent determination of the claimant's eligibility for benefits within sixty (60) days of such appeal and shall give written notice to the claimant of its determination on review within such time period. If there are special circumstances requiring an extension of time for processing, a decision shall be rendered within one hundred twenty (120) days after receipt of the request for review. If an extension of time is required, the Plan Administrator will provide the claimant with written notification of the special circumstances involved and the date by which the Plan Administrator expects to render a final decision. The decision of the Plan Administrator on any appeal for benefits shall be final and conclusive. If a claimant's request is wholly or partially denied on review, the Plan Administrator must give written notice to the claimant that contains the specific reasons for the denial, the Plan provisions on which the denial is based, a description of the Plan's claim review procedures and the time limits applicable thereto, including the claimant's right to bring civil action.

d. Notwithstanding the claims procedure set forth in (a), (b) or (c) above, the following claims procedure shall apply for any claim based on a Disability.

i. If a Participant applies for a benefit under the Plan based on a Disability, and in the event a claim for benefits is wholly or partially denied by the Plan Administrator, the Plan Administrator shall, within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim, notify the claimant in writing of the denial of the claim. This forty-five (45) day period may be extended up to thirty (30) days if such an extension is necessary due to matters beyond the control of the Plan, and the claimant is notified, prior to the expiration of the initial forty-five (45) day period, of the circumstances requiring the extension of time and the date by which the Plan Administrator expects to render a decision. If, prior to the end of the first thirty (30) day extension period, the Plan Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional thirty (30) days, provided that the Plan Administrator notifies the claimant, prior to the expiration of the first thirty (30) days extension period, of the circumstances requiring the extension and the date as of which the Plan Administrator expects to render a decision. In the case of any extension, the notice of extension also shall specifically explain the standards on which entitlement to a benefit upon a Disability is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least forty-five (45) days within which to provide the specified information, if any.

ii. If the Plan Administrator denies the claim for a Disability benefit in whole or in part, the claimant shall be provided with written notice of the denial stating the specific reason for the denial; reference to the specific Plan provisions on which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including the claimant's right to bring civil action following an adverse benefit determination. If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion shall be provided to the claimant free of charge, or the claimant shall be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request.

iii. If the claim for a Disability benefit is denied in full or in part, the claimant shall have the right to appeal the decision by sending a written request for review to the Plan Administrator within one hundred eighty (180) days of his receipt of the claim denial notification. The claimant may submit written comments, documents, records, and other information relating to his or her claim for benefits. Upon request, the claimant shall be provided free of charge and reasonable access to, and copies of, all documents, records and other information relevant to his claim.

iv. Upon receipt of the claimant's appeal of the denial of his claim, the Plan Administrator shall conduct a review that takes into account all comments, documents, records, and other information submitted by the claimant or his authorized representative *relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review shall not afford deference to the initial benefit determination and shall be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Plan Administrator shall consult a medical professional who has appropriate training and experience in the field of medicine relating to the claimant's disability and who is neither consulted as part of the initial denial nor is the subordinate to such individual and shall identify the medical or vocational experts whose advice is obtained with respect to the initial benefit denial, without regard to whether the advice was relied upon in making the decisions. If a claim is denied due a medical judgment, the Plan Administrator will consult with a healthcare professional who has appropriate training and experience in the field of medicine involved in the medical judgment. The healthcare professional consulted will not be the same person consulted in connection with the initial benefit decision (nor be the subordinate of that person). The decision on review also will identify any medical or vocational experts who advised the Company's Human Resources Department in connection with the original benefit decision, even if the advice was not relied upon in making the decision.

v. The Plan Administrator shall notify the claimant of its determination on review within a reasonable period of time, but generally not later than forty-five (45) days after receipt of the request for review, unless the Committee determines that special circumstances require an extension of time for processing the claim. If the Committee determines that an extension of time for processing is required, written notice of the extension will be furnished to the claimant prior to the termination of the initial forty-five (45) day period. In no event shall such extension exceed a period of forty-five (45) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring extension of time and the date by which the Committee expects to render the determination on review.

vi. If the Plan Administrator denies the claim on appeal, it shall notify the claimant in a manner to be understood by him of the specific reason or reasons for the adverse determination; reference to the specific Plan provisions on which the adverse determination is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his claim; and a statement indicating the claimant's right to file a lawsuit upon completion of the claims procedure process. If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion shall be provided free of charge, or the claimant may be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request.

(e) The Participant or other claimant shall only have ninety (90) days from the date of receipt of the Plan Administrator's final decision on review in which to file suit regarding a claim for benefits under the Plan. If suit is not filed within such ninety (90) days, it shall be forever barred. The Plan Administrator's decisions made hereunder shall be final and binding on all interested parties.

(f) Notwithstanding the foregoing, any claims for benefits of the Plan Administrator will be processed as described above by the Committee.

ARTICLE IX AMENDMENT AND TERMINATION

9.1 Amendment

The Company, by action of the Board of Directors or the Compensation Committee, may at any time or from time to time modify or amend any or all of the provisions of the Plan, or stop future deferrals to the Plan, provided that no such amendment shall reduce a Participant's Account balance or change existing elections with respect to the time and method of payment of a Participant's Account except at otherwise permitted by Section 409A.

9.2 Termination of Plan

The Company expects to continue this Plan, but does not obligate itself to do so. The Company reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State). Termination of the Plan shall be binding on all Participants and Employers, but in no event may such termination reduce the amounts credited at that time to any Participant's Account. If this Plan is terminated, the Participants' Accounts shall become fully vested, and subject to Section 7.1(g), if the Plan is to be liquidated in connection with the termination, amounts credited to Participants' Accounts shall be paid in a lump sum, provided that (A) the Company terminates at the same time any other arrangement that is subject to Section 409A and that would be aggregated with the Plan under Section 409A; (B) the Company does not adopt any other arrangement that would be aggregated with the Plan under Section 409A for three years; (C) the payments upon such termination shall not commence until 12 months after the date of termination and all such payments must be completed within 24 months after the date of termination; and (D) such other requirements as may be imposed by Section 409A are satisfied. Notwithstanding the foregoing, the Plan may be terminated and liquidated at any other time and in any other manner permitted by Section 409A.

ARTICLE X GENERAL PROVISIONS

10.1 Limitation on Participant's Rights

Participation in this Plan shall not give any Participant the right to be retained in the Employer's employ, or any right or interest in this Plan or any assets of the Employer other than as herein provided. The Employer reserve the right to terminate the employment of any Participant at any time without any liability for any claim against the Employer under this Plan, except to the extent expressly provided herein.

10.2 Unsecured General Creditor

Participants and their beneficiaries shall have no legal or equitable rights, interests or claims in any property or assets of the Company or an Employer. The Company's or Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

10.3 Participation in Other Plans

Nothing in this Plan shall be construed to alter, abridge, or in any manner affect the rights and privileges of the Participant to participate in and be covered by any pension, profit sharing, group insurance, bonus or similar employee plans which an Employer may now or hereafter maintain.

10.4 Taxes

If the whole or any part of any Participant's Account shall become liable for the payment of any estate, inheritance, income, employment or other tax which the Employer shall be required to pay or withhold, the Employer shall have the full power and authority to withhold and pay such tax out of any moneys or other property in its hand for the account of the Participant whose interests hereunder are so liable. The Employer shall provide notice to the Participant of any such withholding. Prior to making any payment, the Employer may require such releases or other documents from any lawful taxing authority as it shall deem necessary. The

Employer, in its sole discretion, also may provide for each payment and withholding by reducing the Participant's Account to the extent permitted by Section 409A.

10.5 Assignment, Pledge or Encumbrance

Except as expressly provided in Section 7.3, the amounts credited to the Accounts of a Participant shall not be subject to assignment, alienation, pledge, transfer or other encumbrance of any kind, whether voluntary or involuntary, and any such purported assignment, alienation, pledge, transfer or other encumbrance shall be void and unenforceable against the Plan, the Trust, the Company or any Affiliate; further, the amounts credited to the Accounts shall not be liable for, or subject to, legal process, claims of creditors, tort claims, or attachment for the payment of any claim against any Participant or other person entitled to receive such amount; provided, that nothing herein shall prevent an assignment or other encumbrance in favor of the Employer to secure any indebtedness of any kind of the Participant to the Employer.

10.6 Minor or Incompetent

If the Plan Administrator determines that any person to whom a payment is due hereunder is a minor or is incompetent by reason of a physical or mental disability, the Plan Administrator shall have the power to cause the payments becoming due to such person to be made to another for the benefit of such minor or incompetent without responsibility of the Company or the Plan Administrator to see to the application of such payment. Payments made pursuant to such power shall operate as a complete discharge of the Company, the Committee, the Plan Administrator and their designees.

10.7 Beneficiary

Each Participant may designate, on such form as may be provided by the Plan Administrator, any person(s), trusts, partnerships, foundations, or other legal entity(ies), including his estate, as his Beneficiary under the Plan. A Participant may revoke his designation of a Beneficiary or change his Beneficiary at any time prior to his death by executing a change of beneficiary form and delivering such form to the Plan Administrator. If no person or legal entity shall be properly designated by a Participant as his Beneficiary or if no designated Beneficiary survives him, his Beneficiary shall be his estate.

10.8 Binding Provisions

The provisions of this Plan shall be binding upon each Participant as a consequence of his election to participate in the Plan, and his heirs, executors, administrators, and assigns. This Plan shall be binding upon, and enforceable against, the Company and any successor(s) (whether direct or indirect, by purchase, merger, consolidation, sale of assets or otherwise) to substantially all of the business or assets of the Company.

10.9 Notices

Any election made or notice given by a Participant pursuant to the Plan shall be in writing to the Plan Administrator or to such representative as may be designated by the Plan Administrator for such purpose, shall be on such form as may be specified by the Plan Administrator, and shall not be deemed to have been made or given until the date it is received by the Plan Administrator or its designated representative.

10.10 Alternative Action

In the event it shall become impossible for the Company, the Committee or the Plan Administrator to perform any act required by this Plan, the Company, the Committee or the Plan Administrator may in its discretion perform such alternative act as most nearly carries out the intent and purpose of this Plan.

10.11 Compliance with Code Section 409A

The Plan is intended to satisfy the requirements of Code Section 409A and any regulations or guidance that may be adopted thereunder from time to time. The Plan may be amended or interpreted by the Plan Administrator as it determines necessary or appropriate in accordance with Code Section 409A and to avoid a plan failure under Code Section 409A(1).

10.12 Governing Law

The Plan shall be governed by and construed in accordance with ERISA and the Code, and to the extent not preempted by such laws, in accordance with the laws of the State of Georgia, but not including the choice of law provisions thereof.

10.13 Headings

Article and section headings are for convenient reference only and shall not control or affect the meaning or construction of any of its provisions.

10.14 Pronouns

The masculine pronoun shall be deemed to include the feminine wherever it appears in the Plan unless a different meaning is required by the context.

IN WITNESS WHEREOF, the Company has adopted the amended and restated Plan to be effective as of January 1, 2017.

UNITED COMMUNITY BANKS, INC

By: /s/ Jimmy Tallent _____

Name: Jimmy Tallent _____

Title: Chairman and CEO _____

ATTEST:

By: /s/ Lori McKay _____

Name: Lori McKay _____

Title: Corporate Secretary _____

**FIRST AMENDMENT TO THE
UNITED COMMUNITY BANKS
DEFERRED COMPENSATION PLAN**

(As Amended and Restated Effective as of January 1, 2017)

WHEREAS, UNITED COMMUNITY BANKS, INC. (the "*Company*"), a Georgia bank holding company located in Blairsville, Georgia, maintains the United Community Banks Deferred Compensation Plan, effective as of October 21, 2004, as amended and restated as of January 1 2017 (the "*Plan*"); and

WHEREAS, the Company desires to amend the claims procedures under the Plan, effective as of April 1, 2018 (the "*Effective Date*"), to reflect the final Department of Labor regulations regarding any claim under the Plan based on a Disability; and

WHEREAS, Plan Section 9.1 permits the modification or amendment of the Plan from time to time, by action of the Board of Directors of the Company (the "*Board*"), or by action of the Compensation Committee of the Board.

NOW, THEREFORE, the Plan is hereby amended, effective as of the Effective Date, as follows:

1. Effective as of April 1, 2018, **Section 8.7(d) of the Plan** shall be amended and restated in its entirety to read as follows:

(d) Notwithstanding the claims procedure set forth in (a), (b) or (c) above, the following claims procedure shall apply for any claim based on a Disability.

- (1) If a Participant applies for a benefit under the Plan based on a Disability, and in the event a claim for benefits is wholly or partially denied by the Plan Administrator, the Plan Administrator shall, within a reasonable period of time, but no later than forty-five (45) days after receipt of the claim, notify the claimant in writing of the denial of the claim. This forty-five (45) day period may be extended up to thirty (30) days if such an extension is necessary due to matters beyond the control of the Plan, and the claimant is notified, prior to the expiration of the initial forty-five (45) day period, of the circumstances requiring the extension of time and the date by which the Plan Administrator expects to render a decision. If, prior to the end of the first thirty (30) day extension period, the Plan Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional thirty (30) days, provided that the Plan Administrator notifies the claimant, prior to the expiration of the first thirty (30) days extension period, of the circumstances requiring the extension and the date as of which the Plan Administrator expects to render a decision. In the case of any extension, the notice of extension also shall specifically explain the standards on which entitlement to a benefit upon a Disability is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least forty-five (45) days within which to provide the specified information, if any.
- (2) If the Plan Administrator denies the claim for a Disability benefit in whole or in part, the claimant shall be provided with notice, written in a culturally and linguistically appropriate manner, of the denial stating the specific reason for the denial; reference to the specific Plan

provisions on which the denial is based; a discussion of the decision, including any explanation for disagreeing with or not following (i) the views presented by the claimant of health care professionals treating the claimant and vocational professionals who evaluated the claimant, (ii) the views of medical or vocation experts whose advice was obtained on behalf of the Plan in connection with the adverse benefit determination, without regard to whether the advice was relied upon in making the determination, and (iii) any disability determinations made by the Social Security Administration; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures (as set forth below) and the time limits applicable to such procedures, including the claimant's right to bring civil action following an adverse benefit determination. The notice will specify whether or not an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, and if so, the specific rule, guideline, protocol, or other similar criterion shall be provided to the claimant free of charge, or the claimant shall be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request. If the claim denial is based on an exclusion or limit (such as a medical necessity requirement or an experimental treatment exclusion), the claimant shall be provided with an explanation of the scientific or clinical judgment, applying the terms of the Plan to the claimant's circumstances, or the claimant shall be informed that such explanation shall be provided free of charge upon request.

- (3) If the claim for a Disability benefit is denied in full or in part, the claimant shall have the right to appeal the decision by sending a written request for review to the Plan Administrator within one hundred eighty (180) days of his receipt of the claim denial notification. The claimant may submit written comments, documents, records, and other information relating to his or her claim for benefits. Upon request, the claimant shall be provided free of charge and reasonable access to, and copies of, all documents, records and other information relevant to his claim.
- (4) Upon receipt of the claimant's appeal of the denial of his claim, the Plan Administrator shall conduct a review that takes into account all comments, documents, records, and other information submitted by the claimant or his authorized representative relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review shall not afford deference to the initial benefit determination and shall be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. If a claim is denied due a medical judgment, the reviewer will consult with a healthcare professional who has appropriate training and experience in the field of medicine involved in the medical judgment. The healthcare professional consulted will not be the same person consulted in connection with the initial benefit decision (nor be the subordinate of that person). The decision on review also will identify any medical or vocational experts who advised the reviewer in connection with the original benefit decision, even if the advice was not relied upon in making the decision.
- (5) The Plan Administrator shall notify the claimant of its determination on review within a reasonable period of time, but generally not later than forty-five (45) days after receipt of the request for review, unless the Plan Administrator determines that special circumstances require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished

to the claimant prior to the termination of the initial forty-five (45) day period. In no event shall such extension exceed a period of forty-five (45) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring extension of time and the date by which the Plan Administrator expects to render the determination on review.

- (6) If the Plan Administrator anticipates denying the claimant's appeal, in whole or in part, the Plan Administrator will provide to the claimant (i) any new or additional evidence considered, relied upon, or generated in connection with the claim by the Plan; and (ii) if the anticipated adverse determination is based on a new or additional rationale, the rationale for the determination. Such information shall be provided as soon as possible and sufficiently in advance of the date the Plan Administrator is required to render its decision to provide the claimant a reasonable opportunity to review the information and submit a response.
- (7) If the Plan Administrator denies the claim on appeal, it shall notify the claimant in a culturally and linguistically appropriate manner of the specific reason or reasons for the adverse determination; reference to the specific Plan provisions on which the adverse determination is based; a discussion of the decision, including any explanation for disagreeing with or not following (i) the views presented by the claimant of health care professionals treating the claimant and vocational professionals who evaluated the claimant, (ii) the views of medical or vocation experts whose advice was obtained on behalf of the Plan in connection with the adverse benefit determination, without regard to whether the advice was relied upon in making the determination, and (iii) any disability determinations made by the Social Security Administration; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his claim; and a statement indicating the claimant's right to file a lawsuit upon completion of the claims procedure process. The notice will specify whether or not an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, and if so, the specific rule, guideline, protocol, or other similar criterion shall be provided to the claimant free of charge, or the claimant shall be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request. If the claim denial is based on an exclusion or limit (such as a medical necessity requirement or an experimental treatment exclusion), the claimant shall be provided with an explanation of the scientific or clinical judgment, applying the terms of the Plan to the claimant's circumstances, or the claimant shall be informed that such explanation shall be provided free of charge upon request.

2. Effective as of April 1, 2018, Section 8.7(e) of the Plan shall be amended and restated in its entirety to read as follows:

- (e) The Participant or other claimant shall only have ninety (90) days from the date of receipt of the Plan Administrator's final decision on review in which to file suit regarding a claim for benefits under the Plan. If suit is not filed within such ninety (90) days, it shall be forever barred. The Plan Administrator's decisions made hereunder shall be final and binding on all interested parties. Any civil action by a claimant must be based only on the issues identified during the administrative review process. Judicial review will be limited to the Plan document and the record developed during the administrative review process.

3. All of the other terms of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to the Plan to be duly executed by its authorized officer to be effective as of April 1, 2018.

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy Tallent

Name: Jimmy Tallent

Title: Chairman and CEO

ATTEST:

By: /s/ Lori McKay

Name: Lori McKay

Title: Corporate Secretary

**SECOND AMENDMENT TO THE
UNITED COMMUNITY BANKS
DEFERRED COMPENSATION PLAN**

(As Amended and Restated Effective as of January 1, 2017)

WHEREAS, UNITED COMMUNITY BANKS, INC. (the "*Company*"), a Georgia bank holding company located in Blairsville, Georgia, maintains the United Community Banks Deferred Compensation Plan, effective as of October 21, 2004, as amended and restated as of January 1 2017 (the "*Plan*"); and

WHEREAS, the Company desires to amend the Plan, effective as of January 1, 2019 (the "*Effective Date*"); and

WHEREAS, pursuant to Section 9.1 of the Plan, a modification or amendment of the Plan may be made from time to time, by action of the Board of Directors of the Company (the "*Board*"), or by action of the Compensation Committee of the Board.

NOW, THEREFORE, the Plan is hereby amended, effective as of the Effective Date, as follows:

1. Effective as of January 1, 2019, the third paragraph of **Section 2.2(a)** of the Plan is hereby amended to read as follows:

"A Participant shall be required to submit a new election form on a timely basis for each Plan Year. Prior elections will not carryover to any subsequent Plan Year."

2. Effective as of January 1, 2019, **Section 2.3(a)** of the Plan is hereby amended to read as follows:

"(a) 401(k) Restoration Deferral. Each Eligible Employee may make a 401(k) Restoration Deferral by electing to defer an amount equal to (i) 1% to 5% (or such lesser or greater percentage as would be subject to a matching contribution under the United 401(k) Plan if such amount were contributed to the United 401(k) Plan notwithstanding applicable limitations thereon) of the Eligible Employee's Base Salary for the applicable Plan Year minus (ii) the aggregate amount of the dollar limit for the applicable Plan Year on elective deferrals under Code Section 402(g) and the dollar limit for the applicable Plan Year on catch-up contributions under Code Section 414(v), regardless of whether the Eligible Employee is participating in the United 401(k) Plan with respect to all or any portion of the applicable Plan Year. The Plan Administrator may set a minimum amount of deferrals for a Plan Year and/or for any payroll period. Such Base Salary deferrals of the Eligible Employee constitute the Participant's 401(k) Restoration Deferral to be deferred under the Plan. "

3. Effective as of January 1, 2019, Section 2.3(b) of the Plan is hereby amended to read as follows:

"(b) Additional Deferrals. In addition to and/or in lieu of the 401(k) Restoration Deferrals, subject to Section 2.3(c) below, each Eligible Employee may elect to defer an amount not to exceed (i) 75% of Base Salary for the applicable Plan Year (or part of the applicable Plan Year), and (ii) 100% of Bonus Payments with respect to the applicable Plan Year."

4. Effective as of January 1, 2019, Section 2.4(b) of the Plan is hereby amended to add a new sentence at the end thereof which shall read as follows:

"Notwithstanding the preceding, effective as of January 1, 2019, this Section 2.4(b) shall not apply with respect to any deferral of Bonus Payments for Plan Years beginning on or after January 1, 2019."

5. Effective as of January 1, 2019, Section 2.4(c) of the Plan is hereby amended to read as follows:

"(c) Discretionary Matching Contributions. The Company may, from time to time, in its sole and absolute discretion, credit a Participant's Employer Contribution Account with such other matching contributions as the Compensation Committee may designate. Such contributions, if any, may be made on behalf of one, some or all Participants, and may or may not be based on the Eligible Employee's 401(k) Restoration Deferrals and/or Additional Deferrals of Base Salary or Bonus Payments. The matching contribution formula under this Section 2.4(c) may or may not be the same matching contribution formula as under the United 401(k) Plan. The Company shall provide Participants with information regarding the matching contributions that will be credited under this Plan, if any. Matching contributions are credited at the sole discretion of the Company and the fact that a matching contribution is credited in one year shall not obligate the Company to continue to make such contributions in any subsequent year."

6. Effective as of January 1, 2019, Section 2.4(d) of the Plan is hereby amended to read as follows:

"(d) Discretionary Contributions. The Company may, from time to time, in its sole and absolute discretion, credit a Participant's Employer Contribution Account for a Plan Year with an amount determined in the discretion of the Compensation Committee that may be a percentage of the Eligible Employee's Base Salary, a dollar amount, or some other amount. Any such Employer Contribution for a Plan Year may differ among Eligible Employees and may be made for some Eligible Employees but not others. The Employer Contribution, if any, shall be credited to the Employer Contribution Account for the Eligible Employee."

7. Effective as of January 1, 2019, **Section 3.1** of the Plan is hereby amended to delete the last two sentences of the paragraph and to substitute therefore the following:

"The Director shall be required to submit a new election form on a timely basis for each Plan Year. Prior elections will not carryover to any subsequent Plan."

8. Effective as of January 1, 2019, Section **4.3** of the Plan is hereby amended to read as follows:

"Each Participant's Employer Contribution Account shall be credited each Plan Year with an amount equal to the Employer Contribution, if any, for the Plan Year and shall be credited with earnings, gains or losses in accordance with Section 6.1."

9. The other terms of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to the Plan to be duly executed by its authorized officer to be effective as of January 1, 2019.

UNITED COMMUNITY BANKS, INC.

By: /s/ Lynn Harton

Name: H. Lynn Harton

Title: CEO

ATTEST:

By: /s/ Lori McKay

Name: Lori McKay

Title: Corporate Secretary

United Community Banks, Inc.

Employee Stock Purchase Plan

(as amended and restated effective as of January 1, 2015)

1. Purpose

The purpose of the United Community Banks, Inc. Amended and Restated Employee Stock Purchase Plan (the “Plan”) is to give eligible employees of United Community Banks, Inc. (the “Company”) and its designated Subsidiaries (as defined herein) an opportunity to buy Common Stock (as defined below) of the Company through payroll deductions. The Company intends for the Plan to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the “Code”), and the Plan shall be construed accordingly. The Plan amends and restates the United Community Banks, Inc. Employee Stock Purchase Plan that the Company adopted effective December 16, 2005.

2. Definitions

“Board” means the Board of Directors of the Company.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor thereto.

“Committee” means the Compensation Committee of the Board, if the Board appoints it to administer the Plan, or the Board itself if the Compensation Committee is not appointed to administer the Plan.

“Common Stock” means the Common Stock, \$1.00 par value per share, of the Company.

“Company” means United Community Banks, Inc., a Georgia corporation, and any successor thereto.

“Compensation” means the compensation that an Employer pays to a Participant for any applicable period as defined by the Committee for purposes of the Plan and consistent with the requirements of Section 423 of the Code. If the Committee does not otherwise define what Compensation means for any applicable period, Compensation means the Participant’s base salary and commissions from all Employers for the applicable period, excluding bonuses, overtime and other incentives but adding back any amount of base salary and commissions which is contributed to an employee benefit plan for the Participant by an Employer pursuant to a salary reduction agreement and which is not includable in the gross income of the Participant under Sections 125, 402(e)(3), 402(h)(1)(B) or 403(b) of the Code. Compensation, for purposes of this default definition, shall not include bonuses, overtime, expense reimbursements, payments in lieu of expenses, relocation pay, educational allowances, any form of equity compensation, such as compensation attributable to stock options, restricted stock, stock appreciation rights, restricted stock units, phantom stock or other similar awards, fringe benefit programs, such as car allowances, relocation reimbursements or expatriate allowances, or any payments received under any employee benefit plan including without limitation any non-qualified deferred compensation or short-term or long-term disability plan.

“Contributions Account” means the bookkeeping account the Company establishes under the Plan for each Participant.

“Effective Date” means January 1, 2015, the effective date of this amended and restated Plan.

“Eligible Employee” means any Employee included in the class of Employees that can participate in the Plan as determined by the Committee consistent with the requirements of Section 423 of the Code. Absent a contrary definition by the Committee, Eligible Employee means any full-time or part-time Employee other than:

- (a) a temporary Employee whose customary employment is not more than five (5) months in a calendar year;
- (b) an Employee who is listed as one of the top five (5) highly compensated Employees on the Company’s latest annual proxy disclosure filed with the Securities and Exchange Commission, provided that he or she is also a highly compensated employee (within the meaning of Section 414(q) of the Code);
- (c) an Employee who is deemed for purposes of Section 423(b)(3) of the Code to own stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any Subsidiary; and
- (d) an Employee who is a citizen or resident of a foreign jurisdiction if such Employee’s participation is prohibited under the laws of such foreign jurisdiction or compliance with the laws of the foreign jurisdiction would cause the Plan to not qualify as an employee stock purchase plan within the meaning of Section 423 of the Code.

“Employee” means any person whom an Employer employs in accordance with Section 3401 of the Code and the regulations thereunder. The definition of Employee shall be construed in accordance with Sections 421 and 423 of the Code and the regulations thereunder.

“Employer” means the Company and each Participating Subsidiary that adopts the Plan in accordance with Section 12.

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

“Fair Market Value” of the Common Stock on the Valuation Date means the closing price of a share of Common Stock on the principal national securities exchange (including NASDAQ) on which the Common Stock is listed or traded on such date or, if Common Stock was not traded on such date, on the last preceding day on which the Common Stock was traded. If at any time such Common Stock is not listed on any national securities exchange, the Fair Market Value shall be the value of such Common Stock as determined in good faith by the Committee in any manner consistent with the Code and accompanying regulations that the Committee determines appropriate.

“Offer Date” means the first day of the Participation Period.

“Participant” means an Eligible Employee who has enrolled in the Plan in accordance with Section 4.

“Participation Period” means such period, as determined by the Committee consistent with the requirements of Section 423 of the Code, during which an offer to purchase Common Stock is made to Eligible Employees under the Plan. Notwithstanding the foregoing, the Participation Period may not exceed in any event more than twelve (12) months. In absence of any contrary determination by the Committee, “Participation Period” shall mean each calendar month.

“Participating Subsidiary” means each Subsidiary that has adopted the Plan. The Participating Subsidiaries as of the Effective Date are listed on Schedule A attached hereto.

“Plan” means this United Community Banks, Inc. Amended and Restated Employee Stock Purchase Plan, as it now exists or as it hereafter may be amended.

“Purchase Date” means the last day of each Participation Period.

“Purchase Price” means the price per share of Common Stock under a Purchase Right as determined in accordance with Section 5(b).

“Purchase Right” means the right granted to a Participant under the Plan to purchase shares of Common Stock in accordance with the terms of the Plan.

“Subsidiary” means any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company if, at the time of the Purchase Date, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, including a corporation that becomes a Subsidiary after the Effective Date of the Plan.

“Valuation Date” means the date as of which the Fair Market Value of Common Stock is being determined.

3. Stock Subject to Plan

The aggregate number of shares of Common Stock that may be purchased under the Plan shall not exceed 250,000 shares. The number of shares of Common Stock that may be purchased under the Plan is subject to adjustment pursuant to Section 10. Shares of Common Stock purchased under the Plan may be authorized but unissued shares, treasury shares or shares purchased on the open market or by private purchase. The Company hereby agrees to reserve sufficient authorized shares of Common Stock to provide for the exercise of Purchase Rights granted under the Plan. If any Purchase Right granted under the Plan expires unexercised or is terminated, surrendered or canceled without being exercised, in whole or in part, for any reason, the number of shares of Common Stock subject to such Purchase Right shall again be available for grant as a Purchase Right and shall not reduce the aggregate number of shares of Common Stock available for the grant of Purchase Rights as set forth herein. If the total number of shares of Common Stock to be purchased on a Purchase Date

exceeds the number of shares of Common Stock then available under the Plan, the Committee shall allocate the available shares of Common Stock among the Participants on a pro-rata basis based on the balances on the Purchase Date of the Participants' respective Contributions Accounts.

4. Participation

- (a) Eligibility. Any Eligible Employee whom an Employer employs on the Offer Date for a Participation Period shall be eligible to participate in the Plan during such Participation Period, subject to the terms and conditions of the Plan. The Company from time to time, and as it deems appropriate, will notify each Employee whom the Company reasonably anticipates will be an Eligible Employee on the Offer Date of a Participation Period (and who is not already a Participant) of his or her eligibility to participate in the Plan for the Participation Period, subject to the requirement that the Employee be an Eligible Employee on the Offer Date.
- (b) Initial Enrollment. Any Employee who becomes an Eligible Employee after the Effective Date shall be eligible to participate in the Plan as of the Offer Date coincident with or next following the date of his or her employment, subject to the terms and conditions of the Plan. An Eligible Employee shall become a Participant by completing a participation agreement authorizing payroll deductions on a form the Committee provides or in such other manner as the Committee may determine and delivering such participation agreement to the Company no later than the twentieth (20th) day of the calendar month immediately prior to the first day of the applicable Participation Period. Following the timely submission of a valid participation agreement, payroll deductions for a Participant shall commence on the first payroll period that occurs on or after the Offer Date of the applicable Participation Period and shall continue for successive Participation Periods during which the Participant participates in the Plan, unless the Participant changes deductions as set forth in Section 4(f) below or terminates employment with all Employers or ceases to be an Eligible Employee pursuant to Section 8 or the limitations set forth in Section 5(c) apply.
- (c) Re-Enrollment. A Participant who ceases participation in the Plan may again become a Participant in the Plan for any subsequent Participation Period if he or she again becomes eligible to participate in the Plan as of the Offer Date for such subsequent Participation Period and delivers

3

a new participation agreement to the Company no later than the timeframe that would apply for initial enrollment with respect to such subsequent Participation Period as described in Section 4(b).

- (a) Amount of Payroll Deduction. A Participant shall elect on his or her participation agreement to have deductions made from his or her Compensation for each Participation Period in any whole dollar amount (not less than ten dollars (\$10) per payroll period nor more than \$1,040 per payroll period) that does not exceed the maximum percentage of the Participant's Compensation determined by the Committee for the applicable Participation Period. In absence of any contrary determination by the Committee, the maximum percentage of the Participant's Compensation that may be deducted for the applicable Participation Period shall be twenty-five percent (25%). If a Participant is employed by more than one of the Company and/or any Participating Subsidiaries, such Participant can elect to have the deduction of his Compensation from all such Employers deducted from the payment of Compensation by a single Employer.
- (b) Participant's Contributions Account. All payroll deductions that a Participant makes shall be credited to the Participant's Contributions Account. No interest or earnings shall accrue on any payroll deductions credited to a Participant's Contributions Account.
- (c) Changes in Payroll Deductions. Except as otherwise provided in Section 8 (in connection with the Participant's termination of employment or ceasing to be an Eligible Employee), a Participant may not increase or decrease the amount of his or her payroll deductions during a Participation Period. However, a Participant may increase or decrease the amount of his or her payroll deductions for a later Participation Period for which the Participant is eligible to participate by delivering a new participation agreement to the Company no later than the twentieth (20th) day of the calendar month immediately prior to the Offer Date of such later Participation Period.
- (d) Participation During Leave of Absence. The Committee in its discretion shall determine the extent to which any leave of absence for governmental or military service, illness, temporary disability or other reasons will impact an individual's enrollment or participation in the Plan or his or her rights thereunder. For purposes of this Plan, the employment relationship will be treated as continuing intact while an individual is on military, sick leave or other bona fide leave of absence (such as temporary employment by the Government) if the period of such leave does not exceed three (3) months, or, if longer, so long as the individual's right to reemployment is provided either by statute or contract. Where the period of leave exceeds three (3) months and the individual's right to reemployment is not provided either by statute or contract, the employment relationship will be deemed to have terminated on the first day immediately following such three (3)-month period. Unless the Committee otherwise provides, if a Participant goes on an unpaid leave of absence during a Participation Period, no further payroll deductions will be made for such Participation Period. However, he or she will continue to be a Participant for the Participation Period and the Participant's Purchase Rights for the Participation Period shall be automatically

exercised on the Purchase Date for such Participation Period in accordance with Section 6. Additionally, he or she will continue to be a Participant for any ensuing Participation Period so long as further payroll deductions may be made for such Participation Periods. When the employment relationship is deemed to have terminated or the Participant otherwise ceases to be an Eligible Employee, the Participant will be subject to the provisions of Section 8 hereof.

5. Grant of Purchase Rights

- (a) Number of Shares Subject to Purchase Right. For each Participation Period, each Participant shall be granted a Purchase Right to purchase on the Purchase Date of such Participation Period, at the applicable Purchase Price, such number of shares of Common Stock as is determined by dividing the amount of the Participant's payroll deductions allocated to the Participant's Contributions Account for the Participation Period by the applicable Purchase Price, subject to the maximum limit of shares of Common Stock that may be purchased or are available as described herein. All Participants receiving Purchase Rights shall have the same rights and privileges under the Plan with respect to such Purchase Rights.
- (b) Purchase Price. The Purchase Price per share of Common Stock for a Participant shall be such purchase price as the Committee determines for the Participation Period except that the Purchase Price may not be less than Eighty-Five Percent (85%) of the lesser of the Fair Market Value per share of the Common Stock on (i) the Offer Date or (ii) the Purchase Date for the Participation Period. In the absence of any contrary determination by the Committee, the Purchase Price per share of Common Stock for a Participant shall be Ninety Percent (90%) of the lesser of the Fair Market Value per share of the Common Stock on (i) the Offer Date or (ii) the Purchase Date for the Participation Period.
- (c) Certain Limitations. Notwithstanding any other provision of the Plan, no Participant shall be granted a Purchase Right for a Participation Period:
- (i) To the extent that, immediately after the Purchase Right is granted on the Offer Date, the Participant would own stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or any Subsidiary within the meaning of Section 423(b)(3) of the Code. For purposes of this Section 5(c)(i), stock ownership of a Participant shall be determined under the stock attribution rules of Section 424(d) of the Code, and stock that the Participant may purchase under outstanding Purchase Rights or options shall be treated as stock the Participant owns.
 - (ii) To the extent that the Participant's rights to purchase stock under all employee stock purchase plans (as defined in Section 423 of the Code) of the Company and any Subsidiary would accrue at a rate that exceeds \$25,000, or such lesser amount as determined by the Committee consistent with the requirements of Section 423 of the Code, in Fair Market Value of such stock (determined as of the Offer Date) for each calendar year in which any Purchase Right is outstanding at any time. For this purpose, the right to purchase stock accrues when the Purchase Right is granted during the calendar year. This limitation is meant to comply with the requirements of Section 423(b)(8) of the Code and will be construed accordingly.
 - (iii) If the Participant makes a hardship withdrawal from a cash or deferred arrangement established by the Company or any Subsidiary and is prohibited from making employee contributions to the Plan under Section 401(k) of the Code and the Treasury Regulations thereunder, in which case the Participant shall be deemed to have withdrawn from the Plan in accordance with Section 7 as of the date of such hardship withdrawal.
 - (iv) For more than 200 or such other number of shares of Common Stock that the Committee shall determine for the applicable Participation Period.

Any Purchase Right granted under the Plan shall be deemed to be modified to the extent necessary to satisfy this Section 5(c). To the extent necessary to comply with this Section 5(c), a Participant's payroll deductions may be decreased to Zero Percent (0%) at any time during a Participation Period (or such other percentage required to comply with the terms of the Plan). In that event, payroll deductions shall recommence, if at all, at the rate provided in such Participant's Participation Agreement at the beginning of the first Participation Period for which payroll deductions can commence after compliance with this Section 5(c), unless the Participant changes deductions as set forth in Section 4(f) above or terminates employment with all Employers or otherwise ceases to be an Eligible Employee pursuant to Section 8.

6. Exercise of Purchase Rights

- (a) Automatic Exercise. Notwithstanding any other provision of the Plan, the Participant's Purchase Right for the purchase of Common Stock during a Participation Period shall be automatically exercised on or no later than five (5) business days after the Purchase Date applicable to such Participation Period, and the maximum number of shares of Common Stock (including fractional shares) under the Purchase Right shall be purchased for the Participant at the applicable Purchase Price with the accumulated payroll deductions in his or her Contributions Account at that time (subject to the limitations set forth in Section 5(c) or the termination of the Purchase Right as provided in Section 8).
- (b) Delivery of Stock. As soon as reasonably practicable after each Purchase Date, the shares of Common Stock each Participant purchases on such Purchase Date shall be credited to an account in such Participant's name with one or more brokers the Committee designates. Each Participant must hold the shares of Common Stock acquired under the Plan in the account the Committee designates while the Participant is employed with the Company or any Subsidiary, unless the Participant is selling the shares of Common Stock. After the shares of Common Stock are credited to the Participant or the transfer agent for the Common Stock reflects the Participant's ownership in the Company's stock ledger or other appropriate record of Common Stock ownership, the Participant will have all of the rights as the owner of such shares of Common Stock. All dividends paid on shares of Common Stock held in the Participant's account will be credited to the Participant's account. The Committee or its delegate may deliver one or more certificates covering the shares of Common Stock credited to the Participant as the Committee may direct. The Participant will pay all costs associated with the account when the Participant sells any shares of Common Stock acquired under the Plan or asks that a certificate covering such shares of Common Stock be delivered.
- (c) Termination of Purchase Right. A Purchase Right granted during a Participation Period that is not automatically exercised on the Purchase Date shall expire at the end of the last day of the Participation Period, unless earlier terminated as provided in Section 8.
- (d) Excess Account Balances. Any payroll deductions credited to a Participant's Contributions Account for a Participation Period that have not been used to purchase Common Stock on the Purchase Date for such Participation Period as a result of a termination of employment with all Employers or ceasing to be an Eligible Employee in accordance with Section 8 shall be paid to the Participant (without interest) within thirty (30) days after the last day of the Participation Period. Any amounts to be paid to a Participant after his or her death shall be paid to the personal representative of the Participant's estate.
- (e) Rights as a Shareholder. No Participant shall have any rights as a shareholder unless and until (i) the shares of Common Stock have been credited to the Participant or (ii) the transfer agent for the Common Stock reflects the Participant's ownership in the Company's stock ledger or other appropriate record of Common Stock ownership.

7. Withdrawal

A Participant may withdraw from participation for a later Participation Period by giving written notice to the Company in a form acceptable to the Company no later than the twentieth (20th) day of the calendar month immediately prior to the first day of the Participation Period. Except as set forth in Section 8 below, a Participant may not withdraw (i) during a Participation Period with respect to that Participation Period or (ii) for a Participation Period that has not yet commenced unless the Company has received the Participant's notice of withdrawal by the twentieth (20th) day of the calendar month immediately prior to the first day of the Participation Period that has not yet commenced. A Participant's withdrawal from participation for any Participation Period will not have any effect upon his or her eligibility to participate in any succeeding Participation Period or in any similar plan which any Employer may hereafter adopt. Notwithstanding the foregoing, however, if a Participant withdraws from participation, payroll deductions shall not resume at the beginning of a succeeding Participation Period unless the Participant timely delivers to the Company a new participation agreement for such succeeding Participation Period and otherwise complies with the terms of the Plan. Notwithstanding the foregoing, this Section 7 is subject to the provisions of Section 8, which governs any withdrawal in connection with a termination of employment or cessation of eligibility.

8. Termination of Employment

Upon termination of a Participant's employment with all Employers for any reason or in the event that a Participant otherwise ceases to be an Eligible Employee, the Participant shall be deemed to have withdrawn from participation in the Plan as of the date of his or her termination of employment, or, if applicable, as of the date he or she otherwise ceased

to be an Eligible Employee. In that case, (i) any outstanding Purchase Rights will be terminated and the balance in the Participant's Contributions Account will be paid to the Participant as described in Section 6(d) and (ii) no further payroll deductions will be made for such Participation Period after the Participant's last payroll period with all Employers, or, if applicable, after the Participant's last payroll period with all Employers as an Eligible Employee.

9. Transferability

- (a) Purchase Right. A Participant may not transfer, assign, pledge or otherwise dispose of a Purchase Right (or any rights attendant to a Purchase Right) granted pursuant to the Plan other than by will or the laws of descent and distribution. No Purchase Right shall be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of a Purchase Right, or levy of attachment or similar process upon the Purchase Right not specifically permitted herein, shall be null and void and without effect, except that the Committee in its discretion may treat such act as the Participant ceasing to be an Eligible Employee in accordance with Section 8 hereof. A Purchase Right is exercisable during the Participant's lifetime only by the Participant.
- (b) Common Stock. The purpose of the Plan is to give Eligible Employees of the Company and Participating Subsidiaries an opportunity to buy Common Stock and become shareholders of the Company. The Company does not intend for Participants to purchase Common Stock and then sell it shortly thereafter. Therefore, notwithstanding any other provision of the Plan, if a Participant or former Participant proposes to dispose of any shares of Common Stock acquired under the Plan on or prior to the one-year anniversary of the Purchase Date, (i) the Participant or former Participant must immediately deliver to the Committee written notice of such proposed disposition and (ii) upon receipt of such written notice, the Company shall have the exclusive option, for a period of ten (10) business days after receipt of such notice, to (A) repurchase the shares of Common Stock the Participant or former Participant proposes to dispose of for a price equal to the lesser of the Purchase Price for such shares of Common Stock or the Fair Market Value of such shares of Common Stock on the date of repurchase, (B) permit the Participant or former Participant to dispose of such shares of Common Stock provided the Participant or former Participant returns to the Company the excess of the Purchase Price for such shares of Common Stock over their Fair Market Value as of the Purchase Date or (C) prohibit the Participant or former Participant from disposing of such shares of Common Stock on or before the one-year anniversary of the Purchase Date. If the Company does not elect to exercise any of such options within the ten (10) business days after receipt of written notice from the Participant or former Participant, then the Participant or former Participant may proceed with the proposed disposition as described in the written notice. The Committee in its sole discretion may elect to take or not take any of the foregoing actions, and the Committee will not be required to treat similar Participants or former Participants in the same way. The Committee's authority hereunder does not relate in any way to any requirement or condition that the Participant or former Participant be or remain employed or perform any future services with the Company or any of its Subsidiaries. The Participant shall remain the owner of the shares of Common Stock subject to the Committee's rights herein unless and until the Company elects to repurchase the shares of Common Stock or permit the Participant or former Participant to dispose of such shares of Common Stock.

10. Adjustments Affecting Purchase Rights

- (a) Changes in Capitalization. The Board, in its sole discretion, shall adjust the number of shares of Common Stock available under the Plan, the number of shares of Common Stock subject to each outstanding Purchase Right, and the Purchase Price for such shares of Common Stock in order to reflect any increase or decrease in the number of issued shares of Common Stock resulting from any stock split or reclassification of Common Stock, payment of any stock dividend, or any other similar increases or decreases in the number of outstanding shares of Common Stock without the receipt of consideration therefor. Adjustments the Board makes pursuant to this Section 10(a) shall be final and binding on all parties.
- (b) Dissolution, Merger, and Consolidation. Upon dissolution or liquidation of the Company, upon a merger or consolidation of the Company in which the Company is not the surviving corporation or upon any other similar event or transaction, each Participant who holds Purchase Rights under the Plan shall be entitled to purchase at the next Purchase Date the same relative cash, securities, and/or other property which a holder of Common Stock was entitled to receive at the time of such transaction. The Committee shall take whatever action is deemed reasonably necessary to assure that Participants receive the benefits described in this Section 10(b).

Notwithstanding the foregoing, the Committee in its discretion may shorten any Participation Period by setting a new Purchase Date prior to the consummation of the proposed dissolution, liquidation, merger, consolidation or similar event or transaction. In that case, the new Purchase Date will be before the date of the Company's proposed dissolution, liquidation, merger, consolidation or similar event or transaction, and the Committee will notify each Participant in writing prior to the new Purchase Date that the Purchase Date for the Participant's Purchase Rights has been changed and that Participant's Purchase Rights will be exercised automatically on the new Purchase Date. In the event of any merger, consolidation or similar event or transaction, outstanding Purchase Rights may be assumed and equivalent Purchase Rights substituted therefore by the successor corporation or a parent or subsidiary of the successor corporation in lieu of shortening the Participation Period.

11. Shareholder Approval of Plan

The Board originally adopted the Plan effective as of December 16, 2005, and the shareholders of the Company approved the Plan within twelve (12) months after the Board's adoption of the Plan. The Board has now adopted this amended and restated Plan on the date set forth below, to be effective as of the Effective Date. Shareholder approval is not required in connection with this amendment and restatement of the Plan, because the number of shares of Common Stock issuable under the Plan are not being increased, nor is there any change in the designation of the corporations whose Employees will be eligible to participate in the Plan. Shares of Common Stock purchased under the Plan prior to January 1, 2015 shall remain subject to the terms of the Plan as in effect prior to this amendment and restatement.

12. Adoption of Plan by Subsidiaries

The Company, by action of the Committee, may authorize any of its Subsidiaries to adopt the Plan. A Subsidiary, if the Company has authorized it to do so, may adopt the Plan by action of its board of directors. No Subsidiary may adopt the Plan without the prior approval of the Committee.

13. Administration and Claims Procedures

- (a) The Committee shall administer the Plan. References to the "Committee" shall include the Committee, the Board if it is acting in its administrative capacity with respect to the Plan, and any delegates the Committee appoints pursuant to Section 13(b). The Committee shall take all actions relative to the Plan by majority decision. Any action relative to the Plan evidenced by a written instrument that the majority of the members of the Committee sign shall be as fully effective as if the Committee had taken the action by a majority vote at a meeting duly called and held.
- (b) Subject to the provisions of the Plan, the Committee shall have full and final authority, in its discretion, to take any action with respect to the Plan, including, without limitation, the following: (i) to establish rules and procedures for the administration of the Plan; (ii) to prescribe the form(s) of any agreements or other written instruments used in connection with the Plan; (iii) to determine the terms and provisions of the Purchase Rights granted hereunder; and (iv) to construe and interpret the Plan, the Purchase Rights, the rules and regulations, and the agreements or other written instruments, and to make all other determinations necessary or advisable for the administration of the Plan. The determinations of the Committee on all matters regarding the Plan shall be final and binding upon each Employer, each Employee, each Participant and any other person claiming a right under the Plan. Except to the extent prohibited by the Plan or by applicable law, the Committee may appoint one or more persons to assist in the administration of the Plan and may delegate all or any part of its responsibilities and powers, other than any power to amend or terminate the Plan, to any such person or persons. The Committee in its discretion may administer the Plan as it deems appropriate, including without limitation using paperless and electronic means to administer the Plan.
- (c) Subject to the indemnification provisions of the Company's Articles of Incorporation and Bylaws and applicable law, the Company shall indemnify members of the Committee and any person assisting in the administration of the Plan or delegated any responsibilities or powers under the Plan against the reasonable expenses, including attorney's fees, such members or other persons actually and necessarily incur in connection with the defense of any action, suit or proceeding, or in connection with any appeal thereof, to which they or any of them may be a party by reason of action taken or not taken in connection with the Plan or any Purchase Right hereunder, and against all amounts they or any of them pay in settlement thereof or in satisfaction of a judgment in any action, suit or proceeding. However, the Company shall not indemnify a member of the Committee or such other persons for matters as to which he or she (i) shall be adjudged in the action, suit or proceeding to be liable for gross negligence or intentional misconduct or (ii) derived an improper personal benefit.

- (d) If a Participant does not receive intended benefits under the Plan, the Participant must file a written claim with the Committee in order to receive such benefits no later than ninety (90) days after the Purchase Date with respect to which the Participant could have purchased shares of Common Stock to which the claim relates. On receipt of a claim for benefits, the Committee will respond in writing within ninety (90) days. If necessary, the Committee's first notice will indicate any special circumstances requiring an extension of time for the Committee's decision. The extension notice must indicate the date by which the Committee expects to render its decision; an extension of time for processing may not exceed ninety (90) days after the end of the initial ninety (90)-day period for a determination. If the claimant's claim is wholly or partially denied, the Committee must give written notice of such denial within the time provided in the preceding sentences. An adverse notice must specify the reason for the denial. There also must be specific reference to the provisions of the Plan or related documents or law on which the denial is based. If additional materials or information is necessary for the claimant to perfect his or her claim for benefits, it must be described and there must be an explanation of why that material or information is necessary. An adverse notice must disclose appropriate information about the steps that the claimant must take if he or she desires to submit a claim for review of the adverse decision. If notice that a claim has been denied is not furnished within the time required herein, the claim is deemed denied.
- (e) On proper written request for a review from the claimant to the Committee, there must be a review by the Committee. The Committee must receive the claimant's written request before the sixty-first (61st) day after the claimant's receipt of notice that a claim has been denied according to (d) above. The claimant and his or her authorized representative are entitled to be present and heard if any hearing is used as part of the review. The Committee will determine whether there will be a hearing. Before any hearing, the claimant or a duly authorized representative may review all Plan documents and other papers that affect the claim and may submit issues and comments in writing. The Committee must schedule any hearing to give sufficient time for this review and submission, giving notice as to the schedule and deadlines for the submissions. The Committee must advise the claimant in writing of the final determination after review. The decision on review must be written in a manner calculated to be understood by the claimant and must include specific reasons for the decision and specific references to the pertinent provisions of the Plan or related documents or law on which the decision is based. The written final determination must be rendered within sixty (60) days after the request for review is received, unless special circumstances (in the Committee's discretion) require an extension of time for processing. If an extension is necessary, the decision must be rendered as soon as possible but no later than one hundred twenty (120) days after the receipt of the request for review.
- (f) A claimant may not file any suit or other action for benefits under this Plan unless and until he or she submits a proper written request for a review of any adverse decision of such claim for benefits and then exhausts the administrative process described herein. A claimant then shall have ninety (90) days from the date he or she receives an adverse final determination of such claim on review under (e) above in which to file suit in a court of competent jurisdiction for benefits under the Plan. If the claimant does not file suit within such ninety (90)-day period, the claimant shall be forever barred from doing so.

14. Amendment and Termination of the Plan

The Board may at any time and from time to time modify, amend, suspend or terminate the Plan or any Purchase Right granted hereunder, provided, however, that (i) shareholder approval shall be required of any amendment to the Plan to the extent Section 423 of the Code or other applicable law, rule or regulation requires shareholder approval (including without limitation any amendment that increases the aggregate number of shares of Common Stock that may be purchased under the Plan or changes individuals who are eligible to participate in the Plan other than as set forth herein); and (ii) no amendment to the Plan or a Purchase Right may materially and adversely affect any Purchase Right outstanding at the time of the amendment without the consent of the holder thereof, except to the extent the Plan otherwise provides, as necessary to comply with applicable law or as necessary to ensure that the Plan and any Purchase Rights granted hereunder comply with the requirements of Section 423 of the Code. The Plan shall terminate automatically at the time all shares of Common Stock subject to the Plan have been purchased hereunder. Upon termination of the Plan, the Committee shall give notice to affected Participants, terminate all payroll deductions, terminate all outstanding Purchase Rights, and pay Participants (without interest) any balances remaining in their Contributions Accounts as soon as practicable following Plan termination, unless the Committee in its discretion makes alternative provisions for handling the termination of the Plan.

15. Unfunded Plan

Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Subsidiary, including, without limitation, any specific funds, assets or other property which the Company or any Subsidiary, in its discretion, may set aside in anticipation of any liability under the Plan. Neither the Company nor any Subsidiary shall be required to set aside any specific funds, assets or property in anticipation of any liability under the Plan. A Participant shall have only a contractual right to the Common Stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Subsidiary. Nothing contained in the Plan shall constitute a guarantee that the assets of such corporations shall be sufficient to pay any benefits to any person.

16. Use of Funds

The proceeds the Company receives from the sale of Common Stock pursuant to Purchase Rights will be used for general corporate purposes.

17. Administrative Costs

The Company will pay the expenses incurred in the administration of the Plan other than any fees or transfer, exercise, or similar taxes imposed on the transaction pursuant to which any shares of Common Stock are purchased. The Participant will pay any transaction fees or commissions on any sale of the shares of Common Stock credited to the Participant and may also be charged the reasonable costs associated with issuing a stock certificate.

18. Withholding Taxes

Upon the exercise of any Purchase Right under the Plan, in whole or in part, or at the time of disposition of some or all of the Common Stock acquired pursuant to the exercise of a Purchase Right or any other applicable time, the Participant's Employer shall withhold the minimum legally required applicable federal, state and local taxes from the Participant's Compensation or shall require the Participant to remit to the Employer amounts sufficient to satisfy all such federal, state and local withholding tax requirements prior to the crediting of any shares of Common Stock to the Participant's account and in such Participant's name.

19. No Right of Continued Employment

Neither the Plan nor any Purchase Right shall confer upon a Participant the right to continue in the employment of the Company or any Subsidiary or affect any right of the Company or any Subsidiary to terminate the employment of such Participant at any time for any reason.

20. Repurchase of Stock

The Company shall not be required to purchase or repurchase from any Participant any of the shares of Common Stock that the Participant acquired under the Plan.

21. Dispositions of Stock

A Participant who acquires shares of Common Stock pursuant to the exercise of Purchase Rights under this Plan shall notify the Company, in writing, within thirty (30) days if he or she sells, transfers, or otherwise disposes of such shares of Common Stock before the later of (i) two (2) years after the Offer Date of the Participation Period in which the Common Stock was purchased or (ii) one (1) year after the Purchase Date of the Participation Period in which the Common Stock was purchased.

22. Notices

Every direction, revocation or notice authorized or required by the Plan shall be deemed delivered to the Company on the date it is received by the Company at its principal executive offices and shall be deemed delivered to an Eligible Employee on the date he or she receives it.

23. Applicable Law

To the extent not inconsistent with Section 423 of the Code and any Treasury Regulations thereunder, all questions pertaining to the validity, construction and administration of the Plan and any Purchase Rights granted hereunder shall be determined in conformity with the laws of the State of Georgia, without regard to the conflict of law provisions of any state, to the extent not preempted by federal law.

24. Other Restrictions on Purchase Rights and Shares

Notwithstanding any other provision of the Plan, no Purchase Rights may be granted or exercised under the Plan for a Participation Period unless the shares of Common Stock to be purchased under such Purchase Rights are covered by an effective registration statement pursuant to the Securities Act of 1933, as amended, as of the first day of such Participation Period. The Company may impose such restrictions on any Purchase Rights and shares of Common Stock acquired upon exercise of Purchase Rights as it may deem advisable, including without limitation restrictions under the federal securities laws, the requirements of any stock exchange or similar organization and any blue sky or state securities laws applicable to such shares. Notwithstanding any other Plan provision to the contrary, the Company shall not be obligated to grant any Purchase Rights or issue, deliver or transfer shares of Common Stock under the Plan or make any other distribution of benefits under the Plan, or take any other action, unless such grant, delivery, distribution or action is in compliance with all applicable laws, rules and regulations (including but not limited to the requirements of the Securities Act of 1933, as amended, the federal securities laws, or any blue sky or state securities laws). For example, and not by way of limitation, the Company may postpone or terminate the grant of a Purchase Right or the issuance of shares of Common Stock during any Participation Period where the Company is prohibited from doing such acts under applicable law, including without limitation, during any applicable blackout period under the Sarbanes-Oxley Act of 2002. The Company may cause a restrictive legend to be placed on any certificate issued for shares of Common Stock under the Plan in such form from time to time as applicable laws and regulations may require or legal counsel of the Company may advise.

25. Severability

If any provision of the Plan is deemed illegal or invalid, the Plan shall be construed and enforced as if the illegal or invalid provision had not been included in the Plan, and such illegality or invalidity shall not affect the remaining provisions of the Plan. Furthermore, in lieu of such illegal or invalid provision, there shall be added automatically as part of the Plan a provision as similar in terms to such illegal or invalid provision as may be possible and be legal, valid and enforceable in order to effectuate the intent behind such illegal or invalid provision to the maximum extent legally possible.

**UNITED COMMUNITY BANKS, INC.
AMENDED AND RESTATED
2000 KEY EMPLOYEE STOCK OPTION PLAN**

**RESTRICTED STOCK UNIT AWARD AGREEMENT
(Non-Employee Director)**

Grantee:

Number of RSUs:

RSUs

Date of Grant:

Vesting Schedule:

Vesting Date	Vesting Quantity

THIS AGREEMENT (the “*Agreement*”) is entered into as of the ____day of _____, _____, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia corporation (the “*Company*”), and the individual designated above (the “*Grantee*”).

WHEREAS, the Company maintains the United Community Banks, Inc. Amended and Restated 2000 Key Employee Stock Option Plan (the “*Plan*”), and the Grantee has been selected by the Committee to receive a Restricted Stock Unit Award under the Plan in connection with Grantee’s service as a member of the Board of Directors of the Company;

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Grantee, as follows:

1. Award of Restricted Stock Units

1.1. Grant. The Company hereby grants to the Grantee an award of Restricted Stock Units (“*RSUs*”) in the amount set forth above, subject to, and in accordance with, the restrictions, terms, and conditions set forth in this Agreement and the Plan. The grant date of this award of RSUs is set forth above (the “*Date of Grant*”).

1.2. Construction. This Agreement shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

1.3. Execution of the Agreement. This Award is conditioned on the Grantee’s execution of this Agreement. By executing this Agreement, the Grantee agrees to the terms set forth in this Agreement (and the provisions of the Plan incorporated herein). If this Agreement is not executed by the Grantee and returned to the Company within seven days of the Date of Grant, it may be canceled by the Committee resulting in the immediate forfeiture of all RSUs granted hereunder.

2. Vesting and Termination of Service

2.1. Vesting. Subject to this Section 2 and Section 7, if the Grantee continues to serve as a member of the Board of Directors of the Company, the RSUs shall vest in accordance with the vesting schedule set forth above. Each date on which the RSUs vest is hereinafter referred to as a “*Vesting Date*”. Notwithstanding the foregoing, no Vesting Date can be any earlier than the day immediately after the day which is twelve (12) months and thirty (30)

days following the Date of Grant (the period from the Date of Grant until the day which is twelve (12) months and thirty (30) days following the Date of Grant being hereinafter referred to as the “**Initial Restriction Period**”). Except as otherwise provided herein, on the Vesting Date, a number of Shares equal to the number of vested RSUs shall be issued to the Grantee free and clear of all restrictions imposed by this Agreement (except those imposed by Sections 3.3 and 7 below). As soon as practicable (and no later than thirty (30) days) after the Vesting Date, the Company shall transfer such Shares to an unrestricted account in the name of the Grantee (or, if the Grantee has died, to his or her surviving spouse or, if none, to the Grantee’s estate). For purposes of this Agreement, employment with the Company or a Subsidiary of the Company or service as a member of the Board of Directors of a Subsidiary of the Company shall be considered continued service as a member of the Board of Directors of the Company.

2.2. **Termination of Service Due to Death or Disability.** If the Grantee’s service as a member of the Board of Directors of the Company is terminated as a result of the Grantee’s death or Disability (as defined in the Plan), the unvested RSUs shall immediately vest on such Date of Termination, and a number of Shares equal to such vested RSUs shall be issued to the Grantee (or the Grantee’s surviving spouse or estate) in the manner described in Section 2.1.

2.3. **Termination of Service by the Company for Cause.** If the Grantee’s service as a member of the Board of Directors of the Company is terminated by the Company, the Board or otherwise for Cause (as defined in the Plan), the unvested RSUs shall be forfeited immediately as of the Date of Termination.

2.4. **Termination of Service by the Company Following a Change in Control.** If the Grantee’s service as a member of the Board of Directors of the Company is terminated by the Company, by the Board or otherwise (x) on or within 18 months after a Change in Control (as defined in the Plan) (other than for Cause or due to death or Disability) and (y) after the expiration of the Initial Restriction Period, the unvested RSUs shall immediately vest on such Date of Termination, and a number of Shares equal to the number of such vested RSUs shall be issued to the Grantee as described in Section 2.1.

2.5. **Termination of Service for Other Reasons.** If the Grantee’s service as a member of the Board of Directors of the Company is terminated by the Company or the Grantee under circumstances other than those outlined above in Sections 2.2, 2.3 or 2.4, the unvested RSUs shall immediately be forfeited as of the Date of Termination.

2.6. **Nontransferability.** The RSUs may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date the Grantee becomes vested in the RSUs and the Shares are issued.

2.7. **Section 409A Compliance.** To the extent applicable, this Agreement shall at all times be interpreted and operated in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the standards, regulations or other guidance promulgated thereunder (“**Section 409A**”). Any action that may be taken (and, to the extent possible, any action actually taken) by the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A. Any provision in this Agreement that is determined to violate the requirements of Section 409A shall be void and without effect. In addition, any provision that is required to appear in this Agreement in accordance with Section 409A that is not expressly set forth herein shall be deemed to be set forth herein, and the Agreement shall be administered in all respects as if such provision were expressly set forth. The Company shall delay the commencement of any delivery of Shares that are payable to the Grantee upon his separation from service if the Grantee is a “key employee” of the Company (as determined by the Company in accordance with procedures established by the Company that are consistent with Section 409A) to the date which is immediately following the earlier of (i) six months after the date of the Grantee’s separation from service or (ii) the Grantee’s death, to the extent such delay is required under the provisions of Section 409A to avoid imposition of additional income and other taxes, provided that the Company and the Grantee agree to take into account any exemptions available under Section 409A. For purposes of this Agreement, termination of service shall be construed consistent with the meaning of a separation from service within the meaning of Section 409A.

3. Change in Capitalization; Deferral Rights

3.1. Following the Grant Date of the RSUs through the date that is the earlier of (i) the date that the RSUs are vested and transferred to the Grantee pursuant to Section 2.1 or (ii) the date that the RSUs are forfeited, the Grantee shall be credited with dividend equivalents or other distributions declared on the Shares represented by the RSUs in the manner determined by the Committee. Within thirty (30) days after a Vesting Date, Grantee shall be paid in cash the dividend equivalents or other distributions with respect to the vested RSUs to which the dividend equivalents or other distributions relate, less applicable withholdings.

3.2. In the event of a change in capitalization, the Committee shall make appropriate adjustments in accordance with Section 4.3 of the Plan to reflect the change in capitalization, provided that any such additional Shares or additional or different shares or securities reflected in any such adjustment shall remain subject to the restrictions in this Agreement.

3.3. The Grantee represents and warrants that he or she is acquiring the Shares under this Agreement for investment purposes only, and not with a view to distribution thereof. The Grantee is aware that the Shares may not be registered under the federal or any state securities laws and that for that reason, in addition to the other restrictions on the Shares, they will not be able to be transferred unless an exemption from registration is available or the Shares are registered. By making this award of RSUs, the Company is not undertaking any obligation to register the RSUs under any federal or state securities laws.

3.4. To the extent the Grantee is eligible to participate in a deferred compensation plan established for such purpose, the Grantee may elect to defer delivery of the Shares that would otherwise be due by virtue of the lapse or waiver of the vesting requirements as set forth in Section 2. If such deferral election is made, the Committee shall, in its sole discretion, establish the rules and procedures for such deferrals which shall be in compliance with Section 409A.

4. No Right to Continued Service

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right with respect to continuance of service as a member of the Board of Directors of the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company, the shareholders or others to terminate the Grantee's service as a member of the Board of Directors of the Company at any time in accordance with applicable law and/or the governing documents of the Company.

5. Taxes and Withholding

The Grantee shall be responsible for all federal, state, and local income taxes payable with respect to this award of RSUs and any dividends or dividend equivalents paid on such RSUs. The Company and the Grantee agree to report the value of the RSUs in a consistent manner for federal income tax purposes.

6. The Grantee Bound by The Plan

The Grantee hereby acknowledges receipt of a copy of the Plan and the prospectus for the Plan, and agrees to be bound by all the terms and provisions thereof.

7. Restrictive Covenants

7.1. In consideration for the grant of the RSUs, continued service as a Board Member, and other good and valuable consideration, the Grantee agrees to the following:

(i) During the time period when the Grantee is serving as a member of the Board of Directors of the Company and for a one (1) year period after that service ends, the Grantee will not directly or indirectly, individually, or on behalf of any Person other than the Company or a Subsidiary:

i. (a) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;

ii. (b) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Subsidiary or is at will; or

(c) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Subsidiary, the Company's Business or the Company's or any Subsidiary's suppliers, employees, patrons, customers, and others who may at any time have or have had relations with the Company or any Subsidiary.

(ii) During the time period when the Grantee is serving as a member of the Board of Directors of the Company and at all times thereafter, the Grantee will not disclose or use Confidential Information, except as necessary to carry out his duties as a Member of the Board of Directors of the Company.

(iii) Upon termination or expiration of the Grantee's service on the Board of Directors with the Company for any reason whatsoever or at any time, the Grantee will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Grantee's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

7.2 For purposes of this Agreement, the following terms shall have the meanings specified below:

(i) "**Company's Business**" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(ii) "**Confidential Information**" means information, without regard to form, relating to the Company's or any Subsidiary's customers, operation, finances, and business that has value to the Company or any Subsidiary, is not generally known to competitors of the Company or a Subsidiary, and that the Grantee became aware of due to his or her relationship with the Company. Confidential Information includes, but is not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Subsidiary by third parties that the Company or any Subsidiary is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a five (5) year period after the Date of Termination.

(iii) "**Customers**" means all Persons about whom the Grantee obtained Confidential Information, during the 24 months prior to the Date of Termination, as a result of the Grantee's association with the Company.

(iv) "**Date of Termination**" means the date upon which the Grantee's service with the Company ceases for any reason.

(v) "**Person**" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

7.3 If the Grantee violates the restrictive covenants set forth in Section 7.1, then the Company shall be entitled to all remedies available in law or equity. In addition (and without limiting the foregoing), if the Grantee violates the restrictive covenants set forth in Section 7.1, the Committee shall, notwithstanding any other provision in this Agreement to the contrary, (i) cancel the outstanding RSUs that are not yet vested or with respect to which Shares have not yet been issued to the Grantee, and (ii) require the Grantee to return to the Company any Shares issued to the Grantee pursuant to vesting of the RSUs (or to pay to the Company the greater of the then current value of such Shares or the value of the shares as of the applicable Vesting Date) that occurred (or will occur) during the period six (6) months prior to and one (1) year after the Date of Termination.

7.4 The Grantee acknowledges and agrees that the provisions of Section 7.1 are reasonable as to time, scope and territory given the Company's need to protect its Confidential Information and its relationships and goodwill with its customers, suppliers, employees and contractors, all of which have been developed at great time and expense to the Company. The Grantee represents that he or she has the skills and abilities to continue or obtain employment after the Date of Termination that would not violate the covenants in Section 7.1 and that these covenants do not pose an undue hardship on the Grantee. The Grantee further acknowledges that his or her breach of any of the covenants in Section 7.1 would likely cause irreparable injury to the Company, and therefore entitle the Company to injunctive relief, in addition to any other remedies available in law or equity.

7.5 The Defend Trade Secrets Act (18 U.S.C. § 1833(b)) states: "An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is

made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.” Accordingly, Grantee shall have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Grantee shall also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

8. Modification of Agreement; Severability

If any provision of this Agreement is held by a court of competent jurisdiction to be overly broad or unenforceable for any reason, the parties authorize such court to modify and enforce such provision to the extent the court deems reasonable. If any provision of this Agreement is found by a court to be overbroad or otherwise unenforceable and not capable of modification, it shall be severed and the remaining covenants and clauses enforced in accordance with the tenor of this Agreement. The parties may modify, amend, suspend or terminate this Agreement or may waive any terms or conditions of this Agreement but only by a written instrument executed by the parties hereto.

9. Governing Law and Forum

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the state of Georgia without giving effect to the conflicts of laws principles thereof. The parties agree that they will not file any action arising out of or relating in any way to this Agreement other than in the United States District Court for the Northern District of Georgia or the Superior Court of Union County, Georgia. The parties consent to personal jurisdiction and venue solely within these forums and waive all possible objections thereto.

10. Successors in Interest

This Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns, whether by merger, consolidation, reorganization, sale of assets, or otherwise. This Agreement shall inure to the benefit of the Grantee’s legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be final, binding, and conclusive upon the Grantee’s heirs, executors, administrators, and successors.

11. Entire Agreement

This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. Wherever appropriate in this Agreement, personal pronouns shall be deemed to include the other genders and the singular to include the plural. Wherever used in this Agreement, the term “including” means “including, without limitation.”

12. Resolution of Disputes

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement and the Plan shall be determined by the Committee. Any determination made by the Committee shall be final, binding and conclusive on the Grantee and the Company and their successors, assigns, heirs, executors, administrators and legal representatives for all purposes.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

UNITED COMMUNITY BANKS, INC.

By:

Name:

Title: _____

By accepting this Agreement, the Grantee hereby accepts the RSU grant subject to all its terms and provisions and agrees to be bound by the terms and provisions of this Agreement, including Section 7, and the Plan. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors of the Company, or the Compensation Committee or other Committee responsible for the administration of the Plan, upon any questions arising under the Plan.

By accepting this Agreement, the Grantee hereby acknowledges that notwithstanding any other provision herein, and in addition to other restrictions stated herein, any award, or any payment related thereto paid to the Grantee, shall be limited to the extent required by the federal or state regulatory agency having authority over the Company. The Grantee agrees that compliance by the Company with such regulatory restrictions, even to the extent that payments are limited, shall not be a breach of this Agreement by the Company.

By accepting this Agreement, the Grantee hereby consents to the holding and processing of personal data provided by him to the Company for all purposes necessary for the operation of the Plan. These include, but are not limited to:

- (a) administering and maintaining Plan records;
- (b) providing information to any registrars, brokers or third party administrators of the Plan; and
- (c) providing information to future purchasers of the Company or the business in which the Grantee works.

GRANTEE

Signature: _____

Name: _____

Date: _____

UNITED COMMUNITY BANKS, INC.
AMENDED AND RESTATED
2000 KEY EMPLOYEE STOCK OPTION PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

Grantee:

Number of RSUs:

RSUs

Date of Grant:

Vesting Schedule:

Vesting Date	Vest Quantity

THIS AGREEMENT (the “*Agreement*”) is entered into as of the ____ day of _____ by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia corporation (the “*Company*”), and the individual designated above (the “*Grantee*”).

WHEREAS, the Company maintains the United Community Banks, Inc. Amended and Restated 2000 Key Employee Stock Option Plan (the “*Plan*”), and the Grantee has been selected by the Committee to receive a Restricted Stock Unit Award under the Plan;

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Grantee, as follows:

1. Award of Restricted Stock Units

1.1 **Grant.** The Company hereby grants to the Grantee an award of Restricted Stock Units (“*RSUs*”) in the amount set forth above, subject to, and in accordance with, the restrictions, terms, and conditions set forth in this Agreement and the Plan. The grant date of this award of RSUs is set forth above (the “*Date of Grant*”).

1.2 **Construction.** This Agreement (including any Exhibits) shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

1.3 **Execution of the Agreement.** This Award is conditioned on the Grantee’s execution of this Agreement. By executing this Agreement, the Grantee agrees to the terms set forth in this Agreement (and the provisions of the Plan incorporated herein). If this Agreement is not executed by the Grantee and returned to the Company within seven days of the Date of Grant, it may be canceled by the Committee resulting in the immediate forfeiture of all RSUs granted hereunder.

2. Vesting and Termination of Employment

2.1 **Vesting.** Subject to this Section 2 and Section 7, if the Grantee remains employed by the Company, the RSUs shall vest in accordance with the vesting schedule set forth above. Each date on which the RSUs vest is hereinafter referred to as a “*Vesting Date*.” Notwithstanding the foregoing, no Vesting Date can be any earlier than the day immediately after the day which is twelve (12) months and thirty (30) days following the Date of Grant (the period from the Date of Grant until the day which is twelve (12) months and thirty (30) days following the Date of Grant being hereinafter referred to as the “*Initial Restriction Period*.” Except as otherwise provided herein, on the Vesting Date, a number of Shares equal to the number

of vested RSUs shall be issued to the Grantee free and clear of all restrictions imposed by this Agreement (except those imposed by Sections 3.3 and 7 below). As soon as practicable (and no later than thirty (30) days) after the Vesting Date, the Company shall transfer such Shares to an unrestricted account in the name of the Grantee (or, if the Grantee has died, to his or her surviving spouse or, if none, to the Grantee's estate). For purposes of this Agreement, employment with a Subsidiary of the Company or service as a member of the Board of Directors of the Company or a Subsidiary shall be considered employment with the Company.

2.2. Termination of Employment Due to Death or Disability. If the Grantee's employment is terminated by the Company as a result of death or Disability (as defined in the Plan), the unvested RSUs shall immediately vest as of the Date of Termination, and a number of Shares equal to the number of such vested RSUs shall be transferred to the Grantee (or the Grantee's surviving spouse or estate) in the manner provided in Section 2.1.

2.3. Termination in Connection with a Change In Control.

2.3.1 If a Change in Control (as defined in the Plan) occurs and the Grantee's employment is terminated (x) within six (6) months prior to or eighteen (18) months following the date of the Change in Control and (y) after the expiration of the Initial Restriction Period, and if such termination is either an involuntary termination by the Company without Cause (as defined in the Plan) or a termination by the Grantee for Good Reason (as defined below) and the termination does not arise as a result of Executive's death or Disability, the unvested RSUs shall fully vest immediately upon the later of (i) the Change in Control, or (ii) the Date of Termination, and a number of Shares equal to the number of such vested RSUs shall be transferred to the Grantee in the manner provided in Section 2.1.

2.3.2 For purposes of this Section 2.3, a "Good Reason" for termination by the Grantee of the Grantee's employment shall mean the occurrence (without the Grantee's express written consent), within six (6) months prior to or eighteen (18) months following the date of the Change in Control, of any one of the following acts by the Company, or failures by the Company to act:

(i) the substantial adverse change in the Grantee's responsibilities at the Company from those in effect immediately prior to the date that is six (6) months prior to the date of a Change in Control (the "Measurement Date"); or

(ii) the required relocation of the Grantee to a location outside of the market area of the Company on the Measurement Date; or

(iii) a material reduction in the levels of coverage of the Grantee under the Company's director and officer liability insurance policy or indemnification commitments from those levels in effect on the Measurement Date; or

(iv) after the Measurement Date, a reduction in the Grantee's base salary, a reduction in his or her incentive compensation or the failure by the Company to continue to provide the Grantee with benefits substantially similar to those enjoyed by the Grantee under any of the Company's pension, deferred compensation, life insurance, medical, health and accident or disability plans in which the Grantee was participating at the Measurement Date, the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive the Grantee of any material fringe benefit enjoyed by the Grantee at the Measurement Date.

2.3.3 The Grantee must give the Company notice of any event or condition that would constitute Good Reason within thirty (30) days of the event or condition, and upon receipt of such notice, the Company shall have thirty (30) days to remedy such event or condition. If such event or condition is not remedied within such 30-day period, any termination of employment by the Grantee for Good Reason must occur within thirty (30) days after the period for remedying the event or condition has expired.

Notwithstanding the foregoing, for any act or failure to act described in Section 2.3.2(iv) above, the Grantee must give the Company notice of such event or condition within thirty (30) days after the Change in Control.

2.3.4 The Grantee's right to terminate the Grantee's employment for Good Reason shall not be affected by the Grantee's incapacity due to physical or mental illness, except for a Disability. Grantee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.4. Termination of Employment for Other Reasons. If the Grantee's employment is terminated by the Company or by the Grantee under circumstances other than those outlined above in Sections 2.2 and 2.3, the outstanding unvested RSUs shall immediately be forfeited as of the Date of Termination.

2.5. Nontransferability. The RSUs may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date the Grantee becomes vested in the RSUs and the Shares are issued.

2.6. Section 409A Compliance. To the extent applicable, this Agreement shall at all times be interpreted and operated in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the standards, regulations or other guidance promulgated thereunder ("**Section 409A**"). Any action that may be taken (and, to the extent possible, any action actually taken) by the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A. Any provision in this Agreement that is determined to violate the requirements of Section 409A shall be void and without effect. In addition, any provision that is required to appear in this Agreement in accordance with Section 409A that is not expressly set forth herein shall be deemed to be set forth herein, and the Agreement shall be administered in all respects as if such provision were expressly set forth. The Company shall delay the commencement of any delivery of Shares that are payable to the Grantee upon his separation from service if the Grantee is a "key employee" of the Company (as determined by the Company in accordance with procedures established by the Company that are consistent with Section 409A) to the date which is immediately following the earlier of (i) six months after the date of the Grantee's separation from service or (ii) the Grantee's death, to the extent such delay is required under the provisions of Section 409A to avoid imposition of additional income and other taxes, provided that the Company and the Grantee agree to take into account any exemptions available under Section 409A. For purposes of this Agreement, termination of employment shall be construed consistent with the meaning of a separation from service within the meaning of Section 409A.

3. **Change in Capitalization; Deferral Rights**

3.1. Following the Grant Date of the RSUs through the date that is the earlier of (i) the date that the RSUs are vested and transferred to the Grantee pursuant to Section 2.1 or (ii) the date that the RSUs are forfeited, the Grantee shall be paid in cash, through the Company's regular payroll process, a dividend equivalent amount equal to any dividends or other distributions declared on the Shares represented by the RSUs, less applicable withholdings, in the manner determined by the Committee.

3.2. In the event of a change in capitalization, the Committee shall make appropriate adjustments in accordance with Section 4.3 of the Plan to reflect the change in capitalization, provided that any such additional Shares or additional or different shares or securities reflected in any such adjustment shall remain subject to the restrictions in this Agreement.

3.3. The Grantee represents and warrants that he is acquiring the Shares under this Agreement for investment purposes only, and not with a view to distribution thereof. The Grantee is aware that the Shares may not be registered under the federal or any state securities laws and that for that reason, in addition to the other restrictions on the Shares, they will not be able to be transferred unless an exemption from registration is available or the Shares are registered. By making this award of RSUs, the Company is not undertaking any obligation to register the RSUs under any federal or state securities laws.

3.4. To the extent the Grantee is eligible to participate in a deferred compensation plan established for such purpose, the Grantee may elect to defer delivery of the Shares that would otherwise be

due by virtue of the lapse or waiver of the vesting requirements as set forth in Section 2. If such deferral election is made, the Committee shall, in its sole discretion, establish the rules and procedures for such deferrals which shall be in compliance with Section 409A.

4. **No Right to Continued Employment**

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right with respect to continuance of employment by the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company to terminate the Grantee's employment at any time. The Grantee is employed by the Company "at will," which means that either the Grantee or the Company may terminate the Grantee's employment at any time, for any reason.

5. **Taxes and Withholding**

The Grantee shall be responsible for all federal, state, and local income taxes payable with respect to this award of RSUs and any dividends or dividend equivalents paid on such RSUs. The Company and the Grantee agree to report the value of the RSUs in a consistent manner for federal income tax purposes. The Company shall have the right to retain and withhold from any payment of Shares (for the minimum required withholdings or such other amounts as will not result in adverse accounting treatment to the Company) or cash the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require the Grantee to reimburse the Company for any such taxes required to be withheld and may withhold any distribution in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due to the Grantee an amount equal to such taxes required to be withheld or withhold and cancel (for the minimum required withholdings or such other amounts as will not result in adverse accounting treatment to the Company) (in whole or in part) a number of Shares having a market value not less than the amount of such taxes.

6. **The Grantee Bound by The Plan**

The Grantee hereby acknowledges receipt of a copy of the Plan and the prospectus for the Plan, and agrees to be bound by all the terms and provisions thereof.

7. **Restrictive Covenants**

7.1 In consideration for the grant of the RSUs, continued employment with the Company, and other good and valuable consideration, the Grantee agrees to the following:

(i) During the Grantee's employment with the Company and for a one (1) year period after the Date of Termination, the Grantee will not directly or indirectly, individually, or on behalf of any Person other than the Company or a Subsidiary:

(a) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;

(b) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Subsidiary or is at will; or

(c) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Subsidiary, the Company's Business or the Company's or any Subsidiary's suppliers, employees, patrons, customers, and others who may at any time have or have had relations with the Company or any Subsidiary.

(ii) During the Grantee's employment with the Company and at all times thereafter, the Grantee will not disclose or use Confidential Information, except as necessary to carry out his or her duties as an employee of the Company.

(iii) Upon termination or expiration of the Grantee's employment with the Company for any reason whatsoever or at any time, the Grantee will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Grantee's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

7.2 For purposes of this Agreement, the following terms shall have the meanings specified below:

(i) "**Company's Business**" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(ii) "**Confidential Information**" means information, without regard to form, relating to the Company's or any Subsidiary's customers, operation, finances, and business that has value to the Company or any Subsidiary, is not generally known to competitors of the Company or a Subsidiary and that the Grantee became aware of due to his or her employment with the Company. Confidential Information includes, but is not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Subsidiary by third parties that the Company or any Subsidiary is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a five (5) year period after the Date of Termination.

(iii) "**Customers**" means all Persons that (1) the Grantee serviced or solicited on behalf of the Company or any Subsidiary during the 24 months prior to the Date of Termination, (2) whose dealings with the Company or any Subsidiary were coordinated or supervised, in whole or in part, by the Grantee during the 24 months prior to the Date of Termination, or (3) about whom the Grantee obtained Confidential Information during the 24 months prior to the Date of Termination, as a result of the Grantee's association with the Company.

(iv) "**Date of Termination**" means the date upon which the Grantee's employment with the Company ceases for any reason.

(v) "**Person**" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

7.3 If the Grantee violates the restrictive covenants set forth in Section 7.1, then the Company shall be entitled to all remedies available in law or equity. In addition (and without limiting the foregoing), if the Grantee violates the restrictive covenants set forth in Section 7.1, the Committee shall, notwithstanding any other provision in this Agreement to the contrary, (i) cancel the outstanding RSUs that are not yet vested or with respect to which Shares have not yet been issued to the Grantee, and (ii) require the Grantee to return to the Company any Shares issued to the Grantee pursuant to vesting of the RSUs (or

to pay to the Company the then current value of any such Shares) that occurred (or will occur) during the period six (6) months prior to and one (1) year after the Date of Termination.

7.4 The Grantee acknowledges and agrees that the provisions of Section 7.1 are reasonable as to time, scope and territory given the Company's need to protect its Confidential Information and its relationships and goodwill with its customers, suppliers, employees and contractors, all of which have been developed at great time and expense to the Company. The Grantee represents that he or she has the skills and abilities to obtain alternative employment after the Date of Termination that would not violate the covenants in Section 7.1 and that these covenants do not pose an undue hardship on the Grantee. The Grantee further acknowledges that his or her breach of any of the covenants in Section 7.1 would likely cause irreparable injury to the Company, and therefore entitle the Company to injunctive relief, in addition to any other remedies available in law or equity.

7.5 The Defend Trade Secrets Act (18 U.S.C. § 1833(b)) states: "An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, Grantee shall have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Grantee shall also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

8. Modification of Agreement; Severability

If any provision of this Agreement is held by a court of competent jurisdiction to be overly broad or unenforceable for any reason, the parties authorize such court to modify and enforce such provision to the extent the court deems reasonable. If any provision of this Agreement is found by a court to be overbroad or otherwise unenforceable and not capable of modification, it shall be severed and the remaining covenants and clauses enforced in accordance with the tenor of this Agreement. The parties may modify, amend, suspend or terminate this Agreement or may waive any terms or conditions of this Agreement but only by a written instrument executed by the parties hereto.

9. Governing Law and Forum

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the state of Georgia without giving effect to the conflicts of laws principles thereof. The parties agree that they will not file any action arising out of or relating in any way to this Agreement other than in the United States District Court for the Northern District of Georgia or the Superior Court of Union County, Georgia. The parties consent to personal jurisdiction and venue solely within these forums and waive all possible objections thereto.

10. Successors in Interest

This Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns, whether by merger, consolidation, reorganization, sale of assets, or otherwise. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon

the Grantee and all rights granted to the Company under this Agreement shall be final, binding, and conclusive upon the Grantee's heirs, executors, administrators, and successors.

11. Entire Agreement

This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. Wherever appropriate in this Agreement, personal pronouns shall be deemed to include the other genders and the singular to include the plural. Wherever used in this Agreement, the term "including" means "including, without limitation."

12. Resolution of Disputes

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement and the Plan shall be determined by the Committee. Any determination made by the Committee shall be final, binding and conclusive on the Grantee and the Company and their successors, assigns, heirs, executors, administrators and legal representatives for all purposes.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

UNITED COMMUNITY BANKS, INC.

By:

Name:

Title:

By accepting this Agreement, the Grantee hereby accepts the RSU grant subject to all its terms and provisions and agrees to be bound by the terms and provisions of this Agreement, including Section 7, and the Plan. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors of the Company, or the Compensation Committee or other Committee responsible for the administration of the Plan, upon any questions arising under the Plan.

By accepting this Agreement, the Grantee hereby acknowledges that notwithstanding any other provision herein, and in addition to other restrictions stated herein, any award, or any payment related thereto paid to the Grantee, shall be limited to the extent required by the federal or state regulatory agency having authority over the Company. The Grantee agrees that compliance by the Company with such regulatory restrictions, even to the extent that payments are limited, shall not be a breach of this Agreement by the Company.

By accepting this Agreement, the Grantee hereby consents to the holding and processing of personal data provided by him to the Company for all purposes necessary for the operation of the Plan. These include, but are not limited to:

- (a) administering and maintaining Plan records;
- (b) providing information to any registrars, brokers or third party administrators of the Plan; and
- (c) providing information to future purchasers of the Company or the business in which the Grantee works.

GRANTEE

Signature:

Name:

Date:

UNITED COMMUNITY BANKS, INC.
AMENDED AND RESTATED
2000 KEY EMPLOYEE STOCK OPTION PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
(Key Employee)

Grantee: _____

Number of RSUs: _____

RSUs

Date of Grant: _____

Vesting Schedule: _____

Vesting Date

Vest Quantity

See schedule attached hereto as Schedule A, if applicable

THIS AGREEMENT (the "**Agreement**") is entered into as of the ____ day of _____, _____, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia corporation (the "**Company**"), and the individual designated above (the "**Grantee**").

WHEREAS, the Company maintains the United Community Banks, Inc. Amended and Restated 2000 Key Employee Stock Option Plan (the "**Plan**"), and the Grantee has been selected by the Committee to receive a Restricted Stock Unit Award, vesting upon either the specified passage of time as specified above or fulfillment of the performance criteria as set forth in Schedule A attached hereto, under the Plan;

WHEREAS, the performance objectives, if any, shall be established as reasonable and achievable goals consistent with the safe and sound operation of the Company;

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Grantee, as follows:

1. **Award of Restricted Stock Units**

1.1. **Grant.** The Company hereby grants to the Grantee an award of Restricted Stock Units ("**RSUs**") in the amount set forth above, subject to, and in accordance with, the restrictions, terms, and conditions set forth in this Agreement and the Plan. The grant date of this award of RSUs is set forth above (the "**Date of Grant**").

1.2. **Construction.** This Agreement (including Schedule A attached hereto, if applicable) shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

1.3. **Execution of the Agreement.** This Award is conditioned on the Grantee's execution of this Agreement. By executing this Agreement, the Grantee agrees to the terms set forth in this Agreement (and the provisions of the Plan incorporated herein). If this Agreement is not executed by the Grantee and returned to the Company within seven (7) days of the Date of Grant, it may be canceled by the Committee resulting in the immediate forfeiture of all RSUs granted hereunder.

2. Vesting and Termination of Employment

2.1. Vesting. Subject to this Section 2 and Section 7, if the Grantee remains employed by the Company, the RSUs shall vest in accordance with the vesting schedule set forth above, if the RSUs vest upon the passage of time, or the schedule attached hereto as Schedule A, if applicable, because the RSUs vest upon the fulfillment of performance criteria set forth herein. Each date on which the RSUs vest, either by the specified passage of time or fulfillment of the performance criteria in accordance with Schedule A, if applicable, is hereinafter referred to as a “**Vesting Date**”. Notwithstanding the foregoing, no Vesting Date can be any earlier than the day immediately after the day which is twelve (12) months and thirty (30) days following the Date of Grant (the period from the Date of Grant until the day which is twelve (12) months and thirty (30) days following the Date of Grant being hereinafter referred to as the “**Initial Restriction Period**”). Except as otherwise provided herein, on the Vesting Date, a number of Shares equal to the number of vested RSUs shall be issued to the Grantee free and clear of all restrictions imposed by this Agreement (except those imposed by Sections 3.3 and 7 below). As soon as practicable (and no later than thirty (30) days) after the Vesting Date, the Company shall transfer such Shares to an unrestricted account in the name of the Grantee (or, if the Grantee has died, to his or her surviving spouse or, if none, to the Grantee’s estate). For purposes of this Agreement, employment with a Subsidiary of the Company or service as a member of the Board of Directors of the Company or a Subsidiary shall be considered employment with the Company.

2.2. Termination of Employment Due to Death or Disability. If the Grantee’s employment is terminated by the Company as a result of death or Disability (as defined in the Plan), any unvested portion of the grant that would have vested, either by the specified passage of time or the fulfillment of the performance criteria in accordance with Schedule A, if applicable, with respect to the year in which the termination occurred had the Grantee remained employed and any earlier year, and any unvested portion of the grant that would have vested in the subsequent year following termination had the Grantee remained employed, shall remain outstanding and all remaining unvested RSUs shall be immediately forfeited. A number of Shares equal to the number of unvested RSUs described in the preceding sentence shall become vested and shall be transferred to the Grantee (or the Grantee’s surviving spouse or estate) in the manner provided in Section 2.1 upon attainment of the original Vesting Date(s) (just as if the Grantee had remained employed) and/or the applicable performance criteria set forth on Schedule A, if applicable.

2.3. Termination of Employment by the Company for Cause. If the Grantee’s employment is terminated by the Company for Cause (as defined in the Plan), the unvested RSUs shall be forfeited immediately as of the Date of Termination.

2.4. Termination of Employment by the Company Without Cause or by the Grantee For Good Reason after the Initial Restriction Period.

2.4.1 If the Grantee’s employment with the Company is terminated after the expiration of the Initial Restriction Period either (i) by the Company without Cause (as defined in the Plan) or (ii) by the Grantee for Good Reason (as defined in Section 2.4.2 below), the unvested RSUs shall continue to vest in accordance with the original vesting schedule (just as if the Grantee had remained employed). In the event of the Grantee’s death after a termination covered by this Section 2.4, the unvested RSUs shall continue to vest as if the Grantee had lived and upon vesting, a number of Shares equal to the number of vested RSUs shall be transferred to the Grantee’s surviving spouse or, if none, to his estate.

2.4.2 For purposes of this Agreement, “**Good Reason**” for termination by the Grantee of the Grantee’s employment shall mean the occurrence (without the Grantee’s express written consent) of:

(i) a material reduction in the Grantee’s responsibilities at the Company;

(ii) the required relocation of the Grantee’s employment to a location outside of the market area of the Company;

(iii) a material reduction in the levels of coverage of the Grantee under the Company's director and officer liability insurance policy or indemnification commitments; or

(iv) a substantial reduction in the Grantee's base salary, a material reduction in his or her incentive compensation or the taking of any action by the Company which would, directly or indirectly, materially reduce any of the benefits provided to the Grantee under any of the Company's pension, 401(k), deferred compensation, life insurance, medical, accident or disability plans in which the Grantee is participating.

2.4.3 The Grantee must give the Company notice of any event or condition that would constitute "Good Reason" within ninety (90) days of its initial existence and upon receipt of such notice, the Company shall have thirty (30) days to remedy the event or condition. If the event or condition is not remedied within such thirty (30) day period, any termination of employment by the Grantee for "Good Reason" must occur within six (6) months of the Grantee learning of the initial existence of the condition or event.

2.4.4 The Grantee's right to terminate employment for Good Reason shall not be affected by the Grantee's incapacity due to physical or mental illness, except for a Disability. The Grantee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.5. Termination During the Initial Restriction Period. If the Grantee's employment is terminated by the Company without Cause prior to the expiration of the Initial Restriction Period by the Company, any unvested RSUs shall be forfeited immediately as of the Date of Termination.

2.6 Termination of Employment by the Grantee for Other Reasons. If the Grantee retires or voluntarily terminates his or her employment for any reason other than for Good Reason (as defined above) after the expiration of the Initial Restriction Period, the outstanding unvested RSUs shall immediately be forfeited as of the Date of Termination.

2.7 Nontransferability. The RSUs may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date the Grantee becomes vested in the RSUs and the Shares are issued.

2.8 Section 409A Compliance. To the extent applicable, this Agreement shall at all times be interpreted and operated in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the standards, regulations or other guidance promulgated thereunder ("**Section 409A**"). Any action that may be taken (and, to the extent possible, any action actually taken) by the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A. Any provision in this Agreement that is determined to violate the requirements of Section 409A shall be void and without effect. In addition, any provision that is required to appear in this Agreement in accordance with Section 409A that is not expressly set forth herein shall be deemed to be set forth herein, and the Agreement shall be administered in all respects as if such provision were expressly set forth. The Company shall delay the commencement of any delivery of Shares that are payable to the Grantee upon his separation from service if the Grantee is a "key employee" of the Company (as determined by the Company in accordance with procedures established by the Company that are consistent with Section 409A) to the date which is immediately following the earlier of (i) six (6) months after the date of the Grantee's separation from service or (ii) the Grantee's death, to the extent such delay is required under the provisions of Section 409A to avoid imposition of additional income and other taxes, provided that the Company and the Grantee agree to take into account any exemptions available under Section 409A. For purposes of this Agreement, termination of employment shall be construed consistent with the meaning of a separation from service within the meaning of Section 409A.

3. **Change in Capitalization; Deferral Rights**

3.1. Following the Grant Date of the RSUs through the date that is the earlier of (i) the date that the RSUs are vested and transferred to the Grantee pursuant to Section 2.1 or (ii) the date that the RSUs are forfeited, the Grantee shall be credited with dividend equivalents or other distributions declared on the Shares represented by the RSUs in the manner determined by the Committee. Within thirty (30) days after a Vesting Date, Grantee shall be paid in cash the dividend equivalents or other distributions with respect to the vested RSUs to which the dividend equivalents or other distributions relate, less applicable withholdings.

3.2. In the event of a change in capitalization, the Committee shall make appropriate adjustments in accordance with Section 4.3 of the Plan to reflect the change in capitalization, provided that any such additional Shares or additional or different shares or securities reflected in any such adjustment shall remain subject to the restrictions in this Agreement.

3.3. The Grantee represents and warrants that he is acquiring the Shares under this Agreement for investment purposes only, and not with a view to distribution thereof. The Grantee is aware that the Shares may not be registered under the federal or any state securities laws and that for that reason, in addition to the other restrictions on the Shares, they will not be able to be transferred unless an exemption from registration is available or the Shares are registered. By making this award of RSUs, the Company is not undertaking any obligation to register the RSUs under any federal or state securities laws.

3.4. To the extent the Grantee is eligible to participate in a deferred compensation plan established for such purpose, the Grantee may elect to defer delivery of the Shares that would otherwise be due by virtue of the lapse or waiver of the vesting requirements as set forth in Section 2. If such deferral election is made, the Committee shall, in its sole discretion, establish the rules and procedures for such deferrals which shall be in compliance with Section 409A.

4. **No Right to Continued Employment**

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right with respect to continuance of employment by the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company to terminate the Grantee's employment at any time. The Grantee is employed by the Company "at will," which means that either the Grantee or the Company may terminate the Grantee's employment at any time, for any reason.

5. **Taxes and Withholding**

The Grantee shall be responsible for all federal, state, and local income taxes payable with respect to this award of RSUs and any dividends or dividend equivalents paid on such RSUs. The Company and the Grantee agree to report the value of the RSUs in a consistent manner for federal income tax purposes. The Company shall have the right to retain and withhold from any payment of Shares (for the minimum required withholdings or such other amounts as will not result in adverse accounting treatment to the Company) or cash the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require the Grantee to reimburse the Company for any such taxes required to be withheld and may withhold any distribution in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due to the Grantee an amount equal to such taxes required to be withheld or withhold and cancel (for the minimum required withholdings or such other amounts as will not result in adverse accounting treatment to the Company) (in whole or in part) a number of Shares having a market value not less than the amount of such taxes.

6. **The Grantee Bound By The Plan**

The Grantee hereby acknowledges receipt of a copy of the Plan and the prospectus for the Plan, and agrees to be bound by all the terms and provisions thereof.

7. **Restrictive Covenants**

7.1 In consideration for the grant of the RSUs, continued employment with the Company, and other good and valuable consideration, the Grantee agrees to the following:

(i) During the Grantee's employment with the Company and for a one (1) year period after the Date of Termination, the Grantee will not directly or indirectly, individually, or on behalf of any Person other than the Company or a Subsidiary:

(a) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;

(b) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Subsidiary or is at will; or

(c) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Subsidiary, the Company's Business or the Company's or any Subsidiary's suppliers, employees, patrons, customers, and others who may at any time have or have had relations with the Company or any Subsidiary.

(ii) During the Grantee's employment with the Company and at all times thereafter, the Grantee will not disclose or use Confidential Information, except as necessary to carry out his or her duties as an employee of the Company.

(iii) Upon termination or expiration of the Grantee's employment with the Company for any reason whatsoever or at any time, the Grantee will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Grantee's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

7.2 For purposes of this Agreement, the following terms shall have the meanings specified below:

(i) "**Company's Business**" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(ii) "**Confidential Information**" means information, without regard to form, relating to the Company's or any Subsidiary's customers, operation, finances, and business that has value to the Company or any Subsidiary, is not generally known to competitors of the Company or a Subsidiary and that the Grantee became aware of due to his or her employment with the Company. Confidential Information includes, but is not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Subsidiary by third parties that the Company or any Subsidiary is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a five (5) year period after the Date of Termination.

(iii) "**Customers**" means all Persons that (1) the Grantee serviced or solicited on behalf of the Company or any Subsidiary during the twenty-four (24) months prior to the Date of Termination, (2) whose dealings with the Company or any Subsidiary were coordinated or supervised,

in whole or in part, by the Grantee during the twenty-four (24) months prior to the Date of Termination, or (3) about whom the Grantee obtained Confidential Information during the twenty-four (24) months prior to the Date of Termination, as a result of the Grantee's association with the Company.

(iv) "**Date of Termination**" means the date upon which the Grantee's employment with the Company ceases for any reason.

(v) "**Person**" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

7.3 If the Grantee violates the restrictive covenants set forth in Section 7.1, then the Company shall be entitled to all remedies available in law or equity. In addition (and without limiting the foregoing), if the Grantee violates the restrictive covenants set forth in Section 7.1, the Committee shall, notwithstanding any other provision in this Agreement to the contrary, (i) cancel the outstanding RSUs that are not yet vested or with respect to which Shares have not yet been issued to the Grantee, and (ii) require the Grantee to return to the Company any Shares issued to the Grantee pursuant to vesting of the RSUs (or to pay to the Company the greater of the then current value of any such Shares or the value of the shares as of the applicable Vesting Date) that occurred (or will occur) during the period six (6) months prior to and one (1) year after the Date of Termination.

7.4 The Grantee acknowledges and agrees that the provisions of Section 7.1 are reasonable as to time, scope and territory given the Company's need to protect its Confidential Information and its relationships and goodwill with its customers, suppliers, employees and contractors, all of which have been developed at great time and expense to the Company. The Grantee represents that he or she has the skills and abilities to obtain alternative employment after the Date of Termination that would not violate the covenants in Section 7.1 and that these covenants do not pose an undue hardship on the Grantee. The Grantee further acknowledges that his or her breach of any of the covenants in Section 7.1 would likely cause irreparable injury to the Company, and therefore entitles the Company to injunctive relief, in addition to any other remedies available in law or equity.

7.5 The Defend Trade Secrets Act (18 U.S.C. § 1833(b)) states: "An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, Grantee shall have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Grantee shall also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

8. Modification of Agreement; Severability

If any provision of this Agreement is held by a court of competent jurisdiction to be overly broad or unenforceable for any reason, the parties authorize such court to modify and enforce such provision to the extent the court deems reasonable. If any provision of this Agreement is found by a court to be overbroad or otherwise unenforceable and not capable of modification, it shall be severed and the remaining covenants and clauses enforced in accordance with the tenor of this Agreement. The parties may modify,

amend, suspend or terminate this Agreement or may waive any terms or conditions of this Agreement but only by a written instrument executed by the parties hereto.

9. Governing Law and Forum

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the state of Georgia without giving effect to the conflicts of laws principles thereof. The parties agree that they will not file any action arising out of or relating in any way to this Agreement other than in the United States District Court for the Northern District of Georgia or the Superior Court of Union County, Georgia. The parties consent to personal jurisdiction and venue solely within these forums and waive all possible objections thereto.

10. Successors in Interest

This Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns, whether by merger, consolidation, reorganization, sale of assets, or otherwise. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be final, binding, and conclusive upon the Grantee's heirs, executors, administrators, and successors.

11. Entire Agreement

This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. Wherever appropriate in this Agreement, personal pronouns shall be deemed to include the other genders and the singular to include the plural. Wherever used in this Agreement, the term "including" means "including, without limitation."

12. Resolution of Disputes

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement and the Plan shall be determined by the Committee. Any determination made by the Committee shall be final, binding and conclusive on the Grantee and the Company and their successors, assigns, heirs, executors, administrators and legal representatives for all purposes.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

UNITED COMMUNITY BANKS, INC.

By:

Name:

Title:

By accepting this Agreement, the Grantee hereby accepts the RSU grant subject to all its terms and provisions and agrees to be bound by the terms and provisions of this Agreement, including Section 7, the Plan and Schedule A attached hereto, if applicable. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors of the Company, or the Compensation Committee or other Committee responsible for the administration of the Plan, upon any questions arising under the Plan.

By accepting this Agreement, the Grantee hereby acknowledges that notwithstanding any other provision herein, and in addition to other restrictions stated herein, any award, or any payment related thereto paid to the Grantee, shall be limited to the extent required by the federal or state regulatory agency having authority over the Company. The Grantee agrees that compliance by the Company with such regulatory restrictions, even to the extent that payments are limited, shall not be a breach of this Agreement by the Company.

By accepting this Agreement, the Grantee hereby consents to the holding and processing of personal data provided by him to the Company for all purposes necessary for the operation of the Plan. These include, but are not limited to:

- (a) administering and maintaining Plan records;
- (b) providing information to any registrars, brokers or third party administrators of the Plan; and
- (c) providing information to future purchasers of the Company or the business in which the Grantee works.

GRANTEE

Signature:

Name:

Date:

UNITED COMMUNITY BANKS, INC.
AMENDED AND RESTATED
2000 KEY EMPLOYEE STOCK OPTION PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
(Key Employee)

Grantee:

 RSUs subject to Performance-Based Vesting, subject to increase in
 accordance with this Agreement

Number of RSUs Granted:

Date of Grant:

Vesting Schedule for Performance-Based RSUs:

 See Schedule A

THIS AGREEMENT (the “**Agreement**”) is entered into as of the ____ day of _____, _____, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia corporation (the “**Company**”), and the individual designated above (the “**Grantee**”).

WHEREAS, the Company maintains the United Community Banks, Inc. Amended and Restated 2000 Key Employee Stock Option Plan (the “**Plan**”), and the Grantee has been selected by the Committee to receive a Restricted Stock Unit Award, vesting upon either the specified passage of time as specified above or fulfillment of the performance criteria as set forth in Schedule A attached hereto, under the Plan;

WHEREAS, the performance objectives, if any, shall be established as reasonable and achievable goals consistent with the safe and sound operation of the Company;

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Grantee, as follows:

1. Award of Restricted Stock Units

1.1 **Grant.** The Company hereby grants to the Grantee an award of Restricted Stock Units (“**RSUs**”) in the amount set forth above, subject to, and in accordance with, the restrictions, terms, and conditions set forth in this Agreement and the Plan. The grant date of this award of RSUs is set forth above (the “**Date of Grant**”).

1.2 **Construction.** This Agreement (including Schedule A attached hereto, if applicable) shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

1.3 **Execution of the Agreement.** This Award is conditioned on the Grantee’s execution of this Agreement. By executing this Agreement, the Grantee agrees to the terms set forth in this Agreement (and the provisions of the Plan incorporated herein). If this Agreement is not executed by the Grantee and returned to the Company within seven (7) days of the Date of Grant, it may be canceled by the Committee resulting in the immediate forfeiture of all RSUs granted hereunder.

2. Vesting and Termination of Employment

2.1 **Vesting.** Subject to this Section 2 and Section 7, if the Grantee remains employed by the Company, the RSUs shall vest in accordance with the vesting schedule set forth above, if the RSUs vest upon the passage of time, or the schedule attached hereto as Schedule A, if applicable, if the RSUs vest upon

the fulfillment of performance criteria set forth herein. Each date on which the RSUs vest, either by the specified passage of time or fulfillment of the performance criteria in accordance with Schedule A, if applicable, is hereinafter referred to as a “**Vesting Date**”. Notwithstanding the foregoing, no Vesting Date can be any earlier than the day immediately after the day which is twelve (12) months and thirty (30) days following the Date of Grant (the period from the Date of Grant until the day which is twelve (12) months and thirty (30) days following the Date of Grant being hereinafter referred to as the “**Initial Restriction Period**”). Except as otherwise provided herein, on the Vesting Date, a number of Shares equal to the number of vested RSUs shall be issued to the Grantee free and clear of all restrictions imposed by this Agreement (except those imposed by Sections 3.3 and 7 below). As soon as practicable (and no later than thirty (30) days) after the Vesting Date, the Company shall transfer such Shares to an unrestricted account in the name of the Grantee (or, if the Grantee has died, to his or her surviving spouse or, if none, to the Grantee’s estate). For purposes of this Agreement, employment with a Subsidiary of the Company or service as a member of the Board of Directors of the Company or a Subsidiary shall be considered employment with the Company.

2.2 Termination of Employment Due to Death or Disability. If the Grantee’s employment is terminated by the Company as a result of death or Disability (as defined in the Plan), any unvested portion of the grant that would have vested, either by the specified passage of time or the fulfillment of the performance criteria in accordance with Schedule A, if applicable, with respect to the year in which the termination occurred had the Grantee remained employed and any earlier year, and any unvested portion of the grant that would have vested in the subsequent year following termination had the Grantee remained employed, shall remain outstanding and all remaining unvested RSUs shall be immediately forfeited. A number of Shares equal to the number of unvested RSUs described in the preceding sentence shall become vested and shall be transferred to the Grantee (or the Grantee’s surviving spouse or estate) in the manner provided in Section 2.1 upon attainment of the original Vesting Date(s) (just as if the Grantee had remained employed) and/or the applicable performance criteria set forth on Schedule A, if applicable.

2.3 Termination of Employment by the Company for Cause. If the Grantee’s employment is terminated by the Company for Cause (as defined in the Plan), the unvested RSUs shall be forfeited immediately as of the Date of Termination.

2.4 Termination of Employment by the Company Without Cause or by the Grantee For Good Reason after the Initial Restriction Period.

2.4.1 If the Grantee’s employment with the Company is terminated after the expiration of the Initial Restriction Period either (i) by the Company without Cause (as defined in the Plan) or (ii) by the Grantee for Good Reason (as defined in Section 2.4.2 below), the unvested RSUs shall become vested on a pro-rata basis, as set forth in Schedule A.

2.4.2 For purposes of this Agreement, “**Good Reason**” for termination by the Grantee of the Grantee’s employment shall mean the occurrence (without the Grantee’s express written consent) of:

- (i) a material reduction in the Grantee’s responsibilities at the Company;
- (ii) the required relocation of the Grantee’s employment to a location outside of the market area of the Company;
- (iii) a material reduction in the levels of coverage of the Grantee under the Company’s director and officer liability insurance policy or indemnification commitments; or
- (iv) a substantial reduction in the Grantee’s base salary, a material reduction in his or her incentive compensation or the taking of any action by the Company which would, directly or indirectly, materially reduce any of the benefits provided to the Grantee under any of the Company’s pension, 401(k), deferred compensation, life insurance, medical, accident or disability plans in which the Grantee is participating.

2.4.3 The Grantee must give the Company notice of any event or condition that would constitute “Good Reason” within ninety (90) days of its initial existence and upon receipt of such notice, the Company shall have thirty (30) days to remedy the event or condition. If the event or condition is not remedied within such thirty (30) day period, any termination of employment by the Grantee for “Good Reason” must occur within six (6) months of the Grantee learning of the initial existence of the condition or event.

2.4.4 The Grantee’s right to terminate employment for Good Reason shall not be affected by the Grantee’s incapacity due to physical or mental illness, except for a Disability. The Grantee’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.5 Termination During the Initial Restriction Period. If the Grantee’s employment is terminated by the Company without Cause prior to the expiration of the Initial Restriction Period by the Company, any unvested RSUs shall be forfeited immediately as of the Date of Termination.

2.6 Termination of Employment by the Grantee for Other Reasons. If the Grantee retires or voluntarily terminates his or her employment for any reason other than for Good Reason (as defined above) after the expiration of the Initial Restriction Period, the outstanding unvested RSUs shall immediately be forfeited as of the Date of Termination.

2.7 Nontransferability. The RSUs may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date the Grantee becomes vested in the RSUs and the Shares are issued.

2.8 Section 409A Compliance. To the extent applicable, this Agreement shall at all times be interpreted and operated in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the standards, regulations or other guidance promulgated thereunder (“**Section 409A**”). Any action that may be taken (and, to the extent possible, any action actually taken) by the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A. Any provision in this Agreement that is determined to violate the requirements of Section 409A shall be void and without effect. In addition, any provision that is required to appear in this Agreement in accordance with Section 409A that is not expressly set forth herein shall be deemed to be set forth herein, and the Agreement shall be administered in all respects as if such provision were expressly set forth. The Company shall delay the commencement of any delivery of Shares that are payable to the Grantee upon his separation from service if the Grantee is a “key employee” of the Company (as determined by the Company in accordance with procedures established by the Company that are consistent with Section 409A) to the date which is immediately following the earlier of (i) six (6) months after the date of the Grantee’s separation from service or (ii) the Grantee’s death, to the extent such delay is required under the provisions of Section 409A to avoid imposition of additional income and other taxes, provided that the Company and the Grantee agree to take into account any exemptions available under Section 409A. For purposes of this Agreement, termination of employment shall be construed consistent with the meaning of a separation from service within the meaning of Section 409A.

3. **Change in Capitalization; Deferral Rights**

3.1 Following the Grant Date of the RSUs through the date that is the earlier of (i) the date that the RSUs are vested and transferred to the Grantee pursuant to Section 2.1 or (ii) the date that the RSUs are forfeited, the Grantee shall be credited with dividend equivalents or other distributions declared on the Shares represented by the RSUs in the manner determined by the Committee. Within thirty (30) days after a Vesting Date, Grantee shall be paid in cash the dividend equivalents or other distributions with respect to the vested RSUs to which the dividend equivalents or other distributions relate, less applicable withholdings.

3.2 In the event of a change in capitalization, the Committee shall make appropriate adjustments in accordance with Section 4.3 of the Plan to reflect the change in capitalization, provided that any such additional Shares or additional or different shares or securities reflected in any such adjustment shall remain subject to the restrictions in this Agreement.

3.3 The Grantee represents and warrants that he is acquiring the Shares under this Agreement for investment purposes only, and not with a view to distribution thereof. The Grantee is aware that the Shares may not be registered under the federal or any state securities laws and that for that reason, in addition to the other restrictions on the Shares, they will not be able to be transferred unless an exemption from registration is available or the Shares are registered. By making this award of RSUs, the Company is not undertaking any obligation to register the RSUs under any federal or state securities laws.

3.4 To the extent the Grantee is eligible to participate in a deferred compensation plan established for such purpose, the Grantee may elect to defer delivery of the Shares that would otherwise be due by virtue of the lapse or waiver of the vesting requirements as set forth in Section 2. If such deferral election is made, the Committee shall, in its sole discretion, establish the rules and procedures for such deferrals which shall be in compliance with Section 409A.

4. **No Right to Continued Employment**

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right with respect to continuance of employment by the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company to terminate the Grantee's employment at any time. The Grantee is employed by the Company "at will," which means that either the Grantee or the Company may terminate the Grantee's employment at any time, for any reason.

5. **Taxes and Withholding**

The Grantee shall be responsible for all federal, state, and local income taxes payable with respect to this award of RSUs and any dividends or dividend equivalents paid on such RSUs. The Company and the Grantee agree to report the value of the RSUs in a consistent manner for federal income tax purposes. The Company shall have the right to retain and withhold from any payment of Shares (for the minimum required withholdings or such other amounts as will not result in adverse accounting treatment to the Company) or cash the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require the Grantee to reimburse the Company for any such taxes required to be withheld and may withhold any distribution in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due to the Grantee an amount equal to such taxes required to be withheld or withhold and cancel (for the minimum required withholdings or such other amounts as will not result in adverse accounting treatment to the Company) (in whole or in part) a number of Shares having a market value not less than the amount of such taxes.

6. **The Grantee Bound By The Plan**

The Grantee hereby acknowledges receipt of a copy of the Plan and the prospectus for the Plan, and agrees to be bound by all the terms and provisions thereof.

7. **Restrictive Covenants**

7.1 In consideration for the grant of the RSUs, continued employment with the Company, and other good and valuable consideration, the Grantee agrees to the following:

(i) During the Grantee's employment with the Company and for a one (1) year period after the Date of Termination, the Grantee will not directly or indirectly, individually, or on behalf of any Person other than the Company or a Subsidiary:

(a) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;

(b) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Subsidiary or is at will; or

(c) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Subsidiary, the Company's Business or the Company's or any Subsidiary's suppliers, employees, patrons, customers, and others who may at any time have or have had relations with the Company or any Subsidiary.

(ii) During the Grantee's employment with the Company and at all times thereafter, the Grantee will not disclose or use Confidential Information, except as necessary to carry out his or her duties as an employee of the Company.

(iii) Upon termination or expiration of the Grantee's employment with the Company for any reason whatsoever or at any time, the Grantee will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Grantee's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

7.2 For purposes of this Agreement, the following terms shall have the meanings specified below:

(i) "**Company's Business**" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(ii) "**Confidential Information**" means information, without regard to form, relating to the Company's or any Subsidiary's customers, operation, finances, and business that has value to the Company or any Subsidiary, is not generally known to competitors of the Company or a Subsidiary and that the Grantee became aware of due to his or her employment with the Company. Confidential Information includes, but is not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Subsidiary by third parties that the Company or any Subsidiary is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a five (5) year period after the Date of Termination.

(iii) "**Customers**" means all Persons that (1) the Grantee serviced or solicited on behalf of the Company or any Subsidiary during the twenty-four (24) months prior to the Date of Termination, (2) whose dealings with the Company or any Subsidiary were coordinated or supervised, in whole or in part, by the Grantee during the twenty-four (24) months prior to the Date of Termination, or (3) about whom the Grantee obtained Confidential Information during the twenty-four (24) months prior to the Date of Termination, as a result of the Grantee's association with the Company.

(iv) "**Date of Termination**" means the date upon which the Grantee's employment with the Company ceases for any reason.

(v) “**Person**” means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

7.3 If the Grantee violates the restrictive covenants set forth in Section 7.1, then the Company shall be entitled to all remedies available in law or equity. In addition (and without limiting the foregoing), if the Grantee violates the restrictive covenants set forth in Section 7.1, the Committee shall, notwithstanding any other provision in this Agreement to the contrary, (i) cancel the outstanding RSUs that are not yet vested or with respect to which Shares have not yet been issued to the Grantee, and (ii) require the Grantee to return to the Company any Shares issued to the Grantee pursuant to vesting of the RSUs (or to pay to the Company the greater of the then current value of any such Shares or the value of the shares as of the applicable Vesting Date) that occurred (or will occur) during the period six (6) months prior to and one (1) year after the Date of Termination.

7.4 The Grantee acknowledges and agrees that the provisions of Section 7.1 are reasonable as to time, scope and territory given the Company’s need to protect its Confidential Information and its relationships and goodwill with its customers, suppliers, employees and contractors, all of which have been developed at great time and expense to the Company. The Grantee represents that he or she has the skills and abilities to obtain alternative employment after the Date of Termination that would not violate the covenants in Section 7.1 and that these covenants do not pose an undue hardship on the Grantee. The Grantee further acknowledges that his or her breach of any of the covenants in Section 7.1 would likely cause irreparable injury to the Company, and therefore entitles the Company to injunctive relief, in addition to any other remedies available in law or equity.

7.5 The Defend Trade Secrets Act (18 U.S.C. § 1833(b)) states: “An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.” Accordingly, Grantee shall have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Grantee shall also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

8. Modification of Agreement; Severability

If any provision of this Agreement is held by a court of competent jurisdiction to be overly broad or unenforceable for any reason, the parties authorize such court to modify and enforce such provision to the extent the court deems reasonable. If any provision of this Agreement is found by a court to be overbroad or otherwise unenforceable and not capable of modification, it shall be severed and the remaining covenants and clauses enforced in accordance with the tenor of this Agreement. The parties may modify, amend, suspend or terminate this Agreement or may waive any terms or conditions of this Agreement but only by a written instrument executed by the parties hereto.

9. Governing Law and Forum

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the state of Georgia without giving effect to the conflicts of laws principles thereof. The parties agree that they will not file any action arising out of or relating in any way to this Agreement

other than in the United States District Court for the Northern District of Georgia or the Superior Court of Union County, Georgia. The parties consent to personal jurisdiction and venue solely within these forums and waive all possible objections thereto.

10. Successors in Interest

This Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns, whether by merger, consolidation, reorganization, sale of assets, or otherwise. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be final, binding, and conclusive upon the Grantee's heirs, executors, administrators, and successors.

11. Entire Agreement

This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. Wherever appropriate in this Agreement, personal pronouns shall be deemed to include the other genders and the singular to include the plural. Wherever used in this Agreement, the term "including" means "including, without limitation."

12. Resolution of Disputes

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement and the Plan shall be determined by the Committee. Any determination made by the Committee shall be final, binding and conclusive on the Grantee and the Company and their successors, assigns, heirs, executors, administrators and legal representatives for all purposes.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

By accepting this Agreement, the Grantee hereby accepts the RSU grant subject to all its terms and provisions and agrees to be bound by the terms and provisions of this Agreement, including Section 7, the Plan and Schedule A attached hereto, if applicable. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors of the Company, or the Compensation Committee or other Committee responsible for the administration of the Plan, upon any questions arising under the Plan.

By accepting this Agreement, the Grantee hereby acknowledges that notwithstanding any other provision herein, and in addition to other restrictions stated herein, any award, or any payment related thereto paid to the Grantee, shall be limited to the extent required by the federal or state regulatory agency having authority over the Company. The Grantee agrees that compliance by the Company with such regulatory restrictions, even to the extent that payments are limited, shall not be a breach of this Agreement by the Company.

By accepting this Agreement, the Grantee hereby consents to the holding and processing of personal data provided by him to the Company for all purposes necessary for the operation of the Plan. These include, but are not limited to:

- (a) administering and maintaining Plan records;
- (b) providing information to any registrars, brokers or third party administrators of the Plan; and
- (c) providing information to future purchasers of the Company or the business in which the Grantee works.

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of the 7th day of August, 2018 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, the Third 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 and the Lender previously entered into that certain Third Amendment to Credit Agreement dated as of June 30, 2017, reducing the pricing on the terms and conditions set forth therein (the "Third 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, 2020 and make certain other modifications as detailed below; and

WHEREAS, the Lender is willing to amend the Credit Agreement to extend the Maturity Date to June 30, 2020 and make other modifications 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) The Credit Agreement is amended by restating the definition of "Maturity Date" set forth in Section 1.1 thereof in its entirety as follows:

“**Maturity Date**’ shall mean June 30, 2020, or such earlier date as the Revolving Commitments are terminated pursuant to Section 2.5(b) or Section 8.1.”

(b) The Credit Agreement is further amended by adding the following definitions of "Eurodollar Margin" and "LIBOR Termination Date" to Section 1.1 thereof:

“**Eurodollar Margin**’ shall have the meaning set forth in Section 2.6.”

“**LIBOR Termination Date**’ shall have the meaning set forth in Section 2.16.”

(c) The Credit Agreement is further amended by restating Section 2.6(a) thereof in its entirety as follows:

“(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 (the “Eurodollar Margin”) 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.”

(d) The Credit Agreement is further amended by adding the following as new Section 2.16 thereof:

Section 2.16 Successor LIBOR Rate Index

(a) If the Lender determines (which determination shall be final and conclusive, absent manifest error) that either (a) (i) the circumstances set forth in Section 2.9 or Section 2.11 have arisen and are unlikely to be temporary, or (ii) the circumstances set forth in Section 2.9 or Section 2.11 have not arisen but the applicable supervisor or administrator (if any) of LIBOR or a Governmental Authority having jurisdiction over the Lender has made a public statement identifying the specific date after which LIBOR shall no longer be used for determining interest rates for loans (either such date, a “LIBOR Termination Date”), or (b) a rate other than LIBOR has become a widely recognized benchmark rate for newly originated loans in Dollars in the U.S. market, then the Lender may (in consultation with the Borrower) choose a replacement index for LIBOR and make adjustments to the Eurodollar Margin and related amendments to this Agreement as referred to below such that, to the extent practicable, the all-in interest rate based on the replacement index will be substantially equivalent to the all-in LIBOR-based interest rate in effect prior to its replacement.

(b) The Lender and the Borrower shall enter into an amendment to this Agreement to reflect the replacement index, adjust the Eurodollar Margin and such other related amendments as may be appropriate, in the reasonable discretion of the Lender, for the implementation and administration of the replacement index-based rate.

(c) Selection of the replacement index, adjustments to the Eurodollar Margin, and amendments to this Agreement (i) will be determined with due consideration to the then-current market practices for determining and implementing a rate of interest for newly originated loans in the United States and loans converted from a LIBOR-based rate to a replacement index-based rate, and (ii) may also reflect adjustments to account for (x) the effects of the transition from LIBOR to the replacement index and (y) yield- or risk-based differences between LIBOR and the replacement index.

(d) Until an amendment reflecting a new replacement index in accordance with this Section 2.16 is effective, each advance, conversion and renewal of a Eurodollar Loan will continue to bear interest with reference to LIBOR; provided however, that if the Lender determines (which determination shall be final and conclusive, absent manifest error) that a LIBOR Termination Date has occurred, then following the LIBOR Termination Date, all Eurodollar Loans shall automatically be

converted to the Base Rate Loans until such time as an amendment reflecting a replacement index and related matters as described above is implemented.”

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 certificates of good standing or existence, as may be available, from the Secretary of State of the jurisdiction of incorporation of the Borrower and United Community Bank;

(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, under the Credit Agreement, as amended by this Amendment, under the Fee Letter and under 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 Fourth 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/ R Pfaltzgraff
Name: R Pfaltzgraff
Title: SVP & Treasurer

SYNOVUS BANK,
as Lender

By: /s/ Michael Sawicki
Name: Michael Sawicki
Title: Director

FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT (this “Amendment”) is dated as of the 18th day of February, 2020 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, the Third Amendment defined below, the Fourth 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 and the Lender previously entered into that certain Third Amendment to Credit Agreement dated as of June 30, 2017, reducing the pricing on the terms and conditions set forth therein (the “Third Amendment”);

WHEREAS, the Borrower and the Lender previously entered into that certain Fourth Amendment to Credit Agreement dated as of August 7, 2018, extending the Maturity Date to June 30, 2020 and updating LIBOR provisions on the terms and conditions set forth therein (the “Fourth 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, 2022 and make certain other modifications as detailed below; and

WHEREAS, the Lender is willing to amend the Credit Agreement to extend the Maturity Date to June 30, 2022 and make other modifications 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) The Credit Agreement is amended by restating the definitions of “Maturity Date” and “Revolving Commitment” set forth in Section 1.1 thereof in their entirety as follows:

“***Maturity Date***” shall mean June 30, 2022, or such earlier date as the Revolving Commitments are terminated pursuant to Section 2.5(b) or Section 8.1.

‘Revolving Commitment’ shall mean the obligation of the Lender to make Revolving Loans hereunder in an aggregate principal amount not exceeding (i) \$50,000,000 minus (ii) at any time (x) the aggregate undrawn amount of all outstanding letters of credit issued (or confirmed) by the Lender for the account of the Borrower or any of its Subsidiaries (or, if confirmed, for the ultimate account of a customer of the Borrower or any of its Subsidiaries), plus (y) the aggregate amount of all unreimbursed drawings in respect of letters of credit described in the foregoing clause (x) (it being acknowledged that such letters of credit described in this clause (ii) may be issued or confirmed, as applicable, in the Lender’s discretion upon request by a Responsible Officer of Borrower and shall not exceed the aggregate amount of \$3,000,000 unless otherwise agreed by the Lender in its discretion).”

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 certificates of good standing or existence, as may be available, from the Secretary of State of the jurisdiction of incorporation of the Borrower and United Community Bank;
- (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, under the Credit Agreement, as amended by this Amendment, under the Fee Letter and under 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 Fifth 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.,

as the Borrower

By: /s/ Jefferson Harralson

Name: Jefferson Harralson

Title: Chief Financial Officer

SYNOVUS BANK,

as the Lender

By: /s/ Michael Sawicki

Name: Michael Sawicki

Title: Director

EXHIBIT 21

Subsidiaries of United Community Banks, Inc.

<u>Subsidiary</u>	<u>State of Organization</u>
United Community Bank	Georgia
Navitas Credit Corp.	Florida
Navitas Equipment Receivables LLC 2016-1	Delaware
NLFC Reinsurance Corp.	Tennessee
United Community Insurance Services, Inc.	Georgia
Union Holdings, Inc.	Nevada
Union Investments, Inc.	Nevada
United Community Development Corporation	Georgia
UCB South Carolina Properties, Inc.	South Carolina
UCB Real Estate Investments, Inc.	Georgia
UCBI Georgia Credits LLC	Georgia
United Community Payment Systems, LLC (50% owned by United Community Bank)	Delaware
Southern Bancorp Capital Trust I	Delaware
Tidelands Statutory Trust I	Delaware
Four Oaks Statutory Trust I	Delaware
HCSB Financial Trust I	Delaware

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-175226, 333-185733, 333-197026 and 333-203548) and S-8 (No. 333-86876, 333-99849, 333-120623, 333-125017, 333-130489, 333-145027, 333-145029, 333-159989, 333-167185, 333-167186, 333-167187, 333-181675, 333-183767, 333-183768, and 333-183769) of United Community Banks, Inc. of our report dated February 27, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia

February 27, 2020

EXHIBIT 31.2

I, Jefferson L. Harralson, certify that:

1. I have reviewed this annual report on Form 10-K 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

Date: February 27, 2020

EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of United Community Banks, Inc. ("United") on Form 10-K for the period ending December 31, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Lynn Harton, President and Chief Executive Officer of United, and I, Jefferson L. Harralson, Executive Vice President and Chief Financial Officer of United, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of United.

By: /s/ **H. Lynn Harton**
H. Lynn Harton
President and Chief Executive Officer

By: /s/ **Jefferson L. Harralson**
Jefferson L. Harralson
Executive Vice President and Chief Financial Officer

Date: February 27, 2020