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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2021

OR

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

For the Transition Period from ___________ to ___________

Commission file number 001-35095

UNITED COMMUNITY BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia	58-1807304
(State of incorporation)	(I.R.S. Employer Identification No.)
125 Highway 515 East Blairsville, Georgia	30512
(Address of principal executive offices)	(Zip code)

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

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, par value $1 per share	UCBI	Nasdaq Global Select Market
Depositary shares, each representing 1/1000th interest in a share of Series I Non-Cumulative Preferred Stock	UCBIO	Nasdaq Global Select Market

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Date 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

Yes ☐ No ☒

There were 89,293,000 shares of the registrant's common stock, par value $1 per share, outstanding as of October 31, 2021.

UNITED COMMUNITY BANKS, INC.
FORM 10-Q
INDEX

Glossary of Defined Terms

The following terms may be used throughout this report, including the consolidated financial statements and related notes.

Term	Definition
2020 10-K	Annual Report on Form 10-K for the year ended December 31, 2020
ACL	Allowance for credit losses
AFS	Available-for-sale
ALCO	Asset/Liability Management Committee
AOCI	Accumulated other comprehensive income (loss)
Aquesta	Aquesta Financial Holdings, Inc. and its wholly-owned subsidiary, Aquesta Bank
ASU	Accounting standards update
Bank	United Community Bank
Board	United Community Banks Inc., Board of Directors
BOLI	Bank-owned life insurance
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CECL	Current expected credit loss model
CET1	Common equity tier 1
CME	Chicago Mercantile Exchange
Company	United Community Banks Inc. (interchangeable with "United" below)
CVA	Credit valuation adjustments
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Federal Reserve System
FHLB	Federal Home Loan Bank
FinTrust	FinTrust Capital Partners, LLC, and its operating subsidiaries, FinTrust Capital Advisors, LLC, FinTrust Capital Benefits Group, LLC and FinTrust Brokerage Services, LLC
FTE	Fully taxable equivalent
GAAP	Accounting principles generally accepted in the United States of America
GSE	U.S. government-sponsored enterprise
HELOC	Home equity lines of credit
Holding Company	United Community Banks, Inc. on an unconsolidated basis
HTM	Held-to-maturity
LIBOR	London Interbank Offered Rate
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MBS	Mortgage-backed securities
NOW	Negotiable order of withdrawal
NPA	Nonperforming asset
OCI	Other comprehensive income (loss)
PCD	Purchased credit deteriorated
PPP	Paycheck Protection Program
Reliant	Reliant Bancorp, Inc. and its wholly-owned subsidiary, Reliant Bank
Report	Quarterly Report on Form 10-Q
SBA	United States Small Business Administration
Seaside	Seaside National Bank & Trust, subsidiary bank of Three Shores Bancorporation, Inc.
SEC	Securities and Exchange Commission
TDR	Troubled debt restructuring
Three Shores	Three Shores Bancorporation, Inc., parent company of Seaside National Bank & Trust
U.S. Treasury	United States Department of the Treasury
United	United Community Banks, Inc. and its direct and indirect subsidiaries
USDA	United States Department of Agriculture

Cautionary Note Regarding Forward-looking Statements

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither statements of historical or current fact nor are they assurances 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 beyond 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. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, but are not limited to the following:

- negative economic and political conditions that adversely affect the general economy, housing prices, the real estate market, the job market, consumer confidence, the financial condition of our borrowers and consumer spending habits, which may affect, among other things, the levels of non-performing assets, charge-offs and provision expense;
- changes in loan underwriting, credit review or loss policies associated with economic conditions, examination conclusions or regulatory developments, either as they currently exist or as they may be affected by conditions associated with the COVID-19 pandemic;
- the COVID-19 pandemic and its continuing effects on the economic and business environments in which we operate;
- 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 LIBOR as an interest rate benchmark, and 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;
- our loan concentration in industries or sectors that may experience unanticipated or anticipated adverse conditions greater than other industries or sectors in the national or local economies in which we operate;
- the risks of expansion into new geographic or product markets;
- risks with respect to recent, pending or future mergers or acquisitions, including our ability to successfully complete acquisitions and therefore, to integrate or expand businesses and operations that we acquire;
- our ability to attract and retain key employees;
- competition from financial institutions and other financial service providers, including non-bank 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 of 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 (e.g., tax), regulatory or accounting changes that may adversely affect us;
- volatility in the ACL resulting from the CECL methodology, either alone or as that may be affected by conditions arising out of the COVID-19 pandemic;
- 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;
- any matter that would cause us to conclude that there was impairment of any asset, including intangible assets, such as goodwill;
- limitations on our ability to declare and pay dividends and other distributions from the Bank to the Holding Company, which could affect Holding Company liquidity, including the ability to pay dividends to shareholders or undertake other capital initiatives, such as share repurchases; and
- 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.

We caution readers that the foregoing list of factors is not exclusive, is not necessarily in order of importance and readers should not place undue reliance on forward-looking statements. Additional factors that may cause actual results to differ materially from those contemplated by any forward-looking statements also may be found in our 2020 10-K (including the “Risk Factor” section of that report), Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K filed with the SEC and available at the SEC’s website at http://www.sec.gov. We do not intend to and, except as required by law, hereby disclaim any obligation to update or revise any forward-looking statement contained in this Report, which speaks only as of the date hereof, whether as a result of new information, future events, or otherwise. The financial statements and information contained herein have not been reviewed, or confirmed for accuracy or relevance, by the FDIC or any other regulator.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNITED COMMUNITY BANKS, INC.

Consolidated Balance Sheets *(Unaudited)*

(in thousands, except share data)

	September 30, 2021	December 31, 2020
ASSETS		
Cash and due from banks	$ 131,785	$ 148,896
Interest-bearing deposits in banks	1,686,008	1,459,723
Cash and cash equivalents	1,817,793	1,608,619
Debt securities available-for-sale	4,251,436	3,224,721
Debt securities held-to-maturity (fair value $1,079,925 and $437,193, respectively)	1,083,324	420,361
Loans held for sale at fair value	68,424	105,433
Loans and leases held for investment	11,191,037	11,370,815
Less allowance for credit losses - loans and leases	(99,620)	(137,010)
Loans and leases, net	11,091,417	11,233,805
Premises and equipment, net	225,350	218,489
Bank owned life insurance	204,282	201,969
Accrued interest receivable	41,561	47,672
Net deferred tax asset	37,617	38,411
Derivative financial instruments	53,296	86,666
Goodwill and other intangible assets, net	400,994	381,823
Other assets	205,663	226,405
Total assets	$ 19,481,157	$ 17,794,374
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing demand	$ 6,492,519	$ 5,390,291
Interest-bearing deposits	10,372,898	9,842,067
Total deposits	16,865,417	15,232,358
Long-term debt	247,139	326,956
Derivative financial instruments	26,065	29,003
Accrued expenses and other liabilities	220,178	198,527
Total liabilities	17,358,799	15,786,844
Shareholders' equity:		
Preferred stock, $1 par value: 10,000,000 shares authorized; Series I, $25,000 per share liquidation preference; 4,000 shares issued and outstanding	96,422	96,422
Common stock, $1 par value: 200,000,000 and 150,000,000 shares authorized, respectively; 86,558,647 and 86,675,279 shares issued and outstanding, respectively	86,559	86,675
Common stock issuable: 588,258 and 600,834 shares, respectively	11,098	10,855
Capital surplus	1,631,709	1,638,999
Retained earnings	298,503	136,869
Accumulated other comprehensive (loss) income	(1,933)	37,710
Total shareholders' equity	2,122,358	2,007,530
Total liabilities and shareholders' equity	$ 19,481,157	$ 17,794,374

See accompanying notes to consolidated financial statements (unaudited).

UNITED COMMUNITY BANKS, INC.
Consolidated Statements of Income *(Unaudited)*
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest revenue:				
Loans, including fees	$ 128,477	$ 126,936	$ 382,261	$ 352,861
Investment securities, including tax exempt of $2,280 and $1,895 and $6,685 and $4,988, respectively	18,540	14,558	51,530	47,567
Deposits in banks and short-term investments	658	279	1,235	1,497
Total interest revenue	147,675	141,773	435,026	401,925
Interest expense:				
Deposits	3,142	8,998	11,981	35,344
Short-term borrowings	—	29	2	31
Long-term debt	3,494	4,292	11,564	10,186
Total interest expense	6,636	13,319	23,547	45,561
Net interest revenue	141,039	128,454	411,479	356,364
(Release of) provision for credit losses	(11,034)	21,793	(36,903)	77,527
Net interest revenue after provision for credit losses	152,073	106,661	448,382	278,837
Noninterest income:				
Service charges and fees	9,350	8,260	25,255	23,893
Mortgage loan gains and other related fees	13,828	25,144	47,536	57,113
Wealth management fees	5,554	3,055	12,881	6,019
Gains from sales of other loans, net	2,353	1,175	7,506	3,889
Securities gains, net	—	746	41	746
Other	9,010	10,302	27,422	23,074
Total noninterest income	40,095	48,682	120,641	114,734
Total revenue	192,168	155,343	569,023	393,571
Noninterest expenses:				
Salaries and employee benefits	60,458	59,067	180,457	162,236
Communications and equipment	7,368	6,960	21,979	19,462
Occupancy	7,096	7,050	21,130	18,709
Advertising and public relations	1,458	1,778	4,150	5,312
Postage, printing and supplies	1,731	1,703	5,171	4,986
Professional fees	5,347	5,083	14,509	14,003
Lending and loan servicing expense	2,450	3,043	8,508	8,525
Outside services - electronic banking	2,308	1,888	6,811	5,516
FDIC assessments and other regulatory charges	1,723	1,346	5,520	4,388
Amortization of intangibles	1,028	1,099	2,942	3,126
Merger-related and other charges	1,437	3,361	4,058	4,566
Other	4,345	3,603	12,248	10,670
Total noninterest expenses	96,749	95,981	287,483	261,499
Income before income taxes	95,419	59,362	281,540	132,072
Income tax expense	21,603	11,755	63,758	27,485
Net income	$ 73,816	$ 47,607	$ 217,782	$ 104,587
Net income available to common shareholders	$ 71,649	$ 45,437	$ 211,283	$ 101,994
Net income per common share:				
Basic	$ 0.82	$ 0.52	$ 2.42	$ 1.25
Diluted	0.82	0.52	2.42	1.25
Weighted average common shares outstanding:				
Basic	87,211	87,129	87,274	81,815
Diluted	87,355	87,205	87,413	81,876

See accompanying notes to consolidated financial statements (unaudited).

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
2021						
Net income	$ 95,419	$ (21,603)	$ 73,816	$ 281,540	$ (63,758)	$ 217,782
Other comprehensive income:						
Unrealized losses on available-for-sale securities:						
Unrealized holding losses	(18,915)	4,686	(14,229)	(58,882)	15,766	(43,116)
Reclassification adjustment for gains included in net income	—	—	—	(41)	14	(27)
Net unrealized losses	(18,915)	4,686	(14,229)	(58,923)	15,780	(43,143)
Derivative instruments designated as cash flow hedges:						
Unrealized holding gains on derivatives	431	(111)	320	3,475	(888)	2,587
Reclassification of losses on derivative instruments realized in net income	153	(39)	114	444	(113)	331
Net cash flow hedge activity	584	(150)	434	3,919	(1,001)	2,918
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	260	(66)	194	782	(200)	582
Total other comprehensive loss	(18,071)	4,470	(13,601)	(54,222)	14,579	(39,643)
Comprehensive income	$ 77,348	$ (17,133)	$ 60,215	$ 227,318	$ (49,179)	$ 178,139
2020						
Net income	$ 59,362	$ (11,755)	$ 47,607	$ 132,072	$ (27,485)	$ 104,587
Other comprehensive income:						
Unrealized gains on available-for-sale securities	941	(181)	760	43,611	(10,583)	33,028
Reclassification adjustment for gains included in net income	(746)	191	(555)	(746)	191	(555)
Net unrealized gains	195	10	205	42,865	(10,392)	32,473
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	544	(130)	414	723	(173)	550
Derivative instruments designated as cash flow hedges:						
Unrealized holding losses on derivatives	(324)	83	(241)	(1,152)	294	(858)
Reclassification of losses on derivative instruments realized in net income	130	(33)	97	197	(50)	147
Net cash flow hedge activity	(194)	50	(144)	(955)	244	(711)
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	215	(55)	160	643	(164)	479
Total other comprehensive income	760	(125)	635	43,276	(10,485)	32,791
Comprehensive income	$ 60,122	$ (11,880)	$ 48,242	$ 175,348	$ (37,970)	$ 137,378

See accompanying notes to consolidated financial statements (unaudited).

UNITED COMMUNITY BANKS, INC.

Consolidated Statement of Changes in Shareholders' Equity *(Unaudited)*

(in thousands except share data)

	Shares of Common Stock	Preferred Stock	Common Stock	Common Stock Issuable	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2020	78,335,127	$ 96,660	$ 78,335	$ 10,646	$ 1,480,464	$ 64,990	$ 40,550	$ 1,771,645
Net income						47,607		47,607
Other comprehensive income							635	635
Issuance of preferred stock		(238)						(238)
Preferred stock dividends						(1,814)		(1,814)
Common stock dividends ($0.18 per share)						(15,845)		(15,845)
Common stock issued for acquisitions	8,130,633		8,131		155,458			163,589
Impact of equity-based compensation awards	89,095		89	332	619			1,040
Impact of other United sponsored equity plans	56,259		56	(346)	926			636
Balance at September 30, 2020	86,611,114	$ 96,422	$ 86,611	$ 10,632	$ 1,637,467	$ 94,938	$ 41,185	$ 1,967,255
Balance at June 30, 2021	86,664,894	$ 96,422	$ 86,665	$ 10,650	$ 1,636,875	$ 244,006	$ 11,668	$ 2,086,286
Net income						73,816		73,816
Other comprehensive loss							(13,601)	(13,601)
Common stock issued for acquisitions	132,299		133		4,268			4,401
Preferred stock dividends						(1,719)		(1,719)
Common stock dividends ($0.20 per share)						(17,600)		(17,600)
Purchases of common stock	(342,744)		(343)		(9,657)			(10,000)
Impact of equity-based compensation awards	101,093		101	345	136			582
Impact of other United sponsored equity plans	3,105		3	103	87			193
Balance at September 30, 2021	86,558,647	$ 96,422	$ 86,559	$ 11,098	$ 1,631,709	$ 298,503	$ (1,933)	$ 2,122,358
Balance at December 31, 2019	79,013,729	$ —	$ 79,014	$ 11,491	$ 1,496,641	$ 40,152	$ 8,394	$ 1,635,692
Net income						104,587		104,587
Other comprehensive income							32,791	32,791
Issuance of preferred stock		96,422						96,422
Common stock issued for acquisitions	8,130,633		8,131		155,458			163,589
Purchases of common stock	(826,482)		(827)		(19,955)			(20,782)
Preferred stock dividends						(1,814)		(1,814)
Common stock dividends ($0.54 per share)						(44,458)		(44,458)
Impact of equity-based compensation awards	151,347		151	1,008	3,458			4,617
Impact of other United sponsored equity plans	141,887		142	(1,867)	1,865			140
Adoption of new accounting standard						(3,529)		(3,529)
Balance at September 30, 2020	86,611,114	$ 96,422	$ 86,611	$ 10,632	$ 1,637,467	$ 94,938	$ 41,185	$ 1,967,255
Balance at December 31, 2020	86,675,279	$ 96,422	$ 86,675	$ 10,855	$ 1,638,999	$ 136,869	$ 37,710	$ 2,007,530
Net income						217,782		217,782
Other comprehensive loss							(39,643)	(39,643)
Common stock issued for acquisitions	132,299		133		4,268			4,401
Purchases of common stock	(492,744)		(493)		(14,608)			(15,101)
Preferred stock dividends						(5,157)		(5,157)
Common stock dividends ($0.58 per share)						(50,991)		(50,991)
Impact of equity-based compensation awards	171,938		172	992	1,706			2,870
Impact of other United sponsored equity plans	71,875		72	(749)	1,344			667
Balance at September 30, 2021	86,558,647	$ 96,422	$ 86,559	$ 11,098	$ 1,631,709	$ 298,503	$ (1,933)	$ 2,122,358

See accompanying notes to consolidated financial statements (unaudited).

UNITED COMMUNITY BANKS, INC.
Consolidated Statements of Cash Flows *(Unaudited)*
(in thousands)

	Nine Months Ended September 30,	
	2021	**2020**
Operating activities:		
Net income	$ 217,782	$ 104,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	(8,082)	5,332
(Release of) provision for credit losses	(36,903)	77,527
Stock based compensation	4,814	5,939
Deferred income tax expense	21,290	189
Securities gains, net	(41)	(746)
Gains from sales of other loans, net	(7,506)	(3,889)
Changes in assets and liabilities:		
Other assets and accrued interest receivable	32,952	(44,570)
Accrued expenses and other liabilities	21,597	(20,869)
Loans held for sale	37,009	(69,875)
Net cash provided by operating activities	282,912	53,625
Investing activities:		
Debt securities held-to-maturity:		
Proceeds from maturities and calls	51,770	45,171
Purchases	(716,399)	(105,622)
Debt securities available-for-sale:		
Proceeds from sales	103,012	40,365
Proceeds from maturities and calls	709,435	604,180
Purchases	(1,909,879)	(668,484)
Net decrease (increase) in loans	234,855	(1,523,516)
Equity investments, outflows	(12,664)	(13,071)
Equity investments, inflows	7,007	50
Proceeds from sales of premises and equipment	2,272	641
Purchases of premises and equipment	(19,733)	(5,991)
Net cash (paid for) received in acquisition	(9,484)	194,606
Proceeds from sale of other real estate	2,404	466
Other investing outflows	(210)	—
Other investing inflows	767	4,836
Net cash used in investing activities	(1,556,847)	(1,426,369)
Financing activities:		
Net increase in deposits	1,634,947	1,904,549
Repayment of long-term debt	(80,632)	—
Proceeds from FHLB advances	10,000	5,000
Repayment of FHLB advances	(10,000)	(134,121)
Proceeds from issuance of senior debentures, net of issuance costs	—	98,552
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	406	1,078
Cash paid for shares withheld to cover payroll taxes upon vesting of restricted stock units	(2,041)	(2,640)
Proceeds from issuance of Series I preferred stock, net of issuance costs	—	96,422
Repurchase of common stock	(15,101)	(20,782)
Cash dividends on common stock	(49,313)	(43,067)
Cash dividends on preferred stock	(5,157)	(1,814)
Net cash provided by financing activities	1,483,109	1,903,177
Net change in cash and cash equivalents	209,174	530,433
Cash and cash equivalents, beginning of period	1,608,619	515,206
Cash and cash equivalents, end of period	$ 1,817,793	$ 1,045,639

See accompanying notes to consolidated financial statements (unaudited).

Note 1 – Basis of Presentation

United's accounting and financial reporting policies conform to GAAP and reporting guidelines of banking regulatory authorities. The accompanying interim consolidated financial statements have not been audited. All material intercompany balances and transactions have been eliminated. A more detailed description of United's accounting policies is included in its 2020 10-K.

In management's opinion, all accounting adjustments necessary to accurately reflect the financial position and results of operations on the accompanying financial statements have been made. These adjustments are normal and recurring accruals considered necessary for a fair and accurate presentation. The results for interim periods are not necessarily indicative of results for the full year or any other interim periods. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes appearing in United's 2020 10-K.

Effective July 1, 2021, the Bank moved its headquarters from Blairsville, Georgia to Greenville, South Carolina and became a South Carolina state-chartered bank subject to examination and reporting requirements of the South Carolina Board of Financial Institutions. Prior to that date, the Bank was a Georgia state-chartered bank subject to examination and reporting requirements of the Georgia Department of Banking and Finance. Also effective July 1, 2021, the Holding Company elected to become a financial holding company, which allows for engagement in a broader range of financial activities.

Note 2 –Accounting Standards Updates and Recently Adopted Standards

<u>Recently Adopted Standards</u>

In August 2021, the FASB issued ASU No. 2021-06, *Presentation of Financial Statements (Topic 205), Financial Services - Depository and Lending (Topic 942) and Financial Services - Investment Companies (Topic 946): August 2021 Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants*. Among other things, this update eliminates redundancies for items covered elsewhere in GAAP, such as loan category presentation. United adopted this update immediately, with no material impact on the consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*. In addition to consolidating existing disclosure guidance into a single codification section to reduce the likelihood of a required disclosure being missed, this update clarifies the application of select guidance in cases where the original guidance may have been unclear. United adopted this update as of January 1, 2021, with no material impact on the consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-08, *Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs*. This update clarifies that an entity should reevaluate whether a callable debt security meets the criteria to adjust the amortization period of any related premium at each reporting period. United adopted this update as of January 1, 2021, with no 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. United adopted this update as of January 1, 2021, with no material impact on 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. United adopted this update as of January 1, 2021, with no material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. The update removes disclosures that are no longer considered cost beneficial, clarifies specific requirements of disclosures, and adds disclosure requirements identified as relevant. United adopted this update as of January 1, 2021, with no material impact on the consolidated financial statements.

Recently Issued Standards

In July 2021, the FASB issued ASU No. 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*. The update amends the lease classification requirements for lessors to align them with practice under the former lease accounting standard. Specifically, lessors should classify a lease with variable lease payments that do not depend on a reference index or rate as an operating lease if certain criteria are met. Adoption of this update, which is effective for United as of January 1, 2022, is not expected to have a material impact on the consolidated financial statements.

Note 3 – Supplemental Cash Flow Information

The supplemental schedule of noncash investing and financing activities for the nine months ended September 30, 2021 and 2020 is as follows *(in thousands)*.

	Nine Months Ended September 30,	
	2021	2020
Significant non-cash investing and financing transactions:		
Unsettled government guaranteed loan sales	$ —	$ 328
Transfers of loans to foreclosed properties	1,712	586
Unsettled securities purchases	3,977	30,045
Acquisitions:		
Assets acquired	22,823	2,174,723
Liabilities assumed	1,103	1,987,026
Net assets acquired	21,720	187,697
Common stock issued in acquisition	4,401	163,589
Accrued purchase price and contingent consideration	7,700	—

Note 4 – Acquisitions

Acquisition of FinTrust

On July 6, 2021, United completed the acquisition of FinTrust Capital Partners, LLC, and its operating subsidiaries, FinTrust Capital Advisors, LLC, FinTrust Capital Benefits Group, LLC and FinTrust Brokerage Services, LLC, collectively referred to as “FinTrust”, an investment advisory firm headquartered in Greenville, South Carolina, with additional locations in Anderson, South Carolina, and Athens and Macon, Georgia. The firm provides wealth and investment management services to individuals and institutions within its markets. As of September 30, 2021, FinTrust had assets under management of $2.10 billion across its advisory, retirement planning and brokerage businesses.

FinTrust shareholders received $21.7 million in total consideration, which consisted of $4.40 million (132,299 shares) of United common stock, $9.62 million cash paid at closing, a $4.40 million payable due on the first anniversary of the acquisition date and $3.30 million of contingent consideration. The contingent consideration represents an earn-out payment due to the sellers of FinTrust on the second anniversary of the acquisition date. The earn-out payment is subject to the achievement of defined target revenue ratios during the two-year period following the acquisition date, which are expected to be fully achieved.

The acquisition was accounted for as a business combination. Accordingly, the assets acquired and liabilities assumed are presented at their fair values as of the acquisition date. The determination of fair value requires management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. 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.

At acquisition, United recognized $22.8 million of assets and $1.10 million of liabilities. Assets acquired included goodwill of $14.2 million and a customer relationship intangible of $7.53 million. Goodwill reflects the value of FinTrust’s broad array of products and services, which enhances United’s existing wealth management business. Goodwill is expected to be deductible for tax purposes. United is amortizing the related customer relationship intangible using the straight-line method over 15 years, which represents the expected useful life of the asset. See Note 8 of this Report for additional disclosures related to goodwill and intangible assets. In addition, United recognized right-of-use assets and operating lease liabilities totaling $822,000 for FinTrust’s leased locations.

Pro forma information

The following table discloses the impact of the acquisitions of FinTrust and Three Shores, which United acquired on July 1, 2020, since the respective acquisition dates through September 30 in the respective year of acquisition. The table also presents certain pro forma information as if FinTrust and Three Shores had been acquired on January 1, 2020 and January 1, 2019, respectively. These results combine the historical results of the acquired entity with United's consolidated statement of income. Adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity; however pro forma financial results presented are not necessarily indicative of what would have occurred had the acquisitions taken place in earlier years.

Merger-related costs from the FinTrust acquisition of $262,000 and $515,000, respectively, have been excluded from the three and nine months ended September 30, 2021 pro forma information presented below and included in the three and nine months ended September 30, 2020 pro forma information presented below. Merger-related costs from the Three Shores acquisition of $3.36 million and $3.86 million, respectively, have been excluded from the three and nine months ended September 30, 2020 pro forma information presented below. The actual results and pro forma information were as follows *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Revenue	Net Income (Loss)	Revenue	Net Income (Loss)
2021				
Actual FinTrust results included in statement of income since acquisition date	$ 2,017	$ (49)	$ 2,017	$ (49)
Supplemental consolidated pro forma as if FinTrust had been acquired January 1, 2020	192,168	74,011	572,903	217,827
2020				
Actual Three Shores results included in statement of income since acquisition date	$ 7,486	$ (129)	$ 7,486	$ (129)
Supplemental consolidated pro forma as if FinTrust had been acquired January 1, 2020 and Three Shores had been acquired January 1, 2019	153,991	47,396	424,186	110,879

Note 5 – Investment Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of September 30, 2021				
U.S. Treasuries	$ 19,796	$ 174	$ —	$ 19,970
U.S. Government agencies & GSEs	70,191	265	833	69,623
State and political subdivisions	259,842	4,274	4,646	259,470
Residential MBS, Agency & GSEs	304,558	3,267	2,873	304,952
Commercial MBS, Agency & GSEs	413,937	3,518	6,565	410,890
Supranational entities	15,000	20	—	15,020
Total	$ 1,083,324	$ 11,518	$ 14,917	$ 1,079,925
As of December 31, 2020				
U.S. Government agencies & GSEs	$ 10,575	$ 26	$ 11	$ 10,590
State and political subdivisions	197,723	7,658	242	205,139
Residential MBS, Agency & GSEs	113,400	4,774	1	118,173
Commercial MBS, Agency & GSEs	98,663	4,874	246	103,291
Total	$ 420,361	$ 17,332	$ 500	$ 437,193

The amortized cost basis, unrealized gains and losses, and fair value of AFS debt securities as of the dates indicated are presented below *(in thousands)*.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of September 30, 2021				
U.S. Treasuries	$ 237,824	$ 2,572	$ 1,191	$ 239,205
U.S. Government agencies & GSEs	152,675	764	2,721	150,718
State and political subdivisions	264,371	15,638	1,755	278,254
Residential MBS, Agency & GSEs	1,954,880	17,777	17,953	1,954,704
Residential MBS, Non-agency	99,637	3,445	—	103,082
Commercial MBS, Agency & GSEs	706,146	4,411	11,772	698,785
Commercial MBS, Non-agency	15,211	1,502	—	16,713
Corporate bonds	145,161	1,166	355	145,972
Asset-backed securities	661,844	2,689	530	664,003
Total	$ 4,237,749	$ 49,964	$ 36,277	$ 4,251,436
As of December 31, 2020				
U.S. Treasuries	$ 123,677	$ 4,395	$ —	$ 128,072
U.S. Government agencies & GSEs	152,596	701	325	152,972
State and political subdivisions	253,630	20,891	49	274,472
Residential MBS, Agency & GSEs	1,275,551	29,107	766	1,303,892
Residential MBS, Non-agency	174,322	7,499	128	181,693
Commercial MBS, Agency & GSEs	524,852	8,013	597	532,268
Commercial MBS, Non-agency	15,350	1,513	—	16,863
Corporate bonds	70,057	1,711	1	71,767
Asset-backed securities	562,076	1,278	632	562,722
Total	$ 3,152,111	$ 75,108	$ 2,498	$ 3,224,721

Securities with a carrying value of $1.22 billion and $1.11 billion were pledged, primarily to secure public deposits, at September 30, 2021 and December 31, 2020, respectively.

The following table summarizes HTM debt securities 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
As of September 30, 2021						
U.S. Government agencies & GSEs	$ 30,983	$ 595	$ 4,409	$ 238	$ 35,392	$ 833
State and political subdivisions	162,901	4,088	8,937	558	171,838	4,646
Residential MBS, Agency & GSEs	211,328	2,872	118	1	211,446	2,873
Commercial MBS, Agency & GSEs	297,991	6,104	14,302	461	312,293	6,565
Total unrealized loss position	$ 703,203	$ 13,659	$ 27,766	$ 1,258	$ 730,969	$ 14,917
As of December 31, 2020						
U.S. Government agencies & GSEs	$ 4,677	$ 11	$ —	$ —	$ 4,677	$ 11
State and political subdivisions	14,870	242	—	—	14,870	242
Residential MBS, Agency & GSEs	999	1	—	—	999	1
Commercial MBS, Agency & GSEs	24,956	236	1,352	10	26,308	246
Total unrealized loss position	$ 45,502	$ 490	$ 1,352	$ 10	$ 46,854	$ 500

The following table summarizes AFS debt securities 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
As of September 30, 2021						
U.S. Treasuries	$ 97,602	$ 1,191	$ —	$ —	$ 97,602	$ 1,191
U.S. Government agencies & GSEs	83,931	2,125	15,335	596	99,266	2,721
State and political subdivisions	66,052	1,707	3,189	48	69,241	1,755
Residential MBS, Agency & GSEs	1,178,295	16,930	40,452	1,023	1,218,747	17,953
Commercial MBS, Agency & GSEs	453,563	10,645	32,113	1,127	485,676	11,772
Corporate bonds	65,278	350	330	5	65,608	355
Asset-backed securities	191,637	529	682	1	192,319	530
Total unrealized loss position	$ 2,136,358	$ 33,477	$ 92,101	$ 2,800	$ 2,228,459	$ 36,277
As of December 31, 2020						
U.S. Government agencies & GSEs	$ 27,952	$ 324	$ 607	$ 1	$ 28,559	$ 325
State and political subdivisions	9,402	49	—	—	9,402	49
Residential MBS, Agency & GSEs	232,199	766	—	—	232,199	766
Residential MBS, Non-agency	2,331	128	—	—	2,331	128
Commercial MBS, Agency & GSEs	89,918	597	—	—	89,918	597
Corporate bonds	1,410	1	—	—	1,410	1
Asset-backed securities	87,305	28	53,587	604	140,892	632
Total unrealized loss position	$ 450,517	$ 1,893	$ 54,194	$ 605	$ 504,711	$ 2,498

At September 30, 2021, there were 283 AFS debt securities and 88 HTM debt securities that were in an unrealized loss position. United does not intend to sell nor does it believe it will be required to sell securities in an unrealized loss position prior to the recovery of their amortized cost basis. Unrealized losses at September 30, 2021 were primarily attributable to changes in interest rates.

At September 30, 2021 and December 31, 2020, calculated credit losses and, thus, the related ACL on HTM debt securities were de minimis due to the high credit quality of the portfolio, which included securities issued or guaranteed by U.S. Government agencies, GSEs, high credit quality municipalities and supranational entities. As a result, no ACL was recorded on the HTM portfolio at September 30, 2021 or December 31, 2020. In addition, based on the assessments performed at September 30, 2021 and December 31, 2020, there was no ACL required related to the AFS portfolio.

The following table presents accrued interest receivable for the periods indicated on HTM and AFS debt securities *(in thousands)*, which was excluded from the estimate of credit losses.

	Accrued Interest Receivable	
	September 30, 2021	December 31, 2020
HTM	$ 3,259	$ 1,784
AFS	9,498	9,114

The amortized cost and fair value of AFS and HTM debt securities at September 30, 2021, by contractual maturity, are presented in the following table *(in thousands)*. Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations.

	AFS		HTM	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Within 1 year:				
U.S. Treasuries	$ 44,958	$ 45,154	$ —	$ —
U.S. Government agencies & GSEs	87	87	—	—
State and political subdivisions	—	—	1,700	1,713
Corporate bonds	2,656	2,662	—	—
	47,701	47,903	1,700	1,713
1 to 5 years:				
U.S. Treasuries	103,959	106,054	—	—
U.S. Government agencies & GSEs	11,517	11,548	—	—
State and political subdivisions	45,305	47,437	13,765	14,884
Corporate bonds	72,687	73,161	—	—
	233,468	238,200	13,765	14,884
5 to 10 years:				
U.S. Treasuries	88,907	87,997	19,796	19,970
U.S. Government agencies & GSEs	80,370	78,591	28,910	29,113
State and political subdivisions	117,318	121,642	38,277	38,946
Corporate bonds	68,536	68,752	—	—
Supranational entities	—	—	15,000	15,020
	355,131	356,982	101,983	103,049
More than 10 years:				
U.S. Government agencies & GSEs	60,701	60,492	41,281	40,510
State and political subdivisions	101,748	109,175	206,100	203,927
Corporate bonds	1,282	1,397	—	—
	163,731	171,064	247,381	244,437
Debt securities not due at a single maturity date:				
Asset-backed securities	661,844	664,003	—	—
Residential MBS	2,054,517	2,057,786	304,558	304,952
Commercial MBS	721,357	715,498	413,937	410,890
Total	$ 4,237,749	$ 4,251,436	$ 1,083,324	$ 1,079,925

Realized gains and losses are derived using the specific identification method for determining the cost of securities sold. The following table summarizes AFS securities sales activity for the three and nine months ended September 30, 2021 and 2020 *(in thousands)*.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Proceeds from sales	$ 24,901	$ 39,365	$ 103,012	$ 40,365
Gross realized gains	$ —	$ 746	$ 641	$ 746
Gross realized losses	—	—	(600)	—
Securities gains, net	$ —	$ 746	$ 41	$ 746
Income tax expense attributable to sales	$ —	$ 191	$ 14	$ 191

Note 6 – 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)*.

	September 30, 2021	December 31, 2020
Owner occupied commercial real estate	$ 2,148,946	$ 2,090,443
Income producing commercial real estate	2,542,106	2,540,750
Commercial & industrial [(1)]	1,879,466	2,498,560
Commercial construction	947,023	967,305
Equipment financing	1,016,903	863,830
Total commercial	8,534,444	8,960,888
Residential mortgage	1,532,625	1,284,920
HELOC	661,352	697,117
Residential construction	320,880	281,430
Consumer	141,736	146,460
Total loans	11,191,037	11,370,815
Less allowance for credit losses - loans	(99,620)	(137,010)
Loans, net	$ 11,091,417	$ 11,233,805

[(1)] Commercial and industrial loans as of September 30, 2021 and December 31, 2020 included $150 million and $646 million of PPP loans, respectively.

Accrued interest receivable related to loans totaled $27.7 million and $35.5 million at September 30, 2021 and December 31, 2020, respectively, and was reported in accrued interest receivable on the consolidated balance sheets. Accrued interest receivable was excluded from the estimate of credit losses.

At September 30, 2021 and December 31, 2020, the loan portfolio was subject to blanket pledges on certain qualifying loan types with the FHLB and FRB to secure contingent funding sources.

The following table presents loans held for investment that were sold in the periods indicated *(in thousands)*. The gains and losses on these loan sales were included in noninterest income on the consolidated statements of income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Guaranteed portion of SBA/USDA loans	$ 13,484	$ 13,464	$ 57,132	$ 31,533
Equipment financing receivables	19,273	950	39,240	24,871
Total	$ 32,757	$ 14,414	$ 96,372	$ 56,404

At September 30, 2021 and December 31, 2020, equipment financing assets included leases of $38.5 million and $36.8 million, respectively. The components of the net investment in leases, which included both sales-type and direct financing, are presented below *(in thousands)*.

	September 30, 2021	December 31, 2020
Minimum future lease payments receivable	$ 40,670	$ 38,934
Estimated residual value of leased equipment	3,319	3,263
Initial direct costs	675	672
Security deposits	(735)	(727)
Purchase accounting premium	51	117
Unearned income	(5,506)	(5,457)
Net investment in leases	$ 38,474	$ 36,802

Minimum future lease payments expected to be received from equipment financing lease contracts as of September 30, 2021 were as follows *(in thousands)*:

Year		
Remainder of 2021	$	4,192
2022		15,123
2023		10,863
2024		6,237
2025		3,420
Thereafter		835
Total	$	40,670

Nonaccrual and Past Due Loans

The following table presents the aging of the amortized cost basis in loans by aging category and accrual status as of the dates indicated *(in thousands)*. Past due status is based on contractual terms of the loan. The accrual of interest is generally discontinued when a loan becomes 90 days past due. Loans with active COVID-19 deferrals are not reported as past due to the extent they are in compliance with the deferral terms.

	Accruing					
		Loans Past Due				
	Current Loans	30 - 59 Days	60 - 89 Days	> 90 Days	Nonaccrual Loans	Total Loans
As of September 30, 2021						
Owner occupied commercial real estate	$ 2,143,540	$ 461	$ —	$ —	$ 4,945	$ 2,148,946
Income producing commercial real estate	2,528,145	210	289	—	13,462	2,542,106
Commercial & industrial	1,870,088	828	43	—	8,507	1,879,466
Commercial construction	945,509	278	34	—	1,202	947,023
Equipment financing	1,013,468	1,227	363	—	1,845	1,016,903
Total commercial	8,500,750	3,004	729	—	29,961	8,534,444
Residential mortgage	1,517,708	1,237	458	—	13,222	1,532,625
HELOC	658,629	1,132	227	—	1,364	661,352
Residential construction	320,190	430	—	—	260	320,880
Consumer	141,248	331	41	—	116	141,736
Total loans	$ 11,138,525	$ 6,134	$ 1,455	$ —	$ 44,923	$ 11,191,037
As of December 31, 2020						
Owner occupied commercial real estate	$ 2,079,845	$ 2,013	$ 3	$ —	$ 8,582	$ 2,090,443
Income producing commercial real estate	2,522,743	1,608	1,250	—	15,149	2,540,750
Commercial & industrial	2,480,483	1,176	267	—	16,634	2,498,560
Commercial construction	964,947	231	382	—	1,745	967,305
Equipment financing	856,985	2,431	1,009	—	3,405	863,830
Total commercial	8,905,003	7,459	2,911	—	45,515	8,960,888
Residential mortgage	1,265,019	5,549	1,494	—	12,858	1,284,920
HELOC	692,504	1,942	184	—	2,487	697,117
Residential construction	280,551	365	—	—	514	281,430
Consumer	145,770	429	36	—	225	146,460
Total loans	$ 11,288,847	$ 15,744	$ 4,625	$ —	$ 61,599	$ 11,370,815

The following table presents nonaccrual loans by loan class for the periods indicated *(in thousands)*.

	Nonaccrual Loans					
	September 30, 2021			December 31, 2020		
	With no allowance	With an allowance	Total	With no allowance	With an allowance	Total
Owner occupied commercial real estate	$ 3,726	$ 1,219	$ 4,945	$ 6,614	$ 1,968	$ 8,582
Income producing commercial real estate	12,827	635	13,462	10,008	5,141	15,149
Commercial & industrial	7,164	1,343	8,507	2,004	14,630	16,634
Commercial construction	750	452	1,202	1,339	406	1,745
Equipment financing	—	1,845	1,845	156	3,249	3,405
Total commercial	24,467	5,494	29,961	20,121	25,394	45,515
Residential mortgage	3,191	10,031	13,222	1,855	11,003	12,858
HELOC	116	1,248	1,364	1,329	1,158	2,487
Residential construction	—	260	260	274	240	514
Consumer	1	115	116	181	44	225
Total	$ 27,775	$ 17,148	$ 44,923	$ 23,760	$ 37,839	$ 61,599

The majority of nonaccrual loans with no related allowance consists of collateral dependent loans that have been individually evaluated by management with the determination that the repayment of the loan is expected to be provided substantially through the operation or sale of the underlying collateral.

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, 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:

Pass. Loans in this category are considered to have a low probability of default and do not meet the criteria of the risk categories below.

Special Mention. 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 this system, loans that are on nonaccrual status, 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 as substandard and all other loans are reported as pass.

The following tables present the risk category of term loans by vintage year, which is the year of origination or most recent renewal, as of the date indicated *(in thousands)*.

	Term Loans								
As of September 30, 2021	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Revolvers**	**Revolvers converted to term loans**	**Total**
Pass									
Owner occupied commercial real estate	$ 457,049	$ 687,751	$ 279,335	$ 155,588	$ 141,134	$ 281,579	$ 50,826	$ 10,292	$ 2,063,554
Income producing commercial real estate	495,915	727,229	338,421	247,281	203,169	253,392	37,558	11,979	2,314,944
Commercial & industrial	539,998	316,964	181,794	145,429	56,218	87,910	489,216	3,679	1,821,208
Commercial construction	265,356	296,474	156,794	69,948	25,638	11,421	13,078	2,044	840,753
Equipment financing	420,826	301,214	195,840	76,074	18,892	1,788	—	—	1,014,634
Total commercial	2,179,144	2,329,632	1,152,184	694,320	445,051	636,090	590,678	27,994	8,055,093
Residential mortgage	606,382	388,637	119,664	77,039	79,357	239,943	12	4,422	1,515,456
HELOC	—	—	—	—	—	—	643,483	15,364	658,847
Residential construction	213,830	85,662	4,102	2,415	3,240	10,937	131	48	320,365
Consumer	49,880	31,768	13,707	6,646	1,933	2,028	35,377	134	141,473
	3,049,236	2,835,699	1,289,657	780,420	529,581	888,998	1,269,681	47,962	10,691,234
Special Mention									
Owner occupied commercial real estate	8,618	2,530	14,528	881	6,054	3,606	249	286	36,752
Income producing commercial real estate	17,914	9,929	22,778	39,140	28,466	16,042	—	—	134,269
Commercial & industrial	14,785	1,398	3,092	220	1,032	487	5,867	691	27,572
Commercial construction	14,297	16,505	13,148	29,898	5,206	61	—	—	79,115
Equipment financing	—	—	—	—	—	—	—	—	—
Total commercial	55,614	30,362	53,546	70,139	40,758	20,196	6,116	977	277,708
Residential mortgage	—	—	—	—	—	—	—	—	—
HELOC	—	—	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—	—	—
	55,614	30,362	53,546	70,139	40,758	20,196	6,116	977	277,708
Substandard									
Owner occupied commercial real estate	10,581	1,093	10,629	7,023	6,324	11,461	1,250	279	48,640
Income producing commercial real estate	15,684	33,518	2,608	17,559	6,783	16,656	—	85	92,893
Commercial & industrial	1,310	1,628	3,924	6,819	1,799	6,259	8,187	760	30,686
Commercial construction	1,047	178	700	12,437	9,794	1,995	—	1,004	27,155
Equipment financing	52	786	920	352	127	32	—	—	2,269
Total commercial	28,674	37,203	18,781	44,190	24,827	36,403	9,437	2,128	201,643
Residential mortgage	1,275	1,927	2,856	3,427	1,305	5,601	—	778	17,169
HELOC	—	—	—	—	—	—	276	2,229	2,505
Residential construction	—	66	30	52	2	365	—	—	515
Consumer	—	12	64	34	31	100	—	22	263
	29,949	39,208	21,731	47,703	26,165	42,469	9,713	5,157	222,095
Total	$ 3,134,799	$ 2,905,269	$ 1,364,934	$ 898,262	$ 596,504	$ 951,663	$ 1,285,510	$ 54,096	$ 11,191,037

	Term Loans							Revolvers converted to term loans	
As of December 31, 2020	**2020**	**2019**	**2018**	**2017**	**2016**	**Prior**	**Revolvers**		**Total**
Pass									
Owner occupied commercial real estate	$ 707,501	$ 368,615	$ 231,316	$ 197,778	$ 201,362	$ 229,667	$ 56,273	$ 9,072	$ 2,001,584
Income producing commercial real estate	815,799	376,911	361,539	277,769	206,068	198,080	28,542	12,128	2,276,836
Commercial & industrial	1,092,767	287,857	263,439	115,790	92,968	58,359	515,593	3,777	2,430,550
Commercial construction	314,154	217,643	226,308	53,708	30,812	21,985	20,278	3,947	888,835
Equipment financing	413,653	270,664	125,869	39,982	9,404	445	—	—	860,017
Total commercial	3,343,874	1,521,690	1,208,471	685,027	540,614	508,536	620,686	28,924	8,457,822
Residential mortgage	468,945	195,213	125,492	120,944	122,013	230,771	18	5,393	1,268,789
HELOC	—	—	—	—	—	—	675,878	17,581	693,459
Residential construction	225,727	30,646	4,026	4,544	3,172	12,546	—	64	280,725
Consumer	54,997	25,528	14,206	4,531	3,595	1,677	41,445	76	146,055
	4,093,543	1,773,077	1,352,195	815,046	669,394	753,530	1,338,027	52,038	10,846,850
Special Mention									
Owner occupied commercial real estate	8,759	4,088	4,221	10,025	11,138	4,728	100	—	43,059
Income producing commercial real estate	35,471	42,831	39,954	13,238	24,164	11,337	—	1,681	168,676
Commercial & industrial	1,451	16,315	2,176	630	459	17	6,464	—	27,512
Commercial construction	21,366	272	816	23,292	11,775	477	—	—	57,998
Equipment financing	—	—	—	—	—	—	—	—	—
Total commercial	67,047	63,506	47,167	47,185	47,536	16,559	6,564	1,681	297,245
Residential mortgage	—	—	—	—	—	—	—	—	—
HELOC	—	—	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—	—	—
	67,047	63,506	47,167	47,185	47,536	16,559	6,564	1,681	297,245
Substandard									
Owner occupied commercial real estate	6,586	10,473	7,596	3,717	6,753	8,473	1,528	674	45,800
Income producing commercial real estate	45,125	8,940	2,179	5,034	31,211	2,652	—	97	95,238
Commercial & industrial	1,545	5,536	6,193	1,684	1,292	1,485	22,170	593	40,498
Commercial construction	2,466	735	13,741	340	1,931	250	—	1,009	20,472
Equipment financing	631	1,392	1,371	306	96	17	—	—	3,813
Total commercial	56,353	27,076	31,080	11,081	41,283	12,877	23,698	2,373	205,821
Residential mortgage	2,049	2,106	3,174	1,369	679	5,860	—	894	16,131
HELOC	—	—	—	—	—	—	265	3,393	3,658
Residential construction	106	37	54	4	124	380	—	—	705
Consumer	—	97	49	60	78	98	—	23	405
	58,508	29,316	34,357	12,514	42,164	19,215	23,963	6,683	226,720
Total	$ 4,219,098	$ 1,865,899	$ 1,433,719	$ 874,745	$ 759,094	$ 789,304	$ 1,368,554	$ 60,402	$ 11,370,815

<u>Troubled Debt Restructurings and Other Modifications</u>

As of September 30, 2021 and December 31, 2020, United had TDRs totaling $53.0 million and $61.6 million, respectively. As of September 30, 2021 and December 31, 2020, United had remaining deferrals related to the COVID-19 pandemic of approximately $8.87 million and $70.7 million, respectively, which generally represented payment deferrals for up to 90 days. To the extent that these deferrals qualified under either the CARES Act or interagency guidance, they were not considered new TDRs.

Loans modified under the terms of a TDR during the three and nine months ended September 30, 2021 and 2020 are presented in the following table. In addition, the table presents loans modified under the terms of a TDR that defaulted (became 90 days or more delinquent or otherwise in default of modified terms) during the periods presented and were initially restructured within one year prior to default *(dollars in thousands).*

	New TDRs					TDRs Modified Within the Previous Twelve Months That Have Subsequently Defaulted	
		Post-Modification Amortized Cost by Type of Modification					
	Number of Contracts	Rate Reduction	Structure	Other	Total	Number of Contracts	Amortized Cost
Three Months Ended September 30, 2021							
Owner occupied commercial real estate	—	$ —	$ —	$ —	$ —	—	$ —
Income producing commercial real estate	—	—	—	—	—	—	—
Commercial & industrial	3	—	166	—	166	—	—
Commercial construction	—	—	—	—	—	—	—
Equipment financing	11	—	399	—	399	3	96
Total commercial	14	—	565	—	565	3	96
Residential mortgage	6	—	649	—	649	1	180
HELOC	—	—	—	—	—	1	43
Residential construction	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total loans	20	$ —	$ 1,214	$ —	$ 1,214	5	$ 319
Nine Months Ended September 30, 2021							
Owner occupied commercial real estate	1	$ —	$ 543	$ —	$ 543	—	$ —
Income producing commercial real estate	3	—	—	1,697	1,697	—	—
Commercial & industrial	7	—	531	103	634	1	11
Commercial construction	1	—	309	—	309	—	—
Equipment financing	47	—	2,861	—	2,861	11	296
Total commercial	59	—	4,244	1,800	6,044	12	307
Residential mortgage	12	—	1,040	—	1,040	4	593
HELOC	—	—	—	—	—	2	92
Residential construction	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total loans	71	$ —	$ 5,284	$ 1,800	$ 7,084	18	$ 992
Three Months Ended September 30, 2020							
Owner occupied commercial real estate	4	$ —	$ 375	$ —	$ 375	—	$ —
Income producing commercial real estate	2	—	—	1,617	1,617	—	—
Commercial & industrial	2	—	193	—	193	—	—
Commercial construction	6	—	577	70	647	—	—
Equipment financing	7	—	247	—	247	9	290
Total commercial	21	—	1,392	1,687	3,079	9	290
Residential mortgage	25	—	3,200	—	3,200	—	—
HELOC	4	—	164	—	164	—	—
Residential construction	3	—	123	—	123	—	—
Consumer	3	—	11	—	11	—	—
Total loans	56	$ —	$ 4,890	$ 1,687	$ 6,577	9	$ 290
Nine Months Ended September 30, 2020							
Owner occupied commercial real estate	7	$ —	$ 375	$ 1,536	$ 1,911	—	$ —
Income producing commercial real estate	5	—	67	1,782	1,849	1	5,998
Commercial & industrial	3	—	193	15	208	2	633
Commercial construction	7	—	832	70	902	—	—
Equipment financing	143	—	4,152	—	4,152	15	600
Total commercial	165	—	5,619	3,403	9,022	18	7,231
Residential mortgage	36	—	4,122	—	4,122	—	—
HELOC	4	—	164	—	164	—	—
Residential construction	3	—	123	—	123	—	—
Consumer	6	—	11	18	29	1	3
Total loans	214	$ —	$ 10,039	$ 3,421	$ 13,460	19	$ 7,234

Allowance for Credit Losses

The ACL for loans represents management's estimate of life of loan credit losses in the portfolio as of the end of the period. The ACL related to unfunded commitments is included in other liabilities in the consolidated balance sheet.

At both September 30, 2021 and December 31, 2020, United used a one-year reasonable and supportable forecast period. Expected credit losses were estimated using a regression model for each segment based on historical data from peer banks combined with a third party vendor's economic forecast to predict the change in credit losses. These results were then combined with a starting value that was based on United's recent default experience, which was adjusted for select portfolios based on expectations of future performance. At September 30, 2021, the third party vendor's forecast, which was representative of a baseline scenario, improved significantly from December 31, 2020, including the unemployment rate which has a significant impact on our models and led to the negative provision for loan losses in the third quarter and year-to-date. Since the COVID-19 pandemic began, United has adjusted the economic forecast by eliminating the initial spike in unemployment to account for the impact of government stimulus programs, which mitigated some of the negative impact on forecasted losses as the unemployment rate was rising and had the opposite effect as the unemployment rate was improving. In addition, at September 30, 2021, United applied qualitative factors to income producing commercial real estate, owner occupied commercial real estate, equipment finance and commercial construction portfolios to reflect elevated special mention and substandard loan levels.

For periods beyond the reasonable and supportable forecast period of one year, United reverted to historical credit loss information on a straight line basis over two years. For all collateral types excluding residential mortgage, United reverted to through-the-cycle average default rates using peer data from 2000 to 2017. For loans secured by residential mortgages, the peer data was adjusted for changes in lending practices designed to prevent the magnitude of losses observed during the mortgage crisis.

PPP loans were considered low risk assets due to the related 100% guarantee by the SBA and were therefore excluded from the calculation.

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

	Three Months Ended September 30,										
	2021					2020					
	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance	Beginning Balance	Initial ACL - PCD loans [1]	Charge-Offs	Recoveries	(Release) Provision	Ending Balance
Owner occupied commercial real estate	$ 17,292	$ (443)	$ 536	$ (3,241)	$ 14,144	$ 14,592	$ 1,779	$ —	$ 725	$ 2,278	$ 19,374
Income producing commercial real estate	30,967	(120)	75	(7,531)	23,391	21,699	1,208	(3,033)	1,248	13,916	35,038
Commercial & industrial	16,414	(320)	411	(262)	16,243	8,589	7,680	(303)	408	5,150	21,524
Commercial construction	9,180	—	123	(1,131)	8,172	14,514	74	(487)	658	92	14,851
Equipment financing	18,100	(1,165)	653	(288)	17,300	20,305	—	(2,418)	425	(3,136)	15,176
Residential mortgage	10,965	(127)	76	559	11,473	12,826	195	(13)	48	4,506	17,562
HELOC	6,357	(65)	167	(40)	6,419	8,687	209	(44)	169	(300)	8,721
Residential construction	1,918	—	37	(19)	1,936	1,997	—	(26)	26	(229)	1,768
Consumer	423	(611)	222	508	542	460	7	(432)	511	(304)	242
ACL - loans	111,616	(2,851)	2,300	(11,445)	99,620	103,669	11,152	(6,756)	4,218	21,973	134,256
ACL - unfunded commitments	10,844	—	—	411	11,255	12,100	—	—	—	(180)	11,920
Total ACL	$ 122,460	$ (2,851)	$ 2,300	$ (11,034)	$ 110,875	$ 115,769	$ 11,152	$ (6,756)	$ 4,218	$ 21,793	$ 146,176

	Nine Months Ended September 30,												
	2021					2020							
	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance	Dec. 31, 2019 Balance	Adoption of CECL	Beginning Balance	Initial ACL - PCD loans [1]	Charge-Offs	Recoveries	(Release) Provision	Ending Balance
Owner occupied commercial real estate	$ 20,673	$ (1,503)	$ 932	$ (5,958)	$ 14,144	$ 11,404	$ (1,616)	$ 9,788	$ 1,779	$ (6)	$ 2,225	$ 5,588	$ 19,374
Income producing commercial real estate	41,737	(174)	304	(18,476)	23,391	12,306	(30)	12,276	1,208	(8,033)	1,430	28,157	35,038
Commercial & industrial	22,019	(4,017)	6,855	(8,614)	16,243	5,266	4,012	9,278	7,680	(8,118)	1,075	11,609	21,524
Commercial construction	10,952	(224)	618	(3,174)	8,172	9,668	(2,583)	7,085	74	(726)	916	7,502	14,851
Equipment financing	16,820	(4,411)	2,087	2,804	17,300	7,384	5,871	13,255	—	(6,366)	1,201	7,086	15,176
Residential mortgage	15,341	(342)	393	(3,919)	11,473	8,081	1,569	9,650	195	(347)	379	7,685	17,562
HELOC	8,417	(99)	386	(2,285)	6,419	4,575	1,919	6,494	209	(162)	468	1,712	8,721
Residential construction	764	(10)	140	1,042	1,936	2,504	(1,771)	733	—	(80)	97	1,018	1,768
Consumer	287	(1,435)	710	980	542	901	(491)	410	7	(1,782)	1,028	579	242
ACL - loans	137,010	(12,215)	12,425	(37,600)	99,620	62,089	6,880	68,969	11,152	(25,620)	8,819	70,936	134,256
ACL - unfunded commitments	10,558	—	—	697	11,255	3,458	1,871	5,329	—	—	—	6,591	11,920
Total ACL	$ 147,568	$ (12,215)	$ 12,425	$ (36,903)	$ 110,875	$ 65,547	$ 8,751	$ 74,298	$ 11,152	$ (25,620)	$ 8,819	$ 77,527	$ 146,176

[1] Represents the initial ACL related to PCD loans acquired in the Three Shores transaction.

Note 7 – Derivatives and Hedging Activities

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)*:

	September 30, 2021			December 31, 2020		
		Fair Value			Fair Value	
	Notional Amount	Derivative Asset	Derivative Liability	Notional Amount	Derivative Asset	Derivative Liability
Derivatives designated as hedging instruments:						
Cash flow hedge of subordinated debt	$ 100,000	$ 5,998	$ —	$ 100,000	$ 3,378	$ —
Cash flow hedge of trust preferred securities	20,000	—	—	20,000	—	—
Fair value hedge of brokered time deposits	10,000	—	—	20,000	—	—
Total	130,000	5,998	—	140,000	3,378	—
Derivatives not designated as hedging instruments:						
Customer derivative positions	1,283,735	38,906	8,614	1,329,271	72,508	17
Dealer offsets to customer derivative positions	1,283,735	582	13,000	1,329,271	1	24,614
Risk participations	69,142	23	5	48,843	28	12
Mortgage banking - loan commitment	163,577	4,727	—	253,243	10,751	—
Mortgage banking - forward sales commitment	185,616	793	2	325,145	—	1,964
Bifurcated embedded derivatives	51,935	2,267	—	51,935	—	1,449
Dealer offsets to bifurcated embedded derivatives	51,935	—	4,444	51,935	—	947
Total	3,089,675	47,298	26,065	3,389,643	83,288	29,003
Total derivatives	$ 3,219,675	$ 53,296	$ 26,065	$ 3,529,643	$ 86,666	$ 29,003
Total gross derivative instruments		$ 53,296	$ 26,065		$ 86,666	$ 29,003
Less: Amounts subject to master netting agreements		(409)	(409)		(114)	(114)
Less: Cash collateral received/pledged		(6,976)	(17,615)		(3,200)	(27,092)
Net amount		$ 45,911	$ 8,041		$ 83,352	$ 1,797

United clears certain derivatives centrally through the 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.

Hedging Derivatives

Cash Flow Hedges of Interest Rate Risk

United enters into cash flow hedges to mitigate exposure to the variability of future cash flows or other forecasted transactions. As of September 30, 2021 and December 31, 2020, United utilized interest rate caps and swaps to hedge the variability of cash flows due to changes in interest rates on certain of its variable-rate subordinated debt and trust preferred securities. United considers these derivatives to be highly effective at achieving offsetting changes in cash flows attributable to changes in interest rates. Therefore, changes in the fair value of these derivative instruments are recognized in OCI. Gains and losses related to changes in fair value are reclassified into earnings in the periods the hedged forecasted transactions occur. Losses representing amortization of the premium recorded on cash flow hedges, which is a component excluded from the assessment of effectiveness, are recognized in earnings on a straight-line basis in the same caption as the hedged item over the term of the hedge. Over the next twelve months, United expects to reclassify $584,000 of losses from AOCI into earnings related to these agreements.

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 derivatives 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 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 September 30, 2021 and December 31, 2020, United had interest rate swaps 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.

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 events (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 effect of derivatives in hedging relationships, all of which are interest rate contracts, on the consolidated statement of income for the periods indicated *(in thousands)*.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Total interest expense presented in the consolidated statements of income	$ (6,636)	$ (13,319)	$ (23,547)	$ (45,561)
Effect of hedging relationships on interest expense:				
Net income (expense) recognized on fair value hedges	43	(95)	167	123
Net expense recognized on cash flow hedges [1]	(153)	(130)	(444)	(197)

[1] Includes premium amortization expense excluded from the assessment of hedge effectiveness of $119,000 and $119,000 for three months ended September 30, 2021 and 2020, respectively, and $353,000 and $211,000 for the nine months ended September 30, 2021 and 2020, respectively.

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)*.

	September 30, 2021		December 31, 2020	
Balance Sheet Location	**Carrying amount of Assets (Liabilities)**	**Hedge Accounting Basis Adjustment**	**Carrying amount of Assets (Liabilities)**	**Hedge Accounting Basis Adjustment**
Deposits	$ (10,065)	$ (71)	$ (20,216)	$ (235)

<u>Derivatives Not Designated as Hedging Instruments</u>

Customer derivative positions include swaps, caps, and collars between United and certain commercial loan customers with offsetting positions to dealers under a back-to-back program. In addition, United occasionally enters into credit risk participation agreements with counterparty banks to accept or transfer 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.

United also has three interest rate swap contracts that are not designated as hedging instruments but are economic hedges of market-linked brokered certificates of deposit. The market-linked brokered certificates of deposit contain embedded derivatives that are bifurcated from the host instruments and are marked to market through earnings. The fair value marks on the market-linked swaps and the bifurcated embedded derivatives tend to move in opposite directions with changes in 90-day LIBOR and therefore provide an economic hedge.

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

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

	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Customer derivatives and dealer offsets	Other noninterest income	$ 599	$ 2,258	$ 2,551	$ 4,846
Bifurcated embedded derivatives and dealer offsets	Other noninterest income	—	65	417	(158)
Mortgage banking derivatives	Mortgage loan revenue	(1,407)	(2,554)	(1,065)	(2,454)
		$ (808)	$ (231)	$ 1,903	$ 2,234

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.

United's agreements with each of its derivative counterparties provide that if either party defaults on any of its indebtedness, then it could also be declared in default on its derivative obligations. The agreements with derivative 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 would require additional collateral if United's credit rating were downgraded.

Note 8 – Goodwill and Other Intangible Assets

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

	September 30, 2021	December 31, 2020
Core deposit intangible	$ 36,162	$ 36,162
Less: accumulated amortization	(24,941)	(22,148)
Net core deposit intangible	11,221	14,014
Customer relationship intangible	7,950	—
Less: accumulated amortization	(149)	—
Net customer relationship intangible	7,801	—
Total intangibles subject to amortization, net	19,022	14,014
Goodwill	381,972	367,809
Total goodwill and other intangible assets, net	$ 400,994	$ 381,823

In addition to the FinTrust customer relationship intangible discussed in Note 4, during the third quarter of 2021, United purchased the customer list of another financial advisory firm for $420,000. All consideration paid was allocated to a customer relationship intangible.

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

	Goodwill [1]	
	Three Months Ended September 30,	Nine Months Ended September 30,
2021		
Balance, beginning of period	$ 367,809	$ 367,809
Acquisition of FinTrust	14,163	14,163
Balance, end of period	$ 381,972	$ 381,972
2020		
Balance, beginning of period	$ 327,425	$ 327,425
Acquisition of Three Shores	41,593	41,593
Balance, end of period	$ 369,018	$ 369,018

[1] Goodwill balances presented are shown net of accumulated impairment losses of $306 million incurred prior to 2020. Gross goodwill for September 30, 2021 and December 31, 2020 totaled $688 million and $673 million, respectively.

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

Year	
Remainder of 2021	$ 990
2022	3,557
2023	2,963
2024	2,418
2025	1,916
Thereafter	7,178
Total	$ 19,022

Note 9 – Assets and Liabilities Measured at Fair Value

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

Fair Value Hierarchy

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

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

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

In instances when 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. The 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.

Investment Securities
AFS debt securities 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 MBS issued by GSEs, municipal bonds, corporate debt securities, asset-backed securities and supranational entity 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 or models which incorporate unobservable inputs.

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

Mortgage 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 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 are classified as Level 2.

Derivative Financial Instruments
United uses derivatives to manage 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.

United incorporates CVAs as necessary to appropriately reflect the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, United has considered the effect of netting and any applicable credit enhancements, such as collateral postings, thresholds and guarantees.

Management has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy. However, the CVAs associated with these derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. Generally, management's assessment of the significance of the CVAs has indicated that they are not a significant input to the overall valuation of the derivatives. In cases where management's assessment indicates that the CVA is a significant input, the related derivative is disclosed as a Level 3 value.

Other derivatives classified as Level 3 include structured derivatives for which broker quotes, used as a key valuation input, were not observable. Risk participation agreements are classified as Level 3 instruments due to the incorporation of significant Level 3 inputs used to evaluate the probability of funding and the likelihood of customer default. Interest rate lock commitments, which relate to mortgage loan commitments, are categorized as Level 3 instruments as the fair value of these instruments is based on unobservable inputs for commitments that United does not expect to fund.

Servicing Rights for Residential and SBA/USDA Loans
United recognizes servicing rights upon the sale of residential and SBA/USDA loans sold with servicing retained. Management has elected to carry these assets at fair value. Given the nature of these assets, the key valuation inputs are unobservable and management classifies these assets as Level 3.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

September 30, 2021	Level 1	Level 2	Level 3	Total
Assets:				
AFS debt securities:				
U.S. Treasuries	$ 239,205	$ —	$ —	$ 239,205
U.S. Government agencies & GSEs	—	150,718	—	150,718
State and political subdivisions	—	278,254	—	278,254
Residential MBS	—	2,057,786	—	2,057,786
Commercial MBS	—	715,498	—	715,498
Corporate bonds	—	143,600	2,372	145,972
Asset-backed securities	—	664,003	—	664,003
Equity securities with readily available fair values	—	1,283	—	1,283
Mortgage loans held for sale	—	68,424	—	68,424
Deferred compensation plan assets	11,646	—	—	11,646
Servicing rights for SBA/USDA loans	—	—	6,161	6,161
Residential mortgage servicing rights	—	—	23,062	23,062
Derivative financial instruments	—	46,279	7,017	53,296
Total assets	$ 250,851	$ 4,125,845	$ 38,612	$ 4,415,308
Liabilities:				
Deferred compensation plan liability	$ 11,672	$ —	$ —	$ 11,672
Derivative financial instruments	—	21,616	4,449	26,065
Total liabilities	$ 11,672	$ 21,616	$ 4,449	$ 37,737

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
AFS debt securities:				
U.S. Treasuries	$ 128,072	$ —	$ —	$ 128,072
U.S. Government agencies & GSEs	—	152,972	—	152,972
State and political subdivisions	—	274,472	—	274,472
Residential MBS	—	1,485,585	—	1,485,585
Commercial MBS	—	549,131	—	549,131
Corporate bonds	—	70,017	1,750	71,767
Asset-backed securities	—	562,722	—	562,722
Equity securities with readily available fair values	774	913	—	1,687
Mortgage loans held for sale	—	105,433	—	105,433
Deferred compensation plan assets	9,584	—	—	9,584
Servicing rights for SBA/USDA loans	—	—	6,462	6,462
Residential mortgage servicing rights	—	—	16,216	16,216
Derivative financial instruments	—	75,887	10,779	86,666
Total assets	$ 138,430	$ 3,277,132	$ 35,207	$ 3,450,769
Liabilities:				
Deferred compensation plan liability	$ 9,590	$ —	$ —	$ 9,590
Derivative financial instruments	—	26,595	2,408	29,003
Total liabilities	$ 9,590	$ 26,595	$ 2,408	$ 38,593

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

	2021					2020				
	Derivative Assets	Derivative Liabilities	SBA/USDA loan servicing rights	Residential mortgage servicing rights	Corporate Bonds	Derivative Assets	Derivative Liabilities	SBA/USDA loan servicing rights	Residential mortgage servicing rights	Corporate Bonds
Three Months Ended September 30,										
Beginning balance	$ 6,889	$ 3,944	$ 6,115	$ 21,568	$ 1,707	$ 12,107	$ 2,569	$ 6,034	$ 12,492	$ 1,000
Additions	86	—	354	2,813	500	99	—	296	3,055	750
Sales and settlements	—	—	(357)	(875)	—	—	—	(100)	(723)	—
Fair value adjustments included in OCI	—	—	—	—	165	—	—	—	—	—
Fair value adjustments included in earnings	42	505	49	(444)	—	592	(87)	531	(457)	—
Ending balance	$ 7,017	$ 4,449	$ 6,161	$ 23,062	$ 2,372	$ 12,798	$ 2,482	$ 6,761	$ 14,367	$ 1,750
Nine Months Ended September 30,										
Beginning balance	$ 10,779	$ 2,408	$ 6,462	$ 16,216	$ 1,750	$ 7,238	$ 8,559	$ 6,794	$ 13,565	$ 998
Additions	261	97	1,193	9,806	500	106	—	694	8,387	1,750
Transfers into Level 3	—	—	—	—	—	583	—	—	—	—
Sales and settlements	—	—	(1,001)	(3,430)	—	—	—	(441)	(1,898)	(1,000)
Fair value adjustments included in OCI	—	—	—	—	122	—	—	—	—	2
Fair value adjustments included in earnings	(4,023)	1,944	(493)	470	—	4,871	(6,077)	(286)	(5,687)	—
Ending balance	$ 7,017	$ 4,449	$ 6,161	$ 23,062	$ 2,372	$ 12,798	$ 2,482	$ 6,761	$ 14,367	$ 1,750

The following table presents quantitative information about significant Level 3 inputs for fair value on a recurring basis as of the dates indicated.

Level 3 Assets and Liabilities	Valuation Technique	Significant Unobservable Inputs	September 30, 2021		December 31, 2020	
			Range	Weighted Average	Range	Weighted Average
SBA/USDA loan servicing rights	Discounted cash flow	Discount rate	0.0% - 38.8%	9.3 %	1.6% - 44.1%	8.9 %
		Prepayment rate	3.5 - 39.3	16.8	2.7 - 33.6	17.8
Residential mortgage servicing rights	Discounted cash flow	Discount rate	10.0 - 11.0	10.0	10.0 - 11.0	10.0
		Prepayment rate	9.6 - 18.5	12.9	8.7 - 19.5	17.7
Corporate bonds	Indicative bid provided by a broker	Multiple factors, including but not limited to, current operations, financial condition, cash flows, and similar financing transactions executed in the market			N/A	N/A
	Discounted cash flow	Discount rate	3.6 - 3.8	3.6		
Derivative assets - mortgage	Internal model	Pull through rate	66.7 - 100	87.7	65.6 - 100	83.9
Derivative assets and liabilities - other	Dealer priced	Dealer priced	N/A	N/A	N/A	N/A

Fair Value Option

United records mortgage loans held for sale at fair value under the fair value option. Interest income on these loans is calculated based on the note rate of the loan and is recorded in interest revenue. The following tables present the fair value and outstanding principal balance of these loans, as well as the gain or loss recognized resulting from the change in fair value for the periods indicated *(in thousands)*.

Mortgage Loans Held for Sale

	September 30, 2021	December 31, 2020
Outstanding principal balance	$ 66,068	$ 99,746
Fair value	68,424	105,433

Gain (Loss) Recognized on Mortgage Loans Held for Sale

Location	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Mortgage loan gains and other related fees	$ (1,609)	$ 1,758	$ (3,330)	$ 5,029

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 the lower of the amortized cost or fair value accounting or write-downs of individual assets due to impairment. The following table presents the fair value hierarchy and carrying value of assets that were still held as of September 30, 2021 and December 31, 2020, for which a nonrecurring fair value adjustment was recorded during the year-to-date periods presented *(in thousands)*.

	Level 1	Level 2	Level 3	Total
September 30, 2021				
Loans	$ —	$ —	$ 2,817	$ 2,817
December 31, 2020				
Loans	$ —	$ —	$ 29,404	$ 29,404

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 loans that are collateral dependent are generally written down to net realizable value, which reflects fair value less the estimated costs to sell. Specific reserves that are established based on appraised value of collateral are considered nonrecurring fair value adjustments as well. When the fair value of the collateral is based on an observable market price or a current appraised value, United records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, United records the impaired loan as nonrecurring Level 3.

Assets and Liabilities Not Measured at Fair Value

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

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

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

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

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

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

		Fair Value Level			
	Carrying Amount	Level 1	Level 2	Level 3	Total
September 30, 2021					
Assets:					
HTM debt securities	$ 1,083,324	$ —	$ 1,079,925	$ —	$ 1,079,925
Loans and leases, net	11,091,417	—	—	11,045,904	11,045,904
Liabilities:					
Deposits	16,865,417	—	16,864,366	—	16,864,366
Long-term debt	247,139	—	—	268,747	268,747
December 31, 2020					
Assets:					
HTM debt securities	$ 420,361	$ —	$ 437,193	$ —	$ 437,193
Loans and leases, net	11,233,805	—	—	11,209,717	11,209,717
Liabilities:					
Deposits	15,232,358	—	15,232,274	—	15,232,274
Long-term debt	326,956	—	—	336,763	336,763

Note 10 – Common Stock

During the second quarter of 2021, United’s shareholders approved an increase in the number of authorized shares of common stock from 150 million to 200 million shares.

In November of 2020, United’s Board of Directors re-authorized a common stock repurchase program to permit the repurchase of up to $50 million of its common stock. The program is scheduled to expire on the earlier of the repurchase of common stock having an aggregate purchase price of $50 million or December 31, 2021. During the three and nine months ended September 30, 2021, 342,744 and 492,744 shares were repurchased, respectively. No shares were repurchased during the three months ended September 30, 2020. During the nine months ended September 30, 2020, 826,482 shares were repurchased. As of September 30, 2021, United had remaining authorization to repurchase up to $34.9 million of outstanding common stock under the program.

Note 11 – Stock-Based Compensation

United has an equity compensation plan that allows for grants of various share-based compensation. The general terms of the plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain restricted stock unit awards provide for accelerated vesting if there is a change in control (as defined in the plan document). As of September 30, 2021, 663,179 additional awards could be granted under the plan.

The table below presents restricted stock unit activity for the nine months ended September 30, 2021.

Restricted Stock Unit Awards	Shares	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value ($000)
Outstanding at December 31, 2020	893,431	$ 23.75	
Granted	298,481	30.27	
Vested	(269,497)	27.78	$ 8,653
Cancelled	(53,170)	24.87	
Outstanding at September 30, 2021	869,245	24.68	28,529

Compensation expense for restricted stock units and performance stock units without market conditions is based on the market value of United's common stock on the date of grant. Compensation expense for performance stock units with market conditions is based on the grant date per share fair market value, which was estimated using the Monte Carlo Simulation valuation model. United recognizes the impact of forfeitures as they occur. The value of restricted stock unit and performance stock unit awards is amortized into expense over the service period.

For the nine months ended September 30, 2021 and 2020, expense of $4.42 million and $5.57 million, respectively, was recognized related to restricted stock unit and performance stock unit awards granted to United employees, which was included in salaries and employee benefits expense. In addition, for the nine months ended September 30, 2021 and 2020, $397,000 and $367,000, respectively, was recognized in other expense for restricted stock unit awards granted to members of United's Board of Directors.

A deferred income tax benefit related to stock-based compensation expense of $1.23 million and $1.52 million was included in the determination of income tax expense for the nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, there was $17.2 million of unrecognized expense related to non-vested restricted stock unit and performance stock unit awards granted under the plan. That cost is expected to be recognized over a weighted-average period of 2.7 years.

Note 12 – Reclassifications Out of AOCI

The following table presents the details regarding amounts reclassified out of AOCI for the periods indicated *(in thousands)*. Amounts shown in parentheses reduce earnings.

Details about AOCI Components	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Affected Line Item in the Statement Where Net Income is Presented
Realized gains on AFS securities:					
	$ —	$ 746	$ 41	$ 746	Securities gains, net
	—	(191)	(14)	(191)	Income tax expense
	$ —	$ 555	$ 27	$ 555	Net of tax
Amortization of losses included in net income on AFS securities transferred to HTM:					
	$ —	$ (544)	$ —	$ (723)	Investment securities interest revenue
	—	130	—	173	Income tax benefit
	$ —	$ (414)	$ —	$ (550)	Net of tax
Reclassifications related to derivative financial instruments accounted for as cash flow hedges:					
Interest rate contracts	$ (153)	$ (130)	$ (444)	$ (197)	Long-term debt interest expense
	39	33	113	50	Income tax benefit
	$ (114)	$ (97)	$ (331)	$ (147)	Net of tax
Reclassifications related to defined benefit pension plan activity:					
Prior service cost	$ (117)	$ (133)	$ (351)	$ (398)	Salaries and employee benefits expense
Actuarial losses	(143)	(82)	(431)	(245)	Other expense
	(260)	(215)	(782)	(643)	Total before tax
	66	55	200	164	Income tax benefit
	$ (194)	$ (160)	$ (582)	$ (479)	Net of tax
Total reclassifications for the period	$ (308)	$ (116)	$ (886)	$ (621)	Net of tax

Note 13 – Earnings Per Share

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

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net income	$ 73,816	$ 47,607	$ 217,782	$ 104,587
Dividends on preferred stock	(1,719)	(1,814)	(5,157)	(1,814)
Undistributed earnings allocated to participating securities	(448)	(356)	(1,342)	(779)
Net income available to common shareholders	$ 71,649	$ 45,437	$ 211,283	$ 101,994
Weighted average shares outstanding:				
Basic	87,211	87,129	87,274	81,815
Effect of dilutive securities:				
Restricted stock units	144	76	139	61
Diluted	87,355	87,205	87,413	81,876
Net income per common share:				
Basic	$ 0.82	$ 0.52	$ 2.42	$ 1.25
Diluted	$ 0.82	$ 0.52	$ 2.42	$ 1.25

At September 30, 2021, United had no potentially dilutive instruments outstanding that were not included in the above analysis.

Note 14 – Regulatory Matters

As of September 30, 2021, 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 September 30, 2021, 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 September 30, 2021, and there have been no conditions or events since quarter-end that would change the status of well-capitalized.

Regulatory capital ratios at September 30, 2021 and December 31, 2020, 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)*:

			United Community Banks, Inc. (Consolidated)		United Community Bank	
	Minimum [(1)]	Well-Capitalized	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Risk-based ratios:						
CET1 capital	4.5 %	6.5 %	12.63 %	12.31 %	13.62 %	13.31 %
Tier 1 capital	6.0	8.0	13.38	13.10	13.62	13.31
Total capital	8.0	10.0	14.93	15.15	14.24	14.28
Leverage ratio	4.0	5.0	9.15	9.28	9.31	9.42
CET1 capital			$ 1,632,925	$ 1,506,750	$ 1,756,494	$ 1,625,292
Tier 1 capital			1,729,347	1,603,172	1,756,494	1,625,292
Total capital			1,929,850	1,854,368	1,836,997	1,743,045
Risk-weighted assets			12,929,134	12,240,440	12,897,800	12,207,940
Average total assets for the leverage ratio			18,897,989	17,276,853	18,863,193	17,246,878

(1) As of September 30, 2021 and December 31, 2020 the additional capital conservation buffer in effect was 2.50%

Note 15 – Commitments and Contingencies

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

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

	September 30, 2021	December 31, 2020
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 3,422,609	$ 3,052,657
Letters of credit	28,625	31,748

United holds minor investments in certain limited partnerships for Community Reinvestment Act purposes. As of September 30, 2021, United had committed to fund an additional $8.43 million related to future capital calls that are not 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 United’s financial position or results of operations.

Note 16 - Subsequent Events

Acquisition of Aquesta

Subsequent to quarter-end, on October 1, 2021, United completed the acquisition of Aquesta Financial Holdings, Inc. and its wholly-owned subsidiary, Aquesta Bank, collectively referred to as “Aquesta”. Aquesta is headquartered in Cornelius, North Carolina and operates a network of branches primarily located in the Charlotte metropolitan area. As of September 30, 2021, Aquesta reported total assets of $754 million, total loans of $500 million and total deposits of $658 million.

Aquesta shareholders received $132 million in total consideration, of which $89.6 million was United common stock (2.73 million shares), $40.5 million was cash and $1.48 million was comprised of option and warrant equity instruments. The acquisition will be accounted for as a business combination. Due to the timing of the acquisition, United is currently in the process of completing the purchase accounting and has not made all of the remaining required disclosures, such as the fair value of assets acquired and supplemental pro forma information, which will be disclosed in subsequent filings.

Announced Acquisition of Reliant

On July 14, 2021, United announced an agreement to acquire Reliant Bancorp, Inc. and its wholly-owned subsidiary, Reliant Bank, collectively referred to as “Reliant”. Reliant is headquartered in Brentwood, Tennessee, a suburb of Nashville, Tennessee and operates a 25 branch network in Tennessee, located primarily in the Nashville area, as well as branches in Clarksville and Chattanooga. It also has a manufactured housing finance group based in Knoxville. As of September 30, 2021, Reliant reported total assets of $3.01 billion, total loans of $2.39 billion, and total deposits of $2.55 billion. The merger, which is subject to regulatory approval, the approval of Reliant shareholders, and other customary conditions, is expected to close in the first quarter of 2022.

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

The following is a discussion of our financial condition at September 30, 2021 and December 31, 2020 and our results of operations for the three and nine months ended September 30, 2021 and 2020. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from our consolidated financial statements and is intended to provide insight into our results of operations and financial condition. The following discussion and analysis should be read along with our consolidated financial statements and related notes included in Part I - Item 1 of this Report, "Cautionary Note Regarding Forward-Looking Statements" and the risk factors discussed in our 2020 10-K, and the other reports we have filed with the SEC after we filed the 2020 10-K.

Unless the context otherwise requires, the terms "we," "our," "us" refer to United on a consolidated basis.

Overview

We offer a wide array of commercial and consumer banking services and investment advisory services through a 162 branch network throughout Georgia, South Carolina, North Carolina, Tennessee and Florida. We have grown organically as well as through strategic acquisitions. At September 30, 2021, we had consolidated total assets of $19.5 billion and 2,480 full-time equivalent employees.

Effective July 1, 2021, the Bank moved its headquarters from Blairsville, Georgia to Greenville, South Carolina and became a South Carolina state-chartered bank subject to examination and reporting requirements of the South Carolina Board of Financial Institutions. Prior to that, the Bank was a Georgia state-chartered bank subject to examination and reporting requirements of the Georgia Department of Banking and Finance. Also effective July 1, 2021, the Holding Company, which remains headquartered in Blairsville, Georgia, elected to become a financial holding company, which allows us to engage in a broader range of financial activities. Neither of these changes had a material impact on our operations.

Recent Developments

Mergers and Acquisitions

- On July 1, 2020, we acquired Three Shores including its wholly-owned banking subsidiary, Seaside, headquartered in Orlando, Florida. Seaside was a premier commercial lender with a strong wealth management platform and operated a 14-branch network located in key Florida metropolitan markets. We acquired $2.13 billion of assets, $1.43 billion in loans and assumed $1.80 billion of deposits in the acquisition.

- On July 6, 2021, we acquired FinTrust, an investment advisory firm headquartered in Greenville, South Carolina, with additional locations in Anderson, South Carolina, and Athens and Macon, Georgia. The firm provides wealth and investment management services to individuals and institutions within its markets, which expands our Advisory Services division. As of September 30, 2021, FinTrust had assets under management of $2.10 billion across its advisory, retirement planning and brokerage businesses.

- Subsequent to quarter-end, on October 1, 2021, we acquired Aquesta, a bank headquartered in Cornelius, North Carolina. Aquesta's high-touch customer service is delivered to retail and business customers through a network of branches primarily located in the Charlotte metropolitan area. As of September 30, 2021, Aquesta reported total assets of $754 million, total loans of $500 million and total deposits of $658 million.

- On July 14, 2021, we announced an agreement to acquire Reliant, which we plan to complete in the first quarter of 2022. Reliant is headquartered in Brentwood, Tennessee, a suburb of Nashville, Tennessee and operates a 25 branch network in Tennessee, located primarily in some of the Nashville area's most attractive markets, as well as in Clarksville and Chattanooga, Tennessee. It also has a manufactured housing finance group based in Knoxville. As of September 30, 2021, Reliant reported total assets of $3.01 billion, total loans of $2.39 billion, and total deposits of $2.55 billion.

COVID-19

We continue to monitor the impact of the COVID-19 pandemic on our business and to offer assistance to our customers affected by its economic effects, through payment deferrals and participation in the CARES Act and PPP loan program. Loans with active COVID-19 payment deferrals have decreased by 87% since December 31, 2020, with $8.87 million outstanding at September 30, 2021.

Results of Operations

We reported net income and diluted earnings per common share of $73.8 million and $0.82, respectively, for the third quarter of 2021 compared to $47.6 million and $0.52, respectively, for the same period in 2020. Operating net income (non-GAAP), which excludes merger-related and other charges, was $74.9 million for the third quarter of 2021, compared to $50.4 million for the same period in 2020. The increase in net income and operating net income was driven by increased net interest revenue and a release of provision for credit losses partly offset by a decrease in noninterest income and an increase in noninterest expense during the third quarter of 2021.

Net interest revenue increased to $141 million for the third quarter of 2021, compared to $128 million for the third quarter of 2020. Growth in our investment portfolio, accelerated recognition of PPP loan net deferred fees upon forgiveness, as well as a reduction of rates paid on deposits provided for much of the increase. The net interest margin decreased to 3.12% for the three months ended September 30, 2021 from 3.27% for the same period in 2020 primarily due to the effect of falling interest rates on our asset sensitive balance sheet and interest-earning assets shifting to be more heavily comprised of investment securities, which are generally lower-yielding than loans.

We recorded a negative provision for credit losses of $11.0 million for the third quarter of 2021, compared to $21.8 million of provision expense for the third quarter of 2020. The negative provision in 2021 resulted from a downward adjustment to the ACL, reflecting an improved economic forecast combined with low net charge-offs during the quarter. The provision for credit losses for the third quarter of 2020 reflected the expected macroeconomic effects of the COVID-19 pandemic and associated expected increase in net charge-offs. Net charge-offs for the third quarter of 2021 totaled $551,000 compared to $2.54 million for the same period in 2020.

Noninterest income of $40.1 million for the third quarter of 2021 was down $8.59 million, or 18%, from the third quarter of 2020. Lower gains on sales of mortgage loans and related fees drove most of the decrease, down $11.3 million compared to the same period of 2020. The decrease reflects the demand in the real estate mortgage market, which has started to level out after the initial surge in response to falling interest rates in early 2020. This decrease was partially offset by increases in wealth management fees, which reflects the addition of FinTrust's wealth management business, and gains on sales of other loans driven by higher sales volume of equipment financing receivables.

Noninterest expense of $96.7 million for the third quarter of 2021, was relatively flat compared to the same period of 2020 as a result of the net effect of several fluctuations in noninterest expense items. Most notably, salaries and employee benefits expense increased $1.39 million, primarily as a result of the addition of FinTrust employees, while merger-related and other charges decreased $1.92 million. See Table 8 of MD&A for further detail on noninterest expense activity during the third quarter of 2021 compared to 2020.

For the nine months ended September 30, 2021 and 2020, we reported net income of $218 million and $105 million, respectively, and diluted earnings per common share of $2.42 and $1.25, respectively. Operating net income (non-GAAP) for the nine months ended September 30, 2021 and 2020, of $221 million and $108 million, respectively, excluded merger-related charges for both periods. Net interest revenue and net interest margin for the nine months ended September 30, 2021 were $411 million and 3.17%, respectively, compared to $356 million and 3.55%, respectively, for the same period in 2020. Results of operations for the nine months ended September 30, 2021 were largely driven by the same factors affecting the quarter, however the results for the nine months ended also reflect the of effect of the acquisition of Three Shores on July 1, 2020 and PPP loans for the full first nine months of 2021.

Results for the third quarter and first nine months of 2021 are discussed in further detail throughout the following sections of MD&A.

Critical Accounting Policies

Our accounting and reporting policies are in accordance with GAAP and conform to general practices within the banking industry. Our more critical accounting and reporting policies include accounting for the ACL and fair value measurements, both of which involve the use of estimates and require significant judgments by management. Different assumptions in the application of these policies could result in material changes in our consolidated financial position or consolidated results of operations. Our critical accounting policies are discussed in MD&A in our 2020 10-K. There have been no significant changes to our critical accounting policies in 2021.

Non-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 ongoing business operations. Operating performance measures include “expenses – operating,” “net income – operating,” “diluted 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 policies 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 each quarter. Management uses these non-GAAP measures because it believes they 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. Nevertheless, non-GAAP measures have inherent limitations, are not required to be uniformly applied and are not audited. 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. In addition, because non-GAAP measures are not standardized, it may not be possible to compare our non-GAAP measures to 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 MD&A.

UNITED COMMUNITY BANKS, INC.
Table 1 - Financial Highlights
Selected Financial Information
(in thousands, except per share data)

	2021			2020		Third Quarter 2021 - 2020 Change	For the Nine Months Ended September 30,		YTD Change
	Third Quarter	**Second Quarter**	**First Quarter**	**Fourth Quarter**	**Third Quarter**		**2021**	**2020**	
INCOME SUMMARY									
Interest revenue	$ 147,675	$ 145,809	$ 141,542	$ 156,071	$ 141,773		$ 435,026	$ 401,925	
Interest expense	6,636	7,433	9,478	10,676	13,319		23,547	45,561	
Net interest revenue	141,039	138,376	132,064	145,395	128,454	10 %	411,479	356,364	15 %
(Release of) provision for credit losses	(11,034)	(13,588)	(12,281)	2,907	21,793		(36,903)	77,527	
Noninterest income	40,095	35,841	44,705	41,375	48,682	(18)	120,641	114,734	5
Total revenue	192,168	187,805	189,050	183,863	155,343	24	569,023	393,571	45
Expenses	96,749	95,540	95,194	106,490	95,981	1	287,483	261,499	10
Income before income tax expense	95,419	92,265	93,856	77,373	59,362	61	281,540	132,072	113
Income tax expense	21,603	22,005	20,150	17,871	11,755	84	63,758	27,485	132
Net income	73,816	70,260	73,706	59,502	47,607	55	217,782	104,587	108
Merger-related and other charges	1,437	1,078	1,543	2,452	3,361		4,058	4,566	
Income tax benefit of merger-related and other charges	(328)	(246)	(335)	(552)	(519)		(909)	(788)	
Net income - operating [1]	**$ 74,925**	**$ 71,092**	**$ 74,914**	**$ 61,402**	**$ 50,449**	49	**$ 220,931**	**$ 108,365**	104
PERFORMANCE MEASURES									
Per common share:									
Diluted net income - GAAP	$ 0.82	$ 0.78	$ 0.82	$ 0.66	$ 0.52	58	$ 2.42	$ 1.25	94
Diluted net income - operating [1]	0.83	0.79	0.83	0.68	0.55	51	2.45	1.29	90
Cash dividends declared	0.20	0.19	0.19	0.18	0.18	11	0.58	0.54	7
Book value	23.25	22.81	22.15	21.90	21.45	8	23.25	21.45	8
Tangible book value [3]	18.68	18.49	17.83	17.56	17.09	9	18.68	17.09	9
Key performance ratios:									
Return on common equity - GAAP [2][4]	14.26 %	14.08 %	15.37 %	12.36 %	10.06 %		14.55 %	8.11 %	
Return on common equity - operating [1][2][4]	14.48	14.25	15.63	12.77	10.69		14.77	8.40	
Return on tangible common equity - operating [1][2][3][4]	18.23	17.81	19.68	16.23	13.52		18.55	10.76	
Return on assets - GAAP [4]	1.48	1.46	1.62	1.30	1.07		1.52	0.93	
Return on assets - operating [1][4]	1.50	1.48	1.65	1.34	1.14		1.54	0.97	
Dividend payout ratio - GAAP	24.39	24.36	23.17	27.27	34.62		23.97	43.20	
Dividend payout ratio - operating [1]	24.10	24.05	22.89	26.47	32.73		23.67	41.86	
Net interest margin (FTE) [4]	3.12	3.19	3.22	3.55	3.27		3.17	3.55	
Efficiency ratio - GAAP	53.11	54.53	53.55	56.73	54.14		53.72	55.30	
Efficiency ratio - operating [1]	52.33	53.92	52.68	55.42	52.24		52.97	54.34	
Equity to total assets	10.89	11.04	10.95	11.29	11.47		10.89	11.47	
Tangible common equity to tangible assets [3]	8.53	8.71	8.57	8.81	8.89		8.53	8.89	
ASSET QUALITY									
Nonperforming loans	$ 44,923	$ 46,123	$ 55,900	$ 61,599	$ 49,084	(8)	$ 44,923	$ 49,084	(8)
Foreclosed properties	412	224	596	647	953		412	953	
Total NPAs	45,335	46,347	56,496	62,246	50,037	(9)	45,335	50,037	(9)
ACL - loans	99,620	111,616	126,866	137,010	134,256	(26)	99,620	134,256	(26)
Net charge-offs	551	(456)	(305)	1,515	2,538		(210)	16,801	
ACL - loans to loans	0.89 %	0.98 %	1.09 %	1.20 %	1.14 %		0.89 %	1.14 %	
Net charge-offs to average loans [4]	0.02	(0.02)	(0.01)	0.05	0.09		—	0.22	
NPAs to loans and foreclosed properties	0.41	0.41	0.48	0.55	0.42		0.41	0.42	
NPAs to total assets	0.23	0.25	0.30	0.35	0.29		0.23	0.29	
AVERAGE BALANCES *($ in millions)*									
Loans	$ 11,205	$ 11,617	$ 11,433	$ 11,595	$ 11,644	(4)	$ 11,417	$ 10,088	13
Investment securities	5,122	4,631	3,991	3,326	2,750	86	4,587	2,560	79
Earning assets	18,078	17,540	16,782	16,394	15,715	15	17,473	13,498	29
Total assets	19,322	18,792	18,023	17,698	17,013	14	18,717	14,718	27
Deposits	16,637	16,132	15,366	15,057	14,460	15	16,050	12,490	29
Shareholders’ equity	2,119	2,060	2,025	1,994	1,948	9	2,068	1,763	17
Common shares - basic (thousands)	87,211	87,289	87,322	87,258	87,129	—	87,274	81,815	7
Common shares - diluted (thousands)	87,355	87,421	87,466	87,333	87,205	—	87,413	81,876	7
AT PERIOD END *($ in millions)*									
Loans	$ 11,191	$ 11,391	$ 11,679	$ 11,371	$ 11,799	(5)	$ 11,191	$ 11,799	(5)
Investment securities	5,335	4,928	4,332	3,645	3,089	73	5,335	3,089	73
Total assets	19,481	18,896	18,557	17,794	17,153	14	19,481	17,153	14
Deposits	16,865	16,328	15,993	15,232	14,603	15	16,865	14,603	15
Shareholders’ equity	2,122	2,086	2,031	2,008	1,967	8	2,122	1,967	8
Common shares outstanding (thousands)	86,559	86,665	86,777	86,675	86,611	—	86,559	86,611	—

[1] Excludes merger-related and other charges. [2] Net income less preferred stock dividends, divided by average realized common equity, which excludes AOCI. [3] Excludes effect of acquisition related intangibles and associated amortization. [4] Annualized.

UNITED COMMUNITY BANKS, INC.
Table 1 (Continued) - Non-GAAP Performance Measures Reconciliation
Selected Financial Information
(in thousands, except per share data)

	2021			2020		For the Nine Months Ended September 30,	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	2021	2020
Expense reconciliation							
Expenses (GAAP)	$ 96,749	$ 95,540	$ 95,194	$ 106,490	$ 95,981	$ 287,483	$ 261,499
Merger-related and other charges	(1,437)	(1,078)	(1,543)	(2,452)	(3,361)	(4,058)	(4,566)
Expenses - operating	$ 95,312	$ 94,462	$ 93,651	$ 104,038	$ 92,620	$ 283,425	$ 256,933
Net income reconciliation							
Net income (GAAP)	$ 73,816	$ 70,260	$ 73,706	$ 59,502	$ 47,607	$ 217,782	$ 104,587
Merger-related and other charges	1,437	1,078	1,543	2,452	3,361	4,058	4,566
Income tax benefit of merger-related and other charges	(328)	(246)	(335)	(552)	(519)	(909)	(788)
Net income - operating	$ 74,925	$ 71,092	$ 74,914	$ 61,402	$ 50,449	$ 220,931	$ 108,365
Diluted income per common share reconciliation							
Diluted income per common share (GAAP)	$ 0.82	$ 0.78	$ 0.82	$ 0.66	$ 0.52	$ 2.42	$ 1.25
Merger-related and other charges, net of tax	0.01	0.01	0.01	0.02	0.03	0.03	0.04
Diluted income per common share - operating	$ 0.83	$ 0.79	$ 0.83	$ 0.68	$ 0.55	$ 2.45	$ 1.29
Book value per common share reconciliation							
Book value per common share (GAAP)	$ 23.25	$ 22.81	$ 22.15	$ 21.90	$ 21.45	$ 23.25	$ 21.45
Effect of goodwill and other intangibles	(4.57)	(4.32)	(4.32)	(4.34)	(4.36)	(4.57)	(4.36)
Tangible book value per common share	$ 18.68	$ 18.49	$ 17.83	$ 17.56	$ 17.09	$ 18.68	$ 17.09
Return on tangible common equity reconciliation							
Return on common equity (GAAP)	14.26 %	14.08 %	15.37 %	12.36 %	10.06 %	14.55 %	8.11 %
Merger-related and other charges, net of tax	0.22	0.17	0.26	0.41	0.63	0.22	0.29
Return on common equity - operating	14.48	14.25	15.63	12.77	10.69	14.77	8.40
Effect of goodwill and other intangibles	3.75	3.56	4.05	3.46	2.83	3.78	2.36
Return on tangible common equity - operating	18.23 %	17.81 %	19.68 %	16.23 %	13.52 %	18.55 %	10.76 %
Return on assets reconciliation							
Return on assets (GAAP)	1.48 %	1.46 %	1.62 %	1.30 %	1.07 %	1.52 %	0.93 %
Merger-related and other charges, net of tax	0.02	0.02	0.03	0.04	0.07	0.02	0.04
Return on assets - operating	1.50 %	1.48 %	1.65 %	1.34 %	1.14 %	1.54 %	0.97 %
Dividend payout ratio reconciliation							
Dividend payout ratio (GAAP)	24.39 %	24.36 %	23.17 %	27.27 %	34.62 %	23.97 %	43.20 %
Merger-related and other charges, net of tax	(0.29)	(0.31)	(0.28)	(0.80)	(1.89)	(0.30)	(1.34)
Dividend payout ratio - operating	24.10 %	24.05 %	22.89 %	26.47 %	32.73 %	23.67 %	41.86 %
Efficiency ratio reconciliation							
Efficiency ratio (GAAP)	53.11 %	54.53 %	53.55 %	56.73 %	54.14 %	53.72 %	55.30 %
Merger-related and other charges	(0.78)	(0.61)	(0.87)	(1.31)	(1.90)	(0.75)	(0.96)
Efficiency ratio - operating	52.33 %	53.92 %	52.68 %	55.42 %	52.24 %	52.97 %	54.34 %
Tangible common equity to tangible assets reconciliation							
Equity to total assets (GAAP)	10.89 %	11.04 %	10.95 %	11.29 %	11.47 %	10.89 %	11.47 %
Effect of goodwill and other intangibles	(1.87)	(1.82)	(1.86)	(1.94)	(2.02)	(1.87)	(2.02)
Effect of preferred equity	(0.49)	(0.51)	(0.52)	(0.54)	(0.56)	(0.49)	(0.56)
Tangible common equity to tangible assets	8.53 %	8.71 %	8.57 %	8.81 %	8.89 %	8.53 %	8.89 %

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

The following tables indicate the relationship between interest revenue and expense and the average amounts of assets and liabilities, which provides further insight into net interest spread and net interest margin for the periods indicated. The following discussion provides additional detail on the average balances and net interest revenue for the periods presented.

For the quarter:

Average PPP loans for the third quarter of 2021 decreased $1.03 billion compared to the third quarter of 2020, which mostly reflects SBA loan forgiveness. This was the primary driver of the decrease in average total loans for the third quarter of 2021 compared to the same period of 2020 and more than offset organic loan growth for the period. The forgiveness of PPP loans and strong growth in deposits generated additional liquidity, which we deployed into our investment portfolio, resulting in increases in average securities of $2.37 billion for the three months ended September 30, 2021 compared to the same period of 2020. This additional liquidity was also reflected in our cash balances.

Net interest revenue for the third quarter was $141 million, while FTE net interest revenue was $142 million, representing a 10% increase from the third quarter of 2020. The increase was mostly driven by the growth in the investment portfolio, accelerated recognition of net deferred PPP loan fees upon forgiveness and our ability to decrease our rates paid on deposits in a historically low interest rate environment. Deferred fees recognized on PPP loans totaled $12.9 million for the three months ended September 30, 2021, compared to $5.15 million for the comparable period of 2020. Additionally, rates paid on interest-bearing deposits fell 27 basis points compared to the third quarter of 2020, which contributed to the $5.86 million decrease in interest paid on these deposits compared to the same period of 2020. The impact of the decrease in interest rates on interest expense more than offset the impact of the growth in interest-bearing deposits of $970 million.

Despite an increase in net interest revenue, the net interest spread and net interest margin for the third quarter of 2021 decreased 4 basis points and 15 basis points, respectively, from the same period of 2020 primarily due to a mix shift in our interest-earning assets. The average interest-earning asset mix for the three months ended September 30, 2021 compared to the same period of 2020 was comprised more heavily of investment securities and cash, both of which are lower-yielding than loans, which contributed to the net interest margin and spread compression.

For the nine months ended:

In contrast to the three months ended, average loans for the nine months ended September 30, 2021 increased compared to the same period of 2020, reflecting loans acquired from Three Shores for the full nine months of 2021 and higher average PPP loans, which combined contributed approximately $821 million to the increase. Consistent with the quarter, additional liquidity provided by deposit growth and PPP loan forgiveness resulted in higher average cash balances and deployment of excess liquidity into our investment portfolio. Average securities increased $2.03 billion for the nine months ended September 30, 2021 compared to the same period of 2020.

Net interest revenue for the first nine months of 2021 was $411 million, while FTE net interest revenue was $415 million, representing a 16% increase from the first nine months of 2020. The increase was primarily driven by the loan growth discussed above and accelerated recognition of net deferred PPP loan fees of $33.7 million. These sources of income were partially offset by the impact of historically low interest rates on our asset sensitive balance sheet. Consistent with the quarter, during the nine months ended September 30, 2021, the average interest rate paid on interest-bearing deposits decreased 42 basis points compared to the same period of 2020, which contributed to a net reduction in interest expense of $23.4 million compared to the nine months ended September 30, 2020, despite growth in average interest-bearing deposits of $1.86 billion. The net interest spread and net interest margin for the first nine months of 2021 decreased 23 basis points and 38 basis points, respectively, from the same period of 2020 primarily due to the same factors impacting the quarter.

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

(dollars in thousands, FTE)	2021 Average Balance	2021 Interest	2021 Average Rate	2020 Average Balance	2020 Interest	2020 Average Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (FTE) [(1)(2)]	$ 11,204,653	$ 128,185	4.54 %	$ 11,644,202	$ 126,342	4.32 %
Taxable securities [(3)]	4,738,860	16,260	1.37	2,499,649	12,663	2.03
Tax-exempt securities (FTE) [(1)(3)]	383,196	3,061	3.20	249,959	2,544	4.07
Federal funds sold and other interest-earning assets	1,751,222	1,185	0.27	1,321,445	1,132	0.34
Total interest-earning assets (FTE)	18,077,931	148,691	3.27	15,715,255	142,681	3.61
Noninterest-earning assets:						
Allowance for credit losses	(111,952)			(128,581)		
Cash and due from banks	124,360			135,949		
Premises and equipment	228,556			216,326		
Other assets [(3)]	1,002,810			1,074,529		
Total assets	$ 19,321,705			$ 17,013,478		
Liabilities and Shareholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW and interest-bearing demand	$ 3,594,670	1,290	0.14	$ 2,890,735	1,634	0.22
Money market	4,010,720	1,119	0.11	3,501,781	3,017	0.34
Savings	1,120,843	55	0.02	864,849	47	0.02
Time	1,466,821	609	0.16	1,933,764	4,127	0.85
Brokered time deposits	63,917	69	0.43	96,198	173	0.72
Total interest-bearing deposits	10,256,971	3,142	0.12	9,287,327	8,998	0.39
Federal funds purchased and other borrowings	—	—	—	4,405	2	0.18
Federal Home Loan Bank advances	54	—	—	2,818	27	3.81
Long-term debt	257,139	3,494	5.39	327,017	4,292	5.22
Total borrowed funds	257,193	3,494	5.39	334,240	4,321	5.14
Total interest-bearing liabilities	10,514,164	6,636	0.25	9,621,567	13,319	0.55
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	6,379,969			5,172,999		
Other liabilities	308,551			270,451		
Total liabilities	17,202,684			15,065,017		
Shareholders' equity	2,119,021			1,948,461		
Total liabilities and shareholders' equity	$ 19,321,705			$ 17,013,478		
Net interest revenue (FTE)		$ 142,055			$ 129,362	
Net interest-rate spread (FTE)			3.02 %			3.06 %
Net interest margin (FTE) [(4)]			3.12 %			3.27 %

(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%, reflecting the statutory federal income tax rate and the federal tax adjusted state income tax rate.
(2) Included in the average balance of loans outstanding are loans on which the accrual of interest has been discontinued and loans that are held for sale.
(3) AFS securities are shown at amortized cost. Pretax unrealized gains of $39.6 million and $77.0 million in 2021 and 2020, 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.

Table 3 - Average Consolidated Balance Sheets and Net Interest Analysis
For the Nine Months Ended September 30,

(dollars in thousands, fully taxable equivalent (FTE))	2021 Average Balance	2021 Interest	2021 Average Rate	2020 Average Balance	2020 Interest	2020 Average Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (FTE) [(1)(2)]	$ 11,417,285	$ 380,765	4.46 %	$ 10,087,630	$ 351,536	4.65 %
Taxable securities [(3)]	4,206,099	44,845	1.42	2,362,674	42,579	2.40
Tax-exempt securities (FTE) [(1)(3)]	381,323	8,979	3.14	197,231	6,699	4.53
Federal funds sold and other interest-earning assets	1,468,487	3,462	0.31	850,722	3,621	0.57
Total interest-earning assets (FTE)	17,473,194	438,051	3.35	13,498,257	404,435	4.00
Non-interest-earning assets:						
Allowance for loan losses	(127,793)			(96,235)		
Cash and due from banks	138,973			134,354		
Premises and equipment	225,021			217,551		
Other assets [(3)]	1,007,669			964,511		
Total assets	$ 18,717,064			$ 14,718,438		
Liabilities and Shareholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW and interest-bearing demand	$ 3,452,206	4,158	0.16	$ 2,583,911	6,240	0.32
Money market	3,853,907	4,278	0.15	2,797,350	10,969	0.52
Savings	1,064,045	157	0.02	788,681	121	0.02
Time	1,551,934	3,096	0.27	1,860,597	17,435	1.25
Brokered time deposits	67,794	292	0.58	102,502	579	0.75
Total interest-bearing deposits	9,989,886	11,981	0.16	8,133,041	35,344	0.58
Federal funds purchased and other borrowings	41	—	—	1,611	3	0.25
Federal Home Loan Bank advances	1,117	2	0.24	1,001	28	3.74
Long-term debt	286,347	11,564	5.40	256,218	10,186	5.31
Total borrowed funds	287,505	11,566	5.38	258,830	10,217	5.27
Total interest-bearing liabilities	10,277,391	23,547	0.31	8,391,871	45,561	0.73
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	6,059,680			4,356,484		
Other liabilities	311,749			206,904		
Total liabilities	16,648,820			12,955,259		
Shareholders' equity	2,068,244			1,763,179		
Total liabilities and shareholders' equity	$ 18,717,064			$ 14,718,438		
Net interest revenue (FTE)		$ 414,504			$ 358,874	
Net interest-rate spread (FTE)			3.04 %			3.27 %
Net interest margin (FTE) [(4)]			3.17 %			3.55 %

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%, reflecting the statutory federal income tax rate and the federal tax adjusted state income tax rate.
2) Included in the average balance of loans outstanding are loans on which the accrual of interest has been discontinued and loans that are held for sale.
3) Securities AFS are shown at amortized cost. Pretax unrealized gains of $40.3 million and $65.5 million in 2021 and 2020, respectively, are included in other assets for purposes of this presentation.
4) Net interest margin is taxable equivalent net-interest revenue divided by average interest-earning assets.

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

Table 4 - Change in Interest Revenue and Expense on a Taxable Equivalent Basis
(in thousands)

	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021		
	Compared to 2020 Increase (Decrease) Due to Changes in					
	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Loans (FTE)	$ (4,875)	$ 6,718	$ 1,843	$ 44,834	$ (15,605)	$ 29,229
Taxable securities	8,653	(5,056)	3,597	24,316	(22,050)	2,266
Tax-exempt securities (FTE)	1,148	(631)	517	4,809	(2,529)	2,280
Federal funds sold and other interest-earning assets	321	(268)	53	1,903	(2,062)	(159)
Total interest-earning assets (FTE)	5,247	763	6,010	75,862	(42,246)	33,616
Interest-bearing liabilities:						
NOW and interest-bearing demand accounts	340	(684)	(344)	1,675	(3,757)	(2,082)
Money market accounts	386	(2,284)	(1,898)	3,118	(9,809)	(6,691)
Savings deposits	13	(5)	8	41	(5)	36
Time deposits	(811)	(2,707)	(3,518)	(2,496)	(11,843)	(14,339)
Brokered deposits	(47)	(57)	(104)	(169)	(118)	(287)
Total interest-bearing deposits	(119)	(5,737)	(5,856)	2,169	(25,532)	(23,363)
Federal funds purchased & other borrowings	(1)	(1)	(2)	(1)	(2)	(3)
FHLB advances	(13)	(14)	(27)	3	(29)	(26)
Long-term debt	(945)	147	(798)	1,214	164	1,378
Total borrowed funds	(959)	132	(827)	1,216	133	1,349
Total interest-bearing liabilities	(1,078)	(5,605)	(6,683)	3,385	(25,399)	(22,014)
Increase in net interest revenue (FTE)	$ 6,325	$ 6,368	$ 12,693	$ 72,477	$ (16,847)	$ 55,630

Provision for Credit Losses

The ACL represents management's estimate of life of loan credit losses in the loan portfolio and unfunded loan commitments. Management's estimate of credit losses under CECL is determined using a model that relies on reasonable and supportable forecasts and historical loss information to determine the balance of the ACL and resulting provision for credit losses.

We recorded negative provisions for credit losses of $11.0 million and $36.9 million for the three and nine months ended September 30, 2021, respectively, compared to $21.8 million and $77.5 million in provision expense for the same periods in 2020, respectively. The amount of provision recorded in each period was the amount required such that the total ACL reflected the appropriate balance as determined by management reflecting expected life of loan losses. The negative provision expense for the three and nine months ended September 30, 2021 compared to the same periods of 2020 was primarily a result of an improved economic forecast combined with low net charge-offs recognized during the third quarter and net recoveries recorded during the first nine months of 2021. The amount of net recoveries recorded during the first nine months of 2021 was mostly attributable to one large commercial credit recovery during the first quarter, strong recoveries from a number of other credits and lower charge-offs during the second and third quarters. The provision for credit losses for the third quarter and first nine months of 2020 was elevated due to a relatively stressed economic forecast amidst the COVID-19 pandemic.

Additional discussion on credit quality and the ACL is included in the "Asset Quality and Risk Elements" section of MD&A in this Report.

Noninterest income

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

Table 5 - Noninterest Income
(in thousands)

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2021	**2020**	**Amount**	**Percent**	**2021**	**2020**	**Amount**	**Percent**
Overdraft fees	$ 2,858	$ 2,484	$ 374	15 %	$ 7,474	$ 8,000	$ (526)	(7)%
ATM and debit card fees	3,867	3,577	290	8	10,263	9,845	418	4
Other service charges and fees	2,625	2,199	426	19	7,518	6,048	1,470	24
Total service charges and fees	9,350	8,260	1,090	13	25,255	23,893	1,362	6
Mortgage loan gains and related fees	13,828	25,144	(11,316)	(45)	47,536	57,113	(9,577)	(17)
Wealth management fees	5,554	3,055	2,499	82	12,881	6,019	6,862	114
Gains on sales of other loans	2,353	1,175	1,178	100	7,506	3,889	3,617	93
Securities gains, net	—	746	(746)		41	746	(705)	
Other noninterest income:								
Other lending and loan servicing fees	2,825	2,869	(44)	(2)	7,070	5,832	1,238	21
Customer derivatives	585	2,258	(1,673)	(74)	2,537	4,846	(2,309)	(48)
Other investment gains (losses)	1,333	911	422		4,487	(228)	4,715	
BOLI	832	1,214	(382)	(31)	2,661	4,091	(1,430)	(35)
Treasury management income	765	568	197	35	2,120	1,539	581	38
Other	2,670	2,482	188	8	8,547	6,994	1,553	22
Total other noninterest income	9,010	10,302	(1,292)	(13)	27,422	23,074	4,348	19
Total noninterest income	$ 40,095	$ 48,682	$ (8,587)	(18)	$ 120,641	$ 114,734	$ 5,907	5

During the third quarter and first nine months of 2021, total service charges and fees increased compared to the respective periods of 2020, which was mostly driven by the addition of Three Shores customers and the receipt of larger vendor rebates. While overdraft fee income has started to normalize, overdraft fees have remained at relatively low levels since the onset of the COVID-19 pandemic. During the first nine months of 2020, the decrease in overdraft fees was attributable to lower transaction volume due to widespread economic shutdowns combined with government stimulus payments disbursed during the second quarter of 2020, both of which increased transaction deposit account balances. During the first nine months of 2021, transaction deposit account balances remained elevated due to government stimulus payments and customer preferences to allocate more funds to transaction deposit accounts rather than time deposits in the current low interest rate environment.

Mortgage loan gains and related fees consists primarily of fees earned on mortgage originations, gains on the sale of mortgages in the secondary market and fair value adjustments to our mortgage servicing asset. We recognize the majority of gains on mortgages when customers enter into mortgage rate lock commitments, making our mortgage pipeline a significant driver of mortgage gains in any given period. The change in mortgage loan gains and related fees is strongly tied to the interest rate environment. Customer demand, primarily driven by interest rates, as well as the market-driven gain on sale spread are also primary drivers of mortgage income. From the second quarter of 2020 through the first quarter of 2021, we experienced a strong demand for mortgage refinances and home purchases following the drop in interest rates in early 2020. Since the second quarter of 2021, the demand for refinances has decreased as rates have started to increase, which in turn has also resulted in a decrease in volume of mortgage rate locks. However, the demand for home purchases remained strong for the three and nine months ended September 30, 2021 resulting in higher purchase originations compared to the respective periods of 2020. Offsetting strong mortgage origination demand, during the three months ended September 30, 2021 and 2020, we recorded negative adjustments related to fair value and decay to the mortgage servicing rights asset of $1.32 million and $1.18 million, respectively. Additionally, our gain on sale spread for the third quarter of 2021 of 4.82% decreased compared to 5.43% for the third quarter of 2020 contributing to the decrease in mortgage loan gains.

Table 6 - Selected Mortgage Metrics
(dollars in thousands)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
Mortgage rate locks	$ 730,566	$ 909,834	(20)%	$ 2,425,571	$ 2,512,327	(3)%
# of mortgage rate locks	2,077	3,022	(31)	7,149	8,899	(20)
Mortgage loans sold	$ 319,232	$ 402,265	(21)	$ 1,062,373	$ 1,056,783	1
# of mortgage loans sold	1,299	1,754	(26)	4,408	4,624	(5)
Mortgage loans originated:						
Purchases	$ 354,378	$ 327,269	8	$ 1,053,849	$ 788,767	34
Refinances	214,018	241,863	(12)	849,421	730,012	16
Total	$ 568,396	$ 569,132	—	$ 1,903,270	$ 1,518,779	25
# of mortgage loans originated	1,615	2,102	(23)	5,749	5,667	1

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. From time to time, we also sell certain equipment financing receivables based on market conditions. Gains on the sale of other loans for the first nine months of 2021 increased compared to the same period of 2020 mostly due to the sale of equipment financing loans and leases and USDA renewable energy loans in the second quarter of 2021. The following table presents loans sold and the corresponding gains or losses recognized on the sale for the periods indicated.

Table 7 - Other Loan Sales
(in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
	Loans Sold	Gain (Loss)	Loans Sold	Gain (Loss)	Loans Sold	Gain (Loss)	Loans Sold	Gain (Loss)
Guaranteed portion of SBA/USDA loans	$ 13,484	$ 1,492	$ 13,464	$ 1,177	$ 57,132	$ 5,835	$ 31,533	$ 2,613
Equipment financing receivables	19,273	861	950	(2)	39,240	1,671	24,871	1,276
Total	$ 32,757	$ 2,353	$ 14,414	$ 1,175	$ 96,372	$ 7,506	$ 56,404	$ 3,889

The increase in wealth management fees during the third quarter and first nine months of 2021 compared to the same periods of 2020 was primarily a result of the growth of our wealth management business through the acquisitions of FinTrust and Three Shores. FinTrust is the main driver of the increase for the three months ended September 30, 2021, while Three Shores, which was acquired July 1, 2020, also contributed to much of the increase during the first nine months of 2021.

The change in other noninterest income for the three and nine months ended September 30, 2021 compared to the same periods of 2020 was primarily driven by the following factors:

- Other investment performance for the three and nine months ended September 30, 2021, yielded net higher positive fair value adjustments when compared to the same periods of 2020. The nine months ended September 30, 2020 included losses recorded during the first half of 2020 resulting from the COVID-19 pandemic related market disruption. These losses were more than offset by gains recorded during the third quarter of 2020 as the pandemic outlook improved.
- Lending and loan servicing fees for the third quarter of 2021 decreased compared to the third quarter of 2020, but increased for the nine months ended 2021 compared to the same period of 2020. Volume-driven fee income from our equipment finance business increased for the three and nine months ended September 30, 2021, which was a main driver for the increase in lending and loan servicing fees for the nine months ended September 30, 2021. However, for the third quarter of 2021, this increase was more than offset by a negative adjustment to our SBA servicing asset, which resulted primarily from payoffs and paydowns, compared to a positive adjustment during the third quarter of 2020.
- BOLI income decreased compared to the three and nine months ended September 30, 2020, which included death benefit gains of $274,000 and $1.37 million, respectively.
- Customer derivative income also decreased for the three and nine months ended September 30, 2021 compared to the same periods of 2020 due to increases in interest rates negatively impacting the demand for customer derivative products.

Noninterest Expenses

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

Table 8 - Noninterest Expenses
(in thousands)

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2021	**2020**	**Amount**	**Percent**	**2021**	**2020**	**Amount**	**Percent**
Salaries and employee benefits	$ 60,458	$ 59,067	$ 1,391	2 %	$ 180,457	$ 162,236	$ 18,221	11 %
Communications and equipment	7,368	6,960	408	6	21,979	19,462	2,517	13
Occupancy	7,096	7,050	46	1	21,130	18,709	2,421	13
Advertising and public relations	1,458	1,778	(320)	(18)	4,150	5,312	(1,162)	(22)
Postage, printing and supplies	1,731	1,703	28	2	5,171	4,986	185	4
Professional fees	5,347	5,083	264	5	14,509	14,003	506	4
Lending and loan servicing expense	2,450	3,043	(593)	(19)	8,508	8,525	(17)	—
Outside services - electronic banking	2,308	1,888	420	22	6,811	5,516	1,295	23
FDIC assessments and other regulatory charges	1,723	1,346	377	28	5,520	4,388	1,132	26
Amortization of intangibles	1,028	1,099	(71)	(6)	2,942	3,126	(184)	(6)
Other	4,345	3,603	742	21	12,248	10,670	1,578	15
Total excluding merger-related and other charges	95,312	92,620	2,692	3	283,425	256,933	26,492	10
Merger-related and other charges	1,437	3,361	(1,924)		4,058	4,566	(508)	
Total noninterest expenses	$ 96,749	$ 95,981	$ 768	1	$ 287,483	$ 261,499	$ 25,984	10

Salaries and employee benefits for the third quarter of 2021 increased compared to the same quarter of 2020 primarily due to the addition of FinTrust employees, higher brokerage and equipment finance commissions as well as other incentives reflective of strong performance during the quarter. These increases were partially offset by higher deferred loan origination costs resulting from increased loan production. The increase also reflected our merit-based salary increases awarded during the second quarter of 2021. In addition to these factors, the increase in salaries and employee benefits for the nine months ended September 30, 2021 compared to the same period of 2020 was also attributable to the addition of Three Shores employees beginning on July 1, 2020 and higher mortgage commissions as a result of strong mortgage production for first nine months of 2021. Full-time equivalent headcount totaled 2,480 at September 30, 2021, up from 2,414 at September 30, 2020.

Communications and equipment expense increased for the third quarter and first nine months of 2021 compared to the same periods of 2020 primarily due to incremental software contract costs. The increase in occupancy costs for the nine months ended September 30, 2021 was mostly attributable to the addition of operating lease costs associated with the acquired Three Shores' locations. Advertising and public relations expense for the three and nine months ended September 30, 2021 decreased relative to the same periods of 2020 as 2020 included contributions to the United Community Bank Foundation in its inaugural year. Lending and loan servicing expense for the third quarter of 2021 decreased compared to the same period of 2020 partially due to lower mortgage production volume. The increase in outside services - electronic banking primarily related to increased ATM network and internet banking costs.

Merger-related and other charges for the third quarter and first nine months of 2021 primarily consisted of expenses associated with the acquisitions of Three Shores, FinTrust and Aquesta. Merger-related and other charges for the three and nine months ended September 30, 2020 were mostly related to the acquisition of Three Shores.

Balance Sheet Review

Total assets at September 30, 2021 and December 31, 2020 were $19.5 billion and $17.8 billion, respectively. Total liabilities at September 30, 2021 and December 31, 2020 were $17.4 billion and $15.8 billion, respectively. Shareholders' equity totaled $2.12 billion and $2.01 billion at September 30, 2021 and December 31, 2020, respectively. The increase in assets was primarily evident in our investment portfolio, which we have strategically grown by $1.69 billion during 2021 to deploy excess liquidity provided by PPP loan forgiveness and growth in our customer deposits.

Loans

Our loan portfolio is our largest category of interest-earning assets. The following table presents a summary of the loan portfolio by loan type, of which approximately 73% was secured by real estate at September 30, 2021.

Table 9 - Loans Outstanding
(in thousands)

	September 30, 2021		December 31, 2020	
	Amortized Cost	**% of total loans**	**Amortized Cost**	**% of total loans**
Owner occupied commercial real estate	$ 2,148,946	19 %	$ 2,090,443	18 %
Income producing commercial real estate	2,542,106	23	2,540,750	22
Commercial & industrial [1]	1,879,466	17	2,498,560	22
Commercial construction	947,023	8	967,305	9
Equipment financing	1,016,903	9	863,830	8
Total commercial	8,534,444	76	8,960,888	79
Residential mortgage	1,532,625	14	1,284,920	11
HELOC	661,352	6	697,117	6
Residential construction	320,880	3	281,430	3
Consumer	141,736	1	146,460	1
Total loans	$ 11,191,037	100 %	$ 11,370,815	100 %

[1] Commercial and industrial loans as of September 30, 2021 and December 31, 2020 included $150 million and $646 million of PPP loans, respectively.

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 risk management function is responsible for monitoring asset quality and Board approved portfolio concentration limits, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures. Additional information on our credit administration function is included in Part I, Item 1 under the heading *Lending Activities* in our 2020 10-K.

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 ACL. 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 ACL reflects management's assessment of the life of loan expected credit 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 ACL is based on reasonable and supportable forecasts, 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 of MD&A in our 2020 10-K for additional information on the allowance for credit losses.

The following table presents a summary of the changes in the ACL for the periods indicated.

Table 10 - ACL
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
ACL - loans, beginning of period	$ 111,616	$ 103,669	$ 137,010	$ 62,089
Adoption of CECL	—	—	—	6,880
ACL - loans, adjusted beginning balance	111,616	103,669	137,010	68,969
Impact of merger - ACL - PCD loans	—	11,152	—	11,152
Charge-offs:				
Owner occupied commercial real estate	443	—	1,503	6
Income producing commercial real estate	120	3,033	174	8,033
Commercial & industrial	320	303	4,017	8,118
Commercial construction	—	487	224	726
Equipment financing	1,165	2,418	4,411	6,366
Residential mortgage	127	13	342	347
HELOC	65	44	99	162
Residential construction	—	26	10	80
Consumer	611	432	1,435	1,782
Total charge-offs	2,851	6,756	12,215	25,620
Recoveries:				
Owner occupied commercial real estate	536	725	932	2,225
Income producing commercial real estate	75	1,248	304	1,430
Commercial & industrial	411	408	6,855	1,075
Commercial construction	123	658	618	916
Equipment financing	653	425	2,087	1,201
Residential mortgage	76	48	393	379
HELOC	167	169	386	468
Residential construction	37	26	140	97
Consumer	222	511	710	1,028
Total recoveries	2,300	4,218	12,425	8,819
Net charge-offs (recoveries)	551	2,538	(210)	16,801
(Release of) provision for credit losses - loans	(11,445)	21,973	(37,600)	70,936
ACL - loans, end of period	99,620	134,256	99,620	134,256
ACL - unfunded commitments, beginning of period	10,844	12,100	10,558	3,458
Adoption of CECL	—	—	—	1,871
ACL - unfunded commitments, adjusted beginning balance	10,844	12,100	10,558	5,329
Provision for credit losses - unfunded commitments	411	(180)	697	6,591
ACL - unfunded commitments, end of period	11,255	11,920	11,255	11,920
Total ACL	$ 110,875	$ 146,176	$ 110,875	$ 146,176
Total loans:				
At period-end	$ 11,191,037	$ 11,798,910	$ 11,191,037	$ 11,798,910
Average	11,204,653	11,644,202	11,417,285	10,087,630
ACL - loans, as a percentage of period-end loans	0.89 %	1.14 %	0.89 %	1.14 %
As a percentage of average loans (annualized):				
Net charge-offs	0.02	0.09	—	0.22
Provision for credit losses - loans	(0.41)	0.75	(0.44)	0.94

The reduction in the ACL since December 31, 2020 reflects an improved economic forecast, which includes an improved COVID-19 pandemic outlook, government stimulus spending, projected GDP growth and a continued low interest rate environment. Qualitative factors were used to moderate the improvement in the economic forecast for certain portfolios in recognition of continued elevated levels of special mention and substandard assets at September 30, 2021, primarily due to slower improvement in several COVID-19 impacted industries.

The following table presents a summary of loans by risk category for the dates indicated. See Note 6 to the consolidated financial statements in this Report for detailed descriptions of the risk categories.

Table 11 - Risk Categories
(in thousands)

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Pass	$ 10,691,234	$ 10,781,793	$ 11,070,628	$ 10,846,850	$ 11,481,859
Special mention	227,708	369,964	376,250	297,245	142,480
Substandard	222,095	238,989	231,666	226,720	174,571
Total loans	$ 11,141,037	$ 11,390,746	$ 11,678,544	$ 11,370,815	$ 11,798,910

During the fourth quarter of 2020 and first quarter of 2021, we downgraded loans to certain borrowers whose financial performance was impacted by the social and economic effects of the COVID-19 pandemic, such as senior care and hotels. During the third quarter of 2021, to the extent these borrowers' financial position strengthened as the economic outlook of the pandemic improved, we made risk grade upgrades as deemed appropriate by management.

We classify loans as substandard when there is one or more well-defined weaknesses that jeopardize the repayment by the borrower and there is a distinct possibility that we could sustain some loss if the deficiency is not corrected. At September 30, 2021, substandard loans included accrual and nonaccrual loans of $177 million and $44.9 million, respectively. Special mention loans continue to accrue interest.

Nonperforming Assets

NPAs, which include nonaccrual loans and foreclosed properties, totaled $45.3 million at September 30, 2021, compared with $62.2 million at December 31, 2020. The decrease in NPAs since December 31, 2020 is primarily a result of paydowns and payoffs of nonaccrual loans.

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. A loan may continue on accrual after 90 days, however, if it is well collateralized and in the process of collection. When a loan is placed on nonaccrual status, interest previously accrued but not collected is reversed against current interest revenue. Interest payments received on nonaccrual loans are applied to reduce the loan's amortized cost. 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.

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.

Table 12 - NPAs
(in thousands)

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Owner occupied commercial real estate	4,945	8,582
Income producing commercial real estate	13,462	15,149
Commercial & industrial	8,507	16,634
Commercial construction	1,202	1,745
Equipment financing	1,845	3,405
Total commercial	29,961	45,515
Residential mortgage	13,222	12,858
HELOC	1,364	2,487
Residential construction	260	514
Consumer	116	225
Total nonaccrual loans	44,923	61,599
Foreclosed properties	412	647
Total NPAs	$ 45,335	$ 62,246
Nonaccrual loans as a percentage of total loans	0.40 %	0.54 %
NPAs as a percentage of total loans and foreclosed properties	0.41	0.55
NPAs as a percentage of total assets	0.23	0.35

At September 30, 2021 and December 31, 2020, we had $53.0 million and $61.6 million, respectively, in loans with terms that have been modified in TDRs. Included therein were $16.4 million and $20.6 million, respectively, of TDRs that were classified as nonaccrual and were included in nonperforming loans. The remaining TDRs with an aggregate balance of $36.6 million and $41.0 million, respectively, were performing according to their modified terms and were therefore not considered to be nonperforming assets.

The CARES Act and interagency guidance granted temporary relief from TDR classification for certain loans restructured as a result of COVID-19. During 2020, we granted a significant number of payment deferral requests to our borrowers related to the economic disruption created by COVID-19. The following table presents remaining COVID-19 related deferrals. To the extent that these deferrals qualified under either the CARES Act or interagency guidance, they were not considered new TDRs as of September 30, 2021 and December 31, 2020.

Table 13 - COVID-19 Deferrals
(in thousands)

	September 30, 2021	December 31, 2020
Owner occupied commercial real estate	$ 3,433	$ 4,774
Income producing commercial real estate	—	45,190
Commercial & industrial	404	5,682
Commercial construction	—	1,745
Equipment financing	2,384	3,474
Total commercial	6,221	60,865
Residential mortgage	2,519	8,731
HELOC	125	1,012
Residential construction	—	55
Consumer	—	46
Total COVID-19 deferrals	$ 8,865	$ 70,709

Investment Securities

The composition of the 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 and credit risk in other categories of the balance sheet while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits and borrowings.

At September 30, 2021 and December 31, 2020, we had HTM debt securities with a carrying amount of $1.08 billion and $420 million, respectively, and AFS debt securities totaling $4.25 billion and $3.22 billion, respectively. The increased balances at September 30, 2021 reflect our decision to deploy liquidity generated through strong deposit growth by purchasing additional investment securities. At September 30, 2021 and December 31, 2020, the securities portfolio represented approximately 27% and 20%, respectively, of total assets.

In accordance with CECL, our HTM debt securities portfolio is evaluated quarterly to assess whether an ACL is required. We measure expected credit losses on HTM debt securities on a collective basis by major security type. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. At September 30, 2021 and December 31, 2020, calculated credit losses on HTM debt securities were de minimis due to the high credit quality of the portfolio, which included securities issued or guaranteed by U.S. Government agencies, GSEs, high credit quality municipalities and supranational entities. As a result, no ACL for HTM debt securities was recorded.

For AFS debt securities in an unrealized loss position, if we intend to sell, or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, the security's amortized cost basis is written down to fair value through income. Absent an intent or more than likely requirement to sell, we evaluate whether the decline in fair value has resulted from credit losses or other factors. The evaluation considers factors such as the extent to which fair value is less than amortized cost, changes to the security’s rating, and adverse conditions specific to the security. If the evaluation indicates a credit loss exists, an ACL may be recorded, with such allowance limited to the amount by which fair value is below amortized cost. Any impairment unrelated to credit factors is recognized in OCI. At September 30, 2021 and December 31, 2020, there was no ACL related to the AFS debt securities portfolio. Losses on fixed income securities at September 30, 2021 and December 31, 2020 primarily reflected the effect of changes in interest rates.

Goodwill and Other Intangible Assets

Goodwill represents the premium paid for acquired companies above the net 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. At September 30, 2021 and December 31, 2020, the net carrying amount of goodwill was $382 million and $368 million, respectively.

We also have core deposit and customer relationship intangible assets, representing the value of acquired deposit and customer relationships, respectively, which are amortizing intangible assets. Amortizing intangible assets are required to be tested for impairment only when events or circumstances indicate that impairment may exist.

In connection with the acquisition of FinTrust, we recorded goodwill and a customer relationship intangible of $14.2 million and $7.53 million, respectively.

Deposits

Customer deposits are the primary source of funds for the continued growth of our earning assets. Our high level of service, as evidenced by our strong customer satisfaction scores, has been instrumental in attracting and retaining customer deposit accounts. In addition to organic growth, at September 30, 2021, the increase in core transaction deposits was also attributable to PPP-related deposits. The growth in customer deposits has allowed us to reduce our utilization of brokered deposits, which is reflected in the decrease since December 31, 2020. The decline in time deposits is mostly driven by customer preference to allocate funds to more liquid transaction deposits in the current low rate environment. The following table sets forth the deposit composition for the periods indicated.

Table 14 - Deposits
(in thousands)

	September 30, 2021	December 31, 2020
Noninterest-bearing demand	$ 6,492,519	$ 5,390,291
NOW and interest-bearing demand	3,699,951	3,346,490
Money market and savings	5,048,992	4,501,189
Time	1,440,160	1,704,290
Total customer deposits	16,681,622	14,942,260
Brokered deposits	183,795	290,098
Total deposits	$ 16,865,417	$ 15,232,358

Borrowing Activities

At September 30, 2021 and December 31, 2020, we had long-term debt outstanding of $247 million and $327 million, respectively, which includes senior debentures, subordinated debentures, and trust preferred securities. As a result of the additional liquidity provided by PPP loans and core deposit growth, we repaid several of our long-term debt instruments during the first nine months of 2021 including the 2025 subordinated debentures, the Southern Bancorp Capital Trust I trust preferred securities, the 2022 senior debentures, and the 2026 subordinated debentures, which combined reduced our long-term debt outstanding by $80.6 million.

Contractual Obligations

There have not been any material changes to our contractual obligations since December 31, 2020.

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 include commitments to extend credit, letters of credit and financial guarantees.

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

The exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit, letters of credit and financial guarantees is represented by the contractual amount of these instruments. 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 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 22 to the consolidated financial statements included in our 2020 10-K and Note 15 to the consolidated financial statements in this Report for additional information on off-balance sheet arrangements.

Interest Rate Sensitivity Management

The absolute level and volatility of interest rates can have a significant effect on profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest revenue to changing interest rates, consistent with 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 ALCO and approved by the Board. The ALCO meets periodically and has responsibility for formulating and recommending asset/liability management policies to the Board, 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. The ALCO periodically reviews the assumptions for reasonableness based on historical data and future expectations; however, actual net interest revenue may differ from model results. The primary objective of the simulation model is to measure the potential change in net interest revenue over time using multiple interest rate scenarios. The base scenario assumes rates remain flat and is the scenario to which all others are compared, in order to measure the change in net interest revenue. Policy limits are based on immediate rate shock scenarios, as well as gradually rising and falling rate scenarios, which are all compared to the base scenario. Our assumptions include floors such that market rates and discount rates do not go below zero. 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.

Table 15 - Interest Sensitivity

	Increase (Decrease) in Net Interest Revenue from Base Scenario at			
	September 30, 2021		December 31, 2020	
Change in Rates	**Shock**	**Ramp**	**Shock**	**Ramp**
100 basis point increase	4.78 %	3.93 %	3.80 %	2.88 %
100 basis point decrease	(4.35)	(3.76)	(1.89)	(1.82)

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 OCI. 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.

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.

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 and preferred 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. Effective July 1, 2021, the Bank became a South Carolina state-chartered bank, which permits the Bank to pay a dividend of up to 100% of its current year earnings without requesting approval of the South Carolina Board of Financial Institutions, provided certain conditions are met. Prior to the conversion to a South Carolina state-chartered bank, Georgia law generally limited the payment of dividends by the Bank from retained earnings of up to 50% of its prior year earnings without requesting approval of the Georgia Department of Banking and Finance. Holding Company liquidity is managed to a minimum of 15-months of anticipated cash expenditures after considering all of its liquidity needs over this period.

At September 30, 2021, we had sufficient qualifying collateral to provide borrowing capacity for FHLB advances of $1.29 billion, as well as unpledged investment securities of $4.12 billion that could be used as collateral for additional borrowings. In addition, we have the ability to attract retail deposits by competing more aggressively on pricing.

Significant uses and sources of cash during the nine months ended September 30, 2021 are summarized below. See the consolidated statement of cash flows in this Report for further detail.

- Net cash provided by operating activities of $283 million reflects net income of $218 million adjusted for non-cash transactions, gains on sales of securities and other loans and changes in other assets and liabilities. Significant non-cash transactions for the period included a $36.9 million release of provision for credit losses and deferred income tax expense of $21.3 million.
- Net cash used in investing activities of $1.56 billion primarily consisted of purchases of AFS and HTM debt securities of $2.63 billion, partially offset by proceeds from securities sales, maturities and calls, reflecting our strategic decision to deploy excess liquidity into the securities portfolio.
- Net cash provided by financing activities of $1.48 billion was driven by strong deposit growth as our net increase in deposits totaled $1.63 billion, which was partially offset by our repayment of long-term debt of $80.6 million and dividends on common and preferred stock of $54.5 million.

In the opinion of management, our liquidity position at September 30, 2021 was sufficient to meet our expected cash flow requirements.

Capital Resources and Dividends

Shareholders' equity at September 30, 2021 was $2.12 billion, an increase of $115 million from December 31, 2020 primarily due to year-to-date earnings partially offset by dividends declared and unrealized losses on AFS debt securities.

The following table shows capital ratios, as calculated under applicable regulatory guidelines, at September 30, 2021 and December 31, 2020. As of September 30, 2021, capital levels remained characterized as "well-capitalized" under prompt corrective action provisions in effect at the time.

Additional information related to capital ratios, as calculated under regulatory guidelines, as of September 30, 2021 and December 31, 2020, is provided in Note 14 to the consolidated financial statements in this Report.

Table 16 – Capital Ratios

				United Community Banks, Inc. (Consolidated)		United Community Bank	
	Minimum	Well-Capitalized	Minimum Capital Plus Capital Conservation Buffer	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Risk-based ratios:							
CET1 capital	4.5 %	6.5 %	7.0 %	12.63 %	12.31 %	13.62 %	13.31 %
Tier 1 capital	6.0	8.0	8.5	13.38	13.10	13.62	13.31
Total capital	8.0	10.0	10.5	14.93	15.15	14.24	14.28
Leverage ratio	4.0	5.0	N/A	9.15	9.28	9.31	9.42

Effect of Inflation and Changing Prices

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

Management believes the effect of inflation on financial results depends on 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 manage interest rate sensitivity. In addition, periodic reviews of banking services and products are conducted to adjust pricing in view of current and expected costs.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes in our market risk as of September 30, 2021 from that presented in our 2020 10-K. Our interest rate sensitivity position at September 30, 2021 is set forth in Table 15 in MD&A of this Report and incorporated herein by this reference.

Item 4. Controls and Procedures

(a) *Disclosure Controls and Procedures.* Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures (as such term is defined in Exchange Act Rule 13a-15(e)) as of September 30, 2021. Based on that evaluation, our principal executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) *Changes in Internal Control Over Financial Reporting.* No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the fiscal quarter ended September 30, 2021 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, the Holding Company and the Bank are parties to various legal proceedings. Additionally, in the ordinary course of business, the Holding Company and the Bank are subject to regulatory examinations and investigations. Based on our current knowledge and advice of counsel, in the opinion of management there is no such pending or threatened legal matter which would result in a material adverse effect upon our consolidated financial condition or results of operations.

Items 1A. Risk Factors

Except with respect to the additional risk factors related to the Aquesta acquisition and the proposed Reliant acquisition, which are set forth in the final prospectuses filed with the SEC pursuant to Rule 424(b)(3) respectively on August 6, 2021 and October 22, 2021 (and incorporated herein by this reference), there have been no material changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 25, 2021.

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

Unregistered Sales of Equity Securities

In connection with the FinTrust acquisition, on July 6, 2021, we issued 132,299 shares of our common stock without registration under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the exemption from registration set forth in section 4(a)(2) of the Securities Act.

Issuer Purchases of Equity Securities

The following table contains information regarding purchases of our common stock made during the quarter ended September 30, 2021 by or on behalf of United or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Exchange Act:

(Dollars in thousands, except for per share amounts)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]
July 1, 2021 - July 31, 2021	171,985	$ 29.05	171,985	$ 39,902
August 1, 2021 - August 31, 2021	170,759	29.30	170,759	34,899
September 1, 2021 - September 30, 2021	—	—	—	—
Total	342,744	$ 29.18	342,744	$ 34,899

[1] In November of 2020, United's Board re-authorized its common stock repurchase program to permit the repurchase of up to $50.0 million of its 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, 2021. Under the program, shares may be repurchased in open market transactions or in privately negotiated transactions, from time to time, subject to market conditions, including transactions outside the safe harbor provided by Exchange Act Rule 10b-18 (but nevertheless adhering to Rule 10-b-18's requirements). The approved share repurchase program does not obligate us to repurchase any dollar amount or number of shares.

Item 6. Exhibits

(d) Exhibits. See Exhibit Index below.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger and Reorganization, dated as of May 26, 2021, by and between United Community Banks, Inc. and Aquesta Financial Holdings, Inc. (incorporated by reference to Annex A to the proxy statement/prospectus filed by United Community Banks, Inc. with the SEC pursuant to Rule 424(b)(3) on August 6, 2021).
2.2	Agreement and Plan of Merger, dated as of July 14, 2021, by and between United Community Banks, Inc. and Reliant Bancorp, Inc. (incorporated herein by reference to Annex A to the proxy statement/prospectus filed by United Community Banks, Inc. with the SEC pursuant to Rule 424(b)(3) on October 22, 2021).
3.1	Restated Articles of Incorporation of United Community Banks, Inc. as amended through August 13, 2021.
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).
31.1	Certification by H. Lynn Harton, President and Chief Executive Officer of United Community Banks, Inc., pursuant to Exchange Act Rule 13a-14(a).
31.2	Certification by Jefferson L. Harralson, Executive Vice President and Chief Financial Officer of United Community Banks, Inc., pursuant to Exchange Act Rule 13a-14(a).
32	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350.
101	Interactive data files for United Community Bank, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL: (i) the Consolidated Balance Sheets (unaudited); (ii) the Consolidated Statements of Income (unaudited); (iii) the Consolidated Statements of Comprehensive Income (unaudited); (iv) the Consolidated Statements in Shareholders' Equity (unaudited); (v) the Consolidated Statements of Cash Flows (unaudited); and (vi) the Notes to Consolidated Financial Statements (unaudited).
104	The cover page from United Community Bank's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (formatted in Inline XBRL and included in Exhibit 101)

Signatures

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

UNITED COMMUNITY BANKS, INC.

/s/ 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 and Chief Accounting Officer
(Principal Accounting Officer)

Date: November 5, 2021

2021 RESTATED ARTICLES OF INCORPORATION

OF

UNITED COMMUNITY BANKS, INC.

I.

The name of the corporation is United Community Banks, Inc.

II.

The corporation is organized pursuant to the provisions of the Georgia Business Corporation Code.

III.

The corporation shall have perpetual duration.

IV.

The corporation is a corporation for profit and is organized for the following general purposes: to be a bank holding company; to carry on any lawful businesses or activities relating thereto; and to engage in any lawful act or activity for which corporations may be organized under the Georgia Business Corporation Code.

V.

> The corporation shall have authority to issue 200,000,000 shares of common stock, $1.00 par value (the "Common Stock"), 30,000,000 shares of non-voting common stock, $1.00 par value (the "Non-Voting Common Stock"), having the powers, rights and preferences, and the qualifications, limitations and restrictions thereof, as set forth in Exhibit A attached hereto and 10,000,000 shares of preferred stock, $1.00 par value (the "Preferred Stock"). Subject to the provisions of any applicable law or the Bylaws of the corporation (as from time to time amended) with respect to fixing the record date for the determination of shareholders entitled to vote, and except as otherwise provided by any applicable law or by the resolution or resolutions of the board of directors providing for the issue of any series of Preferred Stock, the holders of the Common Stock shall have and possess exclusive voting power and rights for the election of directors and for all other purposes, with each share being entitled to one vote.

The Board of Directors is hereby expressly authorized to issue, at any time and from time to time, shares of Preferred Stock in one or more series. The number of shares within such series shall be designated by the Board of Directors in one or more resolutions, and the shares of each series so designated shall have such preferences with respect to Common Stock and other series of Preferred Stock, and such other rights, restrictions or limitations with respect to voting, dividends, conversion, exchange, redemption and any other matters, as may be set forth in one or more resolutions adopted by the Board of Directors. To the extent required by law, Articles of Amendment setting forth any such designations, preferences, rights, restrictions or limitations shall be filed with the Georgia Secretary of State prior to the issuance of any shares of such series.

The authority of the Board of Directors with respect to the establishment of each series of Preferred Stock shall include, without limiting the generality of the foregoing, determination of the following matters which may vary between series:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payments of dividends on shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) Whether the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding-up of the corporation, and the relative rights of priority, if any, of payment of shares of that series; and

(h) Any other relative preferences, rights, restrictions or limitations of that series, including but not limited to any obligations of the corporation to repurchase shares of that series upon the occurrence of specified events.

VI.

No holder of any of the shares of any class of the corporation shall be entitled as of right to subscribe for, purchase or otherwise acquire any shares of any class of the corporation which the corporation proposes to issue or any rights or options which the corporation proposes to grant for the purchase of shares of any class of the corporation or for the purchase of any shares, bonds, securities, or obligations of the corporation which are convertible into or exchangeable for, or which carry any rights, to subscribe for, purchase, or otherwise acquire shares of any class of the corporation and any and all of such shares, bonds, securities, or obligations of the corporation, whether now or hereafter authorized or created, may be issued, or may be reissued if the same have been reacquired and if their reissue is not prohibited, and any and all of such rights and options may be granted by the Board of Directors to such individuals and entities, and for such lawful consideration, and on such terms, as the Board of Directors in its discretion may determine, without first offering the same, or any thereof, to any said holder.

VII.

The corporation shall not commence business until it shall have received at least $500.00 in payment for the issuance of shares of its stock.

VIII.

In addition to, but not in limitation of, the general powers conferred by law, the corporation shall have the power to make distributions to its shareholders out of its capital surplus, to purchase its own shares out of its unreserved and unrestricted capital surplus available therefor and to carry on any lawful business.

IX.

In discharging the duties of their respective positions and in determining what is believed to be in the best interests of the corporation, the Board of Directors of the corporation, committees of the Board of Directors, and individual directors, in addition to considering the effects of any action on the corporation or its shareholders, may consider interests of the employees, customers, suppliers, and creditors of the corporation and its subsidiaries, the communities in which offices or other establishments of the corporation and its subsidiaries are located, and all other factors such directors consider pertinent; provided, however, that such consideration shall be deemed solely to grant discretionary authority to the directors and shall not be deemed to provide to any constituency any right to be considered.

X.

No director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for breach of his duty of care or other duty as a director, provided, that this provision shall eliminate or limit the liability of a director only to the extent permitted from time to time by the Georgia Business Corporation Code or any successor laws or laws.

XI.

Except as otherwise provided by law, any amendment or repeal of any provision of the Articles of Incorporation or Article II (Stockholders' Meetings) or III (Board of Directors) of the Bylaws of the corporation requires the affirmative vote of holders of a majority of the shares of capital stock of the corporation then issued and outstanding and entitled to vote on such matters.

XII.

I. (A) In addition to any affirmative vote required by law, and subject to the provisions of any series of Preferred Stock which may at the time be outstanding, the affirmative vote of the holders of not less than 75% of the outstanding shares of Common Stock of the corporation and the affirmative vote of the holders of not less than 75% of the outstanding shares of Common Stock of the corporation other than those beneficially owned (as defined below) by an Interested Shareholder (as defined below) (the "two-tier requirement"), shall be required for the approval or authorization of any Business Combination (as defined below) of the corporation with such Interested Shareholder; provided that the two-tier voting requirement shall not be applicable if the Business Combination was approved by three-fourths of all Directors.

(B) The term "Business Combination" as used in this Article XII shall mean:

(i) any merger or consolidation of the corporation or any Subsidiary (as hereafter defined) with (a) any Interested Shareholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Shareholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of $1,000,000 or more; or

(iii) the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of $1,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger or consolidation of the corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the corporation or any Subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate of any Interested Shareholder.

II. For purposes of this Article XII:

(A) A "person" shall mean any individual, firm, corporation or other entity.

(B) "Interested Shareholder" shall mean any person (other than the corporation, any Subsidiary or either the corporation or any Subsidiary acting as Trustee or in a similar fiduciary capacity) who or which:

(i) is the beneficial owner of more than 10% of the outstanding Common Stock; or

(ii) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of then outstanding Common Stock; or

(iii) acquired any shares of Common Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such acquisition shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1993.

(C) A person shall be a "beneficial owner" of any Common Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has, directly or indirectly, (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Common Stock.

(D) For the purposes of determining whether a person is an Interested Shareholder pursuant to paragraph B of this Section II, the number of shares of Common Stock deemed to be outstanding shall include shares deemed owned through application of paragraph C(ii)(a) of this Section II but shall not include any other shares of Common Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(E) (i) An "Affiliate" of a specified person is a person that directly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(ii) The term "Associate" used to indicate a relationship with any person means (1) any firm, corporation or other entity (other than the corporation or any Subsidiary) of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities, (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (3) any relative or spouse or such person, or any relative of such spouse who has the same home as such person.

(F) "Subsidiary" means any corporation of which a majority of any class of equity securities is owned, directly or indirectly, by the corporation unless owned solely as trustee or other similar fiduciary capacity.

(G) "Fair Market value" means:

(i) in the case of stock, the closing sales price of a share of such stock on the Composite Tape on the New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the closing sales price or the sales price or the average of the bid and asked prices reported with respect to a share of such stock on the National Association of Securities Dealers, Inc. Automated Quotation System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith; and

(ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

(H) The term "acquire" or "acquired" means the acquisition of beneficial ownership.

(I) The Board of Directors of the corporation shall have the power and duty to determine for the purposes of this Article XII, on the basis of information known to them after reasonable inquiry,

(i) whether a person is an Interested Shareholder,

(ii) the number of shares of Common Stock beneficially owned by any person,

(iii) whether a person is an Affiliate or Associate or another, and

(iv) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $1,000,000 or more.

(J) Nothing contained in this Article XII shall be construed to relieve any Interested Shareholder or any of its Affiliates or Associates from any fiduciary obligation imposed by law.

XIII.

A director of the corporation may be removed only 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.

Exhibit A to Restated Articles of Incorporation
Of
United Community Banks, Inc, as amended

CERTIFICATE OF DESIGNATIONS
OF
NON-VOTING COMMON STOCK
OF
UNITED COMMUNITY BANKS, INC.

1. ***Designation.*** The shares of such class of non-voting common stock, $1.00 par value, of United Community Banks, Inc. (the "Corporation") shall be designated "Non-Voting Common Stock" (referred to herein as the "Non-Voting Common Stock").

2. ***Authorized Number.*** The number of shares constituting the Non-Voting Common Stock shall be as set forth in the first paragraph of Article V of the Restated Articles of Incorporation, as amended.

3. ***Rights.*** Except as set forth below, the Non-Voting Common Stock shall have the same rights and privileges, share ratably and be identical in all respects to the Common Stock as to all matters. Each share of Non-Voting Common Stock shall have the same relative powers, preferences and rights as, and shall be identical in all respects with, all the other shares of Non-Voting Common Stock of the Corporation.

4. ***Voting Rights***. The holders of Non-Voting Common Stock shall have no voting rights except as provided herein or required by law. Notwithstanding the foregoing, and in addition to any other vote required by law, the affirmative vote of the holders of a majority of the outstanding shares of Non-Voting Common Stock, voting separately as a class, shall be required to amend, alter or repeal (including by merger, consolidation or otherwise) any provision of these Articles of Amendment that significantly and adversely affects the rights, preferences or privileges of the Non-Voting Common Stock contained herein.

5. ***Dividends***. Subject to preferential dividend rights, if any, applicable to any shares of the Preferred Stock, the holders of Non-Voting Common Stock shall be entitled to receive, to the extent permitted by law, such dividends as may be declared from time to time by the Board of Directors on the Common Stock. If a dividend is declared and paid with respect to the Common Stock, then the Board shall declare and pay an equivalent dividend, on a per share basis, to the Non-Voting Common Stock. Likewise, if the Board of Directors declares and pays a dividend on the Non-Voting Common Stock, it shall declare and pay an equivalent dividend, on a per share basis, on the Common Stock. The holders of the Non-Voting Common Stock shall share ratably in any such dividend in proportion to the number of shares of Common Stock and Non-Voting Common Stock held by each such holder. All dividends paid with respect to the Common Stock and Non-Voting Common Stock shall be paid pro rata to the holders of such shares entitled thereto; provided, however, that no dividend payable in Common Stock or rights or warrants to subscribe for Common Stock shall be declared on the Non-Voting Common Stock and no dividend payable in Non-Voting Common Stock or rights or warrants to subscribe for Non-Voting Common Stock shall be declared on the Common Stock, but instead, in the case of such a dividend, each class shall receive such dividend in like stock or rights or warrants to subscribe for like stock.

6. ***Distributions.*** In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the Corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of Preferred Stock, holders of the Common Stock and the Non-Voting Common Stock shall be entitled to receive all the remaining assets of the Corporation of whatever kind available for distribution to shareholders ratably in proportion to the number of shares of Common Stock and Non-Voting Common Stock held by them.

7. ***Adjustment.*** In the event of any stock split, combination or other reclassification of shares of either the Common Stock or the Non-Voting Common Stock, the outstanding shares of the other class shall be proportionately split, combined or reclassified in a similar manner, provided, however, that in any such transaction,

only holders of Common Stock shall receive shares of Common Stock and only holders of Non-Voting Common Stock shall receive shares of Non-Voting Common Stock.

8. ***Conversion.***

(a) The Non-Voting Common Stock may be converted into Common Stock in accordance with the provisions of this paragraph 8 by any Convertible Holder following an Approved Transfer (as defined herein). The term "Approved Transfer" means a sale or other transfer (i) to an Affiliate of the holder of the Non-Voting Common Stock to be transferred under common control with such holder's ultimate parent, general partner or investment advisor but only if the transferee agrees in writing for the benefit of the Corporation to be bound by the terms of that certain Investment Agreement or Subscription Agreement by and between the Corporation and such holder pursuant to which such shares of Non-Voting Common Stock were sold to such holder (the "Investment Agreement"); (ii) in a widely distributed public offering registered pursuant to the Securities Act of 1933, as amended; (iii) to a person that is acquiring at least a majority of the Corporation's outstanding "voting securities" (as defined in the Bank Holding Company Act of 1956, as amended and any rules or regulations promulgated thereunder) not including any voting securities such person is acquiring from the holder of the Non-Voting Common Stock to be transferred or its Affiliates; or (iv) upon certification by the holder of the Non-Voting Common Stock to be transferred in writing to the Corporation that such holder believes that the transferee shall not, after giving effect to such transfer, own for purposes of the Bank Holding Company Act of 1956, as amended, or the Change of Bank Control Act of 1978, as amended, and any rules and regulations promulgated thereunder, more than 2% of any class of voting securities of the Corporation outstanding at such time. The term "Affiliate" means, with respect to any person, any person directly or indirectly, controlling, controlled by or under common control with, such other person. "Convertible Holder" means a holder of Non-Voting Common Stock, other than the initial holder of such Non-Voting Common Stock or an Affiliate thereof, who acquires one or more shares of Non-Voting Common Stock in an Approved Transfer.

(b) *Conditions of Conversion*. Following an Approved Transfer, a Convertible Holder may surrender to the Corporation (at the principal office of the Corporation) a certificate or certificates representing all or part of the Convertible Holder's shares of Non-Voting Common Stock and in such event each share of Non-Voting Common Stock represented by such certificate or certificates will convert into one share of Common Stock. Except as otherwise provided herein, each conversion of Non-Voting Common Stock shall be deemed to have been effected as of the close of business on the date on which the certificate or certificates representing such shares of Non-Voting Common Stock to be converted have been surrendered for conversion at the principal office of the Corporation. Notwithstanding any other provision hereof, if a conversion of Non-Voting Common Stock is to be made in connection with a merger, consolidation, reclassification or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property or any dissolution or liquidation, the conversion of any shares of Non-Voting Common Stock may, at the election of the holder thereof, be conditioned upon the consummation of such event or transaction, in which case such conversion shall not be deemed to be effective until such event or transaction has been consummated.

(c) *Reservation of Stock Issuable Upon Conversion*. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Non-Voting Common Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Non-Voting Common Stock. The Corporation shall take all action necessary so that all shares of Common Stock issuable upon conversion of Non-Voting Common Stock will, upon issue, be duly and validly issued, fully paid, and non-assessable, and free from all taxes, liens, charges and encumbrances in respect of the issuance or delivery thereof. The Corporation shall take all such actions as may be necessary to assure that all such shares of Common Stock issuable upon conversion of the Non-Voting Common Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares may be listed (except for official notice of issuance which shall be immediately delivered by the Corporation upon each such issuance). The Corporation shall not take any action which would cause the number of authorized but unissued shares of Common Stock to be less than the number of such shares required to be reserved hereunder for issuance upon conversion of the Non-Voting Common Stock.

9. ***Mergers, Consolidations, Etc***. In the event of any merger, consolidation, reclassification or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, each share of Non-Voting Common Stock will at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, that each share of Common Stock would be entitled to receive as a result of such transaction, provided that at the election of such holder, any securities issued with respect to the Non-Voting Common Stock shall be non-voting securities under the resulting corporation's organizational documents and the Corporation shall make appropriate provisions (in form and substance reasonably satisfactory to the holders of a majority of the Non-Voting Common Stock then outstanding) and take such actions necessary to ensure that holders of the Non-Voting Common Stock shall retain securities with substantially the same rights and benefits as the Non-Voting Common Stock. Subject to the foregoing, in the event the holders of Common Stock are provided the right to convert or exchange Common Stock for stock or securities, cash and/or any other property, then the holders of the Non-Voting Common Stock shall be provided the same right based upon the number of shares of Common Stock such holders would be entitled to receive if such shares of Non-Voting Common Stock were converted into shares of Common Stock immediately prior to such offering. In the event that the Corporation offers to repurchase shares of Common Stock from its shareholders generally, the Corporation shall offer to repurchase Non-Voting Common Stock pro rata based upon the number of shares of Common Stock such holders would be entitled to receive if such shares were converted into shares of Common Stock immediately prior to such repurchase. In the event of any pro rata subscription offer, rights offer or similar offer to holders of Common Stock, the Corporation shall provide the holders of the Non-Voting Common Stock the right to participate based upon the number of shares of Common Stock such holders would be entitled to receive if such shares were converted into shares of Common Stock immediately prior to such offering; provided that at the election of such holder, any shares issued with respect to the Non-Voting Common Stock shall be issued in the form of Non-Voting Common Stock rather than Common Stock.

10. ***Notices.*** At any time notice is provided to the holders of Common Stock, the Corporation shall give written notice to all holders of Non-Voting Common Stock at or prior to such time.

DESIGNATIONS, POWERS, PREFERENCES,

LIMITATIONS, RESTRICTIONS, AND RELATIVE RIGHTS

OF

SENIOR 6.875% NON-CUMULATIVE PREFERRED STOCK, SERIES I

OF

UNITED COMMUNITY BANKS, INC.

FIRST: The name of the corporation is United Community Banks, Inc., a corporation organized and existing under the laws of the State of Georgia (the "Issuer").

SECOND: The Restated Articles of Incorporation of the Issuer, as amended, authorize the issuance of 10,000,000 shares of preferred stock, par value $1.00 per share, of the Issuer ("Preferred Stock") in one or more series, and authorizes the Board of Directors of the Issuer (the "Board of Directors") to fix by resolution or resolutions the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the shares of such series.

THIRD: That the following resolution was duly adopted by a duly authorized committee of the Board of Directors as required by O.C.G.A. § 14-2-602 and Article V of the Restated Articles of Incorporation by unanimous written consent on June 3, 2020.

RESOLVED, that pursuant to the provisions of the Restated Articles of Incorporation of the Issuer, as amended, and applicable law, a series of Preferred Stock, par value $1.00 per share, of the Issuer be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

RIGHTS AND PREFERENCES

Section 1. Designation. The distinctive serial designation of such series of Preferred Stock is "6.875% Non-Cumulative Preferred Stock, Series I" ("Series I"). Each share of Series I shall be identical in all respects to every other share of Series I, except as to the respective dates from which dividends thereon shall accrue, to the extent such dates may differ as permitted pursuant to Section 4(a) below. Series I will rank equally with Parity Stock, if any, and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation. Shares of Series I may be represented in the form of uncertificated or certificated shares, provided, however, that any holder of certificated shares of Series I and, upon request, every holder of uncertificated shares of Series I shall be entitled to have a certificate for shares of Series I signed by, or in the name of, the Corporation certifying the number of shares owned by such holder.

Section 2. Number of Shares. The authorized number of shares of Series I shall be 4,000. Shares of Series I that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Series I.

Section 3. Definitions. As used herein with respect to Series I:

(a) "Appropriate Federal Banking Agency" means the "appropriate federal banking agency" with respect to the Corporation as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

(b) "Articles of Amendment" means this Articles of Amendment relating to the Series I, as it may be amended from time to time.

(c) "Articles of Incorporation" means the Restated Articles of Incorporation, as amended, of the Corporation, as it may be amended from time to time, and shall include this Articles of Amendment.

(d) "Board of Directors" means the board of directors of the Corporation.

(e) "Bylaws" means the Amended and Restated Bylaws of the Corporation, as amended and as they may be amended from time to time.

(f) "Business Day" means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is not a day on which banking institutions in New York City are generally authorized or obligated by law, regulation or executive order to close.

(g) "Common Stock" means the common stock, par value $1.00 per share, of the Corporation.

(h) "Junior Stock" means the Common Stock and any other class or series of stock of the Corporation that ranks junior to Series I as to the payment of dividends and/or as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(i) "Parity Stock" means any class or series of stock of the Corporation (other than Series I) that ranks equally with Series I both in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation, if any.

(j) "Preferred Stock" means any and all series of Preferred Stock, having a par value of $1.00 per share, of the Corporation, including the Series I.

(k) "Regulatory Capital Event" means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series I, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series I, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series I, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of $25,000 per share of Series I then outstanding as "tier 1 capital" (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series I is outstanding.

(l) "Voting Preferred Stock" means, with regard to any election or removal of a Preferred Stock Director (as defined in Section 7(b) below) or any other matter as to which the holders of Series I are entitled to vote as specified in Section 7 of this Articles of Amendment, and any and all other series of Preferred Stock (other than Series I) that rank equally with Series I as to the payment of dividends and upon which like voting rights have been conferred and are exercisable with respect to such matter.

*Section 4. Dividends***.**

(a) *Rate*. Holders of Series I shall be entitled to receive, when, as and if declared by the Board of Directors (or any duly authorized committee of the Board of Directors) out of funds legally available for the payment of dividends under Georgia law, non-cumulative cash dividends at the rate per annum equal to 6.875% applied to the liquidation preference amount of $25,000 per share of Series I. Such dividends shall be payable quarterly in arrears (as provided below in this Section 4(a)), but only when, as and if declared by the Board of Directors (or any duly authorized committee of the Board of Directors), on March 15, June 15, September 15 and December 15 ("Dividend Payment Dates"), commencing on September 15, 2020; provided that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such dividend shall instead be payable on the immediately succeeding Business Day, without interest or other payment in respect of such delayed payment. Dividends on Series I shall not be cumulative; holders of Series I shall not be entitled to receive any dividends not declared by the Board of Directors (or any duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared.

Dividends on the Series I shall not be declared or set aside for payment if and to the extent such dividends would cause the Corporation to fail to comply with the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency) applicable to the Corporation.

Dividends that are payable on Series I on any Dividend Payment Date will be payable to holders of record of Series I as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day before such Dividend Payment Date or such other record date fixed by the Board of Directors (or any duly authorized committee of the Board of Directors) that is not more than 60 days nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Each dividend period (a "Dividend Period") shall commence on and include a Dividend Payment Date (other than the initial Dividend Period, which shall commence on and include the date of original issue of the Series I, provided that, for any share of Series I issued after such original issue date, the initial Dividend Period for such shares may commence on and include such other date as the Board of Directors (or any duly authorized committee of the Board of Directors) shall determine and publicly disclose) and shall end on and include the calendar day preceding the next Dividend Payment Date. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends payable on the Series I in respect of any Dividend Period shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable in respect of a Dividend Period shall be payable in arrears – i.e., on the first Dividend Payment Date after such Dividend Period.

Holders of Series I shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series I as specified in this Section 4 (subject to the other provisions of this Articles of Amendment).

(b) *Priority of Dividends*. So long as any share of Series I remains outstanding, (i) no dividend shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than a dividend payable solely in Junior Stock), (ii) no Common Stock or other Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock and other than through the use of the proceeds of a substantially contemporaneous sale of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation other than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series I and such Parity Stock except by conversion into or exchange for Junior Stock unless, in each case, the full dividends for the latest completed Dividend Period on all outstanding shares of Series I have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside). The foregoing provision shall not restrict the ability of the Corporation, or any affiliate of the Corporation, to engage in any market-making transactions in Junior Stock in the ordinary course of business.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period) in full upon the Series I and any shares of Parity Stock, all dividends declared on the Series I and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series I and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) bear to each other.

Subject to the foregoing, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors (or any duly authorized committee of the Board of Directors) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and the shares of Series I or Parity Stock shall not be entitled to participate in any such dividends.

*Section 5. Liquidation Rights***.**

(a) *Voluntary or Involuntary Liquidation*. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series I shall be entitled to receive, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to the Series I as to such distribution, and subject to the rights of the holders of any Parity Stock upon liquidation, in full an amount equal to $25,000 per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment of such distribution (but without any amount in respect of dividends that have not been declared prior to such payment date).

(b) *Partial Payment*. If in any distribution described in Section 5(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences (as defined below) in full to all holders of Series I and all holders of any Parity Stock, the amounts paid to the holders of Series I and to the holders of all such Parity Stock shall be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the holders of Series I and the holders of all such Parity Stock. In any such distribution, the "Liquidation Preference" of any holder of stock of the Corporation shall mean the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends (and, in the case of any holder of stock other than Series I and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable).

(c) *Residual Distributions*. If the Liquidation Preference has been paid in full to all holders of Series I and all holders of any Parity Stock, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) *Merger, Consolidation and Sale of Assets Not Liquidation*. For purposes of this Section 5, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Series I receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

*Section 6. Redemption***.**

(a) *Optional Redemption*. The Series I is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series I at the time outstanding, upon notice given as provided in Section 6(c) below, (i) in whole or in part, from time to time, on any date on or after September 15, 2025 (or, if not a Business Day, the next succeeding Business Day), or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Event, in each case, at a redemption price per share equal to $25,000, plus (except as otherwise provided herein below) an amount equal to any dividends per share that have accrued but not been paid for the then-current Dividend Period to but excluding the redemption date, whether or not such dividends have been declared. The redemption price for any shares of Series I shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series I without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital guidelines applicable to the Corporation.

(b) *No Sinking Fund*. The Series I will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series I will have no right to require redemption of any shares of Series I.

(c) *Notice of Redemption*. Notice of every redemption of shares of Series I shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(c) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series I designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series I. Notwithstanding the foregoing, if the Series I or any depositary shares representing interests in the Series I are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series I at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series I to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) *Partial Redemption*. In case of any redemption of only part of the shares of Series I at the time outstanding, the shares to be redeemed shall be selected either pro rata or by lot. Subject to the provisions hereof, the Corporation shall have full power and authority to prescribe the terms and conditions upon which shares of Series I shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) *Effectiveness of Redemption*. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption unless the Corporation defaults in the payment of the redemption price of the shares of shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

Section 7. Voting Rights.

(a) *General*. The holders of Series I shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) *Right To Elect Two Directors Upon Nonpayment Events*. If and whenever dividends on any shares of Series I or any shares of Voting Preferred Stock shall not have been declared and paid for at least six Dividend Periods, whether or not consecutive (a "Nonpayment Event"), the number of directors then constituting the Board of Directors shall automatically be increased by two and the holders of Series I, together with the holders of all outstanding shares of Voting Preferred Stock, voting together as a single class, shall be entitled to elect two additional directors (the "Preferred Stock Directors"), provided that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Preferred Stock are entitled to elect pursuant to like voting rights) and that the election of any Preferred Stock Directors shall not cause the Corporation to violate the corporate governance requirements of the

Nasdaq Global Select Market (or any other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors.

In the event that the holders of the Series I, and such other holders of Voting Preferred Stock, shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the Series I or of any other series of Voting Preferred Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders of the Corporation, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders of the Corporation. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series I or any series of Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 10 below, or as may otherwise be required by law.

When dividends have been paid in full on the Series I and any Voting Preferred Stock for four consecutive Dividend Periods after a Nonpayment Event, then the right of the holders of Series I and Voting Preferred Stock to elect the Preferred Stock Directors shall cease (but subject always to revesting of such voting rights in the case of any future Nonpayment Event), and, if and when any rights of holders of Series I and Voting Preferred Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the Board of Directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of all of the outstanding shares of the Series I and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). So long as a Nonpayment Event shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election of Preferred Stock Directors after a Nonpayment Event) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of all of the outstanding shares of the Series I and Voting Preferred Stock, when they have the voting rights described above (voting together as a single class). Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Each Preferred Stock Director elected at any special meeting of stockholders or by written consent of the other Preferred Stock Director shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided.

(c) *Other Voting Rights*. So long as any shares of Series I are outstanding, in addition to any other vote or consent of stockholders required by law or by the Articles of Incorporation, the vote or consent of the holders of at least two-thirds of the shares of Series I and any Parity Stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) *Authorization of Senior Stock*. Any amendment or alteration of the Articles of Incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series of capital stock of the Corporation ranking senior to the Series I with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) *Amendment of Series I*. Any amendment, alteration or repeal of any provision of the Articles of Incorporation so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series I, taken as a whole; or

(iii) *Share Exchanges, Reclassifications, Mergers and Consolidations*. Any consummation of a binding share exchange or reclassification involving the Series I, a merger or consolidation of the

Corporation with another corporation or other entity, or a conversion, transfer, domestication or continuance into another entity or an entity organized under the laws of another jurisdiction, unless in each case (x) the shares of Series I remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity or in the case of any such conversion, transfer, domestication or continuance, the shares of Series I are converted into or exchanged for preferred securities of the surviving or resulting entity or its ultimate parent and such surviving or resulting entity or ultimate parent, as the case may be, is organized under the laws of the United States of America, any State thereof, the District of Columbia, Bermuda, the Cayman Islands or any country or state that is a member of the Organization of Economic Cooperation and Development, and (y) such shares remaining outstanding or such preferred securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series I immediately prior to such consummation, taken as a whole;

provided, *however*, that for all purposes of this Section 7(c), any increase in the amount of the authorized or issued Series I or authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock ranking equally with and/or junior to the Series I with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the Series I.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect the Series I and one or more but not all other series of Preferred Stock, then only the Series I and such series of Preferred Stock as are adversely affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of Preferred Stock).

(d) *Changes for Clarification*. Without the consent of the holders of the Series I, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series I, the Corporation may amend, alter, supplement or repeal any terms of the Series I:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Articles of Amendment that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series I that is not inconsistent with the provisions of this Articles of Amendment.

(e) *Changes after Provision for Redemption*. No vote or consent of the holders of Series I shall be required pursuant to Section 7(b), (c) or (d) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series I shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been set aside for such redemption, in each case pursuant to Section 6 above.

(f) *Procedures for Voting and Consents*. The rules and procedures for calling and conducting any meeting of the holders of Series I (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or any duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Articles of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility on which the Series I is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series I, Parity Stock and/or Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series I are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

Section 8. Information Rights. During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any shares of Series I are outstanding, the Corporation will use its best efforts to (a) transmit through the Corporation's website at www.ucbi.com (or other permissible means under the Exchange Act) to all holders of the Series I, as their names and addresses appear on the record books of the Corporation and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, respectively, that the Corporation would have been required to file with the Securities and Exchange Commission (the "SEC") pursuant to Section 13 or 15(d) of the Exchange Act if it were subject thereto (other than any exhibits that would have been required); and (b) promptly, upon request, supply copies of such reports to any holders or prospective holder of Series I. The Corporation will use its best efforts to mail (or otherwise provide) the information to the holders of the Series I within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if the Corporation were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which the Corporation would be required to file such periodic reports if it were a "non-accelerated filer" within the meaning of the Exchange Act.

Section 9. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series I may deem and treat the record holder of any share of Series I as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

Section 10. Notices. All notices or communications in respect of Series I shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Articles of Amendment, in the Articles of Incorporation or Bylaws or by applicable law.

Section 11. Rank. For the avoidance of doubt, the Board of Directors (or any duly authorized committee of the Board of Directors) may, without the vote of the holders of Series I, authorize and issue additional shares of Junior Stock or shares of any class or Series of stock of the Corporation now existing or hereafter authorized that ranks equally with the Series I in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

Section 12. No Preemptive or Conversion Rights. No share of Series I shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted. No share of Series I shall have any rights to convert such Series I into shares of any other class of capital stock of the Corporation.

Section 13. Other Rights. The shares of Series I shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law.

Exhibit 31.1

I, H. Lynn Harton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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(s) 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 (or persons performing the equivalent functions):

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.

Date: November 5, 2021

/s/ H. Lynn Harton

H. Lynn Harton
President and Chief Executive Officer of the Registrant

Exhibit 31.2

I, Jefferson L. Harralson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) 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(s) 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 (or persons performing the equivalent functions):

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.

Date: November 5, 2021

/s/ Jefferson L. Harralson

Jefferson L. Harralson
Executive Vice President and Chief Financial Officer of the Registrant

Exhibit 32

CERTIFICATIONS 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 Quarterly Report of United Community Banks, Inc. (“United”) on Form 10-Q for the period ending September 30, 2021 filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of United certifies, 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 results of operations of United.

	/s/ H. Lynn Harton
Name:	H. Lynn Harton
Title:	President and Chief Executive Officer
Date:	November 5, 2021

	/s/ Jefferson L. Harralson
Name:	Jefferson L. Harralson
Title:	Executive Vice President and Chief Financial Officer
Date:	November 5, 2021