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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2013

Commission File Number 001-35095

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

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

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

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

Name of exchange on which registered: Nasdaq Global Select

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1.00 par value

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller Reporting Company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $709,568,000 (based on shares held by non-affiliates at $12.42 per share, the closing stock price on the Nasdaq stock market on June 30, 2013).

As of January 31, 2014, 59,438,488 shares of common stock were issued and outstanding including 43,372,615 voting shares and 11,065,873 non-voting shares. Also outstanding were presently exercisable options to acquire 361,122 shares, presently exercisable warrants to acquire 1,631,674 shares and 237,825 shares issuable under United Community Banks, Inc.'s deferred compensation plan.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2014 Annual Meeting of Shareholders are incorporated herein into Part III by reference.

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PART I

ITEM 1. BUSINESS.

United Community Banks, Inc. (“United”), a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the “BHC Act”), was incorporated under the laws of Georgia in 1987 and commenced operations in 1988 by acquiring 100% of the outstanding shares of Union County Bank, Blairsville, Georgia, now known as United Community Bank, Blairsville, Georgia (the “Bank”).

Since the early 1990’s, United has actively expanded its market coverage through organic growth complemented by selective acquisitions, primarily of banks whose managements share United’s community banking and customer service philosophies. Although those acquisitions have directly contributed to United’s growth, their contribution has primarily been to provide United access to new markets with attractive organic growth potential. Organic growth in assets includes growth through existing offices as well as growth at de novo locations and post-acquisition growth at acquired banking offices.

To emphasize its commitment to community banking, United conducts substantially all of its operations through a community-focused operating model of separate “community banks”, which as of December 31, 2013, operated at 102 locations throughout north Georgia, the Atlanta-Sandy Springs-Roswell, Georgia metropolitan statistical area, the Gainesville, Georgia metropolitan statistical area, coastal Georgia, western North Carolina, east and central Tennessee and the Greenville-Anderson-Mauldin, South Carolina metropolitan statistical area. In 2012, United expanded into Greenville, South Carolina by opening a loan production office which has subsequently been converted to a full-service branch. The community banks offer a full range of retail and corporate banking services, including checking, savings and time deposit accounts, secured and unsecured loans, wire transfers, brokerage services and other financial services, and are led by local bank presidents (referred to herein as the “Community Bank Presidents”) and management with significant experience in, and ties to, their communities. Each of the Community Bank Presidents has authority, alone or with other local officers, to make most credit decisions.

The Bank, through its full-service retail mortgage lending division, United Community Mortgage Services (“UCMS”), is approved as a seller/servicer for the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and provides fixed and adjustable-rate home mortgages. During 2013, the Bank originated $297 million of residential mortgage loans throughout its footprint in Georgia, North Carolina, Tennessee and South Carolina for the purchase of homes and to refinance existing mortgage debt. Substantially all of these mortgages were sold into the secondary market without recourse to the Bank, other than for breaches of warranties.

The Bank owns an insurance agency, United Community Insurance Services, Inc. (“UCIS”), known as United Community Advisory Services, which is a subsidiary of the Bank. United also owns a captive insurance subsidiary, United Community Risk Management Services, Inc. (“UCRMSI”) that provides risk management services for United’s subsidiaries.

United provides retail brokerage services through an affiliation with a third party broker/dealer.

Recent Developments

Preferred Stock Redemptions. On December 31, 2013, United redeemed all of its outstanding Series A Non-Cumulative Preferred Stock (the “Series A Preferred Stock”) in the principal amount of $217,000. The redemption price for shares of the Series A Preferred Stock was the stated value of $10 per share, plus any accrued and unpaid dividends that had been earned thereon through the redemption date. Following the redemption, there are no shares of United’s Series A Preferred Stock outstanding.

On December 27, 2013, United redeemed $75 million of its $180 million in outstanding Fixed Rate Cumulative Perpetual Preferred Stock, Series B (the “Series B Preferred Stock”). The Series B Preferred Stock was originally issued to the U.S. Department of the Treasury (“Treasury”) under the Troubled Asset Relief Program Capital Purchase Program (the “CPP”). In the redemption, shares of the Series B Preferred Stock were redeemed from third parties that purchased the securities from Treasury in a private placement. The redemption price for shares of the Series B Preferred Stock called for redemption was the stated liquidation value of $1,000 per share, plus accrued and unpaid dividends that had been earned thereon to, but not including, the redemption date. As of December 31, 2013, $105 million of United’s Series B Preferred Stock was outstanding. The remaining $105 million of United’s Series B Preferred Stock was redeemed on January 10, 2014 on comparable terms. United funded both redemptions by utilizing cash on hand, cash dividends from the Bank and short-term debt.

Termination of Memorandums of Understanding. In December 2013, the Georgia Department of Banking and Finance (the “DBF”) and the Federal Deposit Insurance Corporation (the “FDIC”) terminated their informal memorandum of understanding with the Bank (the “Bank MOU”). The Bank MOU, which was entered into in April 2010, required, among other things, that the Bank maintain a Tier 1 leverage ratio of at least 8% and a total risk-based capital ratio of at least 10% and prohibited the Bank from declaring or paying any cash dividends to United without the prior approval of the DBF and the FDIC.

In January 2014, the Federal Reserve Bank of Atlanta and the DBF terminated their informal memorandum of understanding with United (the "Holding Company MOU"). The Holding Company MOU, which was entered into in November 2011, provided, among other things, that United could not incur additional indebtedness, pay cash dividends, make payments on its trust preferred securities or subordinated indebtedness or repurchase outstanding stock without prior approval of the Federal Reserve Bank of Atlanta and the DBF.

Reverse Stock Split

On June 17, 2011, United completed a 1-for-5 reverse stock split, whereby each five shares of United's common stock were reclassified into one share of common stock, and each five shares of United's non-voting common stock was reclassified into one share of non-voting common stock. All share and per share amounts for all periods presented in this report have been adjusted to reflect the reverse split as though it had occurred prior to the earliest period presented.

Forward-Looking Statements

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act'), and Section 21E of the Securities Exchange Act of 1934, (the "Exchange Act"), about United and its subsidiaries. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, and can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "projects", "plans", "goal", "targets", "potential", "estimates", "pro forma", "seeks", "intends", or "anticipates" or the negative thereof or comparable terminology. Forward-looking statements include discussions of strategy, financial projections, guidance and estimates (including their underlying assumptions), statements regarding plans, objectives, expectations or consequences of various transactions, and statements about the future performance, operations, products and services of United and its subsidiaries. We caution our shareholders and other readers not to place undue reliance on such statements.

Our businesses and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experience may materially differ from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the following factors:

- our ability to maintain profitability;
- our ability to fully realize our deferred tax asset balances, including net operating loss carry-forwards;
- the condition of the banking system and financial markets;
- our ability to raise capital as may be necessary;
- our ability to maintain liquidity or access other sources of funding;
- changes in the cost and availability of funding;
- the success of the local economies in which we operate;
- our concentrations of residential and commercial construction and development loans and commercial real estate loans are subject to unique risks that could adversely affect our earnings;
- changes in prevailing interest rates may negatively affect our net income and the value of our assets;
- the accounting and reporting policies of United;
- if our allowance for loan losses is not sufficient to cover actual loan losses;
- losses due to fraudulent and negligent conduct of our loan customers, third party service providers or employees;
- competition from financial institutions and other financial service providers;
- risks with respect to future expansion and acquisitions;
- if the conditions in the stock market, the public debt market and other capital markets deteriorate;
- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and related regulations and other changes in financial services laws and regulations;
- the costs and effects of litigation, examinations, investigations, or similar matters, or adverse facts and developments related thereto, including possible dilution;
- regulatory or judicial proceedings, board resolutions, informal memorandums of understanding or formal enforcement actions imposed by regulators that may occur;
- the risk that we may be required to increase the valuation allowance on our deferred tax asset in future periods;
- the risk that we could have an "ownership change" under Section 382 of the Internal Revenue Code, which could impair our ability to timely and fully realize our deferred tax asset balance; and
- the risk that we could be subject to changes in tax laws, regulations and interpretations or challenges to our income tax provision.

Additional information with respect to factors that may cause actual results to differ materially from those contemplated by such forward-looking statements may also be included in other reports that United files with the Securities and Exchange Commission (the "SEC"). United cautions that the foregoing list of factors is not exclusive, and not to place undue reliance on forward-looking statements. United does not intend to update any forward-looking statement, whether written or oral, relating to the matters discussed in this Form 10-K.

Monetary Policy and Economic Conditions

United's profitability depends to a substantial extent on the difference between interest revenue received from loans, investments, and other earning assets, and the interest paid on deposits and other liabilities. These rates are highly sensitive to many factors that are beyond the control of United, including national and international economic conditions and the monetary policies of various governmental and regulatory authorities, particularly the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The instruments of monetary policy employed by the Federal Reserve include open market operations in U.S. government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits.

Competition

The market for banking and bank-related services is highly competitive. United actively competes in its market areas, which include north Georgia, the Atlanta-Sandy Springs-Roswell, Georgia metropolitan statistical area, the Gainesville, Georgia metropolitan statistical area, coastal Georgia, western North Carolina, east and central Tennessee and the Greenville-Anderson-Mauldin, South Carolina metropolitan statistical area, with other providers of deposit and credit services. These competitors include other commercial banks, savings banks, savings and loan associations, credit unions, mortgage companies, and brokerage firms.

The table on the following page displays the respective percentage of total bank and thrift deposits for the last five years in each county where the Bank has deposit operations. The table also indicates the Bank's ranking by deposit size in each county. All information in the table was obtained from the Federal Deposit Insurance Corporation Summary of Deposits as of June 30 of each year. The following information only shows market share in deposit gathering, which may not be indicative of market presence in other areas.

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

	Market Share					Rank in Market				
	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
Atlanta, Georgia MSA										
Bartow	11%	9%	12%	9%	8%	3	4	3	4	5
Carroll	7	6	6	5	4	5	6	6	7	7
Cherokee	4	5	4	4	4	9	9	9	9	9
Cobb	3	3	3	3	3	11	10	10	10	7
Coweta	2	2	2	2	3	11	10	10	10	10
Dawson	36	36	36	30	29	1	1	1	1	1
DeKalb	1	1	1	1	1	18	18	21	21	18
Douglas	2	2	2	1	1	12	12	11	13	13
Fayette	7	7	8	9	11	5	6	5	4	4
Forsyth	7	6	3	2	3	6	7	11	13	11
Fulton	1	1	1	1	1	20	20	20	18	20
Gwinnett	3	3	3	3	3	7	8	7	8	7
Henry	6	5	4	4	4	6	7	7	9	8
Newton	3	3	3	3	3	8	8	8	8	9
Paulding	4	5	5	3	2	9	6	7	8	12
Pickens	6	4	3	2	2	5	6	7	7	7
Rockdale	12	12	12	12	12	4	4	4	4	3
Walton	2	1	2	1	1	10	10	10	10	10
Gainesville, Georgia MSA										
Hall	12	12	14	14	13	4	5	3	3	4
North Georgia										
Chattooga	43	40	40	39	40	1	1	1	1	1
Fannin	50	49	52	49	50	1	1	1	1	1
Floyd	15	16	16	14	13	4	2	1	3	3
Gilmer	26	25	25	15	14	2	2	2	2	2
Habersham	23	22	20	16	14	2	2	2	3	3
Jackson	7	6	6	5	4	7	6	7	8	8
Lumpkin	29	29	29	28	29	2	2	2	2	1
Rabun	14	13	12	11	10	3	3	5	5	5
Towns	50	48	41	37	27	1	2	2	2	2
Union	84	83	84	86	88	1	1	1	1	1
White	48	44	46	43	39	1	1	1	1	1
Tennessee										
Blount	1	1	2	2	3	12	11	11	11	11
Bradley	5	5	5	5	5	7	7	7	7	7
Knox	1	1	1	1	1	30	26	23	25	16
Loudon	15	13	14	14	16	3	3	3	3	3
McMinn	—	3	2	2	3	—	9	9	9	9
Monroe	3	4	4	3	4	8	7	7	8	7
Roane	9	8	8	8	10	5	6	6	6	4
Coastal Georgia										
Chatham	2	1	1	1	1	9	10	10	10	11
Glynn	12	12	18	15	13	2	3	2	3	3
Ware	3	3	4	4	7	9	9	9	8	7
North Carolina										
Avery	16	16	18	17	15	4	2	1	1	4
Cherokee	35	35	29	29	34	1	1	1	1	1
Clay	44	45	48	49	51	1	1	1	1	1
Graham	71	71	72	72	74	1	1	1	1	1
Haywood	11	10	10	11	12	6	5	5	5	4
Henderson	3	3	3	3	3	10	11	11	11	11
Jackson	28	25	25	25	24	1	1	1	1	1
Macon	7	8	8	8	9	5	5	6	5	4
Mitchell	34	36	37	34	32	1	1	1	1	1
Swain	17	21	25	30	28	2	2	2	2	2
Transylvania	14	15	14	13	14	3	3	3	4	3
Watauga	2	2	1	1	2	11	12	12	11	11
Yancey	20	18	20	19	17	2	2	2	2	4

Loans

The Bank makes both secured and unsecured loans to individuals, and businesses. Secured loans include first and second real estate mortgage loans and commercial loans secured by non-real estate assets. The Bank also makes direct installment loans to consumers on both a secured and unsecured basis. At December 31, 2013, commercial (secured by real estate), commercial (commercial and industrial), commercial construction, residential mortgage, residential construction, and consumer installment loans represented approximately 41%, 11%, 3%, 30%, 8% and 7%, respectively, of United's total loan portfolio.

Specific risk elements associated with the Bank's lending categories include, but are not limited to:

Loan Type	Risk Elements
Commercial (secured by real estate)	Loan portfolio concentrations; declines in general economic conditions and occupancy rates; business failure and lack of a suitable alternative use for property; environmental contamination.
Commercial (commercial and industrial)	Industry concentrations; inability to monitor the condition of collateral (inventory, accounts receivable and other non-real estate assets); use of specialized or obsolete equipment as collateral; insufficient cash flow from operations to service debt payments; declines in general economic conditions.
Commercial construction	Inadequate long-term financing arrangements; inventory levels; cost overruns, changes in market demand for property.
Residential mortgage	Loan portfolio concentrations; changes in general economic conditions or in the local economy; loss of borrower's employment; insufficient collateral value due to decline in property value.
Residential construction	Inadequate long-term financing arrangements; inventory levels; cost overruns, changes in market demand for property; rising interest rates.
Consumer installment	Loss of borrower's employment; changes in local economy; the inability to monitor collateral.

Lending Policy

The Bank makes loans primarily to persons or businesses that reside, work, own property, or operate in its primary market areas. Unsecured loans are generally made only to persons who qualify for such credit based on their credit history, net worth, income and liquidity. Secured loans are made to persons who are well established and have the credit history, net worth, collateral, and cash flow to support the loan. Exceptions to the Bank's policies are permitted on a case-by-case basis. Major policy exceptions require the approving officer to document the reason for the exception. Loans exceeding the lending officer's credit limit must be approved through the credit approval process involving Regional Credit Managers. Consumer loans are approved through the centralized consumer credit centers.

United's Credit Administration department provides each lending officer with written guidelines for lending activities as approved by the Bank's Board of Directors. Limited lending authority is delegated to lending officers by Credit Administration as authorized by the Bank's Board of Directors. Loans in excess of individual officer credit authority must be approved by a senior officer with sufficient approval authority delegated by Credit Administration as authorized by the Bank's Board of Directors. At December 31, 2013, the Bank's legal lending limit was $215 million; however, the Board of Directors has established an internal lending limit of $25 million. All loans to borrowers for any individual real estate project that exceeds $15 million or whose total aggregate borrowing relationship exceed $20 million require the approval of two Bank directors and must be reported quarterly to the Bank's Board of Directors for ratification.

Commercial Lending

United utilizes its Regional Credit Managers to provide credit administration support for commercial loans to the Bank as needed. The Regional Credit Managers have joint lending approval authority with the Community Bank Presidents within varying limits set by Credit Administration based on characteristics of each market. The Regional Credit Managers also provide credit underwriting support as needed by the community banks they serve.

Consumer Credit Center

United has implemented a centralized consumer credit center that provides underwriting, regulatory disclosure and document preparation for all consumer loan requests originated by the bank's market lenders. Requests are processed through an automated loan origination software platform.

Loan Review and Nonperforming Assets

The Loan Review Department of United reviews, or engages an independent third party to review, the Bank's loan portfolio on an ongoing basis to identify any weaknesses in the portfolio and to assess the general quality of credit underwriting. The results of such reviews are presented to Executive Management, the Community Bank Presidents, Credit Administration Management and the Audit Committee of the Board of Directors. If an individual loan or credit relationship has a material weakness identified during the review process, the risk rating of the loan, or generally all loans comprising that credit relationship, will be downgraded to the classification that most closely matches the current risk level. The review process also provides for the upgrade of loans that show improvement since the last review. Since each loan in a credit relationship may have a different credit structure, collateral, and source of repayment, different loans in a relationship can be assigned different risk ratings. Under United's 10-tier loan grading system for commercial loans, grades 1 through 6 are considered "pass" (acceptable) credit risk, grade 7 is a "watch" rating, and grades 8 through 10 are "adversely classified" credits that require management's attention. The entire 10-grade rating scale provides for a higher numeric rating for increased risk. For example, a risk rating of 1 is the least risky of all credits and would be typical of a loan that is 100% secured by a deposit at the Bank. Risk ratings of 2 through 6 in the pass category each have incrementally more risk. The four watch list credit ratings and rating definitions are:

7 (Watch)	Loans in this category are presently protected from apparent loss; however weaknesses exist that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. These loans require more than the ordinary amount of supervision. Collateral values generally afford adequate coverage, but may not be immediately marketable.
8 (Substandard)	These loans are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged. Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. There is the distinct possibility that United will sustain some loss if deficiencies are not corrected. If possible, immediate corrective action is taken.
9 (Doubtful)	Specific weaknesses characterized as Substandard that are severe enough to make collection in full highly questionable and improbable. There is no reliable secondary source of full repayment.
10 (Loss)	Loans categorized as Loss have the same characteristics as Doubtful, however, probability of loss is certain. Loans classified as Loss are charged-off.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are generally deposit account overdrafts that have not been assigned a grade.

In addition, Credit Administration, with supervision and input from Accounting, prepares a quarterly analysis to determine the adequacy of the Allowance for Credit Losses ("ACL"). The ACL is comprised of the allowance for loan losses and the allowance for unfunded commitments. The allowance for loan losses analysis starts with total loans and subtracts loans fully secured by deposit accounts at the Bank, which effectively have no risk of loss. Next, all loans that are considered impaired are individually reviewed and assigned a specific reserve if one is warranted. Most collateral dependent impaired loans with specific reserves are charged down to net realizable value. The remaining loan balance for each major loan category is then multiplied by its respective loss factor that is derived from the average historical loss rate for the preceding two year period, weighted toward the most recent quarters, and adjusted to reflect current economic conditions. Loss factors for these loans are determined based on historical loss experience by type of loan. The unallocated portion of the allowance is maintained due to imprecision in estimating loss factors and economic and other conditions that cannot be entirely quantified in the analysis.

Asset/Liability Committee

United's Asset Liability Management Committee ("ALCO") is composed of executive officers and the Treasurer of United. ALCO is charged with managing the assets and liabilities of United and the Bank. ALCO's primary role is to balance asset growth and income generation with the prudent management of interest rate risk, market risk and liquidity risk and with the need to maintain appropriate levels of capital. ALCO directs the Bank's overall balance sheet strategy, including the acquisition and investment of funds. At regular meetings, the committee reviews the interest rate sensitivity and liquidity positions, including stress scenarios, the net interest margin, the investment portfolio, the funding mix and other variables, such as regulatory changes, monetary policy adjustments and the overall state of the economy. A more comprehensive discussion of United's asset/liability management and interest rate risk is contained in the *Management's Discussion and Analysis* (Part II, Item 7) and *Quantitative and Qualitative Disclosures About Market Risk* (Part II, Item 7A) sections of this report.

Investment Policy

United's investment portfolio policy is to balance income generation with liquidity, interest rate sensitivity, pledging and regulatory needs. The Chief Financial Officer and the Treasurer of United administer the policy, and it is reviewed from time to time by United's ALCO and the Board of Directors. Portfolio activity, composition, and performance are reviewed and approved periodically by United's Board of Directors or a committee thereof.

Employees

As of December 31, 2013, United and its subsidiaries had 1,472 full-time equivalent employees. Neither United nor any of its subsidiaries are a party to any collective bargaining agreement and management believes that employee relations are good.

Available Information

United's Internet website address is www.ucbi.com. United makes available free of charge through its website Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

Supervision and Regulation

The following is an explanation of the supervision and regulation of United and the Bank as financial institutions. This explanation does not purport to describe state, federal or Nasdaq Stock Market supervision and regulation of general business corporations or Nasdaq listed companies.

General. United is a registered bank holding company subject to regulation by the Federal Reserve under the BHC Act. United is required to file annual and quarterly financial information with the Federal Reserve and is subject to periodic examination by the Federal Reserve.

The BHC Act requires every bank holding company to obtain the Federal Reserve's prior approval before (1) it may acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank that it does not already control; (2) it or any of its non-bank subsidiaries may acquire all or substantially all of the assets of a bank; and (3) it may merge or consolidate with any other bank holding company. In addition, a bank holding company is generally prohibited from engaging in, or acquiring, direct or indirect control of the voting shares of any company engaged in non-banking activities. This prohibition does not apply to activities listed in the BHC Act or found by the Federal Reserve, by order or regulation, to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve has determined by regulation or order to be closely related to banking are:

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

Although the activities of bank holding companies have traditionally been limited to the business of banking and activities closely related or incidental to banking (as discussed above), the Gramm-Leach-Bliley Act (the "GLB Act") relaxed the previous limitations and permitted bank holding companies to engage in a broader range of financial activities. Specifically, bank holding companies may elect to become financial holding companies which may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. Among the activities that are deemed "financial in nature" include:

- lending, exchanging, transferring, investing for others or safeguarding money or securities;
- insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, and acting as principal, agent, or broker with respect thereto;
- providing financial, investment, or economic advisory services, including advising an investment company;
- issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly; and
- underwriting, dealing in or making a market in securities.

A bank holding company may become a financial holding company under this statute only if each of its subsidiary banks is well-capitalized, is well managed and has at least a satisfactory rating under the Community Reinvestment Act. A bank holding company that falls out of compliance with such requirement may be required to cease engaging in certain activities. Any bank holding company that does not elect to become a financial holding company remains subject to the bank holding company restrictions of the BHC Act.

Under this legislation, the Federal Reserve serves as the primary "umbrella" regulator of financial holding companies with supervisory authority over each parent company and limited authority over its subsidiaries. The primary regulator of each subsidiary of a financial holding company will depend on the type of activity conducted by the subsidiary. For example, broker-dealer subsidiaries will be regulated largely by securities regulators and insurance subsidiaries will be regulated largely by insurance authorities.

United has no current plans to register as a financial holding company.

United must also register with the DBF and file periodic information with the DBF. As part of such registration, the DBF requires information with respect to the financial condition, operations, management and intercompany relationship of United and the Bank and related matters. The DBF may also require such other information as is necessary to keep itself informed concerning compliance with Georgia law and the regulations and orders issued thereunder by the DBF, and the DBF may examine United and the Bank. Although the Bank operates branches in North Carolina, east and central Tennessee and Greenville, South Carolina; neither the North Carolina Banking Commission, the Tennessee Department of Financial Institutions (the "TDFI"), nor the South Carolina Commissioner of Banking examines or directly regulates out-of-state holding companies.

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

The Bank and each of its subsidiaries are regularly examined by the FDIC. The Bank, as a state banking association organized under Georgia law, is subject to the supervision of, and is regularly examined by, the DBF. Both the FDIC and the DBF must grant prior approval of any merger, consolidation or other corporation reorganization involving the Bank.

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

Under the regulations of the DBF, a state bank with negative retained earnings may declare dividends by first obtaining the written permission of the DBF. If a state bank has positive retained earnings, it may declare a dividend without DBF approval if it meets all the following requirements:

(a) total classified assets as of the most recent examination of the bank do not exceed 80% of equity capital (as defined by regulation);

(b) the aggregate amount of dividends declared or anticipated to be declared in the calendar year does not exceed 50% of the net profits after taxes but before dividends for the previous calendar year; and

(c) the ratio of equity capital to adjusted assets is not less than 6%.

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

Under rules adopted by the Federal Reserve in November 2011, known as the Comprehensive Capital Analysis and Review ("CCAR") Rules, bank holding companies with $50 billion or more of total assets are required to submit annual capital plans to the Federal Reserve and generally may pay dividends and repurchase stock only under a capital plan as to which the Federal Reserve has not objected. The CCAR rules will not apply to United for so long as our total consolidated assets remain below $50 billion. However, it is anticipated that United capital ratios will be important factors considered by the Federal Reserve in evaluating whether proposed payments of dividends or stock repurchases may be an unsafe or unsound practices.

Due to our accumulated deficit (negative retained earnings), the Bank does not have the ability to pay cash dividends to United in 2014 without the approval of the DBF. During the fourth quarter of 2013, the Bank paid a cash dividend of $50.0 million to United. United did not pay cash dividends on its common stock in 2013.

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

The Federal Reserve and the FDIC have implemented substantially identical risk-based rules for assessing bank and bank holding company capital adequacy. These regulations establish minimum capital standards in relation to assets and off-balance sheet exposures as adjusted for credit risk. Banks and bank holding companies are required to have (1) a minimum level of total capital to risk-weighted assets of 8%; and (2) a minimum ratio of Tier 1 capital to risk-weighted assets of 4%. In addition, the Federal Reserve and the FDIC have established a minimum 3% leverage ratio of Tier 1 capital to quarterly average total assets for the most highly-rated banks and bank holding companies. "Total capital" is composed of Tier 1 capital and Tier 2 capital. "Tier 1 capital" includes common equity, retained earnings, qualifying non-cumulative perpetual preferred stock, a limited amount of qualifying cumulative perpetual stock at the holding company level, minority interests in equity accounts of consolidated subsidiaries, less goodwill, most intangible assets and certain other assets. "Tier 2 capital" includes, among other things, perpetual preferred stock and related surplus not meeting the Tier 1 capital definition, qualifying mandatorily convertible debt securities, qualifying subordinated debt and allowances for possible loan and lease losses, subject to limitations. The Federal Reserve and the FDIC use the leverage ratio in tandem with the risk-based ratio to assess the capital adequacy of banks and bank holding companies. The Federal Reserve will require a bank holding company to maintain a leverage ratio greater than 4% if it is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve. The FDIC, the Office of the Comptroller of the Currency (the "OCC") and the Federal Reserve require banks to maintain capital well above minimum levels.

In addition, Section 38 of the Federal Deposit Insurance Act implemented the prompt corrective action provisions that Congress enacted as a part of the Federal Deposit Insurance Corporation Improvement Act of 1991 (the "1991 Act"). The "prompt corrective action" provisions set forth five regulatory zones in which all banks are placed largely based on their capital positions. Regulators are permitted to take increasingly harsh action as a bank's financial condition declines. The FDIC is required to resolve a bank when its ratio of tangible equity to total assets reaches 2%. Better capitalized institutions are generally subject to less onerous regulation and supervision than banks with lesser amounts of capital.

The FDIC has adopted regulations implementing the prompt corrective action provisions of the 1991 Act, which place financial institutions in the following five categories based upon capitalization ratios: (1) a "well-capitalized" institution has a Total risk-based capital ratio of at least 10%, a Tier 1 risk-based ratio of at least 6% and a leverage ratio of at least 5%; (2) an "adequately capitalized" institution has a Total risk-based capital ratio of at least 8%, a Tier 1 risk-based ratio of at least 4% and a leverage ratio of at least 4%; (3) an "undercapitalized" institution has a Total risk-based capital ratio of under 8%, a Tier 1 risk-based ratio of under 4% or a leverage ratio of under 4%; (4) a "significantly undercapitalized" institution has a Total risk-based capital ratio of under 6%, a Tier 1 risk-based ratio of under 3% or a leverage ratio of under 3%; and (5) a "critically undercapitalized" institution has a ratio of tangible equity to total assets of 2% or less. Institutions in any of the three undercapitalized categories would be prohibited from declaring dividends or making capital distributions. The FDIC regulations also allow it to "downgrade" an institution to a lower capital category based on supervisory factors other than capital.

As of December 31, 2013, the FDIC categorized the Bank as "well-capitalized" under current regulations.

In July 2013, the Federal Reserve published the Basel III Capital Rules establishing a new comprehensive capital framework applicable to all depository institutions, bank holding companies with total consolidated assets of $500 million or more and all and savings and loan holding companies except for those that are substantially engaged in insurance underwriting or commercial activities (collectively, "banking organizations"). The rules implement the December 2010 framework proposed by the Basel Committee on Banking Supervision (the "Basel Committee"), known as "Basel III", for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act.

The Basel III Capital Rules substantially revise the foregoing risk-based capital requirements applicable to bank holding companies and depository institutions, including United and the Bank, compared to the current U.S. risk-based capital rules. The Basel III Capital Rules:

- define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios;
- address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach, which was derived from the Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 "Basel II" capital accords;
- introduce a new capital measure called "common equity Tier 1" ("CET1");
- specify that Tier 1 capital consists of CET1 and "additional Tier 1 capital" instruments meeting specified requirements; and
- implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.

The Basel III Capital Rules are effective for United and the Bank on January 1, 2015 subject to a phase in period.

When fully phased in on January 1, 2019, the Basel III Capital Rules will require United and the Bank to maintain;

- a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% “capital conservation buffer” (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation);

- a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);

- a minimum ratio of total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation); and

- a minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average assets (as compared to a current minimum leverage ratio of 3% for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority’s risk-adjusted measure for market risk).

The initial minimum capital ratios as of January 1, 2015 will be as follows: (i) 4.5% CET1 to risk-weighted assets, (ii) 6.0% Tier 1 capital to risk-weighted assets, and (iii) 8.0% total capital to risk-weighted assets.

Effective January 1, 2015, the Basel III Capital Rules will also revise the FDIC’s current “prompt corrective action” regulations by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category (other than critically undercapitalized), with the minimum Tier 1 capital ratio for well-capitalized status being 8.0% (as compared to the current 6.0%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The Basel III Capital Rules do not change the total risk-based capital requirement for any prompt corrective action category.

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Under current capital standards, the effects of accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive items are not excluded; however, certain banking organizations, including United and the Bank, may make a one-time permanent election to continue to exclude these items. United and the Bank expect to make this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of United’s available-for-sale securities portfolio. The Basel III Capital Rules also eliminate the inclusion of certain instruments, such as trust preferred securities, from Tier 1 capital of bank holding companies. Instruments issued prior to May 19, 2010 will be grandfathered for bank holding companies with consolidated assets of $15 billion or less (subject to the 25% of Tier 1 capital limit).

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

Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2015 and will be phased-in over a four-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

The Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. In addition, the Basel III Capital Rules provide more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increase the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

Management believes that, as of December 31, 2013, United and the Bank would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis as if such requirements were currently in effect.

Consumer Protection Laws. The Dodd-Frank Act centralized responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau ("CFPB"), and giving it the power to promulgate and enforce federal consumer protection laws. Depository institutions are subject to the CFPB's rule writing authority, and existing federal bank regulatory agencies retain examination and enforcement authority for such institutions. The CFPB and United's existing federal regulator, the FDIC, are focused on the following:

- risks to consumers and compliance with the federal consumer financial laws
- the markets in which firms operate and risks to consumers posed by activities in those markets;
- depository institutions that offer a wide variety of consumer financial products and services;
- depository institutions with a more specialized focus; and
- non-depository companies that offer one or more consumer financial products or services.

Stress Testing. As required by the Dodd-Frank Act, the federal bank regulatory agencies have implemented stress testing requirements for certain financial institutions, including bank holding companies and state chartered banks, with more than $10 billion in total consolidated assets. Although these requirements do not apply to institutions with $10 billion or less in total consolidated assets, the federal bank regulatory agencies emphasize that all banking organizations, regardless of size, should have the capacity to analyze the potential impact of adverse market conditions or outcomes on the organization's financial condition. Based on this regulatory guidance, United and the Bank will be expected to consider the institution's interest rate risk management, commercial real estate concentrations and other credit-related information, and funding and liquidity management during this analysis of adverse outcomes.

Volcker Rule. The Dodd-Frank Act amended the BHC Act to require the federal bank regulatory agencies to adopt rules that prohibit banks and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies (defined as hedge funds and private equity funds). The statutory provision is commonly called the "Volcker Rule". The Federal Reserve adopted final rules implementing the Volcker Rule on December 10, 2013. Although United continues to evaluate the impact of the Volcker Rule and the final rules adopted by the Federal Reserve thereunder, United does not currently anticipate that the Volcker Rule will have a material effect on its operations and the operations of its subsidiaries, including the Bank, as United does not engage in businesses prohibited by the Volcker Rule. United may incur costs to adopt additional policies and systems to ensure compliance with the Volcker Rule.

Durbin Amendment. The Dodd-Frank Act included provisions which restrict interchange fees to those which are "reasonable and proportionate" for certain debit card issuers and limits the ability of networks and issuers to restrict debit card transaction routing. This statutory provision is known as the "Durbin Amendment". The Federal Reserve issued final rules implementing the Durbin Amendment on June 29, 2011. In the final rules, interchange fees for debit card transactions were capped at $0.21 plus five basis points in order to be eligible for a safe harbor such that the fee is conclusively determined to be reasonable and proportionate. Another related rule also permits an additional $0.01 per transaction "fraud prevention adjustment" to the interchange fee if certain Federal Reserve standards are implemented, including an annual review of fraud prevention policies and procedures. With respect to network exclusivity and merchant routing restrictions, it is now required that all debit cards participate in at least two unaffiliated networks so that the transactions initiated using those debit cards will have at least two independent routing channels. The interchange fee restrictions contained in the Durbin Amendment, and the rules promulgated thereunder, only apply to debit card issuers with $10 billion or more in total consolidated assets.

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

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

The federal bank regulatory agencies have proposed rule-making implementing provisions of the Dodd-Frank Act to prohibit incentive-based compensation plans that expose “covered financial institutions” to inappropriate risks. Covered financial institutions are institutions that have over $1 billion in assets and offer incentive-based compensation programs. The proposed rules would:

- provide incentives that do not encourage risk-taking beyond the organization’s ability to effectively identify and manage risks,
- be compatible with effective internal controls and risk management, and
- be supported by strong corporate governance, including active and effective oversight by the organization’s board of directors and appropriate policies, procedures and monitoring.

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

Commercial Real Estate. The federal bank regulatory agencies, including the FDIC, restrict concentrations in commercial real estate lending and have noted that recent increases in banks’ commercial real estate concentrations have created safety and soundness concerns in the current economic downturn. The regulatory guidance mandates certain minimal risk management practices and categorizes banks with defined levels of such concentrations as banks requiring elevated examiner scrutiny. The Bank has concentrations in commercial real estate loans in excess of those defined levels. Although management believes that United’s credit processes and procedures meet the risk management standards dictated by this guidance, regulatory outcomes could effectively limit increases in the real estate concentrations in the Bank’s loan portfolio and require additional credit administration and management costs associated with those portfolios.

Source of Strength Doctrine. Federal Reserve regulations and policy requires bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Under this policy, United is expected to commit resources to support the Bank.

Loans. Inter-agency guidelines adopted by federal bank regulatory agencies mandate that financial institutions establish real estate lending policies with maximum allowable real estate loan-to-value limits, subject to an allowable amount of non-conforming loans as a percentage of capital.

Transactions with Affiliates. Under federal law, all transactions between and among a state nonmember bank and its affiliates, which include holding companies, are subject to Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder. Generally, these requirements limit these transactions to a percentage of the bank’s capital and require all of them to be on terms at least as favorable to the bank as transactions with non-affiliates. In addition, a bank may not lend to any affiliate engaged in non-banking activities not permissible for a bank holding company or acquire shares of any affiliate that is not a subsidiary. The FDIC is authorized to impose additional restrictions on transactions with affiliates if necessary to protect the safety and soundness of a bank. The regulations also set forth various reporting requirements relating to transactions with affiliates.

Financial Privacy. In accordance with the GLB Act, federal banking regulatory agencies adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering Initiatives and the USA Patriot Act. A major focus of governmental policy on financial institutions in recent years has been aimed at combating terrorist financing. This has generally been accomplished by amending existing anti-money laundering laws and regulations. Treasury has issued a number of implementing regulations which apply various requirements of the USA Patriot Act of 2001 to the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Future Legislation. Various legislation affecting financial institutions and the financial industry is from time to time introduced in Congress. Such legislation may change banking statutes and the operating environment of United and its subsidiaries in substantial and unpredictable ways, and could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance depending upon whether any of this potential legislation will be enacted, and if enacted, the effect that it or any implementing regulations would have on the financial condition or results of operations of United or any of its subsidiaries. With the current economic environment, the nature and extent of future legislative and regulatory changes affecting financial institutions is very unpredictable at this time.

Executive Officers of United

Senior executives of United are elected by the Board of Directors annually and serve at the pleasure of the Board of Directors.

The senior executive officers of United, and their ages, positions with United, past five year employment history and terms of office as of February 1, 2014, are as follows:

Name (age)	Position with United and Employment History	Officer of United Since
Jimmy C. Tallent (61)	President, Chief Executive Officer and Director	1988
H. Lynn Harton (52)	Executive Vice President and Chief Operating Officer; prior to joining United was Executive Vice President and Special Assistant to the Chief Executive Officer of Toronto-Dominion Bank (2010 - 2012); President and Chief Executive Officer of South Financial Group (2009 - 2010); Chief Risk and Chief Credit Officer of South Financial Group (2007 - 2009);	2012
Rex S. Schuette (64)	Executive Vice President and Chief Financial Officer	2001
David Shearrow (54)	Executive Vice President and Chief Risk Officer	2007
Bill M. Gilbert (61)	Director of Banking; Regional President of North Georgia and Coastal Georgia (2011 - 2013); Senior Vice President of Retail Banking (2003 - 2011)	2003
Tim Schools (44)	Chief Strategy Officer; Regional President of North Carolina and Tennessee (November 2011 through 2012); prior to joining United was President (2008 - 2010) and Chief Operating Officer (2007 – 2008) of American Savings Bank, F.S.B.	2011

None of the above officers are related and there are no arrangements or understandings between them and any other person pursuant to which any of them was elected as an officer, other than arrangements or understandings with directors or officers of United acting solely in their capacities as such.

ITEM 1A. RISK FACTORS.

An investment in United's common stock involves risk. Investors should carefully consider the risks described below and all other information contained in this Form 10-K and the documents incorporated by reference before deciding to purchase common stock. It is possible that risks and uncertainties not listed below may arise or become material in the future and affect United's business.

As a financial services company, adverse conditions in the general business or economic environment could have a material adverse effect on our financial condition and results of operations.

Adverse changes in business and economic conditions generally or specifically in the markets in which we operate could adversely impact our business, including causing one or more of the following negative developments:

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

For example, if we are unable to continue to generate sufficient taxable income in the future, then we may not be able to fully realize the benefits of our deferred tax assets. Such a development or one or more other negative developments resulting from adverse conditions in the general business or economic environment, some of which are described above, could have a material adverse effect on our financial condition and results of operations.

The results of our most recent internal credit stress test may not accurately predict the impact on our financial condition if the economy were to deteriorate.

We regularly perform an internal analysis of our capital position. Our analysis is based on the tests that were administered to the nation's nineteen largest banks by Treasury in connection with its Supervisory Capital Assessment Program ("SCAP"). Under the stress test, we apply many of the same methodologies, but less severe loss assumptions than Treasury applies in its program, to estimate our loan losses (loan charge-offs), resources available to absorb those losses and any necessary additions to capital that would be required under the "more adverse" stress test scenario. As a result, our estimates for loan losses are lower than those suggested by the SCAP assumptions.

We have also calculated our loss estimates based on the SCAP test, and while we believe we have appropriately applied Treasury's assumptions in performing this internal stress test, results of this test may not be comparable to the results of stress tests performed and publicly released by Treasury, and the results of this test may not be the same as if the test had been performed by Treasury.

The results of these stress tests involve many assumptions about the economy and future loan losses and default rates, and may not accurately reflect the impact on our financial condition if the economy were to deteriorate. Any deterioration of the economy could result in credit losses significantly higher, with a corresponding impact on our financial condition and capital, than those predicted by our internal stress test.

Our industry and business may be adversely affected by conditions in the financial markets and economic conditions generally.

In recent years, we have faced a challenging and uncertain economic environment, including a major recession in the U.S. economy from which it is slowly recovering. A return of recessionary conditions and/or further deterioration of national economic conditions could adversely affect the financial condition and operating performance of financial institutions. Specifically, declines in real estate values and sales volumes and increased unemployment levels may result in higher than expected loan delinquencies, increases in levels of non-performing and classified assets and a decline in demand for products and services offered by financial institutions. While economic conditions in the markets in which we operate, the U.S. and worldwide have improved since the recession, there can be no assurance that this improvement will continue. Uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing and savings habits, which could cause us to incur losses and may adversely affect our results of operations and financial condition.

Our ability to raise additional capital may be limited, which could affect our liquidity and be dilutive to existing shareholders.

We may be required or choose to raise additional capital, including for strategic, regulatory or other reasons. Depending on the capital markets, traditional sources of capital may not be available to us on reasonable terms if we needed to raise additional capital. In such case, there is no guarantee that we will be able to successfully raise additional capital at all or on terms that are favorable or otherwise not dilutive to existing shareholders.

Capital resources and liquidity are essential to our businesses and could be negatively impacted by disruptions in our ability to access other sources of funding.

Capital resources and liquidity are essential to the Bank. We depend on access to a variety of sources of funding to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our customers. Sources of funding available to us, and upon which we rely as regular components of our liquidity and funding management strategy, include traditional and brokered deposits, inter-bank borrowings, Federal Funds purchased, repurchase agreements and Federal Home Loan Bank advances. We also raise funds from time to time in the form of either short-or long-term borrowings or equity issuances.

Our capital resources and liquidity could be negatively impacted by disruptions in our ability to access these sources of funding. The cost of brokered and other out-of-market deposits and potential future regulatory limits on the interest rate we pay for brokered deposits could make them unattractive sources of funding. Further, factors that we cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, could impair our ability to access sources of funds. Other financial institutions may be unwilling to extend credit to banks because of concerns about the banking industry and the economy generally and there may not be a viable market for raising short or long-term debt or equity capital. In addition, our ability to raise funding could be impaired if lenders develop a negative perception of our long-term or short-term financial prospects. Such negative perceptions could be developed if we are downgraded or put on (or remain on) negative watch by the rating agencies, we suffer a decline in the level of our business activity or regulatory authorities take significant action against us, among other reasons.

Among other things, if we fail to remain "well-capitalized" for bank regulatory purposes, because we do not qualify under the minimum capital standards or the FDIC otherwise downgrades our capital category, it could affect customer confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on common and preferred stock and trust preferred securities, and our ability to make acquisitions, and we would not be able to accept brokered deposits without prior FDIC approval. To be "well-capitalized," a bank must generally maintain a leverage capital ratio of at least 5%, a Tier 1 risk-based capital ratio of at least 6%, and a total risk-based capital ratio of at least 10%. In addition, our regulators may require us to maintain higher capital levels. Once implemented, the Basel III Capital Rules will require even higher ratios. Our failure to remain "well-capitalized" or to maintain any higher capital requirements imposed on us could negatively affect our business, results of operations and financial condition.

If we are unable to raise funds using the methods described above, we would likely need to finance or liquidate unencumbered assets to meet maturing liabilities. We may be unable to sell some of our assets, or we may have to sell assets at a discount from market value, either of which could adversely affect our results of operations and financial condition.

In addition, United is a legal entity separate and distinct from the Bank and depends on subsidiary service fees and dividends from the Bank to fund its payment of dividends to its common and preferred shareholders and of interest and principal on its outstanding debt and trust preferred securities. The Bank is also subject to other laws that authorize regulatory authorities to prohibit or reduce the flow of funds from the Bank to United and the Bank's negative retained earnings position requires written consent of the Bank's regulators before it can pay a dividend. Any inability of United to pay its obligations, or need to defer the payment of any such obligations, could have a material adverse effect on our business, operations, financial condition, and the value of our common stock.

Changes in the cost and availability of funding due to changes in the deposit market and credit market, or the way in which we are perceived in such markets, may adversely affect financial condition or results of operations.

In general, the amount, type and cost of our funding, including from other financial institutions, the capital markets and deposits, directly impacts our operating costs and our assets growth and therefore, can positively or negatively affect our financial condition or results of operations. A number of factors could make funding more difficult, more expensive or unavailable on any terms, including, but not limited to, our operating losses, our ability to remain "well capitalized," events that adversely impact our reputation, enforcement actions, disruptions in the capital markets, events that adversely impact the financial services industry, changes affecting our assets, interest rate fluctuations, general economic conditions and the legal, regulatory, accounting and tax environments. Also, we compete for funding with other financial institutions, many of which are substantially larger, and have more capital and other resources than we do. In addition, as some of these competitors consolidate with other financial institutions, their competitive advantages may increase. Competition from these institutions may also increase the cost of funds.

Our business is subject to the success of the local economies and real estate markets in which we operate.

Our success significantly depends on the growth in population, income levels, loans and deposits and on stability in real estate values in our markets. If the communities in which we operate do not grow or if prevailing economic conditions locally or nationally do not improve significantly, our business may be adversely affected. If market and economic conditions deteriorate, this may lead to valuation adjustments on our loan portfolio and losses on defaulted loans and on the sale of other real estate owned. Additionally, such adverse economic conditions in our market areas, specifically decreases in real estate property values due to the nature of our loan portfolio, more than 80% of which is secured by real estate, could reduce our growth rate, affect the ability of our customers to repay their loans and generally affect our financial condition and results of operations. We are less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of more diverse economies.

Our concentration of residential construction and development loans is subject to unique risks that could adversely affect our results of operations and financial condition.

Our residential construction and development loan portfolio was $329 million at December 31, 2013, comprising 8% of total loans. Residential construction and development loans are often riskier than home equity loans or residential mortgage loans to individuals. Poor economic conditions could result in decreased demand for residential housing, which, in turn, would adversely affect the development and construction efforts of residential real estate developer borrowers. Consequently, economic downturns adversely affect the ability of residential real estate developer borrowers to repay these loans and the value of property used as collateral for such loans. A sustained weak economy could also result in higher levels of nonperforming loans in other categories, such as commercial and industrial loans, which may result in additional losses. As a result, these loans could represent higher risk due to slower sales and reduced cash flow that affect the borrowers' ability to repay on a timely basis which could result in a sharp increase in our total net charge-offs and require us to significantly increase our allowance for loan losses, any of which could have a material adverse effect on our financial condition or results of operations.

Our concentration of commercial real estate loans is subject to risks that could adversely affect our results of operations and financial condition.

Our commercial real estate loan portfolio was $1.76 billion at December 31, 2013, comprising 41% of total loans. Commercial real estate loans typically involve larger loan balances than compared to residential mortgage loans. The repayment of loans secured by commercial real estate is dependent upon both the successful operation of the commercial project and the business operated out of that commercial real estate site, as over half of the commercial real estate loans are for owner-occupied properties. If the cash flows from the project are reduced or if the borrower's business is not successful, a borrower's ability to repay the loan may be impaired. This cash flow shortage may result in the failure to make loan payments. In such cases, we may be compelled to modify the terms of the loan. In addition, the nature of these loans is such that they are generally less predictable and more difficult to evaluate and monitor. As a result, repayment of these loans may be subject to adverse conditions in the real estate market or economy. In addition, many economists believe that deterioration in income producing commercial real estate is likely to worsen as vacancy rates continue to rise and absorption rates of existing square footage and/or units continue to decline. As a result, these loans could represent higher risk due to slower sales and reduced cash flow that affect the borrowers' ability to repay on a timely basis, could result in a sharp increase in our total net charge-offs and could require us to significantly increase our allowance for loan losses, any of which could have a material adverse effect on our financial condition or results of operations.

Changes in prevailing interest rates may negatively affect net income and the value of our assets.

Changes in prevailing interest rates may negatively affect the level of our net interest revenue, the primary component of our net income. Federal Reserve policies, including interest rate policies, determine in large part our cost of funds for lending and investing and the return we earn on those loans and investments, both of which affect our net interest revenue. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in the interest rates may also negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings. In addition, an increase in interest rates may decrease the demand for loans.

United's reported financial results depend on the accounting and reporting policies of United, the application of which requires significant assumptions, estimates and judgments.

United's accounting and reporting policies are fundamental to the methods by which we record and report our financial condition and results of operations. United's management must make significant assumptions and estimates and exercise significant judgment in selecting and applying many of these accounting and reporting policies so they comply with accounting principles generally accepted in the United States of America ("GAAP") and reflect management's judgment of the most appropriate manner to report United's financial condition and results. In some cases, management must select a policy from two or more alternatives, any of which may be reasonable under the circumstances, which may result in United reporting materially different results than would have been reported under a different alternative.

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

If our allowance for credit losses is not sufficient to cover actual loan losses, earnings would decrease.

Our loan customers may not repay their loans according to their terms and the collateral securing the payment of these loans may be insufficient to assure repayment. We may experience significant loan losses which would have a material adverse effect on our operating results. Our management makes various assumptions and judgments about the collectability of the loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. We maintain an allowance for credit losses in an attempt to cover any probable incurred loan losses in the loan portfolio. In determining the size of the allowance, our management relies on an analysis of the loan portfolio based on historical loss experience, volume and types of loans, trends in classification, volume and real estate values, trends in delinquencies and non-accruals, national and local economic conditions and other pertinent information. As a result of these considerations, we have from time to time increased our allowance for credit losses. For the year ended December 31, 2013, we recorded a provision for credit losses of $65.5 million compared to $62.5 million and $251 million for the years ended December 31, 2012 and 2011, respectively. If those assumptions are incorrect, the allowance may not be sufficient to cover future loan losses and adjustments may be necessary to allow for different economic conditions or adverse developments in the loan portfolio.

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

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

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

The banking business is highly competitive and we experience competition in each of our markets from many other financial institutions. We compete with banks, credit unions, savings and loan associations, mortgage banking firms, securities brokerage firms, insurance companies, money market funds and other mutual funds, as well as community, super-regional, national and international financial institutions that operate offices in our market areas and elsewhere. We compete with these institutions both in attracting deposits and in making loans. Many of our competitors are well-established, larger financial institutions that are able to operate profitably with a narrower net interest margin and have a more diverse revenue base. We may face a competitive disadvantage as a result of our smaller size, more limited geographic diversification and inability to spread costs across broader markets. Although we compete by concentrating marketing efforts in our primary markets with local advertisements, personal contacts and greater flexibility and responsiveness in working with local customers, customer loyalty can be easily influenced by a competitor's new products and our strategy may or may not continue to be successful.

We may face risks with respect to future expansion and acquisitions.

We may engage in de novo branch expansion and, if the appropriate business opportunity becomes available, we may seek to acquire other financial institutions or parts of those institutions, including in FDIC-assisted transactions. These involve a number of risks, including:

- the potential inaccuracy of the estimates and judgments used to evaluate credit, operations, management and market risks with respect to an acquired branch or institution, a new branch office or a new market;
- the time and costs of evaluating new markets, hiring or retaining experienced local management and opening new offices and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- the incurrence and possible impairment of goodwill associated with an acquisition and possible adverse effects on results of operations;
- the loss of key employees and customers of an acquired branch or institution;
- the difficulty or failure to successfully integrate the acquired financial institution or portion of the institution; and
- the temporary disruption of our business or the business of the acquired institution.

Changes in laws and regulations or failures to comply with such laws and regulations may adversely affect our financial condition and results of operations.

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

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

The short-term and long-term impact of the changing regulatory capital requirements is uncertain.

In July 2013, the Federal Reserve published the Basel III Capital Rules, which substantially changed the regulatory risk-based capital rules applicable to United and the Bank. The Basel III Capital Rules include new minimum risk-based capital and leverage ratios, which will be phased in beginning January 1, 2015, and modify the capital and asset definitions for purposes of calculating those ratios. Among other things, as of January 1, 2015, the Basel III Capital Rules establish a new common equity Tier 1 minimum capital requirement of 4.5%, a higher minimum Tier 1capital to risk-weighted assets requirement of 6.0% and a higher total capital to risk-weighted assets of 8.0%. In addition, the Basel III Capital Rules provide, to be considered "well-capitalized", a new common equity Tier 1 capital requirement of 6.5% and a higher Tier 1capital to risk-weighted assets requirement of 8.0% that will be phased in and fully effective as of January 1, 2015. Moreover, the Basel III Capital Rules limit a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of an additional 2.5% of common equity Tier 1 capital in addition to the 4.5% minimum common equity Tier 1 requirement and the other amounts necessary to the minimum risk-based capital requirements that will be phased in and fully effective in 2019.

The application of the more stringent capital requirements described above could, among other things, result in lower returns on invested capital, require the raising of additional capital, and result in additional regulatory actions if we were to be unable to comply with such requirements. Furthermore, the imposition of liquidity requirements under the Basel III Capital Rules could result in our having to lengthen the term of our funding, restructure our business models, and/or increase our holdings of liquid assets. Implementation of changes to asset risk weightings for risk based capital calculations, items included or deducted in calculating regulatory capital and/or additional capital conservation buffers could result in us modifying our business strategy and could limit our ability to pay dividends.

Our ability to fully utilize deferred tax assets could be impaired.

We reported a net deferred tax asset of $259 million as of December 31, 2013, which includes approximately $220 million of deferred tax benefits related to federal and state operating loss carry-forwards. Our ability to use such assets, including the reversal or partial release of the valuation allowance, is dependent on our ability to generate future earnings within the operating loss carry-forward periods, which are generally 20 years. If we do not realize taxable earnings within the carry-forward periods, our deferred tax asset would be permanently impaired. Additionally, our ability to use such assets to offset future tax liabilities could be permanently impaired if cumulative common stock transactions over a rolling three-year period resulted in an ownership change under Section 382 of the Internal Revenue Code. There is no guarantee that our tax benefits preservation plan will prevent us from experiencing an ownership change under Section 382. Our inability to utilize these deferred tax assets (benefits) would have a material adverse effect on our financial condition and results of operations.

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

We compute our income tax provision based on enacted tax rates in the jurisdictions in which we operate. Any change in enacted tax laws, rules or regulatory or judicial interpretations, any adverse outcome in connection with tax audits in any jurisdiction or any change in the pronouncements relating to accounting for income taxes could adversely affect our effective tax rate, tax payments and results of operations. In addition, changes in enacted tax laws, such as adoption of a lower income tax rate in any of the jurisdictions in which we operate, could impact our ability to obtain the future tax benefits represented by our deferred tax assets.

System failure or cybersecurity breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.

We rely heavily on communications and information systems to conduct our business. The computer systems and network infrastructure we use could be vulnerable to unforeseen hardware and cybersecurity issues. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure that causes an interruption in our operations could have an adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect the computer systems and network infrastructure we use, including our Internet banking activities, against damage from physical break-ins, cybersecurity breaches and other disruptive problems caused by the Internet or users. Such problems could jeopardize the security of our customers personal information and other information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us, subject us to additional regulatory scrutiny, damage our reputation, result in a loss of customers, or inhibit current and potential customers from our Internet banking services, any of all of which could have a material adverse effect on our results of operations and financial condition. Although we have security measures designed to mitigate the possibility of break-ins, breaches and other disruptive problems, including firewalls and penetration testing, there can be no assurance that such security measures will be effective in preventing such problems.

Our lack of geographic diversification increases our risk profile.

Our operations are located principally in Georgia, western North Carolina and east Tennessee. As a result of this geographic concentration, our results depend largely upon economic and business conditions in this area. Deterioration in economic and business conditions in our service area could have a material adverse impact on the quality of our loan portfolio and the demand for our products and services, which in turn may have a material adverse effect on our results of operations.

Our interest-only home equity lines of credit expose us to increased lending risk.

At December 31, 2013, we had $441 million of home equity line of credit loans, which represented 10% of our loan portfolio as of that date. Historically, United's home equity lines of credit generally had a 35 month or 10 year draw period with interest-only payment requirements for the term of the loan, a balloon payment requirement at the end of the draw period. Since June 2012 new home equity lines of credit generally have a 10 year interest only draw period followed by a 15 year amortized repayment period for any outstanding balance at the 10 year conversion date. United continues to offer a home equity line of credit with a 35 month draw period with interest-only payment requirements for the term of the loan with a balloon payment requirement at the end of the draw period. All home equity line of credit products, historically and currently available, have a maximum 80% combined loan to value ratio. Loan to value ratios are established on a case by case basis considering the borrower's credit profile and the collateral type – primary or secondary residence. These loans are also secured by a first or second lien on the underlying home.

In the case of interest-only loans, a borrower's monthly payment is subject to change when the loan converts to fully-amortizing status. Since the borrower's monthly payment may increase by a substantial amount even without an increase in prevailing market interest rates, the borrower might not be able to afford the increased monthly payment. In addition, interest-only loans have a large, balloon payment at the end of the loan term, which the borrower may be unable to pay. Also, real estate values may decline, dramatically reducing or even eliminating the borrower's equity, and credit standards may tighten in concert with the higher payment requirement, making it difficult for borrowers to sell their homes or refinance their loans to pay off their mortgage obligations. The risks can be magnified by United's limited ability to monitor the delinquency status of the first lien on the collateral. For these reasons, home equity lines of credit are considered to have an increased risk of delinquency, default and foreclosure than conforming loans and may result in higher levels of losses. The Bank mitigates these risks in its underwriting by calculating the fully amortizing principal and interest payment assuming 100% utilization and using that amount to determine the borrower's ability to pay.

We rely on third parties to provide key components of our business infrastructure.

Third parties provide key components of our business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. While we have selected these third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor, failure of a vendor to provide services for any reason or poor performance of services, could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business. Financial or operational difficulties of a third party vendor could also hurt our operations if those difficulties interfere with the vendor's ability to serve us. Furthermore, our vendors could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to our business operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

There are no unresolved comments from the SEC staff regarding United's periodic or current reports under the Exchange Act.

ITEM 2. PROPERTIES.

The executive offices of United are located at 125 Highway 515 East, Blairsville, Georgia. United owns this property. The Bank conducts business from facilities primarily owned by the Bank or its subsidiaries, all of which are in a good state of repair and appropriately designed for use as banking facilities. The Bank provides services or performs operational functions at 117 locations, of which 99 are owned and 18 are leased under operating leases. Note 9 to United's consolidated financial statements includes additional information regarding amounts invested in premises and equipment.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of operations, United and the Bank are defendants in various legal proceedings. Additionally, in the ordinary course of business, United and the Bank are subject to regulatory examinations and investigations. Based on our knowledge and advice of counsel, in the opinion of management, there is no such pending or threatened legal matter in which an adverse decision will result in a material adverse change in the consolidated financial condition or results of operations of United. No material proceedings terminated in the fourth quarter of 2013.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

Stock. United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI". The closing price for the period ended December 31, 2013 was 17.75. Below is a schedule of high, low and closing stock prices and average daily volume for all quarters in 2013 and 2012.

	2013				2012			
	High	Low	Close	Avg Daily Volume	High	Low	Close	Avg Daily Volume
First quarter	$ 11.57	$ 9.59	$ 11.34	195,803	$ 10.30	$ 6.37	$ 9.75	142,987
Second quarter	12.94	10.15	12.42	184,922	9.77	7.76	8.57	145,132
Third quarter	16.04	12.15	14.99	341,270	8.82	6.12	8.39	329,475
Fourth quarter	18.56	14.82	17.75	421,948	9.49	8.01	9.44	202,871

At January 31, 2014, there were approximately 6,700 record shareholders and 16,650 beneficial shareholders of United's common stock.

Dividends. No cash or stock dividends were declared on United's common stock during 2013 or 2012. Federal and state laws and regulations impose restrictions on the ability of United and the Bank to pay dividends.

Additional information regarding dividends is included in Note 21 to the consolidated financial statements, under the heading of "Supervision and Regulation" in Part I of this report and in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Dividends."

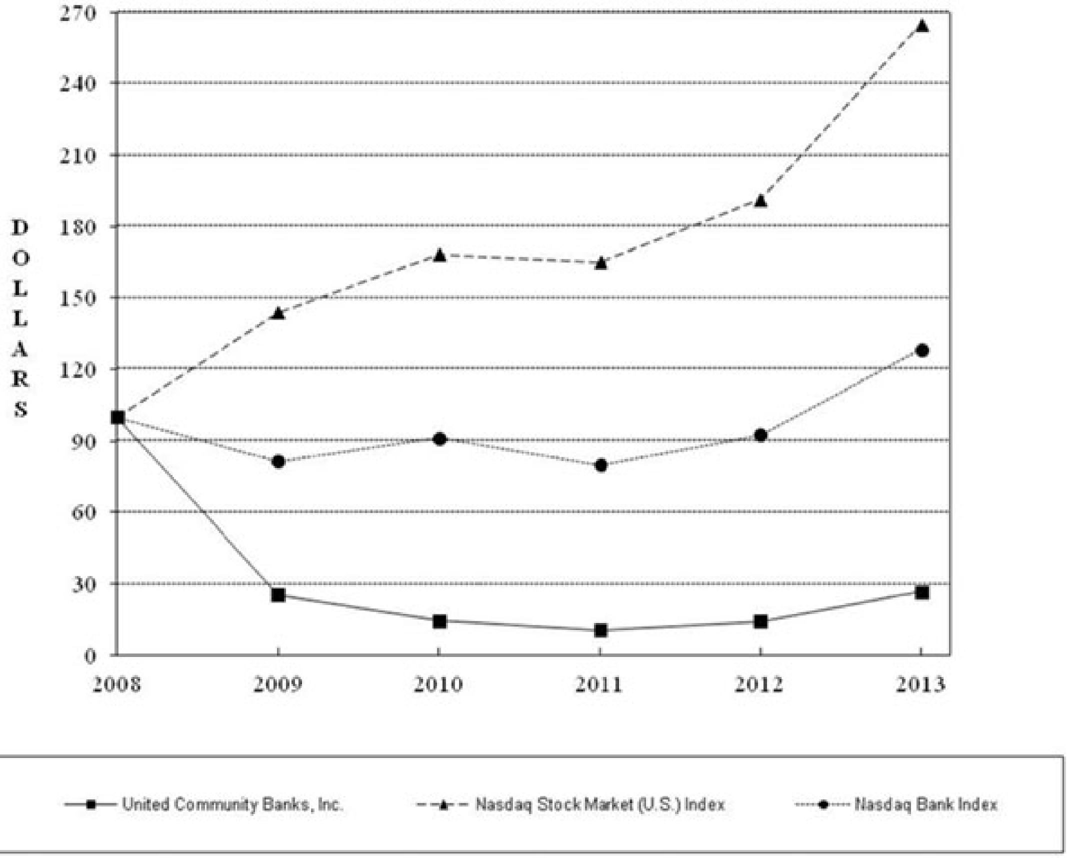
Share Repurchases. United's Amended and Restated 2000 Key Employee Stock Option Plan allows option holders to exercise stock options by delivering previously acquired shares having a fair market value equal to the exercise price provided that the shares delivered must have been held by the option holder for at least six months. In addition, United may withhold a sufficient number of restricted stock shares at the time of vesting to cover payroll tax withholdings at the election of the restricted stock recipient. In 2013 and 2012, 24,374 and 19,806 shares, respectively, were withheld to cover payroll taxes owed at the time of restricted stock vesting. No shares were delivered to exercise stock options in 2013 or 2012.

On December 31, 2013, United redeemed all of its outstanding Series A Preferred Stock in the principal amount of $217,000. The redemption price for shares of the Series A Preferred Stock was the stated value of $10 per share, plus any accrued and unpaid dividends that had been earned thereon through the redemption date. Following the redemption, there are no shares of United's Series A Preferred Stock outstanding.

On December 27, 2013, United redeemed $75 million of its $180 million in outstanding Series B Preferred Stock. The redemption price for shares of the Series B Preferred Stock called for redemption was the stated liquidation value of $1,000 per share, plus any accrued and unpaid dividends that had been earned thereon to, but not including, the redemption date. As of December 31, 2013, $105 million of United's Series B Preferred Stock was outstanding. The remaining $105 million of United's Series B Preferred Stock was redeemed on January 10, 2014 on comparable terms.

Performance Graph. Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on United's common stock against the cumulative total return on the Nasdaq Stock Market (U.S. Companies) Index and the Nasdaq Bank Stocks Index for the five-year period commencing December 31, 2008 and ending on December 31, 2013.

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



	Cumulative Total Return *					
	2008	2009	2010	2011	2012	2013
United Community Banks, Inc.	$ 100	$ 25	$ 15	$ 10	$ 14	$ 27
Nasdaq Stock Market (U.S.) Index	100	144	168	165	191	265
Nasdaq Bank Index	100	81	91	80	92	128

* Assumes $100 invested on December 31, 2008 in United's common stock and above noted indexes. Total return includes reinvestment of dividends at the closing stock price of the common stock on the dividend payment date and the closing values of stock and indexes as of December 31 of each year.

ITEM 6. SELECTED FINANCIAL DATA.
For the Years Ended December 31,

(in thousands, except per share data; taxable equivalent)	2013	2012	2011	2010	2009
INCOME SUMMARY					
Net interest revenue[1]	$ 219,641	$ 229,758	$ 238,670	$ 244,637	$ 244,834
Operating provision for credit losses [2]	65,500	62,500	251,000	234,750	310,000
Operating fee revenue [1][3]	56,598	56,112	44,907	46,963	51,357
Total operating revenue [2][3]	210,739	223,370	32,577	56,850	(13,809)
Operating expenses [4]	174,304	186,774	261,599	242,952	217,050
Loss on sale of nonperforming assets	—	—	—	45,349	—
Operating income (loss) from continuing operations before taxes	36,435	36,596	(229,022)	(231,451)	(230,859)
Operating income taxes	(236,705)	2,740	(2,276)	73,218	(91,754)
Net operating income (loss) from continuing operations	273,140	33,856	(226,746)	(304,669)	(139,105)
Gain from acquisition, net of tax	—	—	—	—	7,062
Noncash goodwill impairment charges	—	—	—	(210,590)	(95,000)
Severance cost, net of tax benefit	—	—	—	—	(1,797)
Fraud loss provision and subsequent recovery, net of tax benefit	—	—	—	11,750	—
Net income (loss) from discontinued operations	—	—	—	(101)	513
Gain from sale of subsidiary, net of income taxes and selling costs	—	—	—	1,266	—
Net income (loss)	273,140	33,856	(226,746)	(502,344)	(228,327)
Preferred dividends and discount accretion	12,078	12,148	11,838	10,316	10,242
Net income (loss) available to common shareholders	$ 261,062	$ 21,708	$ (238,584)	$ (512,660)	$ (238,569)
PERFORMANCE MEASURES					
Per common share:					
Diluted operating earnings (loss) from continuing operations [2][3][4]	$ 4.44	$ .38	$ (5.97)	$ (16.64)	$ (12.37)
Diluted earnings (loss) from continuing operations	4.44	.38	(5.97)	(27.15)	(19.80)
Diluted earnings (loss)	4.44	.38	(5.97)	(27.09)	(19.76)
Book value	11.30	6.67	6.62	15.40	41.78
Tangible book value [6]	11.26	6.57	6.47	14.80	30.09
Key performance ratios:					
Return on common equity [5]	46.72	5.43	(93.57) %	(85.08) %	(34.40) %
Return on assets	3.86	.49	(3.15)	(6.61)	(2.76)
Net interest margin	3.30	3.51	3.52	3.59	3.29
Operating efficiency ratio from continuing operations [3][4]	63.14	65.43	92.27	98.98	73.97
Equity to assets	10.35	8.47	7.75	10.77	11.12
Tangible equity to assets [6]	10.31	8.38	7.62	8.88	8.33
Tangible common equity to assets [6]	7.55	5.54	3.74	6.52	6.15
Tangible common equity to risk-weighted assets [6]	13.17	8.26	8.25	5.64	10.39
ASSET QUALITY *					
Non-performing loans	$ 26,819	$ 109,894	$ 127,479	$ 179,094	$ 264,092
Foreclosed properties	4,221	18,264	32,859	142,208	120,770
Total non-performing assets (NPAs)	31,040	128,158	160,338	321,302	384,862
Allowance for loan losses	76,762	107,137	114,468	174,695	155,602
Operating net charge-offs [2]	93,710	69,831	311,227	215,657	276,669
Allowance for loan losses to loans	1.77	2.57%	2.79%	3.79%	3.02%
Operating net charge-offs to average loans [2]	2.22	1.69	7.33	4.42	5.03
NPAs to loans and foreclosed properties	.72	3.06	3.87	6.77	7.30
NPAs to total assets	.42	1.88	2.30	4.42	4.81
AVERAGE BALANCES *($ in millions)*					
Loans	$ 4,254	$ 4,166	$ 4,307	$ 4,961	$ 5,548
Investment securities	2,190	2,089	1,999	1,453	1,656
Earning assets	6,649	6,547	6,785	6,822	7,465
Total assets	7,074	6,865	7,189	7,605	8,269
Deposits	6,027	5,885	6,275	6,373	6,713
Shareholders' equity	732	582	557	819	920
Common shares - Basic *(thousands)*	58,787	57,857	39,943	18,925	12,075
Common shares - Diluted *(thousands)*	58,845	57,857	39,943	18,925	12,075
AT YEAR END *($ in millions)*					
Loans *	$ 4,329	$ 4,175	$ 4,110	$ 4,604	$ 5,151
Investment securities	2,312	2,079	2,120	1,490	1,530
Total assets	7,425	6,802	6,983	7,276	8,000
Deposits	6,202	5,952	6,098	6,469	6,628
Shareholders' equity	796	581	575	469	962
Common shares outstanding *(thousands)*	59,432	57,741	57,561	18,937	18,809

[1] Hedge ineffectiveness gains and losses were reclassified from operating fee revenue to net interest revenue in 2013 to correspond with the location where interest accruals on the hedged items are reported. All prior periods have been adjusted to reflect a consistent presentation. [2] Excludes the subsequent recovery of $11.8 million in previously recognized fraud related loan losses in 2010. [3] Excludes the gain from acquisition of $11.4 million, net of income tax expense of $4.3 million in 2009. [4] Excludes goodwill impairment charges of $211 million and $95 million in 2010 and 2009, respectively, and severance costs of $2.9 million, net of income tax benefit of $1.1 million in 2009. [5] Net income (loss) available to common shareholders, which is net of preferred stock dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss). [6] Excludes effect of acquisition related intangibles and associated amortization.

* Excludes loans and foreclosed properties covered by loss sharing agreements with the FDIC.

Selected Financial Data (Continued)

(in thousands, except per share data; taxable equivalent)	2013 Fourth Quarter	2013 Third Quarter	2013 Second Quarter	2013 First Quarter	2012 Fourth Quarter	2012 Third Quarter	2012 Second Quarter	2012 First Quarter
INCOME SUMMARY								
Interest revenue[1]	$ 61,695	$ 61,426	$ 62,088	$ 62,114	$ 64,450	$ 66,092	$ 66,823	$ 70,302
Interest expense[1]	5,816	7,169	7,157	7,540	8,306	8,113	10,167	11,323
Net interest revenue	55,879	54,257	54,931	54,574	56,144	57,979	56,656	58,979
Provision for credit losses	3,000	3,000	48,500	11,000	14,000	15,500	18,000	15,000
Fee revenue[1]	13,519	14,225	15,943	12,911	14,645	13,156	13,047	15,264
Total revenue	66,398	65,482	22,374	56,485	56,789	55,635	51,703	59,243
Operating expenses	41,614	40,097	48,823	43,770	50,726	44,783	44,310	46,955
Income (loss) before income taxes	24,784	25,385	(26,449)	12,715	6,063	10,852	7,393	12,288
Income tax expense (benefit)	8,873	9,885	(256,413)	950	802	284	894	760
Net income	15,911	15,500	229,964	11,765	5,261	10,568	6,499	11,528
Preferred dividends and discount accretion	2,912	3,059	3,055	3,052	3,045	3,041	3,032	3,030
Net income available to common shareholders	$ 12,999	$ 12,441	$ 226,909	$ 8,713	$ 2,216	$ 7,527	$ 3,467	$ 8,498
PERFORMANCE MEASURES								
Per common share:								
Diluted income	$ .22	$ .21	$ 3.90	$ .15	$ .04	$ .13	$ .06	$ .15
Book value	11.30	10.99	10.90	6.85	6.67	6.75	6.61	6.68
Tangible book value [2]	11.26	10.95	10.82	6.76	6.57	6.64	6.48	6.54
Key performance ratios:								
Return on common equity [3][4]	7.52%	7.38%	197.22%	8.51%	2.15%	7.43%	3.51%	8.78%
Return on assets [4]	.86	.86	13.34	.70	.31	.63	.37	.66
Net interest margin [4]	3.26	3.26	3.33	3.37	3.45	3.64	3.42	3.54
Efficiency ratio	60.02	58.55	68.89	64.97	71.69	62.95	63.84	63.31
Equity to assets	11.62	11.80	11.57 (5)	8.60	8.63	8.75	8.33	8.19
Tangible equity to assets [2]	11.59	11.76	11.53 (5)	8.53	8.55	8.66	8.24	8.08
Tangible common equity to assets [2]	8.99	9.02	8.79 (5)	5.66	5.67	5.73	5.45	5.33
Tangible common equity to risk-weighted assets [2]	13.17	13.34	13.16	8.45	8.26	8.44	8.37	8.21
ASSET QUALITY *								
Non-performing loans	$ 26,819	$ 26,088	$ 27,864	$ 96,006	$ 109,894	$ 115,001	$ 115,340	$ 129,704
Foreclosed properties	4,221	4,467	3,936	16,734	18,264	26,958	30,421	31,887
Total non-performing assets (NPAs)	31,040	30,555	31,800	112,740	128,158	141,959	145,761	161,591
Allowance for loan losses	76,762	80,372	81,845	105,753	107,137	107,642	112,705	113,601
Net charge-offs	4,445	4,473	72,408	12,384	14,505	20,563	18,896	15,867
Allowance for loan losses to loans	1.77%	1.88%	1.95%	2.52%	2.57%	2.60%	2.74%	2.75%
Net charge-offs to average loans [4]	.41	.42	6.87	1.21	1.39	1.99	1.85	1.55
NPAs to loans and foreclosed properties	.72	.72	.76	2.68	3.06	3.41	3.51	3.88
NPAs to total assets	.42	.42	.44	1.65	1.88	2.12	2.16	2.25
AVERAGE BALANCES *($ in millions)*								
Loans	$ 4,315	$ 4,250	$ 4,253	$ 4,197	$ 4,191	$ 4,147	$ 4,156	$ 4,168
Investment securities	2,280	2,178	2,161	2,141	2,088	1,971	2,145	2,153
Earning assets	6,823	6,615	6,608	6,547	6,482	6,346	6,665	6,700
Total assets	7,370	7,170	6,915	6,834	6,778	6,648	6,993	7,045
Deposits	6,190	5,987	5,983	5,946	5,873	5,789	5,853	6,028
Shareholders' equity	856	846	636	588	585	582	583	577
Common shares - basic *(thousands)*	59,923	59,100	58,141	58,081	57,971	57,880	57,840	57,764
Common shares - diluted *(thousands)*	59,925	59,202	58,141	58,081	57,971	57,880	57,840	57,764
AT PERIOD END *($ in millions)*								
Loans *	$ 4,329	$ 4,267	$ 4,189	$ 4,194	$ 4,175	$ 4,138	$ 4,119	$ 4,128
Investment securities	2,312	2,169	2,152	2,141	2,079	2,025	1,984	2,202
Total assets	7,425	7,243	7,163	6,849	6,802	6,699	6,737	7,174
Deposits	6,202	6,113	6,012	6,026	5,952	5,823	5,822	6,001
Shareholders' equity	796	852	829	592	581	585	576	580
Common shares outstanding *(thousands)*	59,432	59,412	57,831	57,767	57,741	57,710	57,641	57,603

[1] Hedge ineffectiveness gains and losses were reclassified from fee revenue to interest revenue and interest expense in the fourth quarter of 2013 to correspond with the location where interest accruals on the hedged items are reported. All prior periods have been adjusted to reflect a consistent presentation. [2] Excludes effect of acquisition related intangibles and associated amortization. [3] Net income available to common shareholders, which is net of preferred stock dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss). [4] Annualized. [5] Calculated as of period-end.

* Excludes loans and foreclosed properties covered by loss sharing agreements with the FDIC.

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

Overview

The following discussion is intended to provide insight into the financial condition and results of operations of United and its subsidiaries and should be read in conjunction with the consolidated financial statements and accompanying notes.

Operating earnings (loss) and operating earnings (loss) per diluted share are non-GAAP performance measures. United's management believes that operating performance measures are useful in analyzing the Company's financial performance trends since they exclude items that are non-recurring in nature and therefore most of the discussion in this section will refer to operating performance measures. A reconciliation of these operating performance measures to GAAP performance measures is included in the table on pages 31 through 33.

United's financial condition improved considerably in 2013, as several of its strategic goals were achieved. We reduced nonperforming assets to pre-crisis levels, restored our deferred tax asset, and redeemed $75 million of our Series B Preferred Stock which was followed by the redemption of the remaining $105 million in early January 2014. Loans grew despite the fragile economic conditions in United's markets and intense competition for quality loans. United reported net income of $273 million in 2013 compared to net income of $33.9 million in 2012. Diluted earnings per common share was $4.44 for the year ended December 31, 2013, compared with diluted earnings per common share of $.38 for 2012. Net income and earnings per share for the year ended December 31, 2013 were elevated by the recognition of substantial tax benefits with the reversal of United's deferred tax valuation allowance in the second quarter of 2013. The effect of the tax benefit on net income was partially offset by higher net charge-offs resulting from the accelerated disposition of classified assets in the second quarter of 2013.

United's approach to managing through the challenging economic cycle has been to aggressively deal with credit problems and dispose of troubled assets quickly, taking losses as necessary. United's provision for credit losses was $65.5 million in 2013 compared with $62.5 million in 2012. Net charge-offs for 2013 were $93.7 million compared with $69.8 million in 2012. During the second quarter of 2013, in conjunction with a large bulk sale transaction, classified loans totaling approximately $131 million were sold for approximately $77.5 million, increasing net charge-offs by $53.5 million.

Since disposing of a significant amount of problem assets in the first quarter of 2011, United's allowance for loan losses analysis has indicated a lower allowance requirement each quarter than the previous quarter, resulting in provisions for loan losses being at or below the amount of net charge-offs. The only exception was the third quarter of 2011 due to the classification of United's then largest lending relationship. As United's historical loss experience and other credit measures have improved, the amount of estimated probable incurred losses in the loan portfolio, as measured by United's quarterly analysis of the allowance for credit losses, has decreased accordingly.

As of December 31, 2013, United's allowance for loan losses was $76.8 million, or 1.77% of loans compared to $107 million, or 2.57% of loans at the end of 2012. Nonperforming assets of $31.0 million, which excludes $3.00 million of assets that are covered by loss sharing agreements with the FDIC, were .42% of total assets at December 31, 2013, compared to 1.88% as of December 31, 2012.

Taxable equivalent net interest revenue was $220 million for 2013, compared to $230 million in 2012. The $10.1 million, or 4%, decrease in net interest revenue, was primarily the result of lower yields on the loan and securities portfolios, which were due to loan pricing competition and the reinvestment of maturing and called securities proceeds at lower interest rates. The decrease in interest revenue was partially offset by lower deposit interest expense.

Net interest margin decreased 21 basis points from 3.51% in 2012 to 3.30% in 2013 due primarily to lower yields on loans and securities. The 50 basis point decrease in the average loan yield and 25 basis point decrease in the average securities yield were partially offset by the 19 basis point reduction in the average rate paid on interest bearing deposits.

Fee revenue of $56.6 million was up $486,000, or 1%, from 2012. Overdraft fees declined $877,000, or 7%, which is consistent with the decline from 2011 to 2012. Overdraft fees have been on a declining trend. This decline was more than offset by a $1.40 million increase in ATM and debit card fee revenue. Mortgage loan and related fees decreased $558,000 compared to the prior year, due to lower origination volumes that were driven by interest rates. For 2013, brokerage fees increased $1.38 million, or 45%, compared to 2012, as United intensified its focus on growing this line of business.

For 2013, operating expenses of $174 million were down $12.5 million, or 7%, from 2012. United's focus on reducing costs and improving operating efficiency resulted in reductions of several expense categories in 2013. Foreclosed property costs of $7.87 million were $6.12 million lower in 2013, driven by decreased volumes partially due to the classified asset sales in the second quarter of 2013. Other expense of $15.2 million for 2013 was down $4.78 million compared to 2012 due to a $4.00 million litigation reserve established in 2012. Salaries and employee benefit costs of $96.2 million remained relatively flat year over year, as a lower headcount was offset by incentives paid for meeting financial targets and completing strategic initiatives.

Loans at December 31, 2013 were $4.33 billion, up $154 million from the end of 2012. A significant portion of the loan growth resulted from United's entrance into the Greenville, South Carolina and Nashville, Tennessee markets. These new markets added $88 million in loan growth in 2013. United's successful home equity line of credit promotion added another $56 million in new loans during the year. In addition, United purchased $202 million of indirect auto loans during 2013, which drove the increase in the consumer category. These increases more than offset the $131 million of classified loans sold in the second quarter bulk sale transaction. Deposits were up $249 million to $6.20 billion, as United focused on increasing low cost core transaction deposits which grew $224 million in 2013, excluding public funds deposits. At the end of 2013, total equity capital was $796 million, up $214 million from December 31, 2012, reflecting the earnings for the year and United's reversal of the deferred tax valuation allowance offset by the redemption of $75 million in preferred stock. At December 31, 2013, all of United's regulatory capital ratios were above well capitalized levels.

Critical Accounting Policies

The accounting and reporting policies of United and its subsidiaries are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The more critical accounting and reporting policies include United's accounting for the allowance for loan losses, fair value measurements and income taxes. Application of these principles requires management to make estimates or judgments that affect the amounts reported in the financial statements and the accompanying notes. These estimates are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates or judgments. Certain policies inherently have a greater reliance on the use of estimates, and as such have a greater possibility of producing results that could be materially different than originally reported.

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

The most significant accounting policies for United are presented in Note 1 to the consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management views critical accounting policies to be those that are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant effect on the financial statements.

Management considers the following accounting policies to be critical accounting policies:

Allowance for Credit Losses

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

The allowance for loan losses is an estimate and consists of an allocated component and an unallocated component. The allocated component of the allowance for loan losses reflects probable incurred losses in the loan portfolio and is based on analyses developed through specific credit allocations for individual loans and historical loss experience for each loan category. The specific credit allocations are based on impairment analyses of all nonaccrual loans over $500,000, accruing substandard loans in relationships over $2 million and troubled debt restructurings ("TDRs"), which are all considered impaired loans including certain primary home mortgages in the process of restructure. These analyses involve judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The historical loss element is determined using the weighted average of actual losses incurred over the prior eight quarters for each type of loan, updated quarterly. The weighted average is weighted toward the most recent quarters' loss experience. The historical loss experience is adjusted for known changes in economic trends, events and conditions and credit quality trends such as changes in the amount of past due and nonperforming loans. The resulting loss allocation factors are applied to the balance of each type of loan after removing the balance of impaired loans and other specifically allocated loans from each category. The loss allocation factors are updated quarterly. The allocated component of the allowance for loan losses also includes consideration of concentrations of credit and changes in portfolio mix.

The unallocated portion of the allowance reflects management's estimate of probable incurred but unconfirmed losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate to subsequent loss rates, and risk factors that have not yet manifested themselves in loss allocation factors. In addition, the unallocated allowance includes a component that accounts for the inherent imprecision in loan loss estimation based on historical loss experience as a result of United's growth through acquisitions, which have expanded the geographic footprint in which it operates, and changed its portfolio mix. Also, loss data representing a complete economic cycle is not available for all sectors. Uncertainty surrounding the strength and timing of economic cycles also affects estimates of loss. The historical losses used in developing loss allocation factors may not be representative of actual losses incurred in the portfolio.

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

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

Fair Value Measurements

United's impaired loans and foreclosed assets may be measured and carried at fair value, the determination of which requires management to make assumptions, estimates and judgments. At December 31, 2013, the percentage of total assets measured at fair value was 25%. See Note 24 "Fair Value" in the consolidated financial statements herein for additional disclosures regarding the fair value of our assets and liabilities.

When a loan is considered individually impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. In addition, foreclosed assets are carried at the lower of cost, fair value, less cost to sell, or listed selling price less cost to sell, following foreclosure. Fair value is defined by GAAP "as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date." GAAP further defines an "orderly transaction" as "a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets. It is not a forced transaction (for example, a forced liquidation or distress sale)." Although management believes its processes for determining the value of impaired loans and foreclosed properties are appropriate and allow United to arrive at a fair value, the processes require management judgment and assumptions and the value of such assets at the time they are revalued or divested may be significantly different from management's determination of fair value. In addition, because of subjectivity in fair value determinations, there may be grounds for differences in opinions, which may result in disagreements between management and the Bank's regulators, disagreements which could cause the Bank to change its judgments about fair value.

The fair values for available-for-sale and held-to-maturity securities are generally based upon quoted market prices or observable market prices for similar instruments. United utilizes a third-party pricing service to assist with determining the fair value of its securities portfolio. The pricing service uses observable inputs when available including benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids and offers. These values take into account recent market activity as well as other market observable data such as interest rate, spread and prepayment information. When market observable data is not available, which generally occurs due to the lack of liquidity for certain securities, the valuation of the security is subjective and may involve substantial judgment by management. As of December 31, 2013, United had $350,000 of available-for-sale securities valued using unobservable inputs. This amount represents less than .01% of total assets. United periodically reviews available-for-sale securities that are in an unrealized loss position to determine whether other-than-temporary impairment exists. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost-basis. The primary factors United considers in determining whether impairment is other-than-temporary are long term expectations and recent experience regarding principal and interest payments, and United's ability and intent to hold the security until the amortized cost basis is recovered.

United uses derivatives primarily to manage interest rate risk. The fair values of derivative financial instruments are determined based on quoted market prices, dealer quotes and internal pricing models that are primarily sensitive to market observable data. United mitigates the credit risk by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide collateral to United when their unsecured loss positions exceed certain negotiated limits.

Income Tax Accounting

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

At December 31, 2013, United reported a net deferred tax asset totaling $259 million, and a valuation allowance of $4.77 million. Accounting Standards Codification Topic 740, *Income Taxes*, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. United's management considers both positive and negative evidence. In making such judgments, significant weight is given to evidence that can be objectively verified.

Regulatory risk-based capital rules limit the amount of deferred tax assets that a bank or bank holding company can include in Tier 1 capital. Generally, deferred tax assets that are dependent upon future taxable income are limited to the lesser of: (i) the amount of such deferred tax assets that the bank expects to realize within one year of the calendar quarter-end date, based on its projected future taxable income for that year or (ii) 10% of the amount of the bank's Tier 1 capital.

Mergers and Acquisitions

United selectively engages in the evaluation of strategic partnerships. Mergers and acquisitions present opportunities to enter new markets with an established presence and a capable management team already in place. United employs certain criteria to ensure that any merger or acquisition candidate meets strategic growth and earnings objectives that will build future franchise value for shareholders. Additionally, the criteria include ensuring that management of a potential partner shares United's community banking philosophy of premium service quality and operates in attractive markets with excellent opportunities for further organic growth.

United will continue to evaluate potential transactions as they are presented, including acquisitions of failed banks.

GAAP Reconciliation and Explanation

This Form 10-K contains non-GAAP financial measures determined by methods other than in accordance with GAAP. Such non-GAAP financial measures include, among others, the following: taxable equivalent interest revenue, taxable equivalent net interest revenue, operating provision for loan losses, operating fee revenue, total operating revenue, operating expense, operating income (loss), operating earnings (loss) per share and operating earnings (loss) per diluted share. Management uses these non-GAAP financial measures because it believes they are useful 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 financial measures provide users of our financial information with a meaningful measure for assessing our financial results and credit trends, as well as comparison to financial results for prior periods. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled financial measures used by other companies. A reconciliation of these operating performance measures to GAAP performance measures is included on the tables on pages 31 through 33.

In 2010, United recorded a non-cash goodwill impairment charge of $211 million in the third quarter. Also in 2010, United received a partial recovery of $11.8 million, net of recovery costs, in the fourth quarter resulting from fraud losses incurred in 2007 relating to two failed real estate developments near Spruce Pine, North Carolina. In 2009, United recorded non-cash goodwill impairment charges of $25 million and $70 million during the third and first quarters, respectively. In addition, United recorded severance costs of $2.9 million during the first quarter of 2009 and a bargain purchase gain on the acquisition of Southern Community Bank in the amount of $11.4 million during the second quarter of 2009.

Net operating income (loss) excludes the effect of the goodwill impairment charge of $211 million and the $11.8 million fraud loss partial recovery in 2010; the goodwill impairment charges of $95 million, the $11.4 million bargain purchase gain on acquisition, and the $2.9 million in severance costs in 2009, because management believes that the circumstances leading to those items were isolated, non-recurring events and do not reflect overall trends in United's earnings and financial performance. Management believes this non-GAAP net operating loss provides users of United's financial information with a meaningful measure for assessing United's financial results and credit trends, as well as comparison to financial results for prior periods.

The following table contains a reconciliation of net operating income to GAAP net income.

(in thousands, except per share data; taxable equivalent)	For the Years Ended December 31, 2013	2012	2011	2010	2009
Interest revenue reconciliation					
Interest revenue - taxable equivalent	$ 247,323	$ 267,667	$ 304,308	$ 344,493	$ 404,961
Taxable equivalent adjustment	(1,483)	(1,690)	(1,707)	(2,001)	(2,132)
Interest revenue (GAAP)	$ 245,840	$ 265,977	$ 302,601	$ 342,492	$ 402,829
Net interest revenue reconciliation					
Net interest revenue - taxable equivalent	$ 219,641	$ 229,758	$ 238,670	$ 244,637	$ 244,834
Taxable equivalent adjustment	(1,483)	(1,690)	(1,707)	(2,001)	(2,132)
Net interest revenue (GAAP)	$ 218,158	$ 228,068	$ 236,963	$ 242,636	$ 242,702
Provision for credit losses reconciliation					
Operating provision for credit losses	$ 65,500	$ 62,500	$ 251,000	$ 234,750	$ 310,000
Partial recovery of special fraud-related loan loss	—	—	—	(11,750)	—
Provision for credit losses (GAAP)	$ 65,500	$ 62,500	$ 251,000	$ 223,000	$ 310,000
Fee revenue reconciliation					
Operating fee revenue	$ 56,598	$ 56,112	$ 44,907	$ 46,963	$ 51,357
Gain from acquisition	—	—	—	—	11,390
Fee revenue (GAAP)	$ 56,598	$ 56,112	$ 44,907	$ 46,963	$ 62,747
Total revenue reconciliation					
Total operating revenue	$ 210,739	$ 223,370	$ 32,577	$ 56,850	$ (13,809)
Taxable equivalent adjustment	(1,483)	(1,690)	(1,707)	(2,001)	(2,132)
Gain from acquisition	—	—	—	—	11,390
Partial recovery of special fraud-related loan loss	—	—	—	11,750	—
Total revenue (GAAP)	$ 209,256	$ 221,680	$ 30,870	$ 66,599	$ (4,551)
Expense reconciliation					
Operating expense	$ 174,304	$ 186,774	$ 261,599	$ 288,301	$ 217,050
Noncash goodwill impairment charge	—	—	—	210,590	95,000
Severance costs	—	—	—	—	2,898
Operating expense (GAAP)	$ 174,304	$ 186,774	$ 261,599	$ 498,891	$ 314,948
Income (loss) before taxes reconciliation					
Income (loss) before taxes	$ 36,435	$ 36,596	$ (229,022)	$ (231,451)	$ (230,859)
Taxable equivalent adjustment	(1,483)	(1,690)	(1,707)	(2,001)	(2,132)
Gain from acquisition	—	—	—	—	11,390
Noncash goodwill impairment charge	—	—	—	(210,590)	(95,000)
Severance costs	—	—	—	—	(2,898)
Partial recovery of special fraud-related loan loss	—	—	—	11,750	—
Income (loss) before taxes (GAAP)	$ 34,952	$ 34,906	$ (230,729)	$ (432,292)	$ (319,499)
Income tax expense (benefit) reconciliation					
Income tax expense (benefit)	$ (236,705)	$ 2,740	$ (2,276)	$ 73,218	$ (91,754)
Taxable equivalent adjustment	(1,483)	(1,690)	(1,707)	(2,001)	(2,132)
Gain from acquisition, tax expense	—	—	—	—	4,328
Severance costs, tax benefit	—	—	—	—	(1,101)
Income tax expense (benefit) (GAAP)	$ (238,188)	$ 1,050	$ (3,983)	$ 71,217	$ (90,659)

UNITED COMMUNITY BANKS, INC.
Non-GAAP Performance Measures Reconciliation
Selected Financial Information - Continued

(in thousands, except per share data; taxable equivalent)	For the Years Ended December 31, 2013	2012	2011	2010	2009
Diluted earnings (loss) from continuing operations per common share reconciliation					
Diluted operating earnings (loss) from continuing operations per common share	$ 4.44	$ .38	$ (5.97)	$ (16.64)	$ (12.37)
Gain from acquisition	—	—	—	—	.58
Noncash goodwill impairment charge	—	—	—	(11.13)	(7.86)
Severance costs	—	—	—	—	(.15)
Partial recovery of special fraud-related loan loss	—	—	—	.62	—
Diluted earnings (loss) from continuing operations per common share (GAAP)	$ 4.44	$ .38	$ (5.97)	$ (27.15)	$ (19.80)
Book value per common share reconciliation					
Tangible book value per common share	$ 11.26	$ 6.57	$ 6.47	$ 14.80	$ 30.09
Effect of goodwill and other intangibles	.04	.10	.15	.60	11.69
Book value per common share (GAAP)	$ 11.30	$ 6.67	$ 6.62	$ 15.40	$ 41.78
Efficiency ratio from continuing operations reconciliation					
Operating efficiency ratio from continuing operations	63.14%	65.43%	92.27%	98.98%	73.97%
Gain from acquisition	—	—	—	—	(2.77)
Noncash goodwill impairment charge	—	—	—	72.29	31.17
Severance costs	—	—	—	—	.95
Efficiency ratio from continuing operations (GAAP)	63.14%	65.43%	92.27%	171.27%	103.32%
Average equity to assets reconciliation					
Tangible common equity to assets	7.55%	5.54%	3.74%	6.52%	6.15%
Effect of preferred equity	2.76	2.84	3.88	2.36	2.18
Tangible equity to assets	10.31	8.38	7.62	8.88	8.33
Effect of goodwill and other intangibles	.04	.09	.13	1.89	2.79
Equity to assets (GAAP)	10.35%	8.47%	7.75%	10.77%	11.12%
Tangible common equity to risk-weighted assets reconciliation					
Tangible common equity to risk-weighted assets	13.17%	8.26%	8.25%	5.64%	10.39%
Effect of other comprehensive income	.39	.51	(.03)	(.42)	(.87)
Effect of deferred tax limitation	(4.25)	—	—	—	(1.27)
Effect of trust preferred	1.04	1.15	1.18	1.06	.97
Effect of preferred equity	2.38	4.24	4.29	3.53	3.19
Tier I capital ratio (Regulatory)	12.73%	14.16%	13.69%	9.81%	12.41%
Net charge-offs reconciliation					
Operating net charge-offs	$ 93,710	$ 69,831	$ 311,227	$ 215,657	$ 276,669
Subsequent partial recovery of fraud-related charge-off	—	—	—	(11,750)	—
Net charge-offs (GAAP)	$ 93,710	$ 69,831	$ 311,227	$ 203,907	$ 276,669
Net charge-offs to average loans reconciliation					
Operating net charge-offs to average loans	2.22%	1.69%	7.33%	4.42%	5.03
Subsequent partial recovery of fraud-related charge-off	—	—	—	(.25)	—
Net charge-offs to average loans (GAAP)	2.22%	1.69%	7.33%	4.17%	5.03

Table 1 (Continued) - Operating Earnings to GAAP Earnings Reconciliation - Quarterly
Selected Financial Information

(in thousands, except per share data; taxable equivalent)	2013 Fourth Quarter	2013 Third Quarter	2013 Second Quarter	2013 First Quarter	2012 Fourth Quarter	2012 Third Quarter	2012 Second Quarter	2012 First Quarter
Interest revenue reconciliation								
Interest revenue - taxable equivalent	$ 61,695	$ 61,426	$ 62,088	$ 62,114	$ 64,450	$ 66,092	$ 66,823	$ 70,302
Taxable equivalent adjustment	(380)	(370)	(368)	(365)	(381)	(419)	(444)	(446)
Interest revenue (GAAP)	$ 61,315	$ 61,056	$ 61,720	$ 61,749	$ 64,069	$ 65,673	$ 66,379	$ 69,856
Net interest revenue reconciliation								
Net interest revenue - taxable equivalent	$ 55,879	$ 54,257	$ 54,931	$ 54,574	$ 56,144	$ 57,979	$ 56,656	$ 58,979
Taxable equivalent adjustment	(380)	(370)	(368)	(365)	(381)	(419)	(444)	(446)
Net interest revenue (GAAP)	$ 55,499	$ 53,887	$ 54,563	$ 54,209	$ 55,763	$ 57,560	$ 56,212	$ 58,533
Total revenue reconciliation								
Total operating revenue	$ 66,398	$ 65,482	$ 22,374	$ 56,485	$ 56,789	$ 55,635	$ 51,703	$ 59,243
Taxable equivalent adjustment	(380)	(370)	(368)	(365)	(381)	(419)	(444)	(446)
Total revenue (GAAP)	$ 66,018	$ 65,112	$ 22,006	$ 56,120	$ 56,408	$ 55,216	$ 51,259	$ 58,797
Income (loss) before taxes reconciliation								
Income (loss) before taxes	$ 24,784	$ 25,385	$ (26,449)	$ 12,715	$ 6,063	$ 10,852	$ 7,393	$ 12,288
Taxable equivalent adjustment	(380)	(370)	(368)	(365)	(381)	(419)	(444)	(446)
Income (loss) before taxes (GAAP)	$ 24,404	$ 25,015	$ (26,817)	$ 12,350	$ 5,682	$ 10,433	$ 6,949	$ 11,842
Income tax expense (benefit) reconciliation								
Income tax expense (benefit)	$ 8,873	$ 9,885	$ (256,413)	$ 950	$ 802	$ 284	$ 894	$ 760
Taxable equivalent adjustment	(380)	(370)	(368)	(365)	(381)	(419)	(444)	(446)
Income tax expense (benefit) (GAAP)	$ 8,493	$ 9,515	$ (256,781)	$ 585	$ 421	$ (135)	$ 450	$ 314
Book value per common share reconciliation								
Tangible book value per common share	$ 11.26	$ 10.95	$ 10.82	$ 6.76	$ 6.57	$ 6.64	$ 6.48	$ 6.54
Effect of goodwill and other intangibles	.04	.04	.08	.09	.10	.11	.13	.14
Book value per common share (GAAP)	$ 11.30	$ 10.99	$ 10.90	$ 6.85	$ 6.67	$ 6.75	$ 6.61	$ 6.68
Average equity to assets reconciliation								
Tangible common equity to assets	8.99%	9.02%	8.79%	5.66%	5.67%	5.73%	5.45%	5.33%
Effect of preferred equity	2.60	2.74	2.74	2.87	2.88	2.93	2.79	2.75
Tangible equity to assets	11.59	11.76	11.53	8.53	8.55	8.66	8.24	8.08
Effect of goodwill and other intangibles	.03	.04	.04	.07	.08	.09	.09	.11
Equity to assets (GAAP)	11.62%	11.80%	11.57%	8.60%	8.63%	8.75%	8.33%	8.19%
Tangible common equity to risk-weighted assets reconciliation								
Tangible common equity to risk-weighted assets	13.17%	13.34%	13.16%	8.45%	8.26%	8.44%	8.37%	8.21%
Effect of other comprehensive income	.39	.49	.29	.49	.51	.36	.28	.10
Effect of deferred tax limitation	(4.25)	(4.72)	(4.99)	—	—	—	—	—
Effect of trust preferred	1.04	1.09	1.11	1.15	1.15	1.17	1.19	1.15
Effect of preferred equity	2.38	4.01	4.11	4.22	4.24	4.29	4.35	4.23
Tier I capital ratio (Regulatory)	12.73%	14.21%	13.68%	14.31%	14.16%	14.26%	14.19%	13.69%

Results of Operations

United reported net income of $273 million for the year ended December 31, 2013. This compared to net income of $33.9 million in 2012. Diluted earnings per common share for 2013 was $4.44. This compared to diluted earnings per common share for 2012 of $.38.

United's results for 2013 and 2011 included a few large items in operating earnings that are generally nonrecurring in nature that affect comparability between periods. Earnings for 2013 were significantly impacted by a large bulk sale of classified assets in the second quarter that resulted in a pre-tax loss of $26.8 million, which was more than offset by a $257 million credit to income tax expense resulting from the reversal of most of the valuation allowance on United's deferred tax assets. Additionally, in 2011, United's elevated provision for credit losses reflected the execution of a plan to dispose of a significant amount of problem assets following a recapitalization transaction completed in the first quarter. That plan included a bulk loan sale transaction which removed United's most challenging problem loans that resulted in a significant decrease in the level of problem assets. The disposition of problem assets in 2011 accelerated United's return to profitability.

Net Interest Revenue (Taxable Equivalent)

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and other liabilities) is the single largest component of United's revenue. United actively manages this revenue source to provide optimal levels of revenue while balancing interest rate, credit, and liquidity risks. Taxable equivalent net interest revenue totaled $220 million in 2013, a decrease of $10.1 million, or 4%, from 2012. Taxable equivalent net interest revenue for 2012 decreased $8.91 million, or 4%, from 2011. The decrease in net interest revenue over the past two years was primarily due to lower yields on the securities and loan portfolios. Lower levels of average earning asset balances also contributed to the decrease in net interest revenue from 2011 to 2012. United continued its focus on loan and deposit pricing, in an effort to maintain a steady level of net interest revenue.

While average loans increased $88.6 million, or 2% from the prior year, the yield on loans for 2013 decreased 50 basis points from 2012, reflecting the continuing effect of the low interest rate environment and competition for a limited number of quality lending opportunities. Although residential real estate loans increased primarily as the result of the promotion of a new home equity line product that began in mid-2012 and the introduction of a new low-cost mortgage product in early 2013, the low introductory rate on these products also contributed to the lower yield on average loans.

Average interest-earning assets for the year increased $101 million, or 2%, from 2012 due primarily to the increase in average loans and securities. Average investment securities for 2013 increased $101 million from a year ago, however the average yield decreased 25 basis points as management was unable to reinvest the cash proceeds of maturing securities at yields comparable to those of the securities they replaced. To alleviate market and duration risk, United has focused on purchasing floating rate securities. The combined effect of lower loan and investment securities yields drove the average yield on interest-earning assets for 2013 to 3.72%, down 37 basis points from 4.09% in 2012. Partially offsetting the lower loan and securities yields was a higher average yield on other interest-earning assets, due primarily to the use of reverse repurchase agreements including collateral swap transactions where United enters into a repurchase agreement and reverse repurchase agreement simultaneously with the same counterparty subject to a master netting agreement. In these transactions, the offsetting balances are netted on the balance sheet.

Average interest bearing liabilities in 2013 decreased $152 million, or 3%, from the prior year as United was able to fund more of its balance sheet from noninterest bearing sources. Average noninterest bearing deposits increased $191 million from 2012 to 2013 allowing United to decrease interest bearing sources of funds. The average cost of interest bearing liabilities for 2013 was .56% compared to .75% for 2012, reflecting United's concerted efforts to reduce deposit pricing. Also contributing to the overall lower rate on interest bearing liabilities was a shift in the mix of deposits away from more expensive time deposits toward lower-rate transaction deposits. United was able to reduce the effective rate on brokered deposits in 2013 to a negative .23% by swapping the fixed rate on longer-term brokered time deposits to LIBOR minus a spread.

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

During the fourth quarter 2013, United reclassified hedge ineffectiveness gains and losses from other fee revenue to the line within net interest revenue where interest on the related hedged item is reported. The reclassification of hedge ineffectiveness gains and losses added approximately 1 basis point to the margin for the year ended December 31, 2013. All prior amounts have been adjusted for a consistent presentation.

For 2013, 2012 and 2011, United's net interest spread was 3.16%, 3.34%, and 3.33%, respectively, while the net interest margin was 3.30%, 3.51%, and 3.52%, respectively. The decline in both ratios from 2012 to 2013 was due to lower yields on securities and loans, which were not completely offset by the decrease in rates paid for deposits and other interest bearing liabilities.

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

Table 2 - Average Consolidated Balance Sheet and Net Interest Margin Analysis
For the Years Ended December 31,
(In thousands, taxable equivalent)

	2013			2012			2011		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:									
Interest-earning assets:									
Loans [1][2]	$ 4,254,159	$ 201,278	4.73%	$ 4,165,520	$ 217,705	5.23%	$ 4,307,111	$ 244,159	5.67%
Taxable securities [3]	2,169,024	40,331	1.86	2,065,162	43,657	2.11	1,973,678	55,251	2.80
Tax-exempt securities [1][3]	21,228	1,354	6.38	23,759	1,565	6.59	25,693	1,651	6.43
Federal funds sold and other interest-earning assets	204,303	4,360	2.13	292,857	4,740	1.62	478,403	3,247	.68
Total interest-earning assets	6,648,714	247,323	3.72	6,547,298	267,667	4.09	6,784,885	304,308	4.49
Non-interest-earning assets:									
Allowance for loan losses	(95,411)			(114,647)			(145,656)		
Cash and due from banks	63,174			53,247			90,212		
Premises and equipment	167,424			172,544			178,061		
Other assets [3]	290,098			206,609			281,233		
Total assets	$ 7,073,999			$ 6,865,051			$ 7,188,735		
Liabilities and Shareholders' Equity:									
Interest-bearing liabilities:									
Interest-bearing deposits:									
NOW	$ 1,285,842	$ 1,759	.14	$ 1,293,510	$ 2,049	.16	$ 1,348,493	$ 3,998	.30
Money market	1,315,385	2,210	.17	1,140,354	2,518	.22	993,871	5,456	.55
Savings deposits	244,725	133	.05	216,880	150	.07	195,468	234	.12
Time deposits less than $100,000	974,470	5,850	.60	1,170,202	9,788	.84	1,471,596	18,648	1.27
Time deposits greater than $100,000	654,102	5,115	.78	766,411	8,027	1.05	948,659	14,347	1.51
Brokered deposits	219,215	(501)	(.23)	155,902	1,282	.82	401,393	6,119	1.52
Total interest-bearing deposits	4,693,739	14,566	.31	4,743,259	23,814	.50	5,359,480	48,802	.91
Federal funds purchased, repurchase agreeements, and other short-term borrowings	66,561	2,071	3.11	80,593	2,987	3.71	102,727	4,250	4.14
Federal Home Loan Bank advances	32,604	68	.21	124,771	907	.73	47,220	2,042	4.32
Long-term debt	131,081	10,977	8.37	127,623	10,201	7.99	139,666	10,544	7.55
Total borrowed funds	230,246	13,116	5.70	332,987	14,095	4.23	289,613	16,836	5.81
Total interest-bearing liabilities	4,923,985	27,682	.56	5,076,246	37,909	.75	5,649,093	65,638	1.16
Non-interest-bearing liabilities:									
Non-interest-bearing deposits	1,333,199			1,142,236			915,649		
Other liabilities	84,506			64,986			66,809		
Total liabilities	6,341,690			6,283,468			6,631,551		
Shareholders' equity	732,309			581,583			557,184		
Total liabilities and shareholders' equity	$ 7,073,999			$ 6,865,051			$ 7,188,735		
Net interest revenue		$ 219,641			$ 229,758			$ 238,670	
Net interest-rate spread			3.16%			3.34%			3.33%
Net interest margin [4]			3.30%			3.51%			3.52%

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

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

(3) Securities available for sale are shown at amortized cost. Average pretax unrealized gains of $4.36 million, $23.6 million and $32.2 million in 2013, 2012 and 2011, 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 of changes in the average outstanding balances (volume) of earning assets and interest bearing liabilities and the rates earned and paid by United on such assets and liabilities.

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

	2013 Compared to 2012 Increase (decrease) due to changes in			2012 Compared to 2011 Increase (decrease) due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Loans	$ 4,552	$ (20,979)	$ (16,427)	$ (7,696)	$ (18,758)	$ (26,454)
Taxable securities	2,118	(5,444)	(3,326)	2,461	(14,055)	(11,594)
Tax-exempt securities	(163)	(48)	(211)	(127)	41	(86)
Federal funds sold and other interest-earning assets	(1,656)	1,276	(380)	(1,641)	3,134	1,493
Total interest-earning assets	4,851	(25,195)	(20,344)	(7,003)	(29,638)	(36,641)
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW	(12)	(278)	(290)	(157)	(1,792)	(1,949)
Money Market	350	(658)	(308)	709	(3,647)	(2,938)
Savings deposits	18	(35)	(17)	23	(107)	(84)
Time deposits less than $100,000	(1,465)	(2,473)	(3,938)	(3,331)	(5,529)	(8,860)
Time deposits greater than $100,000	(1,067)	(1,845)	(2,912)	(2,430)	(3,890)	(6,320)
Brokered deposits	360	(2,143)	(1,783)	(3,028)	(1,809)	(4,837)
Total interest-bearing deposits	(1,816)	(7,432)	(9,248)	(8,214)	(16,774)	(24,988)
Federal funds purchased, repurchase agreements & other short-term borrowings	(477)	(439)	(916)	(851)	(412)	(1,263)
Federal Home Loan Bank advances	(427)	(412)	(839)	1,502	(2,637)	(1,135)
Long-term debt	281	495	776	(941)	598	(343)
Total borrowed funds	(623)	(356)	(979)	(290)	(2,451)	(2,741)
Total interest-bearing liabilities	(2,439)	(7,788)	(10,227)	(8,504)	(19,225)	(27,729)
Decrease in net interest revenue	$ 7,290	$ (17,407)	$ (10,117)	$ 1,501	$ (10,413)	$ (8,912)

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

Provision for Credit Losses

The provision for credit losses is based on management's evaluation of probable incurred losses in the loan portfolio and corresponding analysis of the allowance for credit losses at the end of each reporting period. The provision for credit losses was $65.5 million in 2013, compared with $62.5 million in 2012, and $251 million in 2011. As a percentage of average outstanding loans (excluding loans covered by loss sharing agreements with the FDIC), the provision for credit losses was 1.55%, 1.52% and 5.91%, respectively, in 2013, 2012 and 2011. The amount of provision recorded in each year was the amount required such that the total allowance for credit losses reflected the appropriate balance, in the estimation of management, and was sufficient to cover incurred losses in the loan portfolio. The 2013 provision was higher than the 2012 provision due to the increase level of charge-offs associated with the second quarter 2013 classified asset disposition. The 2012 provision for loan losses was $189 million lower than the 2011 provision, primarily due to the improvement in credit trends during 2012 as well as the elevated level of charge-offs in 2011 resulting from the execution of a plan to dispose of a significant amount of problem assets. In addition, during the third quarter of 2011, United recorded an additional loan loss provision of $25.0 million specifically related to the classification of its then-largest lending relationship. The ratio of net loan charge-offs to average outstanding loans for 2013 was 2.22% compared with 1.69% for 2012 and 7.33% for 2011.

In the fourth quarter of 2013, United established an allowance for unfunded loan commitments which is included in other liabilities in the consolidated balance sheet. The allowance for unfunded loan commitments represents probable incurred losses on unfunded loan commitments that are expected to result in outstanding loan balances. The allowance for unfunded loan commitments was established through the provision for credit losses.

Over the past two years, United has experienced a significant improvement in credit quality and corresponding credit measures. During the second quarter of 2013, United sold classified assets totaling approximately $172 million, including a bulk sale of $131 million. The classified asset sales and a general improving trend reduced United's nonperforming assets to $31.0 million as of December 31, 2013. Additional discussion on credit quality and the allowance for loan losses is included in the "Asset Quality and Risk Elements" and "Critical Accounting Polices" sections of this report, as well as Note 1 to the consolidated financial statements.

Fee Revenue

Fee revenue was $56.6 million in 2013, compared with $56.1 million in 2012 and $44.9 million in 2011. The following table presents the components of fee revenue.

Table 4 - Fee Revenue
For the Years Ended December 31,
(in thousands)

	2013	2012	2011	Change 2013-2012
Overdraft fees	$ 12,425	$ 13,302	$ 14,246	(7)%
ATM and debit card fees	14,509	13,108	12,079	11
Other service charges and fees	5,063	5,260	2,785	(4)
Service charges and fees	31,997	31,670	29,110	1
Mortgage loan and related fees	9,925	10,483	5,419	(5)
Brokerage fees	4,465	3,082	2,986	45
Customer derivatives	1,599	524	—	205
Securities gains, net	186	7,078	842	
Losses on prepayment of borrowings	—	(6,681)	(791)	
Other	8,426	9,956	7,341	(15)
Total fee revenue	$ 56,598	$ 56,112	$ 44,907	1

Service charges and fees of $32.0 million were up $327,000, or 1%, from 2012. The increase was primarily due to higher ATM and debit card interchange fees. Overdraft fees continue to decline as customer utilization of our courtesy overdraft services decreases. The increase in other service charges from 2011 to 2012 was due to new service fees on low balance demand deposit accounts that were initiated in January 2012.

Mortgage loan and related fees of $9.93 million were down $558,000, or 5%, from 2012. In 2013, United closed 1,918 mortgage loans totaling $297 million compared with 2,339 loans totaling $370 million in 2012. Mortgage refinancing activity slowed during the 2013 due to rising long-term interest rates. The volume of new purchase financings in 2013 was 48% compared with 33% in 2012. New purchase financings increased as a percentage of total production due to lower refinancing activity, but also due to an increase in volume of new purchase financings. United had $144 million of new purchase financing originations in 2013 compared to $118 million in 2012.

Brokerage fees of $4.47 million increased $1.38, or 45%, from 2012. A portion of United's brokerage fee revenue is derived from the value of assets under management which increased with the overall improvement in the market, further contributing to the increased revenue. In addition, continued low interest rates resulted in heightened customer demand for income products.

Fees from customer swap transactions earned under United's back-to-back customer swap program of $1.60 million were up $1.08 million in 2013 from 2012 due to an increase in transaction volume. United provides interest rate swaps to commercial customers who desire fixed rate loans. United makes a floating rate loan to those customers and enters into an interest rate swap contract with the customer to swap the floating rate to a fixed rate. United then enters into an offsetting swap with a swap dealer with terms that mirror the customer swap. The fixed and variable legs of the customer and dealer swaps offset leaving United with a variable rate loan.

United recognized net securities gains of $186,000 and $7.08 million during 2013 and 2012, respectively. United also recognized losses from the prepayment of FHLB advances and structured repurchase agreements totaling $6.68 million in 2012. The losses were part of the same balance sheet management activities that resulted in the securities gains.

Other fee revenue of $8.43 million for 2013 was down $1.53 million, or 15%, from 2012. Other fee revenue for 2012 included $1.10 million in interest on a prior year tax refund that resulted from a net operating loss carry back claim. Other fee revenue for 2013 and 2012 included gains from the sale of low income housing tax credits of $468,000 and $728,000, respectively.

Operating Expense

The following table presents the components of operating expenses.

Table 5 - Operating Expenses
For the Years Ended December 31,
(in thousands)

	2013	2012	2011	Change 2013-2012
Salaries and employee benefits	$ 96,233	$ 96,026	$ 100,095	—%
Communications and equipment	13,233	12,940	13,135	2
Occupancy	13,930	14,304	15,645	(3)
Advertising and public relations	3,718	3,855	4,291	(4)
Postage, printing and supplies	3,283	3,899	4,256	(16)
Professional fees	9,617	8,792	9,727	9
Foreclosed property - foreclosure and carrying costs	3,163	5,118	10,499	(38)
Foreclosed property - writedowns and losses from sales	4,706	8,875	68,406	(47)
FDIC assessments and other regulatory charges	9,219	10,097	14,259	(9)
Amortization of intangibles	2,031	2,917	3,016	(30)
Other	15,171	19,951	18,270	(24)
Total operating expenses	$ 174,304	$ 186,774	$ 261,599	(7)

Operating expenses were $174 million in 2013 as compared to $187 million in 2012 and $262 million in 2011. The decrease mostly reflects lower foreclosed property losses and write downs associated with the declining volume of foreclosed properties following the classified asset sales in the second quarter of 2013.

Salaries and employee benefits expense for 2013 was $96.2 million, an increase of 207,000, or less than 1%, from 2012. A decrease in regular salaries was offset by higher incentive compensation due to performance targets that were met. Headcount totaled 1,506 at December 31, 2013 compared to 1,590 at December 31, 2012, a decrease of 84 positions.

Communications and equipment expense of $13.2 million for 2013 was up $293,000, or 2%, from 2012. The increase reflects higher software costs resulting from new technology solutions to improve operating efficiency and customer service as well as higher telecommunications charges.

Occupancy expense of $13.9 million for 2013 was down $374,000, or 3%, compared to 2012. The decrease was primarily related to lower utilities and maintenance charges partially due to the closing of underperforming branches.

Advertising and public relations expense for 2013 was $3.72 million, a decrease of $137,000, or 4%, from 2012. The decrease was due to continued efforts to reduce discretionary spending.

Postage, printing and supplies expense for 2013 was $3.28 million, a decrease of $616,000, or 16%, from 2012. The decrease was primarily due to lower expenditures on office supplies and printing, as well as lower outside courier expenses reflecting further use of electronic statements and technology.

Professional fees were $9.62 million for 2013, increased $825,000, or 9%, from 2012. The increase was primarily due to consulting services related to several efficiency and revenue enhancement projects that were in process in 2013.

Foreclosed property expenses include foreclosure and carrying costs and realized losses and write-downs of foreclosed properties. Foreclosure and carrying costs for 2013 were $3.16 million, a decrease of $1.96 million from 2012. The foreclosure and carrying costs category includes legal fees, property taxes, marketing costs, utility services, and maintenance and repair charges. Realized losses and write-downs on foreclosed property totaled $4.71 million for the year ended December 31, 2013, compared to $8.88 million for 2012. Foreclosed property costs declined in 2013 as the balance of foreclosed properties has stabilized following the accelerated sales of classified assets in the second quarter of 2013.

FDIC assessments and other regulatory charges expense for 2013 was $9.22 million, a decrease of $878,000, or 9%, from 2012. Amortization of intangibles continues to decrease as core deposit intangibles related to past acquisitions become fully amortized.

Other expenses totaled $15.2 million for 2013, a decrease of $4.78 million, or 24%, from 2012. The decrease is primarily due to a $4.00 million charge in 2012 to establish litigation reserves for potential losses related to threatened litigation.

Income Taxes

Income tax benefit was $238 million in 2013, compared to income tax expense of $1.05 million in 2012 and income tax benefit of $3.98 million in 2011, respectively. The 2013 tax benefit was primarily due to the second quarter reversal of $272 million of the deferred tax valuation allowance. The 2011 tax benefit included the reversal of previously established reserves for uncertain tax positions of $4.59 million as a result of the tax returns upon which the tax positions were claimed no longer being subject to audit as a result of statute expiration and due to the settlement of a state tax dispute. The effective tax rates (as a percentage of pre-tax earnings) were not meaningful for 2013, 2012 and 2011 due to the valuation allowance on United's deferred tax asset and the subsequent reversal of the valuation allowance in the second quarter of 2013. The tax rate for 2014 is expected to be approximately 37.5 percent reflecting the mix of taxable and tax-exempt income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and their respective tax bases including operating losses and tax credit carryforwards. Net deferred tax assets (deferred tax assets net of deferred tax liabilities and valuation allowance) are reported in the consolidated balance sheet as a component of total assets.

Accounting Standards Codification Topic 740, *Income Taxes*, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. The determination of whether a valuation allowance for deferred tax assets is appropriate is subject to considerable judgment and requires an evaluation of all positive and negative evidence with more weight given to evidence that can be objectively verified. Each quarter, management considers both positive and negative evidence and analyzes changes in near-term market conditions as well as other factors which may impact future operating results.

At December 31, 2012 and 2011, United reported no net deferred tax assets due to a full valuation allowance of $270 million and $273 million, respectively. United remains in a three-year cumulative loss position that resulted from significant credit losses incurred during the recent financial crisis. A three-year cumulative loss position is considered to be negative evidence that is difficult to overcome. However, during the second quarter of 2013, based on the weight of all the positive and negative evidence, management concluded that it was more likely than not that $272 million of the net deferred tax assets will be realized based upon future taxable income and therefore, reversed $272 million of the valuation allowance. Thus, at December 31, 2013, United reported a net deferred tax asset of $259 million, which reflects a valuation allowance of $4.10 million related to specific state income tax credits that have short carryforward periods and therefore are expected to expire before they can be utilized.

The deferred tax asset valuation allowance was reversed in the second quarter of 2013 following the achievement of six consecutive quarters of positive operating results. These positive earnings results and improving credit measures provided an objective basis for a conclusion that profitability was considered sustainable and improving. In addition, the second quarter of 2013 sale of classified assets improved United's ability to predict credit costs and forecast profitability going forward by removing the assets that were most likely to drive future credit losses. As a result of this discretionary distressed asset sale, United's classified asset ratio (classified assets as a percentage of Tier 1 capital and the allowance for loan losses) improved to 27% at December 31, 2013, compared with 50% at December 31, 2012.

Based on all evidence considered, as of December 31, 2013, management concluded it was still more likely than not that our net deferred tax asset would be realized. With continuous improvements in credit quality, quarterly earnings for the past nine quarters have closely followed management's forecast for these periods, excluding the impact of the discretionary sales of classified assets in the second quarter of 2013. The improvement in management's ability to produce reliable forecasts, continuous and significant improvements in credit quality, and a sustained period of profitability were given appropriate weighting in our analysis, and such evidence was considered sufficient to overcome the weight of the negative evidence related to the significant operating losses in prior years.

In addition to such positive evidence at December 31, 2013, United has also reduced the amount of credit risk inherent in its loan portfolio by reducing its concentration of construction loans and improving its overall loan portfolio diversification. These changes place United in a strong position to manage through the ongoing weakness in the economy. United also has a long record of positive earnings and accurate earnings forecasts prior to the economic downturn and is currently in a strong capital position and conservatively expects to exit the three-year cumulative loss position in the first quarter of 2014.

Management expects to generate higher levels of future taxable income and believes this will allow for full utilization of United's net operating loss carryforwards within five to seven years, which is well within the statutory carryforward periods. In determining whether management's projections of future taxable income are reliable, management considered objective evidence supporting the forecast assumptions as well as recent experience demonstrating management's ability to reasonably project future results of operations. Further, while the banking environment is expected to remain challenging due to economic and other uncertainties, management believes that it can confidently forecast future taxable income at sufficient levels over the future period of time that United has available to realize its December 31, 2013 deferred tax asset.

As of February 22, 2011, United adopted a tax benefits preservation plan designed to protect its ability to utilize its substantial tax assets. Those tax assets include net operating losses that it could utilize in certain circumstances to offset taxable income and reduce its federal income tax liability and the future tax benefits from potential net unrealized built in losses. United's ability to use its tax benefits would be substantially limited if it were to experience an ownership change as defined under Section 382 of the Internal Revenue Code. In general, an ownership change would occur if United's "5-percent shareholders," as defined under Section 382, collectively increase their ownership in United by more than 50% over a rolling three-year period. The tax benefits preservation plan is designed to reduce the likelihood that United will experience an ownership change by discouraging any person or group from becoming a beneficial owner of 4.99% or more of United's common stock then outstanding.

Additional information regarding income taxes, including a reconciliation of the differences between the recorded income tax provision and the amount of income tax computed by applying the statutory federal income tax rate to income before income taxes, can be found in Note 17 to the consolidated financial statements.

Fourth Quarter 2013 Discussion

Taxable equivalent net interest revenue for the fourth quarter of 2013 decreased $265,000, or less than 1%, to $55.9 million from the same period a year ago, primarily due to lower yields on our investment securities and loan portfolios. The net interest margin decreased 19 basis points from the fourth quarter of 2012 to 3.26% for the fourth quarter of 2013. The lower yield on the loan portfolio for the fourth quarter of 2013 reflected the ongoing pricing pressure on new and renewed loans.

The fourth quarter of 2013 provision for credit losses was $3.00 million, compared to $14.0 million for the fourth quarter of 2012. Nonperforming assets totaled $31.0 million, down $97.1 million from a year ago. Nonperforming assets as a percentage of total assets were .42% at December 31, 2013, compared with 1.88% at December 31, 2012.

The following table presents the components of fee revenue from continuing operations for the fourth quarters of 2013 and 2012.

Table 6 - Quarterly Fee Revenue
(in thousands)

	Three Months Ended December 31,		
	2013	2012	Change
Overdraft fees	$ 3,199	$ 3,464	(8)%
ATM and debit card fees	3,691	3,701	—
Other service charges and fees	1,276	1,210	5
Service charges and fees	8,166	8,375	(2)
Mortgage loan and related fees	1,713	3,262	(47)
Brokerage fees	1,361	751	81
Securities gains, net	70	31	126
Other	2,209	2,226	(1)
Total operating fee revenue	$ 13,519	$ 14,645	(8)

Fee revenue for the fourth quarter of 2013 of $13.5 million decreased $1.13 million, or 8%, from $14.6 million for the fourth quarter of 2012. Service charges and fees on deposit accounts of $8.17 million decreased $209,000, or 2%, to $8.17 million. The decrease was due to continued lower utilization of our courtesy overdraft services. Mortgage fees of $1.71 million decreased $1.55 million, or 47%, to $1.71 million due to a decrease in refinancing activities due to higher interest rates. United closed $55.5 million in mortgage loans in the fourth quarter of 2013, compared to $100 million in the fourth quarter of 2012. Brokerage fees of $1.36 million increased $610,000, or 81%, from the fourth quarter of 2012. Other fee revenue of $2.21 million decreased $17,000, or 1%, from the fourth quarter of 2012. In the fourth quarter of 2013, United recognized a gain of $300,000 on certain mutual fund holdings. In the fourth quarter of 2012, United recognized a gain of $200,000 from the sale of a closed branch facility and a $144,000 gain on an equity investment in a community bank that was sold during the quarter.

The following table presents operating expenses for the fourth quarters of 2013 and 2012.

Table 7 - Quarterly Operating Expenses
(in thousands)

	Three Months Ended December 31,		
	2013	2012	Change
Salaries and employee benefits	$ 24,817	$ 23,586	5
Communications and equipment	3,414	3,320	3
Occupancy	3,735	3,455	8
Advertising and public relations	781	987	(21)
Postage, printing and supplies	882	1,050	(16)
Professional fees	2,102	2,685	(22)
Foreclosed property - foreclosure and carrying costs	626	1,423	(56)
Foreclosed property - writedowns, (gains) losses from sales, net	(435)	3,188	(114)
FDIC assessments and other regulatory charges	1,804	2,505	(28)
Amortization of intangibles	408	727	(44)
Other	3,480	7,800	(55)
Total operating expenses	$ 41,614	$ 50,726	(18)

Operating expenses of $41.6 million decreased $9.11 million to $41.6 million, an 18% decrease from the fourth quarter of 2012, primarily due to lower foreclosed property costs and other expenses. Salaries and employee benefit costs of $24.8 million were up $1.23 million from the fourth quarter of 2012, due primarily to incentives paid for achieving strategic goals and financial targets. Communications and equipment expenses of $3.41 million were up $94,000, or 3%, to $3.41 million for the fourth quarter of 2013 compared to 2012 due to higher software and phone data circuits expense. Occupancy expense of $3.74 million was up $280,000 for the fourth quarter of 2013 compared to 2012, primarily due to a $400,000 write-off of leasehold improvements on a branch lease for a branch that was consolidated into another branch. Professional fees of $2.10 million decreased $583,000 to $2.10 million, due to lower legal fees. Foreclosed property - foreclosure and carrying costs of $626,000 decreased $797,000 from $1.42 million for the fourth quarter of 2012, due to a lower number of foreclosed properties held. Write-downs and net gains from sales of foreclosed property totaled a net gain of $435,000 for the fourth quarter of 2013, a decrease of $3.62 million, or 114%, also related to a lower volume of foreclosed property. FDIC assessments and other regulatory charges decreased from $2.51 million during the fourth quarter of 2012 to $1.80 million for the same period in 2013. Other expenses of $3.48 million were down $4.32 million from the fourth quarter of 2012. In the fourth quarter of 2012, United established a litigation reserve of $4.00 million for potential losses related to the Fletcher litigation.

Balance Sheet Review

Total assets at December 31, 2013 were $7.43 billion, an increase of $623 million, or 9%, from December 31, 2012. On a daily average basis, total assets increased $209 million, or 3%, from 2012 to 2013. Average interest earning assets for 2013 and 2012 were $6.65 billion and $6.55 billion, respectively.

Loans

Substantially all of United's loans are to customers located in the immediate market areas of its community banks in Georgia, North Carolina, South Carolina and Tennessee, including customers who have a seasonal residence in United's market areas. More than 80% of the loans are secured by real estate. Total loans averaged $4.25 billion in 2013, compared with $4.17 billion in 2012, an increase of 2%. At December 31, 2013, total loans, excluding loans acquired from SCB that are covered by loss sharing agreements with the FDIC, were $4.33 billion, an increase of $154 million, or 4%, from December 31, 2012. Despite the weak economy and lagging loan demand, United has continued to pursue lending opportunities. The rate of decrease in the loan portfolio dropped significantly following the disposition of problem loans in the first quarter of 2011 and has continued to stabilize, resulting in the modest growth in 2012 and 2013. Residential mortgage loans increased primarily due to a successful home equity line promotion that has gained traction in United's footprint and a new low closing cost mortgage product that began being offered in the first quarter of 2013. Consumer installment loans increases reflect purchases of indirect auto loans.

The following table presents the composition of United's loan portfolio for the last five years.

Table 8 - Loans Outstanding
As of December 31,
(in thousands)

	2013	2012	2011	2010	2009
Loans by Category					
Commercial (secured by real estate)	$ 1,756,710	$ 1,813,365	$ 1,821,414	$ 1,761,424	$ 1,779,398
Commercial & industrial	471,961	458,246	428,249	441,518	390,520
Commercial construction	148,903	154,769	164,155	296,582	362,566
Total commercial	2,377,574	2,426,380	2,413,818	2,499,524	2,532,484
Residential mortgage	1,315,964	1,214,203	1,134,902	1,278,780	1,427,198
Residential construction	328,579	381,677	448,391	695,166	1,050,065
Consumer installment	307,149	152,748	112,503	130,656	141,729
Total loans	$ 4,329,266	$ 4,175,008	$ 4,109,614	$ 4,604,126	$ 5,151,476

	2013	2012	2011	2010	2009
Loans by Market					
North Georgia	$ 1,240,234	$ 1,363,723	$ 1,425,811	$ 1,688,586	$ 1,883,880
Atlanta MSA	1,275,139	1,249,470	1,219,652	1,310,222	1,435,223
North Carolina	571,971	579,085	597,446	701,798	771,709
Coastal Georgia	423,045	400,022	346,189	335,020	405,689
Gainesville MSA	254,655	261,406	264,567	312,049	389,766
East Tennessee	279,587	282,863	255,949	256,451	265,209
South Carolina	88,531	—	—	—	—
Other (Indirect Auto)	196,104	38,439	—	—	—
Total loans	$ 4,329,266	$ 4,175,008	$ 4,109,614	$ 4,604,126	$ 5,151,476

As of December 31, 2013, United's 25 largest credit relationships consisted of loans and loan commitments ranging from $10 million to $50 million, with an aggregate total credit exposure of $438 million, including $155 million in unfunded commitments, and $283 million in balances outstanding, excluding participations sold. United had only eight lending relationships whose total credit exposure exceeded $20 million of which only four relationships were in excess of $25 million.

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

Table 9 - Loan Portfolio Maturity
As of December 31, 2013
(in thousands)

	Maturity				Rate Structure for Loans Maturing Over One Year	
	One Year or Less	One through Five Years	Over Five Years	Total	Fixed Rate	Floating Rate
Commercial (commercial and industrial)	$ 161,045	$ 220,526	$ 90,390	$ 471,961	$ 208,821	$ 102,095
Construction (commercial and residential)	207,253	194,541	75,688	477,482	185,220	85,009
Total	$ 368,298	$ 415,067	$ 166,078	$ 949,443	$ 394,041	$ 187,104

Asset Quality and Risk Elements

United manages asset quality and controls credit risk through review and oversight of the loan portfolio as well as adherence to policies designed to promote sound underwriting and loan monitoring practices. United's credit administration function is responsible for monitoring asset quality and Board of Directors approved portfolio limits, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures among all of the community banks. Additional information on United's credit administration function is included in Item 1 under the heading "Loan Review and Nonperforming Assets."

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

United's home equity lines, which are a component of the residential mortgage portfolio, generally require the payment of interest only for a set period after origination. After this initial period, the outstanding balance begins amortizing and requires the payment of both principal and interest. At December 31, 2013 and 2012, the funded portion of home equity loans totaled $441 million and $385 million, respectively. Approximately 3% of the home equity loans at December 31, 2013 were amortizing. Of the $441 million in balances outstanding at December 31, 2013, $280 million, or 63%, were first liens. At December 31, 2013, 60% of the total available home equity lines were drawn upon.

United monitors the performance of its home equity loans and lines secured by second liens similar to other consumer loans and utilizes assumptions specific to these loans in determining the necessary allowance. United also receives notification when the first lien holder is in the process of foreclosure and upon that notification, United obtains valuations to determine if any additional charge-offs or reserves are warranted.

The table below presents performing substandard loans for the last five years.

Table 10 - Performing Substandard Loans
(dollars in thousands)

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
By Category					
Commercial (secured by real estate)	$ 77,725	$ 117,543	$ 143,058	$ 156,765	$ 123,740
Commercial & industrial	9,589	18,477	15,753	16,767	33,974
Commercial construction	16,758	19,285	18,510	90,745	51,696
Total commercial	104,072	155,305	177,321	264,277	209,410
Residential mortgage	51,989	65,179	76,442	86,143	79,741
Residential construction	14,104	37,804	71,955	158,770	196,908
Consumer installment	2,538	3,653	2,751	2,957	3,553
Total	$ 172,703	$ 261,941	$ 328,469	$ 512,147	$ 489,612
By Market					
North Georgia	$ 69,510	$ 105,851	$ 134,945	$ 212,992	$ 256,178
Atlanta MSA	43,171	77,630	99,453	185,327	141,205
North Carolina	18,954	28,657	40,302	42,335	17,524
Coastal Georgia	18,561	17,421	24,985	29,223	40,930
Gainesville MSA	14,916	19,251	17,338	33,962	26,969
East Tennessee	7,591	13,131	11,446	8,308	6,806
South Carolina	—	—	—	—	—
Total loans	$ 172,703	$ 261,941	$ 328,469	$ 512,147	$ 489,612

At December 31, 2013, performing substandard loans totaled $173 million and decreased $89.2 million from December 31, 2012. The decrease from 2012 reflects a general declining trend as well as the second quarter 2013 classified asset sales. Performing substandard loans had been on a downward trend as credit conditions have continued to improve and problem credits are resolved. Most of the decrease from a year ago occurred in United's Atlanta, north Georgia and western North Carolina markets. Commercial (secured by real estate) and residential construction showed the most significant decreases.

Reviews of substandard performing and non-performing loans, TDRs, past due loans and larger credits, are conducted on a regular basis and reported to management each quarter and are designed to identify risk migration and potential charges to the allowance for loan losses. These reviews are presented by the responsible lending officers and specific action plans are discussed along with the financial strength of borrowers, the value of the applicable collateral, past loan loss experience, anticipated loan losses, changes in risk profile, the effect of prevailing economic conditions on the borrower and other factors specific to the borrower and its industry. In addition to United's internal loan review, United also uses external loan review to ensure the independence of the loan review process.

The provision for credit losses charged to earnings is based upon management's judgment of the amount necessary to maintain the allowance at a level appropriate to absorb probable incurred losses in the loan portfolio at the balance sheet date. The amount each quarter is dependent upon many factors, including growth and changes in the composition of the loan portfolio, net charge-offs, delinquencies, management's assessment of loan portfolio quality, the value of collateral, and other macro-economic factors and trends. The evaluation of these factors is performed quarterly by management through an analysis of the appropriateness of the allowance for loan losses. The decreases in the provision and the declining level of the allowance for loan losses compared to the previous periods reflects stabilizing trends in substandard loans, leading to an expectation that charge-off levels will continue to decline. Further, the declining balance of the allowance for loan losses over the last several quarters reflects an overall improving trend in the credit quality of the loan portfolio. A general improvement in economic conditions in United's market also contributed to the lower level of provision and allowance for loan losses.

The allocation of the allowance for credit losses is based on historical data, subjective judgment and estimates and, therefore, is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur. Due to the imprecise nature of the loss estimation process and the effects of changing conditions, these risk attributes may not be adequately captured in the data related to the formula-based loan loss components used to determine allocations in United's analysis of the adequacy of the allowance for loan losses. Consequently, management believes that the unallocated allowance is appropriate to reflect probable incurred but unconfirmed losses in the loan portfolio not otherwise captured by the formula-based loan loss components.

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

Table 11 - Allocation of Allowance for Credit Losses
As of December 31,
(in thousands)

	2013		2012		2011		2010		2009	
	Amount	%*	Amount	%*	Amount	%*	Amount	%*	Amount	%*
Commercial (secured by real estate)	$24,338	41	$ 27,847	43	$ 31,644	44	$ 31,191	38	$ 19,208	34
Commercial & industrial	6,573	11	5,537	11	5,681	10	7,580	10	6,892	8
Total commercial	30,911	52	33,384	54	37,325	54	38,771	48	26,100	42
Construction	16,155	11	35,051	13	36,476	15	99,351	21	99,446	27
Residential mortgage	20,974	30	26,642	29	29,076	28	22,305	28	17,266	28
Consumer installment	2,479	7	2,747	4	2,124	3	3,030	3	2,545	3
Unallocated	6,243		9,313		9,467		11,238		10,245	
Total allowance for loan losses	76,762	100	107,137	100	114,468	100	174,695	100	155,602	100
Allowance for unfunded commitments	2,165		—		—		—		—	
Total allowance for credit losses	$78,927		$107,137		$114,468		$174,695		$155,602	

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

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

Table 12 - Allowance for Credit Losses
Years Ended December 31,
(in thousands)

	2013	2012	2011	2010	2009
Balance beginning of period	$ 107,137	$ 114,468	$ 174,695	$ 155,602	$ 122,271
Charge-offs:					
Commercial (secured by real estate)	36,470	23,062	59,468	33,593	21,796
Commercial & industrial	18,914	2,424	24,890	10,837	11,322
Commercial construction	6,483	5,411	55,730	9,993	9,908
Residential mortgage	12,277	17,262	53,707	28,806	18,997
Residential construction	23,049	24,260	118,916	136,666	219,168
Consumer installment	2,461	2,214	3,594	4,828	5,115
Total loans charged-off	99,654	74,633	316,305	224,723	286,306
Recoveries:					
Commercial (secured by real estate)	1,945	692	448	1,167	520
Commercial & industrial	1,888	1,104	967	1,762	5,397
Commercial construction	69	111	203	431	12
Residential mortgage	715	799	738	867	411
Residential construction	173	1,272	1,678	15,370	2,253
Consumer installment	1,154	824	1,044	1,219	1,044
Total recoveries	5,944	4,802	5,078	20,816	9,637
Net charge-offs	93,710	69,831	311,227	203,907	276,669
Provision for loan losses	63,335	62,500	251,000	223,000	310,000
Allowance for loan losses at end of period	76,762	107,137	114,468	174,695	155,602
Allowance for unfunded commitments at beginning of period	—	—	—	—	—
Provision for unfunded commitments	2,165	—	—	—	—
Allowance for unfunded commitments at end of period	2,165	—	—	—	—
Allowance for credit losses	$ 78,927	$ 107,137	$ 114,468	$ 174,695	$ 155,602
Total loans [(1)]:					
At year-end	$ 4,329,266	$ 4,175,008	$ 4,109,614	$ 4,604,126	$ 5,151,476
Average	4,228,235	4,123,530	4,244,305	4,884,330	5,501,165
Allowance for loan losses as a percentage of year-end loans	1.77%	2.57%	2.79%	3.79%	3.02%
As a percentage of average loans:					
Net charge-offs	2.22	1.69	7.33	4.17	5.03
Provision for loan losses	1.50	1.52	5.91	4.57	5.64
Allowance for loan losses as a percentage of nonperforming loans	286	97	90	98	59

[(1)] Excludes loans acquired through the FDIC assisted acquisition of Southern Community Bank that are covered by loss sharing agreements.

The allowance for credit losses, which includes a portion related to unfunded commitments, totaled $78.9 million at December 31, 2013 compared with $107 million at December 31, 2012. At December 31, 2013, the allowance for loan losses was $76.8 million, or 1.77% of total loans, compared with $107 million, or 2.57% of loans at December 31, 2012. The decrease in the allowance for credit losses is consistent with the overall improving trends in credit quality of the loan portfolio.

Management believes that the allowance for credit losses at December 31, 2013 reflects the probable incurred losses in the loan portfolio and unfunded loan commitments. This assessment involves uncertainty and judgment; therefore, the adequacy of the allowance for credit losses cannot be determined with precision and may be 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. In addition, bank regulatory authorities, as part of their periodic examination of the Bank, may require adjustments to the provision for credit losses in future periods if, in their opinion, the results of their review warrant such additions. See the "Critical Accounting Policies" section for additional information on the allowance for credit losses.

Nonperforming Assets

Nonperforming loans totaled $26.8 million at December 31, 2013, compared with $110 million at December 31, 2012. There were no accruing loans more than 90 days past due at December 31, 2013 and 2012. At December 31, 2013 and 2012, the ratio of nonperforming loans to total loans was .62% and 2.63%, respectively. Nonperforming loans have steadily decreased in dollar amount and as a percentage of total loans following the classification of United's largest lending relationship in the third quarter of 2011. In addition, the second quarter of 2013 sales of classified assets, which included United's largest lending relationship, further reduced nonperforming assets. Nonperforming assets, which include nonperforming loans and foreclosed properties, totaled $31.0 million at December 31, 2013, compared with $128 million at December 31, 2012. United sold $31.9 million and $40.8 million respectively, of foreclosed properties during 2013 and 2012, which lowered the balance of foreclosed properties by 77% compared to December 31, 2012.

United's policy is to place loans on nonaccrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in accordance with the loan terms or when the loan becomes 90 days past due and is not well secured and in the process of collection or restructure. 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 outstanding principal.

There were no commitments to lend additional funds to customers whose loans were on nonaccrual status at December 31, 2013, although in certain isolated cases, United executed forbearance agreements whereby United will continue to fund construction loans to completion as long as the borrower meets the conditions of the forbearance agreement. United may also fund other amounts necessary to protect the Bank's collateral such as amounts to pay past due property taxes and insurance coverage. The table below summarizes nonperforming assets at year-end for the last five years. It excludes assets acquired through the acquisition of SCB in 2009 that are covered by loss-sharing agreements with the FDIC. These assets have been excluded from the review of nonperforming assets, as the loss-sharing agreements with the FDIC and purchase price adjustments to reflect credit losses, effectively eliminate the likelihood of recognizing losses on the covered assets.

Table 13 - Nonperforming Assets
As of December 31,
(in thousands)

	2013	2012	2011	2010	2009
Nonaccrual loans (NPLs)	$ 26,819	$ 109,894	$ 127,479	$ 179,094	$ 264,092
Foreclosed properties	4,221	18,264	32,859	142,208	120,770
Total nonperforming assets (NPAs)	$ 31,040	$ 128,158	$ 160,338	$ 321,302	$ 384,862
NPLs as a percentage of total loans	.62%	2.63%	3.10%	3.89%	5.13 %
NPAs as a percentage of loans and foreclosed properties	.72	3.06	3.87	6.77	7.30
NPAs as a percentage of total assets	.42	1.88	2.30	4.42	4.81

At December 31, 2013 and 2012 United had $87.0 million and $161 million, respectively, in loans with terms that have been modified in a TDR. Included therein were $8.25 million and $38.0 million, respectively, of TDRs that were not performing in accordance with their modified terms and were included in nonperforming loans. The remaining TDRs with an aggregate balance of $78.7 million and $123 million, respectively, were performing according to their modified terms and are therefore not considered to be nonperforming assets.

At December 31, 2013 and 2012, there were $115 million and $253 million, respectively, of loans classified as impaired under the definition outlined in the Accounting Standards Codification including TDRs which are by definition considered impaired. Included in impaired loans at December 31, 2013 and 2012 were $38.9 million and $157 million, respectively, that did not require specific reserves or had previously been charged down to net realizable value. The balance of impaired loans at December 31, 2013 of $75.7 million had specific reserves that totaled $6.02 million and the balance of impaired loans at December 31, 2012 of $95.8 million had specific reserves that totaled $11.6 million. The average recorded investment in impaired loans for 2013, 2012 and 2011 was $115 million, $276 million and $127 million, respectively. During 2013, 2012 and 2011, United recognized $6.72 million, $9.53 million and $2.66 million in interest revenue on impaired loans. United's policy is to discontinue the recognition of interest revenue for loans classified as impaired under ASC 310-10-35, *Receivables,* when a loan meets the criteria for nonaccrual status. Impaired loans decreased 55% from 2012 to 2013, primarily due to the second quarter 2013 classified asset sales.

The following table summarizes nonperforming assets by category and market by quarter. Assets covered by the loss-sharing agreement with the FDIC related to the acquisition of SCB are not included in this table.

Table 14 - Nonperforming Assets by Quarter
(in thousands)

	December 31, 2013 [(1)]			September 30, 2013 [(1)]			June 30, 2013 [(1)]			March 31, 2013 [(1)]		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
BY CATEGORY												
Commercial (sec. by RE)	$ 8,340	$ 832	$ 9,172	$ 8,015	$ 730	$ 8,745	$ 7,237	$ 547	$ 7,784	$ 17,304	$ 5,584	$ 22,888
Commercial & industrial	427	—	427	609	—	609	548	—	548	29,545	—	29,545
Commercial construction	361	—	361	343	376	719	504	376	880	22,359	3,027	25,386
Total commercial	9,128	832	9,960	8,967	1,106	10,073	8,289	923	9,212	69,208	8,611	77,819
Residential mortgage	13,178	3,073	16,251	12,504	2,154	14,658	14,338	1,443	15,781	11,817	3,463	15,280
Residential construction	4,264	316	4,580	4,097	1,207	5,304	4,838	1,570	6,408	14,592	4,660	19,252
Consumer installment	249	—	249	520	—	520	399	—	399	389	—	389
Total NPAs	$ 26,819	$ 4,221	$ 31,040	$ 26,088	$ 4,467	$ 30,555	$ 27,864	$ 3,936	$ 31,800	$ 96,006	$ 16,734	$ 112,740
Balance as a % of Unpaid Principal	65.3%	44.5%	61.4%	61.6%	41.5%	57.6%	62.6%	31.6%	55.8%	66.3%	45.0%	62.0%
BY MARKET												
North Georgia	$ 12,352	$ 2,494	$ 14,846	$ 13,652	$ 1,726	$ 15,378	$ 12,830	$ 1,617	$ 14,447	$ 63,210	$ 6,616	$ 69,826
Atlanta MSA	2,830	684	3,514	3,096	1,026	4,122	3,803	1,197	5,000	17,380	3,524	20,904
North Carolina	6,567	683	7,250	5,680	762	6,442	6,512	295	6,807	8,519	2,533	11,052
Coastal Georgia	2,342	173	2,515	995	928	1,923	2,588	627	3,215	3,523	1,449	4,972
Gainesville MSA	928	—	928	1,036	—	1,036	1,008	—	1,008	911	370	1,281
East Tennessee	1,800	187	1,987	1,629	25	1,654	1,123	200	1,323	2,463	2,242	4,705
South Carolina	—	—	—	—	—	—	—	—	—	—	—	—
Total NPAs	$ 26,819	$ 4,221	$ 31,040	$ 26,088	$ 4,467	$ 30,555	$ 27,864	$ 3,936	$ 31,800	$ 96,006	$ 16,734	$ 112,740

	December 31, 2012 [(1)]			September 30, 2012 [(1)]			June 30, 2012 [(1)]			March 31, 2012 [(1)]		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
BY CATEGORY												
Commercial (sec. by RE)	$ 22,148	$ 5,479	$ 27,627	$ 25,896	$ 8,767	$ 34,663	$ 19,115	$ 10,586	$ 29,701	$ 26,081	$ 10,808	$ 36,889
Commercial & industrial	31,817	—	31,817	32,678	—	32,678	34,982	—	34,982	36,314	—	36,314
Commercial construction	23,843	2,204	26,047	18,590	3,121	21,711	18,175	2,732	20,907	23,319	3,266	26,585
Total commercial	77,808	7,683	85,491	77,164	11,888	89,052	72,272	13,318	85,590	85,714	14,074	99,788
Residential mortgage	12,589	4,753	17,342	13,996	6,031	20,027	16,631	5,591	22,222	18,741	5,882	24,623
Residential construction	18,702	5,828	24,530	22,935	9,039	31,974	25,530	11,512	37,042	24,341	11,931	36,272
Consumer installment	795	—	795	906	—	906	907	—	907	908	—	908
Total NPAs	$ 109,894	$ 18,264	$ 128,158	$ 115,001	$ 26,958	$ 141,959	$ 115,340	$ 30,421	$ 145,761	$ 129,704	$ 31,887	$ 161,591
Balance as a percentage of unpaid principal	69.5%	39.7%	62.8%	68.8%	36.4%	58.8%	68.8%	39.3%	59.4%	70.6%	36.1%	59.4%
BY MARKET												
North Georgia	$ 69,950	$ 8,219	$ 78,169	$ 72,211	$ 14,582	$ 86,793	$ 77,332	$ 13,546	$ 90,878	$ 81,117	$ 14,559	$ 95,676
Atlanta MSA	18,556	3,442	21,998	21,349	5,926	27,275	17,593	8,651	26,244	22,321	7,647	29,968
North Carolina	11,014	2,579	13,593	9,622	2,771	12,393	10,657	3,287	13,944	15,765	4,650	20,415
Coastal Georgia	3,810	1,609	5,419	6,822	864	7,686	5,822	785	6,607	5,622	1,268	6,890
Gainesville MSA	903	556	1,459	840	1,328	2,168	991	2,998	3,989	2,210	3,387	5,597
East Tennessee	5,661	1,859	7,520	4,157	1,487	5,644	2,945	1,154	4,099	2,669	376	3,045
Total NPAs	$ 109,894	$ 18,264	$ 128,158	$ 115,001	$ 26,958	$ 141,959	$ 115,340	$ 30,421	$ 145,761	$ 129,704	$ 31,887	$ 161,591

[(1)] Excludes non-performing loans and foreclosed properties covered by the loss-sharing agreement with the FDIC, related to the acquisition of Southern Community Bank.

During the second quarter of 2013, United executed a plan to accelerate the disposition of classified assets including performing classified loans, nonperforming loans and foreclosed properties. The purpose of the accelerated classified asset disposition plan was to clean up legacy credit problems remaining from the recent financial crisis and to accelerate the improvement of United's credit measures toward pre-crisis levels. The classified asset sales included individual note and foreclosed property sales and a large bulk sale of classified assets to a single investor. The bulk sale included performing and nonperforming classified loans and foreclosed properties. The assets were divided into four separate pools that were bid for separately by potential buyers. A single purchaser was the high bidder for each of the four pools.

Nonperforming assets in the residential construction category were $4.58 million at December 31, 2013, compared to $24.5 million at December 31, 2012, a decrease of $20.0 million, or 81%. Commercial nonperforming assets decreased from $85.5 million at December 31, 2012 to $9.96 million at December 31, 2013. Residential mortgage nonperforming assets of $16.3 million decreased $1.09 million from $17.3 million at December 31, 2012. Decreases in all categories reflect improving credit trends and the classified asset sales in the second quarter.

The following table summarizes activity in nonperforming assets by year.

Table 15 - Activity in Nonperforming Assets by Year
(in thousands)

	2013 (1)			2012 (1)			2011 (1)(3)		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
Beginning Balance	$ 109,894	$ 18,264	$ 128,158	$ 127,479	$ 32,859	$ 160,338	$ 179,094	$ 142,208	$ 321,302
Loans placed on non-accrual (2)	43,867	—	43,867	112,547	—	112,547	239,681	—	239,681
Payments received	(60,035)	—	(60,035)	(31,076)	—	(31,076)	(17,131)	—	(17,131)
Loan charge-offs	(44,444)	—	(44,444)	(65,064)	—	(65,064)	(122,949)	—	(122,949)
Foreclosures	(22,463)	22,463	—	(33,992)	33,992	—	(65,732)	65,732	—
Capitalized costs	—	116	116	—	1,047	1,047	—	1,249	1,249
Property sales	—	(31,916)	(31,916)	—	(40,759)	(40,759)	(11,400)	(107,924)	(119,324)
Loans transferred to held for sale	—	—	—	—	—	—	(74,084)	—	(74,084)
Write downs	—	(3,065)	(3,065)	—	(6,951)	(6,951)	—	(57,368)	(57,368)
Net losses on sales	—	(1,641)	(1,641)	—	(1,924)	(1,924)	—	(11,038)	(11,038)
Ending Balance	$ 26,819	$ 4,221	$ 31,040	$ 109,894	$ 18,264	$ 128,158	$ 127,479	$ 32,859	$ 160,338

(1) Excludes non-performing loans and foreclosed properties covered by the loss-sharing agreement with the FDIC, related to the acquisition of SCB.
(2) Includes $76.6 million from United's largest loan relationship that was placed on nonaccrual in the third quarter of 2011.
(3) The NPA activity shown for 2011 is presented with all activity related to loans transferred to the held for sale classification on one line as if those loans were transferred to held for sale at the beginning of the period. During the first quarter of 2011, $27.1 million in loans transferred to held for sale were placed on nonaccrual, $1.1 million in payments were received on nonaccrual loans transferred to held for sale and $66.6 million in charge-offs were recorded on nonaccrual loans transferred to held for sale to write them down to the expected proceeds from the sale.

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

In 2013, 2012 and 2011, United transferred $22.5 million, $34.0 million and $65.7 million, respectively, of loans into foreclosed property. During 2013, 2012 and 2011, proceeds from sales of foreclosed properties were $31.9 million, $40.8 million, and $108 million, respectively, which includes $3.49 million, $9.40 million, and $21.1 million, respectively, of sales that were financed by United.

The gross additional interest income that would have been earned if the loans classified as nonaccrual had performed in accordance with the original terms was approximately $2.11 million, $6.81 million and $13.6 million in 2013, 2012 and 2011, respectively. The gross additional interest income that would have been earned in 2013, 2012 and 2011 had performing TDRs performed in accordance with the original terms is immaterial.

Investment Securities

The composition of the investment securities portfolio reflects United's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of revenue. The investment securities portfolio also provides a balance to interest rate risk and credit risk in other categories of the balance sheet, while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits and borrowings, including repurchase agreements. Total investment securities at December 31, 2013 increased $233 million from a year ago.

At December 31, 2013 and December 31, 2012, United had securities held-to-maturity with a carrying value of $480 million and $244 million, respectively, and securities available-for-sale totaling $1.83 billion and $1.83 billion, respectively. At both December 31, 2013 and 2012, the securities portfolio represented approximately 31% of total assets. At December 31, 2013, the effective duration of the investment portfolio based on expected maturities was 2.96 years compared with 2.46 years at December 31, 2012.

The following table shows the carrying value of United's securities.

Table 16 - Carrying Value of Investment Securities
As of December 31,
(in thousands)

	December 31, 2013		
	Available-for-Sale	Held-to-Maturity	Total Securities
State and political subdivisions	$ 23,242	$ 51,733	$ 74,975
Mortgage-backed securities	1,145,347	428,009	1,573,356
Corporate bonds	250,296	—	250,296
Asset-backed securities	410,633	—	410,633
Other	2,699	—	2,699
Total securities	$ 1,832,217	$ 479,742	$ 2,311,959

	December 31, 2012		
	Available-for-Sale	Held-to-Maturity	Total Securities
State and political subdivisions	$ 29,052	$ 51,780	$ 80,832
Mortgage-backed securities	1,428,502	192,404	1,620,906
Corporate bonds	163,662	—	163,662
Asset-backed securities	210,556	—	210,556
Other	2,821	—	2,821
Total securities	$ 1,834,593	$ 244,184	$ 2,078,777

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

Management evaluates its securities portfolio each quarter to determine if any security is considered to be other than temporarily impaired. In making this evaluation, management considers its ability and intent to hold securities to recover current market losses. Losses on United's fixed income securities at December 31, 2013 primarily reflect the effect of changes in interest rates. United did not recognize any other than temporary impairment losses on its investment securities in 2013, 2012 or 2011.

At December 31, 2013, United had 68% of its total investment securities portfolio in mortgage backed securities, compared with 78% at December 31, 2012. Due to a lack of loan demand, United continued to purchase mortgage-backed securities in order to obtain a favorable yield with low risk. United did not have securities of any issuer in excess of 10% of equity at year-end 2013 or 2012, excluding U.S. Government issues. Less than 1% of the securities portfolio is rated below "A" or unrated and 32% of non-government agency securities are rated "Aaa". See Note 6 to the consolidated financial statements for further discussion of investment portfolio and related fair value and maturity information.

Intangible Assets

United's core deposit intangibles representing the value of United's acquired deposit base, are amortizing intangible assets that are required to be tested for impairment only when events or circumstances indicate that impairment may exist. There were no events or circumstances that lead management to believe that any impairment exists in United's other intangible assets.

Deposits

United has initiated several deposit programs to improve core earnings by growing customer transaction deposit accounts and lowering overall pricing on deposit accounts to improve its net interest margin and increase net interest revenue. The programs were successful in increasing core transaction deposit accounts and allowing for the reduction of more costly time deposit balances, as United's funding needs decreased due to lower loan demand. United's high level of service, as evidenced by its strong customer satisfaction scores, has been instrumental in attracting and retaining deposits.

Total customer deposits, excluding brokered deposits, as of December 31, 2013 were $5.78 billion, an increase of $69.7 million from December 31, 2012. Total core deposits (demand, NOW, money market and savings deposits, excluding public funds deposits) of $3.44 billion increased $224 million, or 7%, due to the success of core deposit incentive programs.

Total time deposits, excluding brokered deposits, as of December 31, 2013 were $1.48 billion, down $279 million from December 31, 2012. Time deposits less than $100,000 totaled $893 million, a decrease of $162 million, or 15%, from a year ago. Time deposits of $100,000 and greater totaled $589 million as of December 31, 2013, a decrease of $117 million, or 17%, from December 31, 2012. United continued to offer low rates on certificates of deposit, allowing balances to decline as United's funding needs declined due to weak loan demand and a shift to lower cost transaction account deposits.

Brokered deposits totaled $425 million as of December 31, 2013, an increase of $180 million from a year ago. United has actively added long-term deposits to diversify our funding base. These are typically swapped to LIBOR minus a spread, which achieves low cost funding within our interest rate risk parameters.

The following table sets forth the scheduled maturities of time deposits of $100,000 and greater and brokered time deposits.

Table 17 - Maturities of Time Deposits of $100,000 and Greater and Brokered Time Deposits
As of December 31,
(in thousands)

	2013	2012
$100,000 and greater:		
Three months or less	$ 116,875	$ 141,911
Three to six months	100,425	121,059
Six to twelve months	195,064	251,620
Over one year	176,325	190,968
Total	$ 588,689	$ 705,558
Brokered time deposits:		
Three months or less	$ —	$ 248
Three to six months	—	—
Six to twelve months	—	—
Over one year	273,166	154,641
Total	$ 273,166	$ 154,889

Wholesale Funding

The Bank is a shareholder in the Federal Home Loan Bank of Atlanta ("FHLB"). Through this affiliation, FHLB secured advances totaling $120 million and $40.1 million at December 31, 2013 and 2012, respectively. United anticipates continued use of this short and long-term source of funds. FHLB advances outstanding at December 31, 2013 had fixed interest rates of .20% or less. During 2012, United prepaid $25 million of fixed-rate advances and incurred prepayment charges of $2.20 million. United will prepay advances from time to time as funding needs change. Additional information regarding FHLB advances, including scheduled maturities, is provided in Note 12 to the consolidated financial statements.

At December 31, 2013 and 2012, United had $53.2 million and $52.6 million in other borrowings outstanding. During the second quarter of 2012, United prepaid $50 million in structured repurchase agreements and incurred prepayment charges of $4.48 million. United takes advantage of these additional sources of liquidity when rates are favorable compared to other forms of short-term borrowings, such as FHLB advances and brokered deposits.

Liquidity Management

The objective of liquidity management is to ensure that sufficient funding is available, at reasonable cost, to meet the ongoing operational cash needs and to take advantage of revenue producing opportunities as they arise. While the desired level of liquidity will vary depending upon a variety of factors, it is the primary goal of United to maintain a sufficient level of liquidity in all expected economic environments. Liquidity is defined as the ability to convert assets into cash or cash equivalents without significant loss and the ability to raise additional funds by increasing liabilities. Liquidity management involves maintaining United's ability to meet the daily cash flow requirements of the Bank's customers, both depositors and borrowers.

In addition, because United is a separate entity and apart from the Bank, it must provide for its own liquidity. United 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. United currently has internal capital resources to meet these obligations. Substantially all of United's liquidity is obtained from subsidiary service fees and dividends from the Bank, which are limited by applicable law. In recent years when the Bank was unable to pay dividends to United, liquidity was obtained from external sources (debt and equity issuances) to meet its needs.

Two key objectives of asset/liability management are to provide for adequate liquidity in order to meet the needs of customers and to maintain an optimal balance between interest-sensitive assets and interest-sensitive liabilities to optimize interest revenue. Daily monitoring of the sources and uses of funds is necessary to maintain a position that meets both requirements.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments and the maturities and sales of securities, as well as the ability to use these as collateral for borrowings on a secured basis. We also maintain excess funds in short-term, interest-bearing assets that provide additional liquidity. Mortgage loans held for sale totaled $10.3 million at December 31, 2013, and typically turn over every 45 days as closed loans are sold to investors in the secondary market.

The liability section of the balance sheet provides liquidity through interest-bearing and noninterest-bearing deposit accounts. Federal funds purchased, Federal Reserve short-term borrowings, FHLB advances, and securities sold under agreements to repurchase are additional sources of liquidity and represent United's incremental borrowing capacity. These sources of liquidity are generally short-term in nature are used as necessary to fund asset growth and meet other short-term liquidity needs.

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

Table 18 - Short-Term Borrowings
As of December 31,
(in thousands)

	Period-end balance	Period end weighted-average interest rate	Maximum outstanding at any month-end	Average amounts outstanding during the year	Weighted-average rate for the year
December 31, 2013					
Federal funds purchased	$ —	—%	$ 70,000	$ 13,327	.33%
Repurchase agreements	53,241	4.00	54,164	53,234	3.81
	$ 53,241			$ 66,561	
December 31, 2012					
Federal funds purchased	$ —	—%	$ —	$ 5,000	.33%
Repurchase agreements	52,574	4.00	103,551	75,593	3.93
	$ 52,574			$ 80,593	
December 31, 2011					
Federal funds purchased	$ —	—%	$ —	$ 137	.39%
Repurchase agreements	102,577	4.12	103,666	102,590	4.14
	$ 102,577			$ 102,727	

At December 31, 2013, United had sufficient qualifying collateral to increase FHLB advances by $829 million and Federal Reserve discount window capacity of $614 million. United also has the ability to raise substantial funds through brokered deposits. In addition to these wholesale sources, United has the ability to attract retail deposits at any time by competing more aggressively on pricing.

As disclosed in United's consolidated statement of cash flows, net cash provided by operating activities was $192 million for the year ended December 31, 2013. Net income of $273 million for the year included the deferred income tax benefit of $242 million, non-cash expenses for provision for credit losses of $65.5 million, non-cash depreciation, amortization and accretion of $26.4 million, and losses and write downs on foreclosed property of $4.71 million. Accrued expenses and other liabilities increased $42.5 million primarily due to the mark on hedge contracts. Net cash used in investing activities of $483 million consisted primarily of $827 million of purchases of securities, an increase in loans of $359 million, and purchases of premises and equipment of $8.14 million, that were offset by proceeds from sales of securities of $39.7 million, maturities and calls of investment securities of $541 million, proceeds from note sales of $91.9 million, and net proceeds from sales of other real estate of $28.4 million. Funds collected from the FDIC under loss sharing agreements were $5.88 million, providing another source of cash flows from investing activities. The $269 million of net cash provided financing activities consisted primarily of a net increase in deposits of $249 million and an $80.0 million net increase in FHLB advances. United also repaid $35.0 million in long-term debt which was offset by the issuance of $40.0 million in senior notes. Cash from financing activities was also increased by $19.4 million in proceeds from the issuance of common stock through a warrant exercise. This increase was offset by $75.2 million paid to retire preferred stock. In the opinion of management, United's liquidity position at December 31, 2013 was sufficient to meet its expected cash flow requirements.

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

Table 19 - Contractual Obligations and Other Commitments
As of December 31, 2013
(in thousands)

	Maturity By Years				
	Total	1 or Less	1 to 3	3 to 5	Over 5
Contractual Cash Obligations					
FHLB advances	$ 120,125	$ 120,000	$ 125	$ —	$ —
Long-term debt	129,865	—	—	75,000	54,865
Operating leases	6,310	1,852	1,956	936	1,566
Total contractual cash obligations	$ 256,300	$ 121,852	$ 2,081	$ 75,936	$ 56,431
Other Commitments					
Lines of credit	$ 747,170	$ 239,861	$ 161,924	$ 83,669	$ 261,716
Commercial letters of credit	19,846	18,553	1,283	10	—
Uncertain tax positions	4,503	682	1,074	351	2,396
Total other commitments	$ 771,519	$ 259,096	$ 164,281	$ 84,030	$ 264,112

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

Table 20 - Expected Maturity of Available-for-Sale and Held-to-Maturity Investment Securities
As of December 31, 2013
(in thousands)

	Maturity By Years				
	1 or Less	1 to 5	5 to 10	Over 10	Total
Available for Sale					
State and political subdivisions	$ 2,869	$ 16,881	$ 2,607	$ 885	$ 23,242
Corporate bonds	—	38,520	201,504	10,272	250,296
Asset-backed securities	—	89,438	271,418	49,777	410,633
Other securities [1]	5,462	662,269	238,934	241,381	1,148,046
Total securities available for sale	$ 8,331	$ 807,108	$ 714,463	$ 302,315	$ 1,832,217
Weighted average yield [2]	3.97%	2.02%	1.99%	3.60%	2.28%
Held to Maturity					
State and political subdivisions	$ —	$ 12,463	$ 26,062	$ 13,208	$ 51,733
Other securities [1]	639	212,792	204,302	10,276	428,009
Total securities available for sale	$ 639	$ 225,255	$ 230,364	$ 23,484	$ 479,742
Weighted average yield [2]	4.75%	3.14%	2.88%	4.73%	3.09%
Combined Portfolio					
State and political subdivisions	$ 2,869	$ 29,344	$ 28,669	$ 14,093	$ 74,975
Corporate bonds	—	38,520	201,504	10,272	250,296
Asset-backed securities	—	89,438	271,418	49,777	410,633
Other securities [1]	6,101	875,061	443,236	251,657	1,576,055
Total securities available for sale	$ 8,970	$ 1,032,363	$ 944,827	$ 325,799	$ 2,311,959
Weighted average yield [2]	4.03%	2.27%	2.21%	3.68%	2.45%

(1) Includes mortgage-backed securities
(2) Based on amortized cost, taxable equivalent basis

Off-Balance Sheet Arrangements

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

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

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

All of these instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The total amount of these instruments does not necessarily represent future cash requirements because a significant portion of these instruments expire without being used. United is not involved in off-balance sheet contractual relationships, other than those disclosed in this report, that could result in liquidity needs or other commitments, or that could significantly affect earnings. See Note 20 to the consolidated financial statements for additional information on off-balance sheet arrangements.

At December 31, 2013 and 2012, United had $350 million and $265 million, respectively, in offsetting repurchase agreements / reverse repurchase agreements that were netted in the consolidated balance sheet. In addition, at December 31, 2012, United had $50 million in offsetting securities lending agreements that were netted in the consolidated balance sheet. United enters into these collateral swap arrangements from time to time as a source of additional revenue.

Capital Resources and Dividends

Shareholders' equity at December 31, 2013 was $796 million, an increase of $214 million from December 31, 2012. Accumulated other comprehensive income, which includes unrealized gains and losses on securities available-for-sale, the unrealized gains and losses on derivatives qualifying as cash flow hedges, and unamortized prior service cost and actuarial gains and losses on United's modified retirement plan, is excluded in the calculation of regulatory capital ratios. Excluding the change in the accumulated other comprehensive income, shareholders' equity increased $218 million, or 39%, from December 31, 2012. Most of the increase results from the reversal of the valuation allowance on United's net deferred tax asset which resulted in the recognition of United's substantial tax benefits.

United accrued $12.1 million in dividends, including discount accretion, on its Series A Preferred Stock, Series B Preferred Stock, and Series D Preferred Stock, for the years ended December 31, 2013 and 2012.

On December 31, 2013, United redeemed all of its outstanding Series A Preferred Stock in the principal amount of $217,000. The redemption price for shares of the Series A Preferred Stock was the stated value of $10 per share, plus any accrued and unpaid dividends that had been earned thereon through the redemption date. Following the redemption, there are no shares of United's Series A Preferred Stock outstanding.

On December 27, 2013, United redeemed $75 million of its $180 million in outstanding Series B Preferred Stock. The redemption price for shares of the Series B Preferred Stock called for redemption was the stated liquidation value of $1,000 per share, plus any accrued and unpaid dividends that had been earned thereon to, but not including, the redemption date. As of December 31, 2013, $105 million of United's Series B Preferred Stock was outstanding. The remaining $105 million of United's Series B Preferred Stock was redeemed on January 10, 2014 on comparable terms. United funded both redemptions by utilizing cash on hand, cash dividends from the Bank and short-term debt.

In 2010, United granted warrants to Fletcher International Ltd. ("Fletcher") to purchase common stock equivalent junior preferred stock that would be convertible into 1,411,765 common shares, exercisable at a price equivalent to $21.25 per share. United has received purported partial warrant exercise notices from Fletcher with respect to its warrants that include incorrect calculations of the number of settlement shares Fletcher would receive upon exercise. On June 17, 2011, United completed a reclassification of its common stock in the form of 1-for-5 reverse stock split, or recombination. United believes that any current exercise of Fletcher's warrants would not result in the issuance of any settlement shares because the warrants may only be exercised for net shares via a cashless exercise formula, and the reverse stock split-adjusted market price component of that formula does not exceed the exercise price to yield any net shares. Fletcher has also claimed that it is entitled to penalties under its contracts with United for a "registration failure" it claims occurred in 2012. United also believes that no registration failure penalty is due. As a result, United has responded to Fletcher with United's calculations related to its warrants and denied any liability for any such penalty. United may consider repurchasing the warrants based on their fair value in connection with the resolution of any purported claims that Fletcher maintains. United has established litigation reserves associated with claims that may be made against United by Fletcher.

On August 12, 2013, certain holders elected to exercise warrants to purchase an aggregate 1,551,126 shares of United's common stock at a price of 12.50 per share. United recognized net proceeds of approximately $19.4 million as a result of the exercises.

The Federal Reserve has issued guidelines for the implementation of risk-based capital requirements by U.S. banks and bank holding companies. These risk-based capital guidelines take into consideration risk factors, as defined by regulators, associated with various categories of assets, both on and off balance sheet. Under the guidelines, capital strength is measured in two tiers which are used in conjunction with risk-weighted assets to determine the risk-based capital ratios. The guidelines require an 8% Total risk-based capital ratio, of which 4% must be Tier 1 capital. However, to be considered well-capitalized under the guidelines, a 10% Total risk-based capital ratio is required, of which 6% must be Tier 1 capital.

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

Tier 1 capital consists of shareholders' equity, excluding accumulated other comprehensive income, intangible assets (goodwill and deposit-based intangibles), and disallowed deferred tax assets, plus qualifying capital securities. United's Tier 1 capital totaled $649 million at December 31, 2013. Tier 2 capital components include supplemental capital such as the qualifying portion of the allowance for loan losses and qualifying subordinated debt. Tier 1 capital plus Tier 2 capital is referred to as Total risk-based capital and was $713 million at December 31, 2013. The ratios, as calculated under the guidelines, were 12.74% and 13.99% for Tier 1 and Total risk-based capital, respectively, at December 31, 2013.

A minimum leverage ratio is required in addition to the risk-based capital standards and is defined as Tier 1 capital divided by average assets adjusted for goodwill and deposit-based intangibles. Although a minimum leverage ratio of 3% is required, the Federal Reserve requires a bank holding company to maintain a leverage ratio of greater than 3% if it is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve. The Federal Reserve uses the leverage and risk-based capital ratios to assess capital adequacy of banks and bank holding companies.

United has outstanding junior subordinated debentures related to trust preferred securities totaling $54.9 million at December 31, 2013. The related trust preferred securities of $53.2 million (excluding common securities) qualify as Tier 1 capital under risk-based capital guidelines provided that total trust preferred securities do not exceed certain quantitative limits. At December 31, 2013, all of United's trust preferred securities qualified as Tier 1 capital. Further information on United's trust preferred securities is provided in Note 14 to the consolidated financial statements.

The following table shows United's capital ratios, as calculated under regulatory guidelines, at December 31, 2013 and 2012:

Table 21 - Capital Ratios
(dollars in thousands)

	Regulatory Guidelines		United Community Banks, Inc. (Consolidated)		United Community Bank	
			As of December 31,		As of December 31,	
	Minimum	Well Capitalized	2013	2012	2013	2012
Risk-based ratios:						
Tier 1 capital	4.0%	6.0%	12.74%	14.16%	13.55%	14.48%
Total capital	8.0	10.0	13.99	15.73	14.80	15.74
Leverage ratio	3.0	5.0	9.08	9.64	9.61	9.86
Tier 1 capital			$ 649,162	$ 652,692	$ 686,687	$ 666,585
Total capital			713,063	724,915	750,216	724,738

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 nominal rates in order to maintain an appropriate equity to assets ratio.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Sensitivity Management

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

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

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

United's policy is based on the 12-month impact on net interest revenue of interest rate shocks and ramps that increase or decrease from 100 to 300 basis points from the base scenario. In the shock scenarios, rates immediately change the full amount at the scenario onset. In the ramp scenarios, rates change by 25 basis points per month. United's policy limits the change in net interest revenue over the first 12 months to a 5% decrease for each 100 basis point change in the increasing and decreasing rate ramp and shock scenarios. Historically low rates on December 31, 2013 and 2012 made use of the down scenarios problematic. The following table presents United's interest sensitivity position at December 31, 2013 and 2012.

Table 22 - Interest Sensitivity

	Increase (Decrease) in Net Interest Revenue from Base Scenario at December 31,			
	2013		2012	
Change in Rates	Shock	Ramp	Shock	Ramp
200 basis point increase	4.4%	5.4%	6.7%	3.6%
25 basis point decrease	(2.7)	(2.7)	1.2	1.2

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 during the life of the instruments. 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 within an acceptable timeframe, thereby minimizing the effect of interest rate changes on net interest revenue.

United may have some discretion in the extent and timing of deposit repricing depending upon the competitive pressures in the markets in which it operates. Changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. The interest rate spread between an asset and its supporting liability can vary significantly even when the timing of 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.

In order to manage its interest rate sensitivity, United periodically enters into off-balance sheet contracts that are considered derivative financial instruments. Derivative financial instruments can be a cost-effective and capital-effective means of modifying the repricing characteristics of on-balance sheet assets and liabilities. These contracts generally consist of interest rate swaps under which United pays a variable rate, (or fixed rate, as the case may be) and receives a fixed rate (or variable rate, as the case may be).

The following table presents United's outstanding derivative positions at December 31, 2013.

Table 23 - Derivative Financial Instruments
(in thousands)

Type of Instrument	Number of Contracts	Notional	Purpose	Fair Value (F) Asset	Fair Value (F) Liability
Fair value hedges of fixed rate brokered deposit (accounting hedge)					
Receive fixed cancellable swaps [1]	16	$ 199,000	Low cost funding	$ —	$ 19,970
Fair value hedges of fixed rate corporate bonds (accounting hedge)					
Pay fixed swaps [2]	8	86,000	Protection from rising interest rates	3,939	2,308
Cash flow hedges of floating rate borrowings (accounting hedge)					
Pay fixed swaps [3]	3	200,000	Protection from rising interest rates	—	3,368
Cash flow hedges of LIBOR indexed money market deposits (accounting hedge)					
Pay fixed swaps [4]	3	375,000	Protection from rising interest rates	4,782	—
Customer swap positions					
Receive fixed swaps [5]	53	170,647	Provide customer with fixed rate loan	898	1,347
Dealer offset to customer swap positions					
Pay fixed swaps [5]	53	170,647	Protection from rising interest rates	1,347	915
Bifurcated derivatives embedded in hybrid host instruments					
Pay steepener rate cancellable swap [6]	3	99,509	Low cost funding	12,867	—
Interest rate swaps not designated as accounting hedges					
Receive steepener rate cancellable swap [6]	3	101,500	Low cost funding	—	18,324
		$ 1,402,303		$ 23,833	$ 46,232

(1) United uses these swaps as part of a program to provide a low cost non-collateralized source of funds. The swaps hedge fixed rate brokered deposits with step up rates that increase over time that are mirrored in the receive rate of the swaps. The variable pay rates on these swaps are based on three-month LIBOR at spreads of minus 20 to minus 65 basis points. The counterparties have the right to call the instruments at any time generally after six months to one year following inception. United has a similar option in the hedged brokered deposit.

(2) These swaps convert fixed rate corporate bonds to three-month LIBOR and are used for protection against rising interest rates. The pay rates match the fixed rates of the hedged corporate bonds.

(3) These swaps are forward starting and become effective in the first and second quarters of 2014. They convert three month LIBOR-based floating rate borrowings to fixed rates for a three-year term. They are used for protection against rising interest rates.

(4) These swaps are forward starting and become effective in the second and third quarters of 2014 and the second quarter of 2015. They convert one month LIBOR-based money market deposits to fixed rates for terms of three to eight years. They are used for protection against rising interest rates.

(5) United offers interest rate swaps to customers seeking fixed rate loans under a back to back swap program. United enters into offsetting swap positions with qualified dealers simultaneously with the customer swap. Customer swaps and the offsetting dealer swap positions are marked to market through other fee revenue.

(6) United offers market linked certificates of deposit through broker dealers. The rate paid on these hybrid instruments is based on a formula derived from the spread betweeen the long and short ends of the constant maturity swap ("CMS") rate curve. This type of instrument is referred to as a steepener since it derives its value from the slope of the CMS curve. United has determined that these hybrid instruments contain an embedded swap contract which has been bifurcated from the host contract. United enters into a swap with a swap dealer simultaneously where the receive rate on the swap mirrors the pay rate on the brokered deposit. The bifurcated derivative and the stand alone swap are both marked to market through other fee revenue. Although these instruments are not treated as an accounting hedge, the swap acts as an effective economic hedge of the steepener index in the brokered deposit.

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

In addition to derivative instruments, United uses a variety of balance sheet instruments to manage interest rate risk such as Investment Portfolio holdings, wholesale funding and bank-issued deposits.

From time to time, United will terminate swap or floor positions when conditions change and the position is no longer necessary to manage United's overall sensitivity to changes in interest rates. In those situations where the terminated contract was in an effective hedging relationship at the time of termination and the hedging relationship is expected to remain effective throughout the original term of the contract, the resulting gain or loss is amortized over the remaining life of the original contract. For swap contracts, the gain or loss is amortized over the remaining original contract term using the straight line method of amortization. At December 31, 2013, United had no gains or losses from terminated derivative positions included in other comprehensive income that will be amortized into earnings over their remaining original contract terms. In addition, United's forward starting active cash flow hedges of floating rate liabilities will begin to become effective over the next twelve months. United expects that $3.59 million will be reclassified as an increase to deposit and wholesale borrowings interest expense over the next twelve months related to these cash flow hedges.

During the fourth quarter 2013, United reclassified hedge ineffectiveness gains and losses from other fee revenue to net interest revenue. This reclassification has been reflected in all prior period results.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of the registrant and report of independent registered public accounting firm are included herein as follows:

United Community Banks

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

Management has assessed the effectiveness of the internal control over financial reporting as of December 31, 2013. In making this assessment, we used the criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment, management concluded that as of December 31, 2013, United Community Banks, Inc.'s internal control over financial reporting is effective based on those criteria.

Our independent registered public accountants have audited the effectiveness of the company's internal control over financial reporting as stated in their report, which is included in Item 8 of this Annual Report on Form 10-K.

Jimmy C. Tallent	Rex S. Schuette
President and Chief Executive Officer	Executive Vice President and
	Chief Financial Officer

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheet as of December 31, 2013 and the related consolidated statements of operations, of comprehensive income (loss), of changes in shareholders' equity and of cash flows for the year then ended present fairly, in all material respects, the financial position of United Community Banks, Inc. and its subsidiaries at December 31, 2013, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

PricewaterhouseCoopers LLP

February 28, 2014

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Porter Keadle Moore
CPAs | Advisors | www.pkm.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and shareholders
United Community Banks, Inc.
Blairsville, Georgia

We have audited the accompanying consolidated balance sheets of United Community Banks, Inc. and subsidiaries (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Community Banks, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Porter Keadle Moore, LLC

Atlanta, Georgia
March 1, 2013

235 Peachtree Street NE | Suite 1800 | Atlanta, Georgia 30303 | Phone 404.588.4200 | Fax 404.588.4222

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statement of Operations
For the Years Ended December 31, 2013, 2012 and 2011
(in thousands, except per share data)

	2013	2012	2011
Interest revenue:			
Loans, including fees	$ 200,893	$ 217,378	$ 244,020
Investment securities:			
Taxable	40,331	43,657	55,251
Tax exempt	827	956	1,009
Deposits in banks and short-term investments	3,789	3,986	2,321
Total interest revenue	245,840	265,977	302,601
Interest expense:			
Deposits:			
NOW	1,759	2,049	3,998
Money market	2,210	2,518	5,456
Savings	133	150	234
Time	10,464	19,097	39,114
Total deposit interest expense	14,566	23,814	48,802
Short-term borrowings	2,071	2,987	4,250
Federal Home Loan Bank advances	68	907	2,042
Long-term debt	10,977	10,201	10,544
Total interest expense	27,682	37,909	65,638
Net interest revenue	218,158	228,068	236,963
Provision for credit losses	65,500	62,500	251,000
Net interest revenue after provision for credit losses	152,658	165,568	(14,037)
Fee revenue:			
Service charges and fees	31,997	31,670	29,110
Mortgage loan and other related fees	9,925	10,483	5,419
Brokerage fees	4,465	3,082	2,986
Securities gains, net	186	7,078	842
Losses on prepayment of borrowings	—	(6,681)	(791)
Other	10,025	10,480	7,341
Total fee revenue	56,598	56,112	44,907
Total revenue	209,256	221,680	30,870
Operating expenses:			
Salaries and employee benefits	96,233	96,026	100,095
Occupancy	13,930	14,304	15,645
Communications and equipment	13,233	12,940	13,135
FDIC assessments and other regulatory charges	9,219	10,097	14,259
Professional fees	9,617	8,792	9,727
Postage, printing and supplies	3,283	3,899	4,256
Advertising and public relations	3,718	3,855	4,291
Amortization of intangibles	2,031	2,917	3,016
Foreclosed property	7,869	13,993	78,905
Other	15,171	19,951	18,270
Total operating expenses	174,304	186,774	261,599
Income (loss) before income taxes	34,952	34,906	(230,729)
Income tax expense (benefit)	(238,188)	1,050	(3,983)
Net income (loss)	273,140	33,856	(226,746)
Preferred stock dividends	12,078	12,148	11,838
Net income (loss) available to common shareholders	$ 261,062	$ 21,708	$ (238,584)
Income (loss) per common share:			
Basic	$ 4.44	$ .38	$ (5.97)
Diluted	4.44	.38	(5.97)
Weighted average common shares outstanding:			
Basic	58,787	57,857	39,943
Diluted	58,845	57,857	39,943

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income (Loss)
For the Years Ended December 31, 2013, 2012 and 2011
(in thousands, except per share data)

	2013			2012			2011		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income (loss)	$ 34,952	$ 238,188	$ 273,140	$ 34,906	$ (1,050)	$ 33,856	$ (230,729)	$ 3,983	$ (226,746)
Other comprehensive income (loss):									
Unrealized (losses) gains on available-for-sale securities:									
Unrealized holding gains (losses) arising during period	(22,421)	8,475	(13,946)	748	(273)	475	(1,275)	361	(914)
Reclassification of securities from available-for-sale to held-to-maturity	8,306	(3,119)	5,187	—	—	—	—	—	—
Reclassification adjustment for gains included in net income (loss)	(186)	72	(114)	(7,078)	2,753	(4,325)	(842)	328	(514)
Adjustment of valuation allowance for the change in deferred taxes arising from unrealized gains and losses on available-for-sale securities and release of valuation allowance		(2,963)	(2,963)	—	(2,480)	(2,480)	—	(689)	(689)
Net unrealized losses	(14,301)	2,465	(11,836)	(6,330)	—	(6,330)	(2,117)	—	(2,117)
Amortization of gains included in net income (loss) on available-for-sale securities transferred to held to maturity	(731)	282	(449)	(1,988)	773	(1,215)	(2,177)	846	(1,331)
Reclassification of securities from available-for-sale to held-to-maturity	(8,306)	3,119	(5,187)	—	—	—	—	—	—
Adjustment of valuation allowance for the change in deferred taxes arising from the amortization of gains included in net income (loss) on available-for-sale securities transferred to held-to-maturity and release of valuation allowance	—	1,293	1,293	—	(773)	(773)	—	(846)	(846)
Net unrealized losses	(9,037)	4,694	(4,343)	(1,988)	—	(1,988)	(2,177)	—	(2,177)
Amounts reclassified into net income on cash flow hedges	(904)	352	(552)	(3,712)	1,444	(2,268)	(15,116)	5,880	(9,236)
Unrealized losses on derivative financial instruments accounted for as cash flow hedges	10,084	(3,923)	6,161	(8,739)	3,400	(5,339)	—	—	—
Adjustment of valuation allowance for the change in deferred taxes arising from unrealized gains and losses and amortization of gains included in net income (loss) on cash flow hedges and release of valuation allowance		13,698	13,698	—	(4,844)	(4,844)	—	(5,880)	(5,880)
Net unrealized gains (losses)	9,180	10,127	19,307	(12,451)	—	(12,451)	(15,116)	—	(15,116)
Reclassification of unamortized prior service cost and actuarial losses	—	—	—	—	—	—	(4,750)	1,848	(2,902)
Net actuarial gain (loss) on defined benefit pension plan	561	(218)	343	(177)	69	(108)	—	—	—
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	532	(207)	325	615	(240)	375	—	—	—
Adjustment of valuation allowance for the change in deferred taxes arising from reclassification of unamortized prior service cost and actuarial losses and amortization of prior service cost and actuarial losses and release of valuation allowance	—	—	—	—	171	171	—	(1,848)	(1,848)
Net defined benefit pension plan activity	1,093	(425)	668	438	—	438	(4,750)	—	(4,750)
Total other comprehensive income (loss)	(13,065)	16,861	3,796	(20,331)	—	(20,331)	(24,160)	—	(24,160)

Comprehensive income (loss)	$ 21,887	$ 255,049	$ 276,936	$ 14,575	$ (1,050)	$ 13,525	$ (254,889)	$ 3,983	$ (250,906)

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Balance Sheet
As of December 31, 2013 and 2012
(in thousands, except share data)

Assets

	2013	2012
Cash and due from banks	$ 71,230	$ 66,536
Interest-bearing deposits in banks	119,669	124,613
Short-term investments	37,999	60,000
Cash and cash equivalents	228,898	251,149
Securities available-for-sale	1,832,217	1,834,593
Securities held-to-maturity (fair value $485,585 and $261,131)	479,742	244,184
Mortgage loans held for sale	10,319	28,821
Loans, net of unearned income	4,329,266	4,175,008
Less allowance for loan losses	(76,762)	(107,137)
Loans, net	4,252,504	4,067,871
Assets covered by loss sharing agreements with the FDIC	22,882	47,467
Premises and equipment, net	163,589	168,920
Bank owned life insurance	80,670	81,867
Accrued interest receivable	19,598	18,659
Intangible assets	3,480	5,510
Foreclosed property	4,221	18,264
Net deferred tax asset	258,518	—
Derivative financial instruments	23,833	658
Other assets	44,948	34,296
Total assets	$ 7,425,419	$ 6,802,259

Liabilities and Shareholders' Equity

	2013	2012
Liabilities:		
Deposits:		
Demand	$ 1,388,512	$ 1,252,605
NOW	1,427,939	1,316,453
Money market	1,227,575	1,149,912
Savings	251,125	227,308
Time:		
Less than $100,000	892,961	1,055,271
Greater than $100,000	588,689	705,558
Brokered	424,704	245,033
Total deposits	6,201,505	5,952,140
Short-term borrowings	53,241	52,574
Federal Home Loan Bank advances	120,125	40,125
Long-term debt	129,865	124,805
Derivative financial instruments	46,232	12,543
Unsettled securities purchases	29,562	—
Accrued expenses and other liabilities	49,174	38,667
Total liabilities	6,629,704	6,220,854
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $1 par value; 10,000,000 shares authorized;		
Series A, $10 stated value; 0 and 21,700 shares issued and outstanding	—	217
Series B, $1,000 stated value; 105,000 and 180,000 shares issued and outstanding	105,000	178,557
Series D, $1,000 stated value; 16,613 shares issued and outstanding	16,613	16,613
Common stock, $1 par value; 100,000,000 shares authorized;		
46,243,345 and 42,423,870 shares issued and outstanding	46,243	42,424
Common stock, non-voting $1 par value; 30,000,000 shares authorized;		
13,188,206 and 15,316,794 shares issued and outstanding	13,188	15,317
Common stock issuable; 241,832 and 133,238 shares	3,930	3,119
Capital surplus	1,078,676	1,057,951
Accumulated deficit	(448,091)	(709,153)
Accumulated other comprehensive loss	(19,844)	(23,640)
Total shareholders' equity	795,715	581,405
Total liabilities and shareholders' equity	$ 7,425,419	$ 6,802,259

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Shareholders' Equity
For the Years Ended December 31, 2013, 2012 and 2011
(in thousands except share data)

	Preferred Stock					Common	Non-Voting Common	Common Stock	Capital	Retained Earnings (Accumulated	Accumulated Other Comprehensive	
	Series A	Series B	Series D	Series F	Series G	Stock	Stock	Issuable	Surplus	Deficit)	(Loss) Income	Total
Balance, December 31, 2010	$ 217	$ 175,711	$ —	$ —	$ —	$ 18,937	$ —	$ 3,894	$ 741,244	$ (492,276)	$ 20,851	$ 468,578
Net loss										(226,746)		(226,746)
Other comprehensive loss											(24,160)	(24,160)
Penalty received on incomplete private equity transaction									3,250			3,250
Preferred for common equity exchange related to tax benefits preservation plan (1,551,126 common shares)			16,613			(1,551)			(15,062)			—
Common and preferred stock issued (3,467,699 common shares)				195,872	151,185	3,468			11,035			361,560
Conversion of Series F and Series G preferred stock (20,618,156 voting and 15,914,209 non-voting common shares)				(195,872)	(151,185)	20,618	15,914		310,525			—
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (156,816 common shares)						156			1,297			1,453
Amortization of stock options and restricted stock									2,144			2,144
Vesting of restricted stock awards (12,239 common shares issued, 6,382 common shares deferred)						13		54	(67)			—
Deferred compensation plan, net								241				241
Shares issued from deferred compensation plan (6,266 common shares)						6		(956)	950			—
Tax on option exercise and restricted stock vesting									(376)			(376)
Preferred stock dividends:												
Series A										(13)		(13)
Series B, including accretion		1,381								(10,401)		(9,020)
Series D										(1,425)		(1,425)
Balance, December 31, 2011	217	177,092	16,613	—	—	41,647	15,914	3,233	1,054,940	(730,861)	(3,309)	575,486
Net income										33,856		33,856
Other comprehensive loss											(20,331)	(20,331)
Common stock issued to Dividend Reinvestment Plan and employee benefit plans (109,905 common shares)						110			790			900
Conversion of non-voting common stock to voting common stock (597,415 shares)						597	(597)					—
Amortization of stock options and restricted stock									1,976			1,976
Vesting of restricted stock awards (64,839 common shares issued, 36,673 common shares deferred)						65		155	(220)			—
Deferred compensation plan, net								201				201
Shares issued from deferred compensation plan (4,611 common shares)						5		(470)	465			—
Preferred stock dividends:												
Series A										(12)		(12)
Series B, including accretion		1,465								(10,465)		(9,000)
Series D										(1,671)		(1,671)
Balance, December 31, 2012	217	178,557	16,613	—	—	42,424	15,317	3,119	1,057,951	(709,153)	(23,640)	581,405
Net income										273,140		273,140
Other comprehensive loss											3,796	3,796
Retirement of Series A preferred stock (21,700 shares)	(217)											(217)
Retirement of Series B preferred stock (75,000 shares)		(75,000)										(75,000)
Common stock issued to Dividend Reinvestment Plan and						63			733			796

employee benefit plans (62,978 common shares)												
Conversion of non-voting common stock to voting common stock (2,128,588 shares)						2,129	(2,129)					
Warrant exercise (1,551,126 shares)						1,551			17,838			19,389
Amortization of stock options and restricted stock									3,045			3,045
Vesting of restricted stock awards, net of shares surrendered to cover payroll taxes (55,328 common shares issued, 115,664 common shares deferred)						55		1,693	(1,929)			(181)
Deferred compensation plan, net								177				177
Shares issued from deferred compensation plan (21,455 common shares)						21		(1,059)	1,038			—
Preferred stock dividends:												
Series A										(12)		(12)
Series B, including accretion		1,443								(10,401)		(8,958)
Series D										(1,665)		(1,665)
Balance, December 31, 2013	$ —	$ 105,000	$ 16,613	$ —	$ —	$ 46,243	$ 13,188	$ 3,930	$ 1,078,676	$ (448,091)	$ (19,844)	$ 795,715

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2013, 2012 and 2011
(in thousands)

	2013	2012	2011
Operating activities:			
Net income (loss)	$ 273,140	$ 33,856	$ (226,746)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, amortization and accretion	26,388	32,562	21,084
Provision for credit losses	65,500	62,500	251,000
Stock based compensation	3,045	1,976	2,144
Deferred income tax benefit	(241,655)	—	—
Securities gains, net	(186)	(7,078)	(842)
Losses on prepayment of borrowings	—	6,681	791
Losses and write downs on sales of other real estate owned	4,706	8,875	68,406
Change in assets and liabilities:			
(Increase) decrease in other assets and accrued interest receivable	(293)	43,738	27,188
Increase (decrease) in accrued expenses and other liabilities	42,505	4,908	(3,171)
Decrease (increase) in mortgage loans held for sale	18,502	(4,940)	12,027
Net cash provided by operating activities	191,652	183,078	151,881
Investing activities:			
Investment securities held-to-maturity:			
Proceeds from maturities and calls	63,985	82,801	76,764
Purchases	(8,481)	—	(144,506)
Investment securities available-for-sale:			
Proceeds from sales	39,731	469,167	128,217
Proceeds from maturities and calls	477,060	629,896	493,276
Purchases	(818,256)	(1,166,653)	(1,184,013)
Net (increase) decrease in loans	(358,858)	(159,814)	53,104
Proceeds from loan sales	91,913	—	99,298
Proceeds collected from FDIC under loss sharing agreements	5,882	14,292	33,572
Purchases of premises and equipment	(8,143)	(4,117)	(7,210)
Proceeds from sales of premises and equipment	3,946	1,059	737
Proceeds from sale of other real estate owned	28,430	31,356	86,789
Net cash (used in) investing activities	(482,791)	(102,013)	(363,972)
Financing activities:			
Net increase (decrease) in deposits	249,365	(145,843)	(371,189)
Net increase (decrease) in short-term borrowings	667	(54,483)	1,510
Proceeds from Federal Home Loan Bank advances	770,000	1,789,000	—
Repayment of Federal Home Loan Bank advances	(690,000)	(1,791,701)	(15,291)
Repayment of long-term debt	(35,000)	(30,500)	(30,000)
Proceeds from issuance of long-term debt	40,000	35,000	—
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	796	894	1,453
Proceeds from issuance of common and preferred stock, net of offering costs	—	—	361,560
Proceeds from warrant exercise	19,389		
Retirement of preferred stock	(75,217)	—	—
Proceeds from penalty on incomplete private equity transaction	—	—	3,250
Cash dividends on Series A preferred stock	(15)	(12)	(13)
Cash dividends on Series B preferred stock	(9,440)	(9,000)	(9,020)
Cash dividends on Series D preferred stock	(1,657)	(1,687)	(1,210)
Net cash provided by (used in) financing activities	268,888	(208,332)	(58,950)
Net change in cash and cash equivalents	(22,251)	(127,267)	(271,041)
Cash and cash equivalents at beginning of year	251,149	378,416	649,457
Cash and cash equivalents at end of year	$ 228,898	$ 251,149	$ 378,416
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 26,139	$ 42,107	$ 68,068
Income taxes paid (refunds received)	2,362	(26,164)	138

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

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

Organization and Basis of Presentation

At December 31, 2013, United was a bank holding company subject to the regulation of the Board of Governors of the Federal Reserve System (the "Federal Reserve") whose principal business was conducted by its wholly-owned commercial bank subsidiary, United Community Bank (the "Bank"). United is subject to regulation under the Bank Holding Company Act of 1956. The consolidated financial statements include the accounts of United, the Bank and other wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Bank is a Georgia state chartered commercial bank that serves markets throughout north Georgia, coastal Georgia, the Atlanta, Georgia MSA, the Gainesville, Georgia MSA, western North Carolina, the Greenville, South Carolina MSA and east and central Tennessee and provides a full range of banking services. The Bank is insured and subject to the regulation of the Federal Deposit Insurance Corporation ("FDIC") and is also subject to the regulation of the Georgia Department of Banking and Finance.

Use of Estimates

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

Operating Segments

Operating segments are components of a business about which separate financial information is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. Public companies are required to report certain financial information about operating segments in interim and annual financial statements. Although United's operations are divided among geographic regions and local community banks within those regions, those regions and banks have similar economic characteristics and are therefore aggregated into one operating segment for purposes of segment reporting. Therefore, because United has only one operating and reportable segment, segment information is not provided separately from the consolidated financial statements.

Short-term Investments

Short-term investments include overnight and term federal funds sold, commercial paper, reverse repurchase agreements and other temporary investments with maturities of less than 90 days. United uses a variety of short-term investment vehicles to temporarily invest funds.

Cash and Cash Equivalents

Cash equivalents include amounts due from banks, interest-bearing deposits in banks, federal funds sold, commercial paper, reverse repurchase agreements and short-term investments and are carried at cost. Federal funds are generally sold for one-day periods, interest-bearing deposits in banks are available on demand and commercial paper investments and reverse repurchase agreements mature within a period of less than 90 days.

Investment Securities

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

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

(1) Summary of Significant Accounting Policies, continued

Investment Securities, continued

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

Federal Home Loan Bank ("FHLB") stock is included in other assets at its original cost basis, as cost approximates fair value as there is no ready market for such investments.

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of aggregate cost or market value. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net income for the period in which the change occurs. No market valuation allowances were required at December 31, 2013 or 2012 since those loans have market values that approximated the recorded cost basis.

Loans

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

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

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

Concentration of Credit Risk: Most of United's business activity is with customers located within the markets where it has banking operations. Therefore, United's exposure to credit risk is significantly affected by changes in the economy within its markets. More than 80% of United's loan portfolio is secured by real estate and is therefore susceptible to changes in real estate valuations.

Certain Purchased Loans: United from time to time purchases loans, primarily through business combination transactions. Some of those purchased loans show evidence of credit deterioration since origination. Purchased loans are recorded at their estimated fair value such that there is no carryover of the seller's allowance for loan losses. After acquisition, further losses are recognized by an increase in the allowance for loan losses.

(1) Summary of Significant Accounting Policies, continued

Loans, continued

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

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

Allowance for Credit Losses

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

The allowance for loan losses is composed of general reserves and specific reserves. General reserves are determined by applying loss percentages to the individual loan categories that are based on actual historical loss experience. United uses an eight-quarter weighted average historical loss rate for each major loan category, weighted toward the most recent quarters' losses. Additionally, the general economic and business conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, the findings of internal and external credit reviews and results from external bank regulatory examinations are considered in this evaluation. The need for specific reserves is evaluated on nonaccrual loan relationships greater than $500,000, accruing relationships rated substandard that are greater than $2 million and all Troubled Debt Restructurings ("TDRs") including certain primary home loans in process of restructure. The specific reserves are determined on a loan-by-loan basis based on management's evaluation of United's exposure for each credit, given the current payment status of the loan and the value of any underlying collateral. Loans for which specific reserves are provided are excluded from the calculation of general reserves.

The allocation of the allowance for loan losses is based on historical data, subjective judgment and estimates and, therefore, is not necessarily indicative of the specific amounts or loan categories in which charge-offs may ultimately occur. Due to the imprecise nature of the loan loss estimation process and the effects of changing conditions, these risk attributes may not be adequately captured in the data related to the formula-based loan loss components used to determine allocations in United's analysis of the adequacy of the allowance for loan losses. Consequently, management believes that the unallocated allowance is appropriate to reflect probable incurred but unconfirmed losses in the loan portfolio not otherwise captured by the formula-based loan loss components.

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

Commercial (secured by real estate) – Loans in this category are susceptible to declines in general economic conditions, occupancy rates and declines in real estate values. Business failure, lack of a suitable alternative use for the property and decline in general economic conditions are also risks common to this segment of the loan portfolio.

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

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

(1) Summary of Significant Accounting Policies, continued

Allowance for Credit Losses, continued

Residential mortgage – Residential mortgage loans are susceptible to weakening general economic conditions and increases in unemployment rates. Declining real estate values can reduce or eliminate the borrower's home equity which can be particularly troubling for home equity lines.**Residential construction** – Residential construction loans are susceptible to the same risks as commercial construction loans. Changes in market demand for property leads to longer marketing times resulting in higher carrying costs, declining values, and higher interest rates.

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

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

Management believes the allowance for loan losses is appropriate at December 31, 2013. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review United's allowance for loan losses.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the related assets. Costs incurred for maintenance and repairs are expensed as incurred. The range of estimated useful lives for buildings and improvements is 15 to 40 years, for land improvements, 10 to 35 years, and for furniture and equipment, 3 to 10 years.

Intangible Assets

In connection with business combinations involving banks and branch locations, United generally records core deposit intangibles representing the value of the acquired core deposit base. Core deposit intangibles are amortized over the estimated useful life of the deposit base, generally on a straight-line or accelerated basis not exceeding 10 years. The remaining useful lives of core deposit intangibles are evaluated periodically to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Foreclosed Properties

Foreclosed property is initially recorded at fair value, less cost to sell. If the fair value, less cost to sell at the time of foreclosure is less than the loan balance, the deficiency is recorded as a loan charge-off against the allowance for loan losses. If the fair value, less cost to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to operating expenses. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property. Financed sales of foreclosed property are accounted for in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification Topic 360, Subtopic 20, *Real Estate Sales* ("ASC 360-20").

Transfers of Financial Assets

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

FHLB Stock

The Bank is a member of the FHLB. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income. United's FHLB stock is included in the balance of "other assets" in the consolidated balance sheet.

(1) Summary of Significant Accounting Policies, continued

Bank Owned Life Insurance

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

Loan Commitments and Related Financial Instruments

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

Short-term Borrowings

United uses a number of short-term funding sources to meet its funding needs. Short-term borrowings generally consist of federal funds purchased, repurchase agreements and other short-term borrowings.

Income Taxes

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

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

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

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

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

Mortgage Banking Derivatives

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free standing derivatives. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest rate on the loan is locked. United enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into in order to hedge the change in interest rates resulting from its commitments to fund the loans. United's forward commitments for the future delivery of mortgage loans are based on United's "best efforts" and therefore United is not penalized if a loan is not delivered to the investor if the loan did not get originated. Changes in the fair values of these derivatives generally offset each other and are included in "mortgage loan and other related fees" in the consolidated statement of operations.

Derivative Instruments and Hedging Activities

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

(1) Summary of Significant Accounting Policies, continued

Derivative Instruments and Hedging Activities, continued

In carrying out this part of its interest rate risk management strategy, United uses interest rate derivative contracts. The primary type of derivative contract used by United to manage interest rate risk is interest rate swaps. Interest rate swaps generally involve the exchange of fixed- and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date.

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

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

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

By using derivative instruments, United is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the fair value gain in a derivative. When the fair value of a derivative contract is positive, this situation generally indicates that the counterparty is obligated to pay United, and, therefore, creates a repayment risk for United. When the fair value of a derivative contract is negative, United is obligated to pay the counterparty and, therefore, has no repayment risk. United minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by United. From time to time, United may require the counterparties to pledge securities as collateral to cover the net exposure.

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

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

Earnings Per Common Share

Basic earnings per common share is net income (loss) available to common shareholders divided by the weighted average number of shares of common stock outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Additionally, shares issuable to participants in United’s deferred compensation plan are considered to be participating securities for purposes of calculating basic earnings per share. Diluted earnings per common share includes the dilutive effect of additional potential shares of common stock issuable under stock options, warrants and securities convertible into common stock.

(1) Summary of Significant Accounting Policies, continued

Loss Contingencies

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

Restrictions on Cash

A portion of the cash on hand and on deposit with the Federal Reserve Bank of Atlanta was required to meet regulatory reserve requirements.

Dividend Restrictions

Banking regulations require maintaining certain capital levels and may limit dividends paid by the Bank to United or by United to shareholders. Due to its accumulated deficit, the Bank is currently required to obtain approval of the Georgia Department of Banking and Finance before declaring any dividends to United.

Fair Value of Financial Instruments

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

Stock-Based Compensation

United uses the fair value method of recognizing expense for stock-based compensation based on the fair value of option and restricted stock awards at the date of grant.

Comprehensive Income

GAAP normally requires that recognized revenues, expenses, gains and losses be included in net income. In addition to net income, other components of comprehensive income include the after-tax effect of changes in unrealized gains and losses on available-for-sale securities and derivative financial instruments accounted for as cash flow hedges as well as net actuarial gains and losses, prior service costs and related amortization associated with United's modified retirement plan. These items are reported as a separate component of shareholders' equity. United presents comprehensive income in a separate statement of comprehensive income.

Reclassifications and Reverse Stock Split

Certain 2011and 2012 amounts have been reclassified to conform to the 2013 presentation. During the fourth quarter of 2013, United reclassified hedge ineffectiveness gains and losses from other fee revenue to net interest revenue. The impact of the reclassification has been reflected in all periods and was not material to any period. On June 17, 2011, United completed a 1-for-5 reverse stock split, whereby each 5 shares of United's common stock was reclassified into one share of common stock, and each 5 shares of United's non-voting common stock was reclassified into one share of non-voting common stock. All share and per share amounts for all periods presented have been adjusted to reflect the reverse split and the hedge ineffectiveness reclassification as though they had occurred prior to the earliest period presented.

(2) Accounting Standards Updates

In January 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.* This ASU limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting agreement. The disclosure requirements were effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. This guidance did not have a material impact on United's financial position or results of operations, and resulted in additional disclosures.

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The amendments in this update require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component and by the respective line items of net income. The standard was effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. This guidance did not have a material impact on United's financial position or results of operations, and resulted in additional disclosures.

(2) Accounting Standards Updates, continued

In July 2013, the FASB issued ASU No. 2013-10, *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes.* The amendments in this update permit the Fed Funds Effective Swap Rate (OIS) to be used as a benchmark interest rate for hedge accounting in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The standard is effective prospectively for qualifying new or re-designated hedging relationships entered into on or after July 17, 2013. This guidance did not have a material impact on United's financial position, results of operations or disclosures.

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward exists.* This ASU provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Since United has both unrecognized tax benefits and net operating loss and tax credit carryforwards, this ASU could have an impact on United's financial position, results of operations or disclosures; however, United does not expect the impact to be material to United's financial position, results of operations or disclosures.

In January 2014, the FASB issued ASU No. 2014-1, *Accounting for Investments in Qualified Affordable Housing Projects*. This ASU is expected to enable more entities to qualify for the proportional amortization method to account for affordable housing project investments than the number of entities that currently qualify for the effective yield method. The guidance is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. United has investments in affordable housing projects and is currently evaluating the impact to its disclosures. It is not expected to have a material impact in United's financial position or results of operations.

In January 2014, the FASB issued ASU No. 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* This ASU clarifies when an in substance repossession or foreclosure has occurred and when a creditor should derecognize the associated loan receivable and recognize the real estate property. The amendments in this update are effective for annual periods, and interim periods within those years, beginning after December 15, 2014. United does not expect the impact of this guidance to be material to United's financial position, results of operations or disclosures.

(3) Mergers and Acquisitions

On June 19, 2009, the Bank purchased substantially all the assets and assumed substantially all the liabilities of Southern Community Bank ("SCB") from the FDIC, as Receiver of SCB. UCB and the FDIC entered into loss sharing agreements regarding future losses incurred on loans and foreclosed loan collateral existing at June 19, 2009. Under the terms of the loss sharing agreements, the FDIC will absorb 80 percent of losses and share 80 percent of loss recoveries on the first $109 million of losses and, absorb 95 percent of losses and share in 95 percent of loss recoveries on losses exceeding $109 million. The term for loss sharing on 1-4 Family loans is ten years, while the term for loss sharing on all other loans is five years.

Under the loss sharing agreements, the portion of the losses expected to be indemnified by the FDIC is considered an indemnification asset in accordance with ASC 805, *Business Combinations*. The indemnification asset, referred to as "estimated loss reimbursement from the FDIC" is included in the balance of "assets covered by loss sharing agreements with the FDIC" on the consolidated balance sheet.

Loans, foreclosed property and the estimated FDIC reimbursement resulting from the loss share agreements with the FDIC are reported as "assets covered by loss sharing agreements with the FDIC" in the consolidated balance sheet.

(3) Mergers and Acquisitions, continued

The table below shows the components of covered assets at December 31, 2013 and 2012 *(in thousands)*:

	Purchased Impaired Loans	Other Purchased Loans	Other	Total
December 31, 2013				
Commercial (secured by real estate)	$ —	$ 12,342	$ —	$ 12,342
Commercial & industrial	—	600	—	600
Construction and land development	—	2,731	—	2,731
Residential mortgage	—	4,633	—	4,633
Consumer installment	—	24	—	24
Total covered loans	—	20,330	—	20,330
Covered foreclosed property	—	—	1,211	1,211
Estimated loss reimbursement from the FDIC	—	—	1,341	1,341
Total covered assets	$ —	$ 20,330	$ 2,552	$ 22,882
December 31, 2012				
Commercial (secured by real estate)	$ —	$ 22,823	$ —	$ 22,823
Commercial & industrial	—	959	—	959
Construction and land development	405	3,712	—	4,117
Residential mortgage	116	5,302	—	5,418
Consumer installment	—	99	—	99
Total covered loans	521	32,895	—	33,416
Covered foreclosed property	—	—	7,278	7,278
Estimated loss reimbursement from the FDIC	—	—	6,773	6,773
Total covered assets	$ 521	$ 32,895	$ 14,051	$ 47,467

(4) Cash Flows

During 2013, 2012 and 2011, non-accrual loans having a value of $22.5 million, $34.0 million and $65.7 million, respectively, were transferred to foreclosed property. Also, during 2013, 2012 and 2011, United financed the sale of foreclosed properties with loans totaling $3.49 million, $9.40 million and $21.1 million, respectively.

United accounts for securities transactions on the trade date. At December 31, 2013, United had sold $4.60 million in securities and purchased $29.6 million in securities that had not settled. At December 31, 2012, United had $5.76 million in securities sales that had not settled.

(5) Balance Sheet Offsetting

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

The following table presents a summary of amounts outstanding under reverse repurchase agreements, securities lending transactions and derivative financial instruments including those entered into in connection with the same counterparty under master netting agreements as of December 31, 2013 and 2012 *(in thousands)*.

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Asset Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Received	
December 31, 2013						
Repurchase agreements / reverse repurchase agreements	$ 385,000	$ (350,000)	$ 35,000	$ —	$ (38,982)	$ (3,982)
Derivatives	23,833	—	23,833	(4,378)	(2,912)	16,543
Total	$ 408,833	$ (350,000)	$ 58,833	$ (4,378)	$ (41,894)	$ 12,561
Weighted average interest rate of reverse repurchase agreements	1.09%					

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Liability Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Pledged	
Repurchase agreements / reverse repurchase agreements	$ 350,000	$ (350,000)	$ —	$ —	$ —	$ —
Derivatives	46,232		46,232	(4,378)	(38,145)	3,709
Total	$ 396,232	$ (350,000)	$ 46,232	$ (4,378)	$ (38,145)	$ 3,709
Weighted average interest rate of repurchase agreements	.27%					

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Asset Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Received	
December 31, 2012						
Repurchase agreements / reverse repurchase agreements	$ 325,000	$ (265,000)	$ 60,000	$ —	(64,443)	$ (4,443)
Securities lending transactions	50,000	(50,000)	—	—	—	—
Derivatives	658	—	658	(23)	—	635
Total	$ 375,658	$ (315,000)	$ 60,658	$ (23)	$ (64,443)	$ (3,808)
Weighted average interest rate of reverse repurchase agreements	1.18%					

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Liability Balance	Gross Amounts not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Pledged	
Repurchase agreements / reverse repurchase agreements	$ 265,000	$ (265,000)	$ —	$ —	$ —	$ —
Securities lending transactions	50,000	(50,000)	—	—	—	—
Derivatives	12,543	—	12,543	(23)	(11,493)	1,027
Total	$ 327,543	$ (315,000)	$ 12,543	$ (23)	$ (11,493)	$ 1,027
Weighted average interest rate of repurchase agreements	.43%					

(6) Investment Securities

In the fourth quarter of 2013, securities available-for-sale with a fair value of $301 million were transferred to held-to-maturity. The securities were transferred at their fair value on the date of transfer. The unrealized loss of $8.31 million on the transferred securities is being amortized into interest revenue as an adjustment to the yield on those securities over the remaining life of the transferred securities.

At both December 31, 2013 and 2012, securities with a carrying value of $1.53 billion and $1.40 billion, respectively, were pledged to secure public deposits, derivatives and other secured borrowings. Substantial borrowing capacity remains available under borrowing arrangements with the FHLB with currently pledged securities.

(6) Investment Securities, continued

The cost basis, unrealized gains and losses, and fair value of securities held-to-maturity at December 31, 2013 and 2012 are listed below *(in thousands)*:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2013				
State and political subdivisions	$ 51,733	$ 2,718	$ 42	$ 54,409
Mortgage-backed securities [1]	428,009	6,690	3,523	431,176
Total	$ 479,742	$ 9,408	$ 3,565	$ 485,585
As of December 31, 2012				
State and political subdivisions	$ 51,780	$ 5,486	$ —	$ 57,266
Mortgage-backed securities [1]	192,404	11,461	—	203,865
Total	$ 244,184	$ 16,947	$ —	$ 261,131

[1] All are residential type mortgage-backed securities

The cost basis, unrealized gains and losses, and fair value of securities available-for-sale at December 31, 2013 and 2012 are listed below *(in thousands):*

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2013				
State and political subdivisions	$ 22,558	$ 823	$ 139	$ 23,242
Mortgage-backed securities [1]	1,145,800	13,296	13,749	1,145,347
Corporate bonds	255,316	1,304	6,324	250,296
Asset-backed securities	409,086	2,535	988	410,633
Other	2,699	—	—	2,699
Total	$ 1,835,459	$ 17,958	$ 21,200	$ 1,832,217
As of December 31, 2012				
State and political subdivisions	$ 27,717	$ 1,354	$ 19	$ 29,052
Mortgage-backed securities [1]	1,408,042	22,552	2,092	1,428,502
Corporate bonds	169,783	1,052	7,173	163,662
Asset-backed securities	209,411	1,894	749	210,556
Other	2,821	—	—	2,821
Total	$ 1,817,774	$ 26,852	$ 10,033	$ 1,834,593

[1] All are residential type mortgage-backed securities

(6) Investment Securities, continued

There were no held-to-maturity securities in an unrealized loss position as of December 31, 2012. The following summarizes securities held-to-maturity in an unrealized loss position as of December 31, 2013 *(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 December 31, 2013						
State and political subdivisions	$ 1,595	$ 42	$ —	$ —	$ 1,595	$ 42
Mortgage-backed securities	259,870	3,523	—	—	259,870	3,523
Total unrealized loss position	$ 261,465	$ 3,565	$ —	$ —	$ 261,465	$ 3,565

The following summarizes securities available-for-sale in an unrealized loss position as of December 31, 2013 and 2012 *(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 December 31, 2013						
State and political subdivisions	$ 4,539	$ 139	$ —	$ —	$ 4,539	$ 139
Mortgage-backed securities	334,996	6,480	175,865	7,269	510,861	13,749
Corporate bonds	137,318	4,494	54,130	1,830	191,448	6,324
Asset-backed securities	164,933	722	22,370	266	187,303	988
Total unrealized loss position	$ 641,786	$ 11,835	$ 252,365	$ 9,365	$ 894,151	$ 21,200
As of December 31, 2012						
State and political subdivisions	$ 3,674	$ 17	$ 10	$ 2	$ 3,684	$ 19
Mortgage-backed securities	326,485	2,092	—	—	326,485	2,092
Corporate bonds	21,248	136	93,903	7,037	115,151	7,173
Asset-backed securities	82,188	749	—	—	82,188	749
Total unrealized loss position	$ 433,595	$ 2,994	$ 93,913	$ 7,039	$ 527,508	$ 10,033

At December 31, 2013, there were 142 available-for-sale securities and 38 held-to-maturity securities that were in an unrealized loss position. United does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of its amortized cost basis. Unrealized losses at December 31, 2013 were primarily attributable to changes in interest rates. Unrealized losses at December 31, 2012 are primarily related to changes in interest rates, however the unrealized losses in corporate bonds also reflect downgrades in the underlying securities ratings. The bonds remain above investment grade and United does not consider them to be impaired. Much of the 2012 unrealized loss on corporate bonds was recovered in 2013.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analyst's reports. No impairment charges were recognized during 2013, 2012 or 2011.

Realized gains and losses are derived using the specific identification method for determining the cost of the securities sold.

(6) Investment Securities, continued

The following summarizes securities sales activities for the years ended December 31, 2013, 2012 and 2011 *(in thousands)*:

	2013	2012	2011
Proceeds from sales	$ 39,731	$ 469,167	$ 128,217
Gross gains on sales	$ 264	$ 7,364	$ 1,173
Gross losses on sales	(78)	(286)	(331)
Net gains on sales of securities	$ 186	$ 7,078	$ 842
Income tax expense attributable to sales	$ 72	$ 2,753	$ 328

At year-end 2013 and 2012, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The amortized cost and fair value of available-for-sale and held-to-maturity securities at December 31, 2013, by contractual maturity, are presented in the following table *(in thousands)*:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
State and political subdivisions:				
Within 1 year	$ 2,840	$ 2,869	$ —	$ —
1 to 5 years	16,257	16,881	12,463	13,234
5 to 10 years	2,613	2,607	26,062	27,408
More than 10 years	848	885	13,208	13,767
	22,558	23,242	51,733	54,409
Corporate bonds:				
1 to 5 years	38,305	38,520	—	—
5 to 10 years	206,237	201,504	—	—
More than 10 years	10,774	10,272	—	—
	255,316	250,296	—	—
Asset-backed securities:				
1 to 5 years	89,770	89,438	—	—
5 to 10 years	269,337	271,418	—	—
More than 10 years	49,979	49,777	—	—
	409,086	410,633	—	—
Other:				
More than 10 years	2,699	2,699	—	—
	2,699	2,699	—	—
Total securities other than mortgage-backed securities:				
Within 1 year	2,840	2,869	—	—
1 to 5 years	144,332	144,839	12,463	13,234
5 to 10 years	478,187	475,529	26,062	27,408
More than 10 years	64,300	63,633	13,208	13,767
Mortgage-backed securities	1,145,800	1,145,347	428,009	431,176
	$ 1,835,459	$ 1,832,217	$ 479,742	$ 485,585

Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(7) Loans and Allowance for Credit Losses

Major classifications of loans at December 31, 2013 and 2012 are summarized as follows *(in thousands)*:

	2013	2012
Commercial (secured by real estate)	$ 1,756,710	$ 1,813,365
Commercial & industrial	471,961	458,246
Commercial construction	148,903	154,769
Total commercial	2,377,574	2,426,380
Residential mortgage	1,315,964	1,214,203
Residential construction	328,579	381,677
Consumer installment	307,149	152,748
Total loans	4,329,266	4,175,008
Less allowance for loan losses	(76,762)	(107,137)
Loans, net	$ 4,252,504	$ 4,067,871

At December 31, 2013 and 2012, $977,000 and $942,000, respectively, in overdrawn deposit accounts were reclassified as commercial and industrial loans. No specific allowance for loan losses was deemed necessary for these accounts at December 31, 2013 and 2012.

Home equity lines of credit are included in the residential mortgage category and are primarily responsible for the growth in that loan class compared to prior periods. Indirect auto loans are included in the consumer installment category above and contributed to the significant growth in that class of loans.

During the second quarter of 2013, United executed a plan to accelerate the disposition of classified assets including performing classified loans, nonperforming loans and foreclosed properties. The purpose of the accelerated classified asset disposition plan was to resolve legacy credit problems remaining from the recent financial crisis and to accelerate the improvement of United's credit measures toward pre-crisis levels. The classified asset sales included individual note and foreclosed property sales and a large bulk sale of classified assets to a single investor. The bulk sale included performing and nonperforming classified loans and foreclosed properties. The assets were divided into four separate pools that were bid for separately by potential buyers. A single purchaser was the high bidder for each of the four pools. The table below shows the allocation among impaired loans, loans that were not considered impaired and foreclosed properties, including United's recorded investment in those assets, the sales proceeds and the resulting net charge-offs of assets sold in the bulk sale transaction *(in thousands)*.

	Recorded Investment	Net Sales Proceeds	Net Charge-Off
Loans considered impaired	$ 96,829	$ 56,298	$ (40,531)
Loans not considered impaired	25,687	15,227	(10,460)
Foreclosed properties	8,398	5,933	(2,465)
Total assets sold	$ 130,914	$ 77,458	$ (53,456)

The loans considered impaired in the table above were assigned specific reserves of $6.86 million in the most recent analysis of the allowance for loan losses prior to the sale. Because the assets were sold at liquidation prices in a bulk transaction with no recourse, the sales price was generally lower than the appraised value of the foreclosed properties and loan collateral. Although the classified asset sales increased charge-offs during the second quarter of 2013, they accomplished management's goal of moving classified asset levels toward the pre-crisis range.

(7) Loans and Allowance for Credit Losses, continued

The allowance for loan losses represents management's estimate of probable incurred losses in the loan portfolio as of year-end. In 2013, United established an allowance for unfunded commitments separate from the allowance for loan losses due to significant growth in unfunded loan commitments. The allowance for unfunded commitments is included in other liabilities in the consolidated balance sheet. Combined, the allowance for loan losses and allowance for unfunded commitments are referred to as the allowance for credit losses.

The following table presents the balance and activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2013, 2012 and 2011 *(in thousands)*:

	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Year Ended December 31, 2013					
Commercial (secured by real estate)	$ 27,847	$ (36,470)	$ 1,945	$ 31,016	$ 24,338
Commercial & industrial	5,537	(18,914)	1,888	18,016	6,527
Commercial construction	8,389	(6,483)	69	1,694	3,669
Residential mortgage	26,642	(12,277)	715	5,894	20,974
Residential construction	26,662	(23,049)	173	8,746	12,532
Consumer installment	2,747	(2,461)	1,154	1,039	2,479
Unallocated	9,313	—	—	(3,070)	6,243
Total allowance for loan losses	107,137	(99,654)	5,944	63,335	76,762
Allowance for unfunded commitments	—	—	—	2,165	2,165
Total allowance for credit losses	$ 107,137	$ (99,654)	$ 5,944	$ 65,500	$ 78,927

	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Year Ended December 31, 2012					
Commercial (secured by real estate)	$ 31,644	$ (23,062)	$ 692	$ 18,573	$ 27,847
Commercial & industrial	5,681	(2,424)	1,104	1,176	5,537
Commercial construction	6,097	(5,411)	111	7,592	8,389
Residential mortgage	29,076	(17,262)	799	14,029	26,642
Residential construction	30,379	(24,260)	1,272	19,271	26,662
Consumer installment	2,124	(2,214)	824	2,013	2,747
Unallocated	9,467	—	—	(154)	9,313
Total allowance for loan losses	114,468	(74,633)	4,802	62,500	107,137
Allowance for unfunded commitments	—	—	—	—	—
Total allowance for credit losses	$ 114,468	$ (74,633)	$ 4,802	$ 62,500	$ 107,137

	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Year Ended December 31, 2011					
Commercial (secured by real estate)	$ 31,191	$ (59,468)	$ 448	$ 59,473	$ 31,644
Commercial & industrial	7,580	(24,890)	967	22,024	5,681
Commercial construction	6,780	(55,730)	203	54,844	6,097
Residential mortgage	22,305	(53,707)	738	59,740	29,076
Residential construction	92,571	(118,916)	1,678	55,046	30,379
Consumer installment	3,030	(3,594)	1,044	1,644	2,124
Unallocated	11,238	—	—	(1,771)	9,467
Total allowance for loan losses	174,695	(316,305)	5,078	251,000	114,468
Allowance for unfunded commitments	—	—	—	—	—
Total allowance for credit losses	$ 174,695	$ (316,305)	$ 5,078	$ 251,000	$ 114,468

(7) Loans and Allowance for Credit Losses, continued

The following table presents the recorded investment in loans by portfolio segment and the balance of the allowance for loan losses assigned to each segment based on the method of evaluating the loans for impairment as of December 31, 2013 and December 31, 2012 *(in thousands)*:

	Allowance for Loan Losses					
	December 31, 2013			December 31, 2012		
	Individually evaluated for impairment	Collectively evaluated for impairment	Ending Balance	Individually evaluated for impairment	Collectively evaluated for impairment	Ending Balance
Commercial (secured by real estate)	$ 2,013	$ 22,325	$ 24,338	$ 6,106	$ 21,741	$ 27,847
Commercial & industrial	66	6,461	6,527	490	5,047	5,537
Commercial construction	112	3,557	3,669	2,239	6,150	8,389
Residential mortgage	2,919	18,055	20,974	2,165	24,477	26,642
Residential construction	688	11,844	12,532	625	26,037	26,662
Consumer installment	224	2,255	2,479	19	2,728	2,747
Unallocated	—	6,243	6,243	—	9,313	9,313
Total allowance for loan losses	6,022	70,740	76,762	11,644	95,493	107,137
Allowance for unfunded commitments	—	2,165	2,165	—	—	—
Total allowance for credit losses	$ 6,022	$ 72,905	$ 78,927	$ 11,644	$ 95,493	$ 107,137

	Loans Outstanding					
	December 31, 2013			December 31, 2012		
	Individually evaluated for impairment	Collectively evaluated for impairment	Ending Balance	Individually evaluated for impairment	Collectively evaluated for impairment	Ending Balance
Commercial (secured by real estate)	$ 60,208	$ 1,696,502	$ 1,756,710	$ 104,409	$ 1,708,956	$ 1,813,365
Commercial & industrial	4,217	467,744	471,961	51,501	406,745	458,246
Commercial construction	13,715	135,188	148,903	40,168	114,601	154,769
Residential mortgage	20,672	1,295,292	1,315,964	22,247	1,191,956	1,214,203
Residential construction	14,808	313,771	328,579	34,055	347,622	381,677
Consumer installment	999	306,150	307,149	430	152,318	152,748
Unallocated	—	—	—	—	—	—
Total loans	$ 114,619	$ 4,214,647	$ 4,329,266	$ 252,810	$ 3,922,198	$ 4,175,008

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

(7) Loans and Allowance for Credit Losses, continued

Each quarter, United's management prepares an analysis of the allowance for credit losses to determine the appropriate balance that measures and quantifies the amount of probable incurred loss in the loan portfolio. The allowance is comprised of specific reserves which are determined as described above, general reserves which are determined based on historical loss experience as adjusted for current trends and economic conditions and an unallocated portion. United uses eight quarters of historical loss experience weighted toward the most recent quarters to determine the loss factors to be used in the reserve calculation for loans evaluated in the aggregate. Eight quarters has been determined to be an appropriate time period as it is recent enough to be relevant to current conditions and covers a length of time sufficient to minimize distortions caused by nonrecurring and unusual activity that might otherwise influence a shorter time period. The weighted average is accomplished by multiplying each quarter's annualized historical net charge-off rate by 1 through 8, with 8 representing the most recent quarter and 1 representing the oldest quarter. United uses annualized charge-off rates under the broad assumption that losses inherent in the loan portfolio will generally be resolved within twelve months. Problem loans that are not resolved within twelve months are generally larger loans that are more complex in nature requiring more time to either rehabilitate or work out of the bank. These credits are generally subject to impairment testing and are separately evaluated for specific reserves.

The weighted loss factor results for each quarter are added together and divided by 36 (the sum of 1,2,3,4,5,6,7 and 8) to arrive at the weighted average historical loss factor for each category of loans. United calculates loss factors for each major category of loans (commercial real estate, commercial & industrial, commercial construction, residential construction and consumer installment) except residential real estate loans which are further divided into home equity first lien, home equity junior lien and all other residential real estate loans and a loss factor is calculated for each category.

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

Management carefully reviews the resulting loss factors for each category of the loan portfolio and evaluates whether qualitative adjustments are necessary to take into consideration recent credit trends such as increases or decreases in past due, nonaccrual, criticized and classified loans, acceleration or delays in timing of recognition of losses that may render the use of annualized charge-off rates to be inappropriate, and other macro environmental factors such as changes in unemployment rates, lease vacancy rates and trends in property values and absorption rates.

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

When a loan officer determines that a loan is uncollectible, he or she is responsible for recommending that the loan be charged off. Full or partial charge-offs may also be recommended by the Collections Department, the Special Assets Department and the Foreclosure/OREO Department. Nonaccrual real estate loans that are collateral dependent are generally charged down to 80% of the appraised value of the underlying collateral at the time they are placed on nonaccrual status.

A committee consisting of the Chief Risk Officer, Senior Risk Officer and the Senior Credit Officers meets monthly to review charge-offs that have occurred during the previous month.

Generally, closed-end retail loans (installment and residential mortgage loans) past due 90 cumulative days are charged off unless the loan is well secured and in process of collection (within the next 90 days). Open-end (revolving) retail loans which are past due 90 cumulative days from their contractual due date are generally charged off.

At December 31, 2013and 2012, loans with a carrying value of $1.77 billion and $1.90 billion were pledged as collateral to secure FHLB advances and other contingent funding sources.

(7) Loans and Allowance for Credit Losses, continued

In the ordinary course of business, the Bank grants loans to executive officers, and directors of the holding company and the Bank, including their immediate families and companies with which they are associated. Management believes that such loans are made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers. The following is a summary of such loans outstanding and the activity in these loans for the year ended December 31, 2013 *(in thousands)*:

Balances at December 31, 2012	$ 6,610
New loans and advances	1,470
Repayments	(1,606)
Adjustment for changes in executive officers and directors	(3,576)
Balances at December 31, 2013	$ 2,898

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

	2013			2012			2011		
	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received
Commercial (secured by real estate)	$ 59,724	$ 3,553	$ 3,807	$ 114,556	$ 4,994	$ 5,270	$ 48,712	$ 1,588	$ 1,506
Commercial & industrial	4,609	401	865	45,233	1,051	2,523	24,329	153	704
Commercial construction	13,946	633	720	45,489	875	1,268	13,126	94	317
Total commercial	78,279	4,587	5,392	205,278	6,920	9,061	86,167	1,835	2,527
Residential mortgage	21,413	1,114	1,088	23,926	1,058	1,190	9,575	217	222
Residential construction	14,558	993	1,023	46,410	1,527	2,054	30,797	604	728
Consumer installment	383	21	21	564	26	27	101	6	6
Total	$ 114,633	$ 6,715	$ 7,524	$ 276,178	$ 9,531	$ 12,332	$ 126,640	$ 2,662	$ 3,483

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2013 and 2012 *(in thousands)*:

	December 31, 2013			December 31, 2012		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded:						
Commercial (secured by real estate)	$ 30,361	$ 24,205	$ —	$ 74,066	$ 62,609	$ —
Commercial & industrial	2,252	2,252	—	74,572	49,572	—
Commercial construction	974	974	—	23,938	17,305	—
Total commercial	33,587	27,431	—	172,576	129,486	—
Residential mortgage	4,496	3,634	—	10,336	8,383	—
Residential construction	9,462	7,807	—	35,439	19,093	—
Consumer installment	—	—	—	—	—	—
Total with no related allowance recorded	47,545	38,872	—	218,351	156,962	—
With an allowance recorded:						
Commercial (secured by real estate)	36,085	36,003	2,013	44,395	41,800	6,106
Commercial & industrial	2,248	1,965	66	2,170	1,929	490
Commercial construction	12,821	12,741	112	23,746	22,863	2,239
Total commercial	51,154	50,709	2,191	70,311	66,592	8,835
Residential mortgage	17,624	17,038	2,919	14,267	13,864	2,165
Residential construction	8,469	7,001	688	15,412	14,962	625
Consumer installment	999	999	224	441	430	19
Total with an allowance recorded	78,246	75,747	6,022	100,431	95,848	11,644
Total	$ 125,791	$ 114,619	$ 6,022	$ 318,782	$ 252,810	$ 11,644

(7) Loans and Allowance for Credit Losses, continued

There were no loans more than 90 days past due and still accruing interest at December 31, 2013 and 2012. Nonaccrual loans at December 31, 2013 and 2012 were $26.8 million and $110 million, respectively. Nonaccrual loans include both homogeneous loans that are collectively evaluated for impairment and individually evaluated impaired loans. United's policy is to place loans on nonaccrual status, when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in accordance with the loan terms or when the loan becomes 90 days past due and is not well secured and in the process of collection. When a loan is classified on nonaccrual status, interest previously accrued but not collected is reversed against current interest revenue. Principal and interest payments received on a nonaccrual loan are applied to reduce outstanding principal.

The following table presents the recorded investment (unpaid principal less amounts charged-off) in nonaccrual loans by loan class as of December 31, 2013 and 2012 *(in thousands)*:

	2013	2012
Commercial (secured by real estate)	$ 8,340	$ 22,148
Commercial & industrial	427	31,817
Commercial construction	361	23,843
Total commercial	9,128	77,808
Residential mortgage	13,178	12,589
Residential construction	4,264	18,702
Consumer installment	249	795
Total	$ 26,819	$ 109,894

The following table presents the aging of the recorded investment in past due loans as of December 31, 2013 and 2012 by class of loans *(in thousands)*:

	Loans Past Due				Loans Not	
As of December 31, 2013	30 - 59 Days	60 - 89 Days	> 90 Days	Total	Past Due	Total
Commercial (secured by real estate)	$ 5,724	$ 2,797	$ 2,547	$ 11,068	$ 1,745,642	$ 1,756,710
Commercial & industrial	2,349	223	88	2,660	469,301	471,961
Commercial construction	94	190	235	519	148,384	148,903
Total commercial	8,167	3,210	2,870	14,247	2,363,327	2,377,574
Residential mortgage	11,067	3,262	5,081	19,410	1,296,554	1,315,964
Residential construction	1,335	588	1,375	3,298	325,281	328,579
Consumer installment	1,243	423	66	1,732	305,417	307,149
Total loans	$ 21,812	$ 7,483	$ 9,392	$ 38,687	$ 4,290,579	$ 4,329,266
As of December 31, 2012						
Commercial (secured by real estate)	$ 8,106	$ 3,232	$ 7,476	$ 18,814	$ 1,794,551	$ 1,813,365
Commercial & industrial	1,565	429	867	2,861	455,385	458,246
Commercial construction	2,216	—	4,490	6,706	148,063	154,769
Total commercial	11,887	3,661	12,833	28,381	2,397,999	2,426,380
Residential mortgage	12,292	2,426	4,848	19,566	1,194,637	1,214,203
Residential construction	2,233	1,934	5,159	9,326	372,351	381,677
Consumer installment	1,320	245	289	1,854	150,894	152,748
Total loans	$ 27,732	$ 8,266	$ 23,129	$ 59,127	$ 4,115,881	$ 4,175,008

As of December 31, 2013 and 2012, United has allocated $5.64 million and $9.50 million, respectively, of specific reserves to customers whose loan terms have been modified in TDRs. United committed to lend additional amounts totaling up to $6,000 and $689,000 as of December 31, 2013 and 2012, respectively, to customers with outstanding loans that are classified as TDRs.

(7) Loans and Allowance for Credit Losses, continued

The modification of the terms of TDRs included one or a combination of the following: a reduction of the stated interest rate of the loan or an extension of the amortization period that would not otherwise be considered in the current market for new debt with similar risk characteristics; a permanent reduction of the principal amount; a restructuring of the borrower's debt into an A/B note structure where the A note would fall within the borrower's ability to pay and the remainder would be included in the B note, or a mandated bankruptcy restructuring.

Loans modified under the terms of a TDR during the twelve months ended December 31, 2013 and 2012 are presented in the table below. In addition, the following table presents loans modified under the terms of a TDR that became 90 days or more delinquent during the twelve months ended December 31, 2013 and 2012, that were initially restructured within one year prior to becoming delinquent *(dollars in thousands)*:

				Troubled Debt Restructurings That Have Subsequently Defaulted Within the Previous Twelve Months	
Troubled Debt Restructurings for the Year ended December 31, 2013	**Number of Contracts**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**	**Number of Contracts**	**Recorded Investment**
Commercial (secured by real estate)	20	$ 12,483	$ 11,384	3	$ 670
Commercial & industrial	14	1,464	1,208	1	35
Commercial construction	1	416	416	2	1,454
Total commercial	35	14,363	13,008	6	2,159
Residential mortgage	49	7,098	6,573	3	641
Residential construction	15	2,160	2,015	3	531
Consumer installment	11	80	80	5	29
Total loans	110	$ 23,701	$ 21,676	17	$ 3,360
Year ended December 31, 2012					
Commercial (secured by real estate)	54	$ 34,450	$ 32,928	7	$ 3,287
Commercial & industrial	22	3,619	3,616	3	71
Commercial construction	20	34,014	33,934	3	4,224
Total commercial	96	72,083	70,478	13	7,582
Residential mortgage	67	15,132	14,303	10	650
Residential construction	49	19,909	17,400	16	5,728
Consumer installment	25	334	328	4	39
Total loans	237	$ 107,458	$ 102,509	43	$ 13,999
Year ended December 31, 2011					
Commercial (secured by real estate)	57	$ 56,981	$ 56,031	4	$ 1,447
Commercial & industrial	15	767	767	2	52
Commercial construction	9	16,243	16,243	—	—
Total commercial	81	73,991	73,041	6	1,499
Residential mortgage	75	11,008	10,444	9	718
Residential construction	44	22,584	21,821	9	1,289
Consumer installment	31	205	200	13	68
Total loans	231	$ 107,788	$ 105,506	37	$ 3,574

(7) Loans and Allowance for Credit Losses, continued

The following table presents additional information on TDRs including the number of loan contracts restructured and the pre- and post-modification recorded investment *(dollars in thousands)*:

	December 31, 2013			December 31, 2012		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial (secured by real estate)	77	$ 44,964	$ 40,667	96	$ 80,261	$ 75,340
Commercial & industrial	36	3,527	3,245	32	7,492	7,250
Commercial construction	13	13,122	13,042	25	37,537	33,809
Total commercial	126	61,613	56,954	153	125,290	116,399
Residential mortgage	136	20,622	19,357	117	20,323	19,296
Residential construction	57	12,459	10,452	67	25,822	23,786
Consumer installment	26	203	203	51	1,292	1,282
Total loans	345	$ 94,897	$ 86,966	388	$ 172,727	$ 160,763

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

Risk Ratings

United categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, 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 continuous basis. United uses the following definitions for its risk ratings:

Watch. Loans in this category are presently protected from apparent loss; however weaknesses exist that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. These loans require more than the ordinary amount of supervision. Collateral values generally afford adequate coverage, but may not be immediately marketable.

Substandard. These loans are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged. Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. There is the distinct possibility that United will sustain some loss if deficiencies are not corrected. If possible, immediate corrective action is taken.

Doubtful. Specific weaknesses characterized as Substandard that are severe enough to make collection in full highly questionable and improbable. There is no reliable secondary source of full repayment.

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

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

(7) Loans and Allowance for Credit Losses, continued

As of December 31, 2013 and 2012, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows *(in thousands)*:

	Pass	Watch	Substandard Performing	Substandard Nonaccrual	Doubtful / Loss	Total
As of December 31, 2013						
Commercial (secured by real estate)	$ 1,630,521	$ 40,124	$ 77,725	$ 8,340	$ —	$ 1,756,710
Commercial & industrial	456,563	5,382	9,589	427	—	471,961
Commercial construction	120,852	10,932	16,758	361	—	148,903
Total commercial	2,207,936	56,438	104,072	9,128	—	2,377,574
Residential mortgage	1,219,433	31,364	51,989	13,178	—	1,315,964
Residential construction	298,685	11,526	14,104	4,264	—	328,579
Consumer installment	303,133	1,229	2,538	249	—	307,149
Total loans	$ 4,029,187	$ 100,557	$ 172,703	$ 26,819	$ —	$ 4,329,266
As of December 31, 2012						
Commercial (secured by real estate)	$ 1,592,677	$ 80,997	$ 117,543	$ 22,148	$ —	$ 1,813,365
Commercial & industrial	402,548	5,404	18,477	31,817	—	458,246
Commercial construction	104,296	7,345	19,285	23,843	—	154,769
Total commercial	2,099,521	93,746	155,305	77,808	—	2,426,380
Residential mortgage	1,102,746	33,689	65,179	12,589	—	1,214,203
Residential construction	292,264	32,907	37,804	18,702	—	381,677
Consumer installment	147,214	1,086	3,653	795	—	152,748
Total loans	$ 3,641,745	$ 161,428	$ 261,941	$ 109,894	$ —	$ 4,175,008

(8) Foreclosed Property

Major classifications of foreclosed properties at December 31, 2013 and 2012 are summarized as follows *(in thousands)*:

	2013	2012
Commercial real estate	$ 1,287	$ 6,368
Commercial construction	—	2,204
Total commercial	1,287	8,572
Residential mortgage	3,380	5,192
Residential construction	736	11,454
Total foreclosed property	5,403	25,218
Less valuation allowance	(1,182)	(6,954)
Foreclosed property, net	$ 4,221	$ 18,264
Balance as a percentage of original loan unpaid principal	44.5%	39.7%

In the second quarter of 2013, United completed the accelerated sales of $172 million of classified assets including performing and nonperforming classified loans and foreclosed properties.

Activity in the valuation allowance for foreclosed property is presented in the following table *(in thousands)*:

	2013	2012	2011
Balance at beginning of year	$ 6,954	$ 18,982	$ 16,565
Additions charged to expense	3,065	6,951	57,368
Charge-offs upon disposition	(8,837)	(18,979)	(54,951)
Balance at end of year	$ 1,182	$ 6,954	$ 18,982

(8) Foreclosed Property, continued

Expenses related to foreclosed assets include *(in thousands)*:

	2013	2012	2011
Net loss on sales	$ 1,641	$ 1,924	$ 11,038
Provision for unrealized losses	3,065	6,951	57,368
Operating expenses, net of rental income	3,163	5,118	10,499
Total foreclosed property expense	$ 7,869	$ 13,993	$ 78,905

(9) Premises and Equipment

Premises and equipment at December 31, 2013 and 2012 are summarized as follows, *(in thousands)*:

	2013	2012
Land and land improvements	$ 80,845	$ 81,272
Buildings and improvements	114,048	114,127
Furniture and equipment	63,015	66,565
Construction in progress	510	1,181
	258,418	263,145
Less accumulated depreciation	(94,829)	(94,225)
Premises and equipment, net	$ 163,589	$ 168,920

Depreciation expense was $9.40 million, $9.26 million and $9.83 million for 2013, 2012 and 2011, respectively.

United leases certain branch properties and equipment under operating leases. Rent expense was $2.34 million, $2.30 million and $2.25 million for 2013, 2012 and 2011, respectively. United does not have any capital leases. Rent commitments under operating leases, before considering renewal options that generally are present, were as follows *(in thousands)*:

2014	$ 1,852
2015	1,393
2016	563
2017	537
2018	399
Thereafter	1,566
Total	$ 6,310

(10) Intangible Assets

United has finite-lived intangible assets capitalized on its balance sheet in the form of core deposit intangibles. These intangible assets are amortized over their estimated useful lives of no more than 10 years. A summary of core deposit intangible assets as of December 31, 2013 and 2012 is presented below, *(in thousands)*:

	2013	2012
Gross carrying amount	$ 32,652	$ 32,652
Less accumulated amortization	29,172	27,142
Net carrying amount	$ 3,480	$ 5,510

(10) Intangible Assets, continued

Amortization expense on finite-lived intangible assets was $2.03 million in 2013, $2.92 million for 2012 and $3.02 million for 2011. Amortization expense for each of the years 2014 through 2018 is estimated below *(in thousands)*:

2014	$	1,349
2015		956
2016		879
2017		263
2018		31

(11) Deposits

At December 31, 2013, the contractual maturities of time deposits are summarized as follows *(in thousands)*:

Maturing In:		
2014	$	1,098,425
2015		232,625
2016		118,261
2017		15,353
2018		21,191
thereafter		268,960
	$	1,754,815

At December 31, 2013, United held $273 million in certificates of deposit obtained through the efforts of third party brokers. At December 31, 2012, United had $155 million of brokered certificates of deposit. The daily average balance of these brokered deposits totaled $219 million and $156 million in 2013 and 2012, respectively. The brokered certificates of deposit at December 31, 2013 had maturities ranging from 15 to 20 years and are callable by United. Most of the brokered certificates of deposit have been swapped in fair value hedging relationships to 90 day LIBOR minus a basis point spread that currently exceeds LIBOR, thereby resulting in a negative yield. United also has certain market-linked brokered deposits that are considered hybrid instruments that contain embedded derivatives that have been bifurcated from the host contract leaving host instruments paying a rate of 90 day LIBOR minus a basis point spread that also result in a negative yield.

(12) Federal Home Loan Bank Advances

At December 31, 2013, United had advances totaling $120 million from the FHLB all of which were fixed rate advances. At December 31, 2012, United had advances totaling $40.1 million from the FHLB all of which were fixed rate advances. With the exception of $125,000 that matures in 2016, the advances outstanding at December 31, 2013 had maturities of no more than 30 days with interest rates up to 0.20%. At December 31, 2013, the weighted average interest rate on FHLB advances was .19%, compared to .18% as of December 31, 2012. The FHLB advances are collateralized by commercial (secured by real estate) and residential mortgage loans, investment securities and FHLB stock.

At December 31, 2013, the maturities and current rates of outstanding advances were as follows *(in thousands)*:

Maturing In:		Amount Maturing	Current Rate Range
2014	$	120,000	0.17% - 0.20%
2016		125	
	$	120,125	

(13) Short-term Borrowings

United uses a number of sources of short-term borrowings to meet its liquidity needs including federal funds purchased, repurchase agreements and Federal Reserve discount window borrowings. As of December 31, 2013 and 2012, the balance of short-term borrowings consisted of repurchase agreements totaling $53.2 million and $52.6 million, respectively.

(14) Long-term Debt

Long-term debt at December 31, 2013 and 2012 consisted of the following *(in thousands)*:

	2013	2012	Issue Date	Stated Maturity Date	Earliest Call Date	Interest Rate
2013 senior debentures	$ 40,000	$ —	2013	2018	2015	6.000%
2012 senior debentures	35,000	35,000	2012	2017	2017	9.000
Total senior debentures	75,000	35,000				
2003 subordinated debentures	—	35,000	2003	2015	2010	7.500
Total subordinated debentures	—	35,000				
United Community Capital Trust	21,650	21,650	1998	2028	2008	8.125
United Community Statutory Trust I	5,155	5,155	2000	2030	2010	10.600
United Community Capital Trust II	10,309	10,309	2000	2030	2010	11.295
Southern Bancorp Capital Trust I	4,382	4,382	2004	2034	2009	Prime + 1.00
United Community Statutory Trust II	12,131	12,077	2008	2038	2013	9.000
United Community Statutory Trust III	1,238	1,232	2008	2038	2013	Prime + 3.00
Total trust preferred securities	54,865	54,805				
Total long-term debt	$ 129,865	$ 124,805				

Interest is paid semiannually for all senior debentures, subordinated debentures and trust preferred securities.

Senior Debentures

The 2013 senior debentures are redeemable on or after August 13, 2015, at a redemption price equal to 100% of the principal amount plus any accrued and unpaid interest, and will mature on August 13, 2018 if not redeemed prior to that date. The 2012 senior debentures are not redeemable prior to maturity and will mature on October 15, 2017.

Subordinated Debentures

The 2003 subordinated debentures were redeemed on September 30, 2013 at a redemption price equal to $35.0 million (100% of the principal amount) plus all accrued and unpaid interest as of that date.

Trust Preferred Securities

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

The trust preferred securities issued under United Community Statutory Trust II and United Community Statutory Trust III had attached warrants that allow the holder to redeem the trust preferred securities in exchange for common stock at the exercise price of $100 per share. The warrants expired unexercised on October 31, 2013.

(15) Reclassifications Out of Accumulated Other Comprehensive Income

The following presents the details regarding amounts reclassified out of accumulated other comprehensive income for the years ended December 31, 2013, 2012 and 2011 *(in thousands).*

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income For the Years Ended December 31, 2013	2012	2011	Affected Line Item in the Statement Where Net Income is Presented
Unrealized (losses) gains on available-for-sale securities:				
	$ 186	$ 7,078	$ 842	Securities gains, net
	(72)	(2,753)	(328)	Tax (expense) or benefit
	$ 114	$ 4,325	$ 514	Net of tax
Amortization of gains included in net income on available-for-sale securities transferred to held to maturity:				
	$ 731	$ 1,988	$ 2,177	Investment securities interest revenue
	(282)	(773)	(846)	Tax (expense) or benefit
	$ 449	$ 1,215	$ 1,331	Net of tax
Gains included in net income on derivative financial instruments accounted for as cash flow hedges:				
Effective portion of interest rate contracts	$ 852	$ 3,475	$ 10,152	Loan interest revenue
Ineffective portion of interest rate contracts	52	237	4,964	Loan interest revenue
	904	3,712	15,116	Total before tax
	(352)	(1,444)	(5,880)	Tax (expense) or benefit
	$ 552	$ 2,268	$ 9,236	Net of tax
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan				
Prior service cost	$ (365)	$ (365)	$ —	Salaries and employee benefits expense
Actuarial losses	(167)	(250)	—	Salaries and employee benefits expense
Reclassification of unamortized prior service cost and actuarial gains and losses	—	—	4,750	Salaries and employee benefits expense
	(532)	(615)	4,750	Total before tax
	207	240	(1,848)	Tax (expense) or benefit
	$ (325)	$ (375)	$ 2,902	Net of tax
Total reclassifications for the period	$ 790	$ 7,433	$ 13,983	Net of tax

Amounts shown above in parentheses reduce earnings

(16) Earnings Per Share

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

During the years ended December 31, 2013, 2012 and 2011, United accrued dividends on preferred stock, including accretion of discounts, as shown in the following table (*in thousands)*:

	2013	2012	2011
Series A - 6% fixed [1]	$ 12	$ 12	$ 13
Series B - 5% fixed until December 6, 2013, 9% thereafter [1][2]	10,401	10,465	10,401
Series D - LIBOR plus 9.6875%, resets quarterly [1]	1,665	1,671	1,425
Total preferred stock dividends	$ 12,078	$ 12,148	$ 11,839

(1) All preferred stock dividends are payable quarterly.
(2) Series B preferred stock was issued at a discount. Dividend amounts shown include discount accretion for each period.

(16) Earnings Per Share, continued

The preferred stock dividends were subtracted from net income (loss) in order to arrive at net income (loss) available to common shareholders. There is no dilution from dilutive securities for the year ended December 31, 2011, due to the anti-dilutive effect of the net loss for that period. There were no dilutive securities outstanding at December 31, 2012.

The following table sets forth the computation of basic and diluted loss per common share for the years ended December 31, 2013, 2012 and 2011 *(in thousands, except per share data)*:

	2013	2012	2011
Net income (loss) available to common stockholders	$ 261,062	$ 21,708	$ (238,584)
Income (loss) per common share:			
Basic	4.44	.38	$ (5.97)
Diluted	4.44	.38	(5.97)
Weighted average common shares:			
Basic	58,787	57,857	39,943
Effect of dilutive securities:			
Stock options	1	—	—
Warrants	57	—	—
Diluted	58,845	57,857	39,943

At December 31, 2013, United had the following potentially dilutive stock options and warrants outstanding: a warrant to purchase 219,909 shares of common stock at $61.40 per share; 371,449 shares of common stock issuable upon exercise of stock options granted to employees with a weighted average exercise price of $98.54; 1,073,259 shares of common stock issuable upon completion of vesting of restricted stock awards; and warrants to purchase shares of common stock equivalent junior preferred stock at a price equivalent to $21.25 per share that would be convertible into 1,411,765 shares of common stock, which were granted to Fletcher International Ltd. (“Fletcher”) in connection with a 2010 asset purchase and sale agreement.

At December 31, 2012, United had the following potentially dilutive stock options and warrants outstanding: a warrant to purchase 219,909 shares of common stock at $61.40 per share; warrants that are attached to trust preferred securities to purchase 129,670 shares of common stock at $100 per share; 482,528 shares of common stock issuable upon exercise of stock options granted to employees with a weighted average exercise price of $97.73; 485,584 shares of common stock issuable upon completion of vesting of restricted stock awards; warrants to purchase shares of common stock equivalent junior preferred stock at a price equivalent to $21.25 per share that would be convertible into 1,411,765 shares of common stock, which were granted to Fletcher in connection with a 2010 asset purchase and sale agreement; and warrants to purchase 1,551,126 shares of common stock at $12.50 per share.

At December 31, 2011, United had of the following potentially dilutive stock options and warrants outstanding: a warrant to purchase 219,909 shares of common stock at $61.40 per share; warrants that are attached to trust preferred securities to purchase 129,670 shares of common stock at $100 per share; 583,647 shares of common stock issuable upon exercise of stock options granted to employees with a weighted average exercise price of $94.48; 414,644 shares of common stock issuable upon completion of vesting of restricted stock awards; warrants to purchase shares of common stock equivalent junior preferred stock at a price equivalent to $21.25 per share that would be convertible into 1,411,765 shares of common stock, which were granted to Fletcher in connection with a 2010 asset purchase and sale agreement; 2,476,191 shares of common stock issuable upon conversion of shares of common stock equivalent junior preferred stock or Series C convertible preferred stock that may have been purchased by Fletcher at a conversion price of $26.25 per share (such conversion price may be higher in certain circumstances); warrants to purchase 1,162,791 shares of common stock at a price equivalent to $30.10 per share, which would be granted to Fletcher upon exercise of its option to purchase shares of Series C convertible preferred stock; and warrants to purchase 1,551,126 shares of common stock at $12.50 per share.

(16) Earnings Per Share, continued

United has received purported partial warrant exercise notices from Fletcher with respect to its warrants to purchase shares of common stock equivalent junior preferred stock that would be convertible into 1,411,765 shares of common stock that include incorrect calculations of the number of settlement shares Fletcher would receive upon exercise. On June 17, 2011, United completed a reclassification of its common stock in the form of 1-for-5 reverse stock split, or recombination. United believes that any current exercise of Fletcher's warrants would not result in the issuance of any settlement shares because the warrants may only be exercised for net shares via a cashless exercise formula, and the reverse stock split-adjusted market price component of that formula does not exceed the exercise price to yield any net shares. Fletcher has also claimed that it is entitled to penalties under its contracts with United for a "registration failure" it claims occurred in 2012. United also believes that no registration failure penalty is due. As a result, United has responded to Fletcher with United's calculations related to its warrants and denied any liability for any such penalty. United may consider repurchasing the warrants based on their fair value in connection with the resolution of any purported claims that Fletcher maintains. United has also established litigation reserves associated with claims that may be made against United by Fletcher.

(17) Income Taxes

Income tax expense (benefit) for the years ended December 31, 2013, 2012 and 2011 is as follows *(in thousands)*:

	2013	2012	2011
Current	$ 3,467	$ 1,050	$ (3,983)
Deferred	23,785	9,446	(94,808)
Increase (decrease) in valuation allowance	(265,440)	(9,446)	94,808
Total income tax expense (benefit)	$ (238,188)	$ 1,050	$ (3,983)

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

	2013	2012	2011
Pretax loss at statutory rates	$ 12,234	$ 12,217	$ (80,755)
Add (deduct):			
State taxes, net of federal benefit	895	577	(9,210)
Bank owned life insurance earnings	(704)	(444)	(556)
Adjustment to reserve for uncertain tax positions	(426)	(577)	(4,593)
Tax-exempt interest revenue	(714)	(816)	(836)
Nondeductible interest expense	10	18	34
Equity compensation	676	255	489
Tax credits	(438)	(460)	(350)
Change in state statutory tax rate	1,003	—	—
Disproportionate tax effects	12,174	—	—
(Decrease) increase in valuation allowance	(265,440)	(9,446)	94,808
Other	2,542	(274)	(3,014)
Total income tax expense (benefit)	$ (238,188)	$ 1,050	$ (3,983)

(17) Income Taxes, continued

The following summarizes the sources and expected tax consequences of future taxable deductions (revenue) which comprise the net deferred tax asset at December 31, 2013 and 2012, which is included in other assets *(in thousands)*:

	2013	2012
Deferred tax assets:		
Allowances for loan losses	$ 29,672	$ 41,521
Net operating loss carryforwards	219,863	221,335
Deferred compensation	6,299	5,526
Reserve for losses on foreclosed properties	678	3,702
Nonqualified share based compensation	3,710	4,424
Accrued expenses	2,663	1,960
Investment in low income housing tax credit partnerships	1,335	1,443
Unamortized pension actuarial losses and prior service cost	1,252	1,677
Acquired intangible assets	326	890
Unrealized losses on securities available-for-sale	2,056	—
Unrealized losses on cash flow hedges	—	3,048
Other	3,985	3,919
Total deferred tax assets	271,839	289,445
Deferred tax liabilities:		
Unrealized gains on securities available-for-sale	—	6,629
Unrealized gains on cash flow hedges	523	—
Premises and equipment	2,812	3,414
Loan origination costs	4,234	3,876
Gain from acquisition of Southern Community Bank	816	4,021
Prepaid expenses	836	1,082
Total deferred tax liabilities	9,221	19,022
Less valuation allowance	4,100	270,423
Net deferred tax asset	$ 258,518	$ —

The valuation allowance on deferred tax assets was $4.10 million and $270 million, respectively, at December 31, 2013 and 2012. Management assesses the valuation allowance recorded against deferred tax assets at each reporting period. The determination of whether a valuation allowance for deferred tax assets is appropriate is subject to considerable judgment and requires an evaluation of all the positive and negative evidence. Accounting Standards Codification Topic 740, *Income Taxes*, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard.

In the second quarter of 2013, United reversed $272 million of its valuation on its net deferred tax asset. United established a full valuation allowance on its deferred tax asset in 2010 due to the realization of significant losses and uncertainty about United's future earnings forecasts.

United evaluated the need for a valuation allowance again at December 31, 2013. Based on the assessment of all the positive and negative evidence, management concluded that it is more likely than not that nearly all of the net deferred tax asset will be realized based upon future taxable income. The remaining valuation allowance of $4.10 million is related to specific state income tax credits that have short carryforward periods and are expected to expire unused. The positive evidence considered by management in arriving at the conclusion that a full valuation allowance is not necessary included six consecutive profitable quarters beginning with the fourth quarter of 2011, United's strong pre-crisis earnings history and growth in pre-tax, pre-credit earnings, which demonstrate demand for United's products and services, and United's significant improvement in credit measures, which improve both the sustainability of profitability and management's ability to forecast future credit losses. The negative evidence considered by management included the fact that United remains in a three-year cumulative loss position.

(17) Income Taxes, continued

United expects to realize $259 million in net deferred tax assets well in advance of the statutory carryforward period. At December 31, 2013, $43 million of existing deferred tax assets were not related to net operating losses or credits, and therefore, have no expiration date. At December 31, 2013, United had state net operating loss carryforwards of approximately $32 million that begin to expire in 2023, and approximately $666 million that begin to expire in 2028, if not previously utilized. United has $528 million in federal net operating loss carryforwards that begin to expire in 2029, if not previously utilized. United has $2.6 million of federal general business tax credits that begin to expire in 2028, if not previously utilized as well as $3.1 million in federal alternative minimum tax credits which have no expiration date.

The valuation allowance could fluctuate in future periods based on the assessment of the positive and negative evidence. Management's conclusion at December 31, 2013 that it was more likely than not that the net deferred tax assets of $259 million will be realized is based on management's estimate of future taxable income. Management's estimate of future taxable income is based on internal forecasts which consider historical performance, various internal estimates and assumptions, as well as certain external data all of which management believes to be reasonable although inherently subject to significant judgment. If actual results differ significantly from the current estimates of future taxable income, even if caused by adverse macro-economic conditions, the valuation allowance may need to be increased for some or all the deferred tax asset. Such an increase to the deferred tax asset valuation allowance could have a material adverse effect on United's financial condition and results of operations.

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

	2013	2012	2011
Balance at beginning of year	$ 5,069	$ 5,985	$ 11,133
Additions based on tax positions related to prior years	—	130	—
Decreases based on tax positions related to prior years	—	—	(3,369)
Additions based on tax positions related to the current year	352	500	585
Decreases resulting from a lapse in the applicable statute of limitations	(918)	(957)	(1,362)
Decreases based on settlements with taxing authorities	—	(589)	(1,002)
Balance at end of year	$ 4,503	$ 5,069	$ 5,985

Approximately $3.6 million of this amount would increase income from continuing operations, and thus affect United's effective tax rate, if ultimately recognized into income.

It is United's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in their respective federal or state income taxes accounts. In 2013, 2012 and 2011, United reversed $59,000, $120,000 and $1.27 million, respectively, in previously recorded penalties and interest as a result of statute expiration on affected returns, settlement with a state taxing authority and a change in estimate relating to prior year tax positions. The amount accrued for interest and penalties at December 31, 2012 was $85,000. No amounts were accrued for interest and penalties at December 31, 2013.

United and its subsidiaries file a consolidated U.S. federal income tax return, as well as file various returns in the states where its banking offices are located. United's federal and state income tax returns are no longer subject to examination by taxing authorities for years before 2010.

(18) Pension and Employee Benefit Plans

United offers a defined contribution 401(k) and Profit Sharing Plan (the "401(k) Plan") that covers substantially all employees meeting certain minimum service requirements. The Plan allows employees to make pre-tax contributions to the 401(k) Plan and United matches these employee contributions up to 5% of eligible compensation, subject to Plan and regulatory limits. United may also elect to make discretionary profit sharing contributions of up to 3.5% of eligible compensation based on earnings performance. Employees begin to receive matching contributions after completing one year of service and benefits vest after three years of service. United's Plan is administered in accordance with applicable laws and regulations. Through March 31, 2012, United matched employee 401(k) Plan contributions dollar-for-dollar up to 5% of eligible compensation. Effective April 1, 2012, the matching contribution was reduced in half to 50% of employee contributions up to 5% of eligible compensation. Compensation expense from continuing operations related to the 401(k) Plan totaled $1.24 million, $1.66 million and $2.86 million in 2013, 2012 and 2011, respectively. The 401(k) Plan allows employees to choose to invest among a number of investment options, including United's common stock. During 2013, 2012 and 2011, the 401(k) Plan purchased 48,996, 86,350 and 372,363 common shares, respectively, directly from United at the average of the high and low stock price on the date of purchase.

United sponsors a non-qualified deferred compensation plan for its executive officers, certain other key employees and members of United's Board of Directors and its community banks' advisory boards of directors. The deferred compensation plan provides for the pre-tax deferral of compensation, fees and other specified benefits. The deferred compensation plan also permits each employee participant to elect to defer a portion of his or her base salary or bonus and permits each director participant to elect to defer all or a portion of his or her director's fees. Further, the deferred compensation plan allows for additional contributions by an employee, with matching contributions by United, for amounts that exceed the allowable amounts under the 401(k) Plan. During 2013, 2012 and 2010, United recognized $24,000, $24,000 and $24,000, respectively, in matching contributions for this provision of the deferred compensation plan. The Board of Directors may also elect to make a discretionary contribution to any or all participants. The Board of Directors elected to make a discretionary contribution of 25,000 shares of United's common stock in 2013 to the deferred compensation plan. No discretionary contributions were made in 2012 or 2011.

United also has an unfunded noncontributory defined benefit pension plan ("Modified Retirement Plan") that covers certain executive officers and other key employees. The Modified Retirement Plan provides a fixed annual retirement benefit to plan participants. Expenses incurred for these post-retirement benefits were approximately $1.60 million, $1.87 million, and a net credit of $160,000, for 2013, 2012 and 2011, respectively. The $160,000 credit in 2011 was due to a one-time $2.24 million credit adjustment for reclassification of unamortized actuarial gains and losses and prior service costs to other comprehensive income.

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

	2013	2012
Discount rate for disclosures	4.50%	4.00%
Discount rate for net periodic benefit cost	4.00%	4.50%
Rate of compensation increase	NA	NA
Measurement date	12/31/2013	12/31/2012

(18) Pension and Employee Benefit Plans, continued

Information about changes in obligations and plan assets of the Modified Retirement Plan follows *(in thousands)*:

	2013	2012
Accumulated benefit obligation:		
Accumulated benefit obligation - beginning of year	$ 13,155	$ 12,064
Service cost	465	597
Interest cost	533	537
Actuarial (gains) losses	(561)	177
Benefits paid	(272)	(220)
Accumulated benefit obligation - end of year	13,320	13,155
Change in plan assets, at fair value:		
Employer contribution	272	220
Benefits paid	(272)	(220)
Plan assets - end of year	—	—
Funded status - end of year (plan assets less benefit obligations)	$ (13,320)	$ (13,155)

Amounts recognized in accumulated other comprehensive income at December 31 consist of *(in thousands)*:

	2013	2012
Net actuarial losses	$ 1,424	$ 2,152
Prior service cost	1,794	2,159
	$ 3,218	$ 4,311

The accumulated benefit obligation was $13.3 million and $13.2 million, respectively, at December 31, 2011 and 2012.

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

	2013	2012	2011
Service cost	$ 465	$ 597	$ 477
Interest cost	533	537	489
Amortization of prior service cost	365	365	279
Amortization of net losses	167	250	27
Net periodic benefit cost	1,530	1,749	1,272
Net actuarial (gain) loss	$ (561)	$ 177	$ 1,026
Amortization of net losses	(167)	(250)	(27)
Prior service cost	—	—	1,540
Amortization of prior service cost	(365)	(365)	(279)
Total recognized in other comprehensive income	(1,093)	(438)	2,260
Total net periodic benefit cost and accumulated other comprehensive income	$ 437	$ 1,311	$ 3,532

The estimated net loss and prior service costs for the Modified Retirement Plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $0 and $365,000, respectively, as of December 31, 2013.

(18) Pension and Employee Benefit Plans, continued

The following benefit payments, which reflect expected future service, are expected *(in thousands)*:

2014	$	323
2015		697
2016		764
2017		787
2018		980
Following five years		4,694

(19) Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

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

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

The table below presents the fair value of United's derivative financial instruments as well as their classification on the consolidated balance sheet as of December 31, 2013 and 2012 *(in thousands)*:

Derivatives Designated as Hedging Instruments under ASC 815

		Fair Value	
Interest Rate Products	Balance Sheet Location	December 31, 2013	December 31, 2012
Cash flow hedge of money market deposits	Other assets	$ 4,782	$ —
Fair value hedge of brokered CD's	Other assets	—	23
Fair value hedge of corporate bonds	Other assets	3,939	—
		$ 8,721	$ 23
Cash flow hedge of short-term debt	Other liabilities	$ 3,368	$ 4,574
Cash flow hedge of money market deposits	Other liabilities	—	4,165
Fair value hedge of brokered CD's	Other liabilities	19,970	3,161
Fair value hedge of corporate bonds	Other liabilities	2,308	—
		$ 25,646	$ 11,900

(19) Derivatives and Hedging Activities, continued

Risk Management Objective of Using Derivatives, continued

Derivatives not Designated as Hedging Instruments under ASC 815

Interest Rate Products	Balance Sheet Location	Fair Value December 31, 2013	Fair Value December 31, 2012
Customer swap positions	Other assets	$ 898	$ 635
Dealer offsets to customer swap positions	Other assets	1,347	—
Bifurcated embedded derivatives	Other assets	12,867	—
		$ 15,112	$ 635
Customer swap positions	Other liabilities	$ 1,347	$ —
Dealer offsets to customer swap positions	Other liabilities	915	643
Dealer offsets to bifurcated embedded derivatives	Other liabilities	18,324	—
		$ 20,586	$ 643

Derivative contracts that are not accounted for as hedging instruments under ASC 815, *Derivatives and Hedging* and are described as "customer derivatives" are between United and certain commercial loan customers with offsetting positions to dealers under a back-to-back swap program. United also has three interest rate swap contracts that are not designated as hedging instruments but are economic hedges of market linked brokered certificates of deposit. The market linked brokered certificates of deposit contain embedded derivatives that are bifurcated from the host instruments and marked to market through earnings. The marks on the steepener swaps and the bifurcated embedded derivatives tend to move in opposite directions with changes in 90 day LIBOR and therefore provide an effective economic hedge.

Cash Flow Hedges of Interest Rate Risk

United's objectives in using interest rate derivatives are to add stability to net interest revenue and to manage its exposure to interest rate movements. To accomplish this objective, United primarily uses interest rate swaps as part of its interest rate risk management strategy. At December 31, 2013, United's interest rate swaps designated as cash flow hedges involve the payment of fixed-rate amounts to a counterparty in exchange for United receiving variable-rate payments over the life of the agreements without exchange of the underlying notional amount. United's current cash flow hedges are for the purpose of converting variable rate deposits and wholesale borrowings to a fixed rate to protect the company in a rising rate environment. The swaps are forward starting and do not become effective until 2014 and 2015. United had three swap contracts outstanding with a total notional amount of $200 million that were designated as cash flow hedges of future issuances of three-month brokered deposits or other LIBOR based floating rate wholesale borrowings, and three swap contracts outstanding with a total notional amount of $375 million that were designated as cash flow hedges of indexed money market accounts at December 31, 2013. At December 31, 2012, United had three swap contracts outstanding with a notional amount of $200 million that were designated as cash flow hedges of future issuances of three-month brokered deposits or other LIBOR based floating rate wholesale borrowings and two swap contracts outstanding with a total notional amount of $200 million that were designated as cash flow hedges of indexed money market accounts.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense when the swaps become effective in 2014, as interest payments are made on United's LIBOR based, variable-rate wholesale borrowings and indexed deposit accounts. United's forward starting active cash flow hedges of floating rate liabilities will begin to become effective over the next twelve months. United recognized $70,000 in hedge ineffectiveness losses in deposit interest expense on active cash flow hedges in 2013. No such hedge ineffectiveness gains or losses were recognized on active cash flow hedges in 2012 or 2011. United expects that $3.59 million will be reclassified as an increase to deposit interest expense over the next twelve months related to these cash flow hedges.

During the years ended December 31, 2013, 2012 and 2011, United accelerated the reclassification of $52,000, $237,000 and $4.96 million, respectively, in gains from terminated positions as a result of the forecasted transactions becoming probable not to occur. These amounts are recognized in loan interest revenue as hedge ineffectiveness. At December 31, 2013, there were no remaining unamortized balances from terminated positions.

(19) Derivatives and Hedging Activities, continued

Fair Value Hedges of Interest Rate Risk

United is exposed to changes in the fair value of certain of its fixed rate obligations due to changes in interest rates. United uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in interest rates. Interest rate swaps designated as fair value hedges of brokered deposits involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreements without the exchange of the underlying notional amount. Interest rate swaps designated as fair value hedges of fixed rate investments involve the receipt of variable-rate payments from a counterparty in exchange for United making fixed rate payments over the life of the instrument without the exchange of the underlying notional amount. At December 31, 2013, United had 24 interest rate swaps with an aggregate notional amount of $285 million that were designated as fair value hedges of interest rate risk. Eight of the interest rate swaps outstanding at December 31, 2013 with an aggregate notional amount of $86 million were receive-variable / pay-fixed swaps that were used for the purpose of hedging changes in the fair value of corporate bonds resulting from changes in interest rates. The other 16 were pay-variable / receive-fixed swaps hedging the changes in the fair value of fixed rate brokered time deposits resulting from changes in interest rates. At December 31, 2012, United had 13 interest rate swaps with an aggregate notional amount of $166 million that were designated as fair value hedges of interest rate risk.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. United includes the gain or loss on the hedged items in the same income statement line item as the offsetting loss or gain on the related derivatives. During the years ended December 31, 2013, 2012 and 2011, United recognized net gains of $1.07 million, $870,000 and $37,000 respectively, related to ineffectiveness of the fair value hedging relationships. Offsetting the 2012 gain was the write off of $449,000 in prepaid broker fees on brokered deposits. The prepaid broker fees were related to the brokered deposits (hedged item) that were called and resulted in a portion of the ineffectiveness gain. United also recognized a net reduction of interest expense of $4.67 million, $2.42 million and $110,000 for the years ended December 31, 2013, 2012 and 2011, respectively, related to United's fair value hedges of brokered time deposits, which includes net settlements on the derivatives. United recognized a $1.33 million reduction of interest revenue on securities during 2013 related to United's fair value hedges of corporate bonds.

Tabular Disclosure of the Effect of Derivative Instruments on the Income Statement

The tables below present the effect of United's derivative financial instruments on the consolidated statement of operations for the years ended December 31, 2013, 2012 and 2011.

Derivatives in Fair Value Hedging Relationships *(in thousands)*:

	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative			Amount of Gain (Loss) Recognized in Income on Hedged Item		
		2013	2012	2011	2013	2012	2011
Fair value hedges of brokered CD's	Interest expense	$ (16,433)	$ 540	$ 328	$ 16,981	$ 330	$ (291)
Fair value hedges of corporate bonds	Interest revenue	6,285	—	—	(5,765)	—	—
		$ (10,148)	$ 540	$ 328	$ 11,216	$ 330	$ (291)

Derivatives in Cash Flow Hedging Relationships *(in thousands)*:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)			Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)				Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)			
	2013	2012	2011	Location	2013	2012	2011	Location	2013	2012	2011
Interest rate swaps	$ 10,084	$ (8,739)	$ —	Interest revenue	$ 904	$ 3,712	$ 15,120	Interest expense	$ 70	$ —	$ —

In certain cases, the estate of deceased brokered certificate of deposit holders may put the certificate of deposit back to the issuing bank at par upon the death of the holder. When these death 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 include gains and losses from death puts and such gains and losses are included in the amount of reported ineffectiveness gains or losses.

(19) Derivatives and Hedging Activities, continued

Credit-risk-related Contingent Features

United manages its credit exposure on derivatives transactions by entering into a bilateral credit support agreement with each counterparty. The credit support agreements require collateralization of exposures beyond specified minimum threshold amounts. The details of these agreements, including the minimum thresholds, vary by counterparty. As of December 31, 2013, collateral totaling $38.1 million was pledged toward derivatives in a liability position.

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

Change in Valuation Methodology

As of January 1, 2013, United changed its valuation methodology for over-the-counter derivatives to discount cash flows based on Overnight Index Swap ("OIS") rates. Fully collateralized trades are discounted using OIS with no additional economic adjustments to arrive at fair value. Uncollateralized or partially collateralized trades are also discounted at OIS, but include appropriate economic adjustments for funding costs (i.e. LIBOR-OIS basis adjustment to approximate uncollateralized cost of funds) and credit risk. United changed its methodology to better align its inputs, assumptions and pricing methodologies with those used in its principal market by most dealers and major market participants. The changes in valuation methodology are applied prospectively as a change in accounting estimate and are not material to United's financial position or results of operations.

(20) Regulatory Matters

Capital Requirements

United and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, United and the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures (as defined) established by regulation to ensure capital adequacy require United and the Bank to maintain minimum amounts and ratios of total capital and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets.

As of December 31, 2013, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must exceed the well-capitalized guideline ratios, as set forth in the table and meet certain other requirements. Management believes that the Bank exceeded all well-capitalized requirements, and there have been no conditions or events since year-end that would change the status of well-capitalized. The regulatory designation of "well-capitalized" under prompt corrective action regulations is not applicable to United (a bank holding company). However, Regulation Y defines "well-capitalized" for a bank holding company for the purpose of determining eligibility for a streamlined review process for acquisition proposals. For such purposes, "well-capitalized" requires United to maintain a minimum Tier 1 risk-based capital ratio of 6% and a minimum Total risk-based capital ratio of 10%.

During 2013, the Bank was subject to an informal memorandum of understanding with the Georgia Department of Banking and Finance and the FDIC (the "Bank MOU"). The Bank MOU required, among other things, that the Bank maintain its Tier I leverage ratio at not less than 8% and its total risk-based capital ratio at not less than 10% during the life of the Bank MOU. The Bank MOU was terminated in December 2013.

In November 2011, United entered into an informal memorandum of understanding with the Federal Reserve Bank of Atlanta and the Georgia Department of Banking and Finance (the "Holding Company MOU"). The Holding Company MOU provided, among other things, that United could not incur additional indebtedness, pay cash dividends, make payments on its trust preferred securities or subordinated indebtedness or repurchase outstanding stock without prior approval of the Federal Reserve Bank of Atlanta and Georgia Department of Banking and Finance. The Holding Company MOU was terminated in January 2014.

(20) Regulatory Matters, continued

Capital Requirements, continued

Minimum amounts required for capital adequacy purposes and to be well-capitalized under prompt corrective action provisions are presented below for United and the Bank *(dollars in thousands)*:

	Regulatory Guidelines		United Community Banks, Inc. (consolidated)		United Community Bank	
	Minimum	Well Capitalized	2013	2012	2013	2012
Risk-based ratios:						
Tier 1 capital	4.0%	6.0%	12.74%	14.16%	13.55%	14.48%
Total capital	8.0	10.0	13.99	15.73	14.80	15.74
Leverage ratio	3.0		9.08	9.64	9.61	9.86
Tier 1 capital			$ 649,162	$ 652,692	$ 686,687	$ 666,585
Total capital			713,063	724,915	750,216	724,738

Cash, Dividend, Loan and Other Restrictions

At December 31, 2013 and 2012, the Bank did not have a required reserve balance at the Federal Reserve Bank of Atlanta. Federal and state banking regulations place certain restrictions on dividends paid by the Bank to United. Dividends paid to United require approval of the Georgia Department of Banking and Finance while the Bank has an accumulated deficit (negative retained earnings). At December 31, 2013, the Bank had approval from the Georgia Department of Banking and Finance to pay $69 million in dividends to United, which were paid in January 2014.

The Federal Reserve Act requires that extensions of credit by the Bank to certain affiliates, including United, be secured by specific collateral, that the extension of credit to any one affiliate be limited to 10% of capital and surplus (as defined), and that extensions of credit to all such affiliates be limited to 20% of capital and surplus.
United and the Bank are parties to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit written is represented by the contractual amount of these instruments. United uses the same credit policies in making commitments and conditional obligations as it uses for underwriting on-balance sheet instruments. In most cases, collateral or other security is required to support financial instruments with credit risk.

(21) Commitments and Contingencies

The following table summarizes, as of December 31, 2013 and 2012, the contract amount of off-balance sheet instruments *(in thousands)*:

	2013	2012
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 747,170	$ 534,928
Letters of credit	19,846	13,683
Minimum Lease Payments	6,310	6,716

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn on, the total commitment amounts do not necessarily represent future cash requirements. United evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit is based on management's credit evaluation. Collateral held varies, but may include unimproved and improved real estate, certificates of deposit, personal property or other acceptable collateral.

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

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

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.

In 2010, United granted warrants to Fletcher to purchase common stock equivalent junior preferred stock that would be convertible into 1,411,765 common shares, exercisable at a price equivalent to $21.25 per share. United has received purported partial warrant exercise notices from Fletcher with respect to its warrants that include incorrect calculations of the number of settlement shares Fletcher would receive upon exercise. On June 17, 2011, United completed a reclassification of its common stock in the form of 1-for-5 reverse stock split, or recombination. United believes that any current exercise of Fletcher's warrants would not result in the issuance of any settlement shares because the warrants may only be exercised for net shares via a cashless exercise formula, and the reverse stock split-adjusted market price component of that formula does not exceed the exercise price to yield any net shares. Fletcher has also claimed that it is entitled to penalties under its contracts with United for a "registration failure" it claims occurred in 2012. United also believes that no registration failure penalty is due. As a result, United has responded to Fletcher with United's calculations related to its warrants and denied any liability for any such penalty. United may consider repurchasing the warrants based on their fair value in connection with the resolution of any purported claims that Fletcher maintains. United has also established litigation reserves associated with claims that may be made against United by Fletcher.

(22) Preferred Stock

United may issue preferred stock in one or more series, up to a maximum of 10,000,000 shares. Each series shall include the number of shares issued, preferences, special rights and limitations as determined by the Board of Directors.

Series A

On December 31, 2013, United redeemed 21,700 shares of its Series A Non-Cumulative Preferred Stock (the "Series A Preferred Stock"). The redemption price for shares of the Series A Preferred Stock was the stated value of $10 per share, plus any accrued and unpaid dividends that had been earned thereon through the redemption date. Following the redemption, there are no shares of United's Series A Preferred Stock outstanding.

Series B

On December 5, 2008, United sold 180,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B (the "Series B Preferred Stock") and a warrant to purchase 219,909 shares of United's common stock (as adjusted for subsequent stock dividends and a 50% reduction following United's 2009 stock offering) to Treasury under Treasury's Troubled Asset Relief Program Capital Purchase Program. The proceeds from the sale of $180 million were allocated between the Series B Preferred Stock and the warrant based on their relative fair values at the time of the sale. Of the $180 million in proceeds, $173 million was allocated to the Series B Preferred Stock and $6.9 million was allocated to the warrant. The accretion of the discount recorded on the Series B Preferred Stock that resulted from allocating a portion of the proceeds to the Warrant is accreted directly to retained earnings over a five-year period applying a level yield, and is reported on the consolidated statement of operations in the determination of the amount of net loss available to common shareholders. The exercise price of the Warrant is $61.40 (as adjusted for subsequent stock dividends) and is exercisable at any time on or before December 5, 2018. During the fourth quarter of 2013, United redeemed 75,000 shares of the Series B Preferred Stock and redeemed the remaining 105,000 shares in the first quarter of 2014.

Series D

On February 22, 2011, United entered into a Share Exchange Agreement with a third party who agreed to transfer United 1,551,126 shares of common stock in exchange for 16,613 shares of the company's cumulative perpetual preferred stock, Series D (the "Series D Preferred Stock"), and warrants to purchase 1,551,126 shares of common stock with an exercise price of $12.50 per share. The warrants were exercised in the fourth quarter of 2013, resulting in an increase of $19.4 million to shareholders' equity.

On January 31, 2014, United delivered redemption notices to the holders of the Series D Preferred Stock in accordance with the optional redemption provisions of the Series D Preferred Stock notifying such holders of United's intent to redeem all issued and outstanding shares of the Series D Preferred Stock on March 3, 2014.

(23) Shareholders' Equity

In 2007, the shareholders approved the Amended and Restated 2000 Key Employee Stock Option Plan ("2000 Plan"). Under the original terms of the 2000 Plan, awards of 500,000 options, restricted stock awards, stock awards, performance share awards or stock appreciation rights could be granted for shares of United's common stock. The plan has been subsequently amended to increase the number of shares available for grant. Options granted under the 2000 Plan can have an exercise price no less than the fair market value at the date of grant. The general terms of the 2000 Plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain option and restricted stock grants provide for accelerated vesting if there is a change in control of United or certain other conditions are met (as defined in the plan document). As of December 31, 2013, 552,000 additional awards could be granted under the 2000 Plan. Through December 31, 2013, incentive stock options, nonqualified stock options, restricted stock and restricted stock unit awards, base salary stock grants and performance share awards had been granted under the 2000 Plan.

Certain acquired companies had stock option plans for their key employees with provisions similar to the 2000 Plan. Options under acquired plans were converted at the effective exchange ratio for shares of United's common stock. No options are available for grant under any of the acquired plans.

(23) Shareholders' Equity, continued

Restricted stock and options outstanding and activity for the years ended December 31, 2013, 2012 and 2011 consisted of the following:

	Restricted Stock		Options			
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs.)	Aggregate Intrinsic Value (000's)
December 31, 2010	23,214	59.67	678,313	93.00		
Granted	410,051	10.15	10,000	11.20		
Exercised	(18,621)	26.77	—	—		
Cancelled	—	—	(104,666)	76.87		
December 31, 2011	414,644	12.19	583,647	94.48		
Granted	200,612	8.73	—	—		
Exercised	(114,673)	14.77	—	—		
Cancelled	(14,999)	10.25	(101,119)	78.98		
December 31, 2012	485,584	10.72	482,528	97.73		
Granted	876,583	14.74	5,000	15.09		
Exercised	(195,366)	13.16	—	—		
Cancelled	(93,125)	8.78	(136,756)	94.37		
December 31, 2013	1,073,676	13.73	350,772	97.87	3.30	$ 79
Vested / Exercisable at December 31, 2013	22,462	10.11	340,572	100.40	3.14	33

During 2013, 2012, and 2011 9,344 shares, 20,489 shares, and 10,140 shares, respectively, having a grant date fair value of $108,000, $172,000, and $86,000, respectively, were granted to certain executive officers over the course of the year as part of their base compensation with no restrictions or vesting requirement. Those shares are included in the table above as granted and exercised within the same year. The grant date fair value was included in compensation expense during 2013 and 2012.

The following is a summary of stock options outstanding at December 31, 2013:

Options Outstanding				Options Exercisable	
Shares	Range	Weighted Average Price	Average Remaining Life	Shares	Weighted Average Price
16,823	$ 10.00 - 30.00	$ 13.92	7.98	6,623	$ 14.88
47,398	30.01 - 50.00	31.66	5.32	47,398	31.66
75,561	50.01 - 70.00	66.31	4.27	75,561	66.31
2,595	70.01 - 90.00	77.22	3.41	2,595	77.22
29,781	90.01 - 110.00	107.28	1.32	29,781	107.28
51,597	110.01 - 130.00	114.19	0.75	51,597	114.19
121,614	130.01 - 150.00	143.69	2.82	121,614	143.69
5,403	150.01 - 170.00	152.10	3.21	5,403	152.10
350,772	10.00 - 170.00	97.87	3.30	340,572	100.40

The weighted average fair value of options granted in 2013 and 2011 was $5.10 and $3.64 respectively. No options were granted in 2012. The fair value of each option granted was estimated on the date of grant using the Black-Scholes model. The decrease in United's stock price through 2010 has rendered most of its outstanding options severely out of the money and potentially worthless to the grantee. Therefore historical exercise patterns do not provide a reasonable basis for determining the expected life of new option grants. United therefore uses the formula provided by the SEC in Staff Accounting Bulletin No 107 to determine the expected life of the options.

(23) Shareholders' Equity, continued

The weighted average assumptions used to determine the fair value of options are presented in the table below:

	2013	2012	2011
Expected volatility	30%	NA	33%
Expected dividend yield	0.0%	NA	0.0%
Expected life (in years)	6.25	NA	5.00
Risk free rate	2.0%	NA	2.1%

Compensation expense relating to options of $256,000 and $835,000, respectively, was included in earnings for 2012 and 2011. For 2013, United recognized a credit to compensation expense of $51,000 due to forfeitures of unvested options which exceeded option expense for that year. A deferred income tax benefit related to stock option expense of $99,000 and $325,000 was included in the determination of income tax expense in 2012 and 2011, respectively. For 2013, United reversed previously recognized deferred taxes of $20,000 related to the forfeited options. The amount of compensation expense for all periods was determined based on the fair value of options at the time of grant, multiplied by the number of options granted that were expected to vest, which was then amortized over the vesting period. The forfeiture rate for options is estimated to be approximately 3% per year. There were no options exercised during 2013, 2012 and 2011.

Compensation expense for restricted stock is based on the fair value of restricted stock awards at the time of grant, which is equal to the value of United's common stock on the date of grant. The value of restricted stock grants that are expected to vest is amortized into expense over the vesting period. Compensation expense recognized in the consolidated statement of operations for restricted stock in 2013, 2012 and 2011 was $2.85 million, $1.66 million and $1.25 million, respectively. The total intrinsic value of restricted stock at December 31, 2013 was approximately $19.1 million.

As of December 31, 2013, there was $12.2 million of unrecognized compensation cost related to nonvested stock options and restricted stock granted under the 2000 Plan. The cost is expected to be recognized over a weighted-average period of 3.55 years. The aggregate grant date fair value of options and restricted stock that vested during 2013 was $2.43 million.

United sponsors a Dividend Reinvestment and Stock Purchase Plan ("DRIP") that allows participants who already own United's common stock to purchase additional shares directly from the Company. The DRIP also allows participants to automatically reinvest their quarterly dividends in additional shares of common stock without a commission. The DRIP is currently suspended and no shares were issued in 2013 or 2012. During 2011, 538 shares were issued in connection with the DRIP.

United's 401(k) Plan regularly purchases shares of United's common stock directly from United. During 2013, 2012 and 2011, United's 401(k) Plan purchased 48,996 shares, 86,350 shares and 372,363 shares, respectively, directly from United at the average of the high and low stock prices on the transaction dates. In addition, United has an Employee Stock Purchase Program ("ESPP") that allows eligible employees to purchase shares of common stock at a 5% discount, with no commission charges. During 2013, 2012 and 2011 United issued 13,982 shares, 23,555 shares and 31,573 shares, respectively through the ESPP.

United offers its common stock as an investment option in its deferred compensation plan. The common stock component is accounted for as an equity instrument and is reflected in the consolidated balance sheet as common stock issuable. The deferred compensation plan does not allow for diversification once an election is made to invest in United stock and settlement must be accomplished in shares at the time the deferral period is completed. At December 31, 2013 and 2012, United had 241,832 and 133,238 shares, respectively, of its common stock that was issuable under the deferred compensation plan.

(24) 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, the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 ("ASC 820") *Fair Value Measurements and Disclosures* establishes 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).

Fair Value Hierarchy

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

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

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. United's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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

Securities Available-for-Sale

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

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

Mortgage loans held for sale are carried at the lower of cost or market value. The fair value of mortgage loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics.

(24) Assets and Liabilities Measured at Fair Value, continued

Loans

United does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if repayment of the loan is dependent upon the sale of the underlying collateral. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with ASC 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, United records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, United records the impaired loan as nonrecurring Level 3.

Foreclosed Assets

Foreclosed assets are adjusted to fair value, less cost to sell, upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, United records the foreclosed asset 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 foreclosed asset as nonrecurring Level 3.

Derivative Financial Instruments

United uses interest rate swaps and interest rate floors to manage its interest rate risk. The valuation of these instruments is 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.

The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates fell below the strike rate of the floors. The variable interest rates used in the calculation of projected receipts on the floor are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of ASC 820, United incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, United has considered the effect of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although United has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2013, United had assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, United has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

(24) Assets and Liabilities Measured at Fair Value, continued

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 December 31, 2013 and 2012, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands)*:

December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Securities available-for-sale				
State and political subdivisions	$ —	$ 23,242	$ —	$ 23,242
Mortgage-backed securities	—	1,145,347	—	1,145,347
Corporate bonds	—	249,946	350	250,296
Asset-backed securities	—	410,633	—	410,633
Other	—	2,699	—	2,699
Deferred compensation plan assets	3,496	—	—	3,496
Derivative financial instruments	—	23,833	—	23,833
Total assets	$ 3,496	$1,855,700	$ 350	$1,859,546
Liabilities:				
Deferred compensation plan liability	$ 3,496	$ —	$ —	$ 3,496
Brokered certificates of deposit	—	173,657	—	173,657
Derivative financial instruments	—	46,233	—	46,233
Total liabilities	$ 3,496	$ 219,890	$ —	$ 223,386

December 31, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Securities available-for-sale				
State and political subdivisions	$ —	$ 29,052	$ —	$ 29,052
Mortgage-backed securities	—	1,428,502	—	1,428,502
Corporate bonds	—	163,312	350	163,662
Asset-backed securities	—	210,556	—	210,556
Other	—	2,821	—	2,821
Deferred compensation plan assets	3,101	—	—	3,101
Derivative financial instruments	—	658	—	658
Total assets	$ 3,101	$1,834,901	$ 350	$1,838,352
Liabilities:				
Deferred compensation plan liability	$ 3,101	$ —	$ —	$ 3,101
Brokered certificates of deposit	—	154,641	—	154,641
Derivative financial instruments	—	12,543	—	12,543
Total liabilities	$ 3,101	$ 167,184	$ —	$ 170,285

(24) Assets and Liabilities Measured at Fair Value, continued

Assets and Liabilities Measured at Fair Value on a Recurring Basis, continued

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

	Securities Available-for-Sale		
	2013	2012	2011
Balance at beginning of period	$ 350	$ 350	$ 5,284
Amounts included in earnings	—	—	(19)
Paydowns	—	—	(1,119)
Transfers between valuation levels, net	—	—	(3,796)
Balance at end of period	$ 350	$ 350	$ 350

In 2011, United transferred mortgage backed securities from Level 3 to Level 2. These securities were recent purchases that had not been priced at the balance sheet date and amortized cost was assigned as the fair value. In subsequent periods, the security was able to be priced based on objectively observable inputs based on similar assets. There have been no other transfers between levels.

At December 31, 2013, United had two securities that have Level 3 valuations. They are trust preferred securities in community banks that have shown deteriorating financial condition during the financial crisis, and both are currently deferring interest payments. Since both investments are not actively traded, there is no recent trade activity upon which to assess value. The values assigned to the investments are based on sales price estimates from brokers. Both investments have a par amount of $1 million. One was considered impaired in 2010 and was written down to $50,000 with a $950,000 impairment charge to earnings. The other is carried at its original cost basis of $1 million with a $700,000 negative mark to fair value through other comprehensive income. United does not consider this investment to be other-than-temporarily impaired, as the community bank was recapitalized by a private equity investment that management believes will result in full payment at maturity.

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 include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The table below presents United's assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2013 and 2012, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands)*:

December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Loans	$ —	$ —	$ 82,798	$ 82,798
Foreclosed properties	—	—	3,747	3,747
Total assets	$ —	$ —	$ 86,545	$ 86,545

December 31, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Loans	$ —	$ —	$165,751	$165,751
Foreclosed properties	—	—	14,788	14,788
Total assets	$ —	$ —	$180,539	$180,539

Loans that are reported above as being measured at fair value on a nonrecurring basis are generally impaired loans that have either been partially charged off or have specific reserves assigned to them. Nonaccrual impaired loans that are collateral dependent are generally written down to 80% of appraised value which considers the estimated costs to sell. Specific reserves are established for impaired loans based on appraised value of collateral or discounted cash flows. Foreclosed properties that are included above as measured at fair value on a nonrecurring basis are those properties that resulted from a loan that had been charged down or have been written down subsequent to foreclosure. Foreclosed properties are generally recorded at the lower of 80% of appraised value or 90% of the asking price which considers the estimated cost to sell.

(24) Assets and Liabilities Measured at Fair Value, continued

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.

The short maturity of United's assets and liabilities results in having a significant number of financial instruments whose fair value equals or closely approximates carrying value. Such financial instruments are reported in the following balance sheet captions: cash and cash equivalents, mortgage loans held for sale, and short-term borrowings. The fair value of securities available-for-sale equals the balance sheet 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. Because no ready market exists for a significant portion of United's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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) are generally short-term and at variable rates. Therefore, both the carrying amount and the estimated fair value associated with these instruments are immaterial.

The carrying amount and fair values for other financial instruments that are not measured at fair value on a recurring basis in United's balance sheet at December 31, 2013 and 2012 are as follows *(in thousands)*:

	Carrying	Fair Value Level			
December 31, 2013	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:					
Securities held-to-maturity	$ 479,742	$ —	$ 485,585	$ —	$ 485,585
Loans, net	4,252,504	—	—	4,165,591	4,165,591
Mortgage loans held for sale	10,319	—	10,529	—	10,529
Liabilities:					
Deposits	6,201,505	—	6,204,815	—	6,204,815
Federal Home Loan Bank advances	120,125	—	120,125	—	120,125
Long-term debt	129,865	—	—	130,262	130,262
December 31, 2012					
Assets:					
Securities held-to-maturity	$ 244,184	$ —	$ 261,131	$ —	$ 261,131
Loans, net	4,067,871	—	—	3,957,669	3,957,669
Mortgage loans held for sale	28,821	—	29,693	—	29,693
Liabilities:					
Deposits	5,952,140	—	5,988,743	—	5,988,743
Federal Home Loan Bank advances	40,125	—	40,125	—	40,125
Long-term debt	124,805	—	—	118,626	118,626

(25) Condensed Financial Statements of United Community Banks, Inc. (Parent Only)

Statement of Operations
For the Years Ended December 31, 2013, 2012 and 2011

(in thousands)

	2013	2012	2011
Dividends from bank subsidiary	$ 50,000	$ —	$ —
Shared service fees from subsidiaries	6,764	6,714	7,646
Other	1,217	1,169	609
Total income	57,981	7,883	8,255
Interest expense	10,977	10,201	9,587
Other expense	8,658	8,717	9,367
Total expenses	19,635	18,918	18,954
Income tax benefit (expense)	24,862	398	(1,272)
Income (loss) before equity in undistributed loss of subsidiaries	63,208	(10,637)	(11,971)
Equity in undistributed earnings (loss) of subsidiaries	209,932	44,493	(214,775)
Net income (loss)	$ 273,140	$ 33,856	$ (226,746)

Balance Sheet
As of December 31, 2013 and 2012

(in thousands)

	2013	2012
Assets		
Cash	$ 36,338	$ 54,047
Investment in subsidiaries	869,665	655,934
Other assets	34,972	6,708
Total assets	$ 940,975	$ 716,689
Liabilities and Shareholders' Equity		
Long-term debt	$ 129,865	$ 124,805
Other liabilities	15,395	10,479
Total liabilities	145,260	135,284
Shareholders' equity	795,715	581,405
Total liabilities and shareholders' equity	$ 940,975	$ 716,689

(25) Condensed Financial Statements of United Community Banks, Inc. (Parent Only), continued

Statement of Cash Flows
For the Years Ended December 31, 2013, 2012 and 2011

(in thousands)

	2013	2012	2011
Operating activities:			
Net income (loss)	$ 273,140	$ 33,856	$ (226,746)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Equity in undistributed (earnings) loss of the subsidiaries	(209,932)	(44,493)	214,775
Depreciation, amortization and accretion	82	142	122
Stock-based compensation	3,045	1,976	2,144
Change in assets and liabilities:			
Other assets	(29,168)	21,722	(3,604)
Other liabilities	5,682	(20,483)	6,590
Net cash provided by (used) in operating activities	42,849	(7,280)	(6,719)
Investing activities:			
Investment in subsidiaries	—	—	(292,000)
Sales and paydowns of securities available for sale	586	—	—
Net cash provided by (used in) investing activities	586	—	(292,000)
Financing activities:			
Repayment of subordinated notes	(35,000)	(30,500)	—
Proceeds from issuance of senior notes	40,000	35,000	—
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	796	894	1,453
Proceeds from issuance of common and preferred stock, net of offering costs	—	—	361,560
Proceeds from penalty on incomplete private equity transaction	—	—	3,250
Proceeds from exercise of warrant	19,389	—	—
Retirement of preferred stock	(75,217)	—	—
Cash dividends on Series A preferred stock	(15)	(12)	(13)
Cash dividends on Series B preferred stock	(9,440)	(9,000)	(9,020)
Cash dividends on Series D preferred stock	(1,657)	(1,687)	(1,210)
Net cash (used in) provided by financing activities	(61,144)	(5,305)	356,020
Net change in cash	(17,709)	(12,585)	57,301
Cash at beginning of year	54,047	66,632	9,331
Cash at end of year	$ 36,338	$ 54,047	$ 66,632

(26) Subsequent Events

On January 7, 2014, United entered into a credit agreement with Synovus Bank. The credit agreement provides for aggregate unsecured borrowings of up to $50 million at any time outstanding pursuant to a revolving line of credit that matures on January 7, 2017. Although the credit agreement is unsecured, United has agreed not to pledge its assets to any other creditors, including, without limitation, the stock of the Bank, subject to certain exceptions set forth in the credit agreement.

The credit agreement contains customary representations, warranties, covenants and events of default, including, without limitation, financial covenants requiring that United and the Bank each maintain a total risk-based capital ratio of 10.50% or greater, a tier 1 risk-based common capital ratio of 8.50% or greater, a tier 1 risk-based capital ratio of 8.50% or greater, a tier 1 leverage ratio of 7.25% or greater and maintain "well-capitalized" status at all times.

On January 10, 2014, United redeemed the remaining $105 million in outstanding Series B preferred stock at par plus accrued and unpaid dividends through the date of redemption. The redemption of the preferred stock was funded by a $69 million dividend from the Bank, $25 million drawn on the revolving line with Synovus Bank and cash on hand.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During the past two years, United did not have any disagreements with its accountants on any matters of accounting principles or practices or financial statement disclosure.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

United's management, including the Chief Executive Officer and Chief Financial Officer, supervised and participated in an evaluation of the company's disclosure controls and procedures as of December 31, 2013.

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

Changes in Internal Control Over Financial Reporting

No changes were made to United's internal control over financial reporting during the fourth quarter of 2013 that materially affected, or are reasonably likely to materially affect, United's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

United's management is responsible for establishing and maintaining adequate internal control over financial reporting. Management's assessment of the effectiveness of United's internal control over financial reporting as of December 31, 2013 is included in Item 8 of this report under the heading "Management's Report on Internal Control Over Financial Reporting."

ITEM 9B. OTHER INFORMATION.

There were no items required to be reported on Form 8-K during the fourth quarter of 2013 that were not reported on Form 8-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information contained under the headings “Information Regarding Nominees and Other Directors”, “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2014 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference. Pursuant to instruction 3 to paragraph (b) of Item 401 of Regulation S-K, information relating to the executive officers of United is included in Item 1 of this report.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained under the heading “Compensation of Executive Officers and Directors” in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2014 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information contained under the heading “Principal and Management Shareholders” and the “Equity Compensation Plan Information” table in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2014 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference. For purposes of determining the aggregate market value of United’s voting stock held by nonaffiliates, shares held by all directors and executive officers of United have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which persons or entities may be “Affiliates” of United as defined by the SEC.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information contained under the heading “Corporate Governance – Certain Relationships and Related Transactions” in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2014 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information contained under the heading “Other Matters – Independent Registered Public Accounting Firm” in the Proxy Statement to be used in connection with the solicitation of proxies for United’s 2014 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) 1. Financial Statements.

The following consolidated financial statements are located in Item 8 of this report:

Report of Independent Registered Public Accounting Firm
Consolidated Statement of Operations - Years ended December 31, 2013, 2012, and 2011
Consolidated Balance Sheet - December 31, 2013 and 2012
Consolidated Statement of Changes in Shareholders' Equity - Years ended December 31, 2013, 2012, and 2011
Consolidated Statement of Cash Flows - Years ended December 31, 2013, 2012, and 2011
Notes to Consolidated Financial Statements

2. Financial Statement Schedules.

Schedules to the consolidated financial statements are omitted, as the required information is not applicable.

3. Exhibits.

The following exhibits are required to be filed with this report by Item 601 of Regulation S-K:

Exhibit No.	Exhibit
3.1	Restated Articles of Incorporation of United Community Banks, Inc., as amended (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2011, filed with the SEC on August 9, 2011).
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, 2011, filed with the SEC on May 4, 2011).
4.1	See Exhibits 3.1 and 3.2 for provisions of the Restated Articles of Incorporation of United Community Banks, Inc., as amended, and the Amended and Restated Bylaws, as amended, of United Community Banks, Inc., which define the rights of security holders.
4.2	Form of Warrants to Purchase Shares of Common Stock of United Community Banks, Inc. (incorporated herein by reference to Exhibit 1.3 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on April 1, 2010), as amended by Amendment to Warrants to Purchase Shares of Common Stock of United Community Banks, Inc., dated as of June 11, 2010 (incorporated herein by reference to Exhibit 1.2 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on June 14, 2010).

Exhibit No.	Exhibit
4.3	Tax Benefits Preservation Plan, dated as of February 22, 2011, by and between United Community Banks, Inc. and Illinois Stock Transfer Company (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.’s Current Report on Form 8-K, filed with the SEC on February 24, 2011), as amended by Amendment to Tax Benefits Preservation Plan, dated as of March 29, 2011 (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.’s Current Report on Form 8-K, filed with the SEC on March 31, 2011) and as amended by Second Amendment to Tax Benefits Preservation Plan, dated as of June 17, 2011 (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.’s Current Report on Form 8-K, filed with the SEC on June 21, 2011).
4.4	Form of Summary of Rights for Tax Benefits Preservation Plan, dated as of February 22, 2011, by and between United Community Banks, Inc. and Illinois Stock Transfer Company (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.’s Current Report on Form 8-K, filed with the SEC on February 24, 2011).
10.1	United Community Banks, Inc.’s Profit Sharing Plan, amended and restated as of January 1, 2001 (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.’s Registration Statement on Form S-8, File No. 333-86876, filed with the SEC on April 24, 2002).*
10.2	Amendment No. 1 to United Community Banks, Inc.’s Profit Sharing Plan, dated as of March 15, 2002 (incorporated herein by reference to Exhibit 4.4 to United Community Banks, Inc.’s Registration Statement on Form S-8, File No. 333-86876, filed with the SEC on April 24, 2002).*
10.3	United Community Banks, Inc.’s 2000 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 10 to United Community Banks, Inc.’s Registration Statement on Form S-8, File No. 333-99849, filed with the SEC on September 19, 2002).*
10.4	Amendment to United Community Banks, Inc.’s 2000 Key Employee Stock Option Plan, dated March 5, 2004 (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.’s Registration Statement on Form S-4, File No. 333-118893, filed with the SEC on September 9, 2004).*
10.5	Split-Dollar Agreement between United Community Banks, Inc. and Jimmy C. Tallent dated June 1, 1994 (incorporated herein by reference to Exhibit 10.11 to United Community Banks, Inc.’s Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-21656).*
10.6	Amendment Number 2 to United Community Banks, Inc. 2000 Key Employee Stock Option Plan, dated April 26, 2006 (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, File No. 000-21656, filed with the SEC on August 4, 2006).*
10.7	United Community Banks, Inc.’s Amended and Restated 2000 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.’s Current Report on Form 8-K, File No. 000-21656, filed with the SEC on May 1, 2007).*
10.8	Form of Senior Executive Officer Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 10.3 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 000-21656, filed with the SEC on August 7, 2009).*

Exhibit No.	Exhibit
10.9	Form of Amended and Restated Change of Control Severance Agreement by and between United Community Banks, Inc. and Jimmy C. Tallent, H. Lynn Harton, Rex S. Schuette, David Shearrow, and Bill Gilbert (incorporated herein by reference to Exhibit 10.8 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 000-21656, filed with the SEC on February 27, 2009).*
10.10	United Community Banks, Inc.'s Amended and Restated Modified Retirement Plan, effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.10 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 000-21656, filed with the SEC on February 27, 2009).*
10.11	United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.11 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 000-21656, filed with the SEC on February 27, 2009).*
10.12	United Community Banks, Inc. Dividend Reinvestment and Share Purchase Plan (incorporated herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-3D, File No. 333-127477, filed with the SEC on August 12, 2005).*
10.13	United Community Banks, Inc. Employee Stock Purchase Plan, effective as of December 20, 2005 (incorporated herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-130489, filed with the SEC on December 20, 2005).*
10.14	Form of Senior Executive Officer Nonqualified Stock Option Agreement (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 000-21656, filed with the SEC on August 7, 2009).*
10.15	Form of Executive Officer Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.2 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 000-21656, filed with the SEC on August 7, 2009).*
10.16	United Community Banks, Inc.'s Management Incentive Plan, effective as of January 1, 2007 (incorporated herein by reference to Exhibit 10.5 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 000-21656, filed with the SEC on May 1, 2007).*
10.17	Amendment No. 1 to United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan dated April 13, 2007 (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 000-21656, filed with the SEC on April 13, 2007).*
10.18	Investment Agreement, dated as of March 16, 2011, between United Community Banks, Inc. and Corsair Georgia, L.P. (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on March 17, 2011).*
10.19	Form of Subscription Agreement, dated as of March 16, 2011, between United Community Banks, Inc. and each Additional Investor (incorporated herein by reference to Exhibit 10.2 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on March 17, 2011).*
10.20	Employment Agreement, dated as of September 14, 2012, between United Community Bank and H. Lynn Harton (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on September 19, 2012).*

Exhibit No.	Exhibit
10.21	Credit Agreement dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank.
14	Code of Ethical Conduct (incorporated herein by reference to Exhibit 14 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003, File No. 000-21656, filed with the SEC on March 8, 2004).
21	Subsidiaries of United.
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney of certain officers and directors of United (included on Signature Page)
31.1	Certification by Jimmy C. Tallent, President and Chief Executive Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Rex S. Schuette, Executive Vice President and Chief Financial Officer of United Community Banks, Inc., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	TARP Compliance Certification pursuant to 31 C.F.R. Section 30.15.
101.INS**	XBRL Report Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Label Linkbase Document
101.PRE**	XBRL Presentation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document

* Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Annual Report on Form 10-K pursuant to Item 15(b) of Form 10-K.

** Indicates furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, United has duly caused this annual report on Form 10-K, to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Blairsville, State of Georgia, on the 28th day of February, 2014.

UNITED COMMUNITY BANKS, INC.
(Registrant)

/s/ Jimmy C. Tallent
Jimmy C. Tallent
President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Rex S. Schuette
Rex S. Schuette
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Alan H. Kumler
Alan H. Kumler
Senior Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

POWER OF ATTORNEY AND SIGNATURES

Know all men by these presents, that each person whose signature appears below constitutes and appoints Jimmy C. Tallent and W.C. Nelson, Jr., or either of them, as attorney-in-fact, with each having the power of substitution, for him in any and all capacities, to sign any amendments to this annual report on Form 10-K and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report on Form 10-K has been signed below by the following persons on behalf of United and in the capacities set forth and on the 26th day of February, 2014.

/s/ Jimmy C. Tallent
Jimmy C. Tallent
President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Rex S. Schuette
Rex S. Schuette
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Alan H. Kumler
Alan H. Kumler
Senior Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

/s/ W.C. Nelson, Jr.
W. C. Nelson, Jr.
Chairman of the Board

/s/ Clifford V. Brokaw
Clifford V. Brokaw
Director

/s/ Robert Blalock
Robert Blalock
Director

/s/ L. Cathy Cox
L. Cathy Cox
Director

/s/ Steven J. Goldstein
Steven J. Goldstein
Director

/s/ Thomas A. Richlovsky
Thomas A. Richlovsky
Director

/s/ Tim Wallis
Tim Wallis
Director

EXHIBIT INDEX

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EXHIBIT 10.21

Execution Version

CREDIT AGREEMENT

dated as of January 7, 2014

among

UNITED COMMUNITY BANKS, INC.,
as Borrower

and

SYNOVUS BANK,
as Lender

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Schedules

Exhibits

CREDIT AGREEMENT

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

W I T N E S S E T H:

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

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

ARTICLE I DEFINITIONS; CONSTRUCTION

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

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

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

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

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

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

"***Anti-Terrorism Laws***" has the meaning given to such term in Section 4.16.

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

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

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

"***Availability Period***" shall mean the period from the Closing Date to the Maturity Date.

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

"***Base Rate Borrowing***" shall mean a Borrowing of a Revolving Loan as a Base Rate Loan.

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

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

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

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

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

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

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

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

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

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

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

"***Charges***" shall have the meaning set forth in Section 9.16.

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

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

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

"***Confidential Information***" shall have the meaning set forth in Section 9.11.

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

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

"***CRA***" shall have the meaning set forth in Section 4.14.

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

"***Default Interest***" shall have the meaning set forth in Section 2.6(b).

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

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

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

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

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

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

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

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

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

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

"***Eurodollar Borrowing***" shall mean the Borrowing of a Revolving Loan as a Eurodollar Loan.

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

"***Event of Default***" shall have the meaning provided in Article VIII.

"***Exchange Act***" shall mean the Securities Exchange Act of 1934, as amended.

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

"***FCPA***" shall have the meaning set forth in Section 4.22 hereof.

"***FDIC***" shall mean the Federal Deposit Insurance Corporation.

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

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

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

"***Fiscal Year***" shall mean each fiscal year of the Borrower and its Subsidiaries.

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

"***FRB***" shall mean the Board of Governors of the Federal Reserve System.

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

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

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

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

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

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

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

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

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

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

"***Indemnified Taxes***" shall mean Taxes other than Excluded Taxes.

"***Indemnitee***" shall have the meaning set forth in Section 9.3(b).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"***Maximum Rate***" shall have the meaning set forth in Section 9.16.

"***Money Laundering Laws***" shall have the meaning set forth in Section 4.23 hereof.

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

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

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

"***Notice of Borrowing***" shall have the meaning as set forth in Section 2.2.

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

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

"***OFAC***" shall have the meaning set forth in Section 4.24 hereof.

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

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

"***Participant***" shall have the meaning set forth in Section 9.4(d).

"***Patriot Act***" shall have the meaning set forth in Section 4.16.

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

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

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

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

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

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

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

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

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

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

“***Permitted Encumbrances***” shall mean

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"***Register***" shall have the meaning set forth in Section 9.4(c).

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

"***Regulatory Agreement***" shall have the meaning set forth in Section 4.19 hereof.

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

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

"***Restricted Payment***" shall have the meaning set forth in Section 7.4.

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

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

"***Revolving Loan***" shall have the meaning set forth in Section 2.1.

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

"***Sanctions***" shall have the meaning set forth in Section 4.24.

"***Sarbanes-Oxley Act***" shall have the meaning set forth in Section 4.21 hereof.

"***SEC***" shall have the meaning set forth in Section 4.11.

"***Securities Act***" shall mean the Securities Act of 1933, as amended.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II AMOUNT AND TERMS OF THE REVOLVING LOAN

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

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

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

Section 2.4. Interest Elections**.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 2.7. Fees.

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

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

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

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

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

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

Section 2.12. Increased Costs**.**

(a) If any Change in Law shall:

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

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

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

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

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

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

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

Section 2.14. Taxes.

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

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

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

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

Section 2.15. Payments Generally.

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

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

ARTICLE III CONDITIONS PRECEDENT TO EFFECTIVENESS AND BORROWING

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

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

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

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

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

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

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

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

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

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

(viii) [Reserved];

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

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

(xi) a duly executed Notice of Borrowing in accordance with Section 2.2 hereof;

(xii) a duly completed and executed Compliance Certificate calculated as of September 30, 2013 (giving *pro forma* effect to the funding of, and the use of the proceeds of, the Revolving Loans to be funded on the Closing Date);

(xiii) a certificate from the Borrower's insurance broker or other evidence satisfactory to it that all insurance required to be maintained pursuant to clauses (b) and (c) of Section 5.8 is in full force and effect;

(xiv) evidence of the filing of a Uniform Commercial Code Form UCC-1 negative pledge filing against the Borrower in the State of Georgia; and

(xv) such other documents, agreements and instruments as the Lender may reasonably request.

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

(a) at the time of and immediately after giving effect to such Revolving Loan, no Default or Event of Default shall exist;

(b) all representations and warranties of the Borrower herein shall be true and correct in all material respects on and as of the date of such Revolving Loan both before and after giving effect thereto (except for representations and warranties expressly made as of a specified date, which such representations and warranties shall be true and correct in all material respects as of such date);

(c) since September 30, 2013, there shall have been no change which has had or could reasonably be expected to have a Material Adverse Effect;

(d) no applicable legislation has been passed or any suit or other proceeding has been instituted the effect of which is to prohibit, enjoin (or to declare unlawful or improper) or otherwise adversely affect, in the Lender's reasonable judgment, the Borrower's performance of its obligations hereunder, and no litigation or governmental proceeding has been instituted or threatened against the Borrower or any Financial Institution Subsidiary or any of their officers which, in the reasonable discretion of the Lender, may materially and adversely affect the financial condition or operations of the Borrower or such Financial Institution Subsidiary;

(e) the Lender shall have received a duly executed Notice of Borrowing in accordance with Section 2.2 hereof; and

(f) the Lender shall have received such other documents, certificates, information or legal opinions as it may reasonably request, all in form and substance reasonably satisfactory to the Lender.

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

ARTICLE IV REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V AFFIRMATIVE COVENANTS

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

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

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

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

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

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

(e) [Reserved];

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5.4. Compliance with Laws, Etc.

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

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

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

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

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

Section 5.8. Maintenance of Properties; Insurance.

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

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

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

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

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

ARTICLE VI FINANCIAL COVENANTS

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

Section 6.1. Regulatory Capital.

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

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

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

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

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

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

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

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

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

ARTICLE VII NEGATIVE COVENANTS

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

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

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

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

(c) Permitted Financial Institution Subsidiary Indebtedness;

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

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

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

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

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

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

(b) Permitted Encumbrances;

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

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

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

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

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

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

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

Section 7.3. Fundamental Changes.

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

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

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

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

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

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

(a) Investments existing on the date hereof (including Investments in Subsidiaries) and set forth on Schedule 7.6.

(b) Investments purchased or held by any Subsidiary in connection with its asset management or other operations in ordinary course of business;

(c) Investments made by the Borrower in or to any Subsidiary and by any Subsidiary in or to the Borrower or in or to another Subsidiary;

(d) Permitted Acquisitions;

(e) Investments received in consideration for Asset Sales in a form other than Cash to the extent expressly permitted by Section 7.3;

(f) Investments consisting of Hedging Obligations permitted by Section 7.8;

(g) Investments received in connection with the bankruptcy or reorganization of any Person and in settlement of obligations of, or disputes with, any Person arising in the ordinary course of business and upon foreclosure with respect to any secured investment or other transfer of title with respect to any secured investment;

(h) Guarantees of the Borrower of any Indebtedness expressly permitted under Section 7.1(d);

(i) Investments constituting Permitted Financial Institution Subsidiary Indebtedness; and

(j) Investments (other than Acquisitions) in an aggregate amount at any time outstanding not to exceed $10,000,000 so long as (A) at the time of the making of such Investment, no Default or Event of Default then exists, and (B) the Borrower is, both before and after giving *pro forma* effect to such Investment, in compliance with the covenants set forth in Section 6.1.

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

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

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

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

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

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

ARTICLE VIII EVENTS OF DEFAULT

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) a Change in Control shall occur; or

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

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

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

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

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

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

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

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

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

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

ARTICLE IX MISCELLANEOUS

Section 9.1. Notices.

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

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

with a copy to:

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

with a copy to:

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

To the Lender: Synovus Bank
3280 Peachtree Road, NE

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

with a copy to:

Synovus Bank
3280 Peachtree Road, NE
5th Floor
Atlanta, Georgia 30305
Attn: Vickie Summey
Telephone Number: (678) 784-7157
Email: vickiesummey@synovus.com

with a copy to:

Alston & Bird LLP

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

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

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

Section 9.2. Waiver; Amendments**.**

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

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

Section 9.3. Expenses; Indemnification**.**

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

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

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

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

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

Section 9.4. Successors and Assigns**.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE BORROWER:

UNITED COMMUNITY BANKS, INC.

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

THE LENDER:

SYNOVUS BANK,
as Lender

By /s/ Michael Sawicki
Name: Michael Sawicki
Title: Corporate Banking

EXHIBIT 21

Subsidiaries of United Community Banks, Inc.

Subsidiary	State of Organization
United Community Bank	Georgia
United Community Insurance Services, Inc.	Georgia
Union Holdings, Inc.	Nevada
Union Investments, Inc.	Nevada
United Community Mortgage Services, Inc.	Georgia
United Community Development Corporation	Georgia
UCB North Georgia Properties, Inc.	Georgia
UCB Metro Properties, Inc.	Georgia
UCB Coastal Properties, Inc.	Georgia
UCB Tennessee Properties, Inc.	Tennessee
UCB North Carolina Properties, Inc.	North Carolina
UCB Real Estate Investments, Inc.	Georgia
Owen Glen, Inc.	Georgia
UCB Metro Real Estate Investments, Inc.	Georgia
UCBI Georgia Credits LLC	Georgia
United Community Capital Trust	Delaware
United Community Capital Trust II	Delaware
United Community Statutory Trust I	Connecticut
United Community Statutory Trust II	Delaware
United Community Statutory Trust III	Delaware
Southern Bancorp Capital Trust I	Delaware
United Community Risk Management Services, Inc.	Nevada

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-159958, 333-175226, 333-174420, 333-180752, and 333-185733) and S-8 (Nos. 33-80885, 333-70471, 333-86876, 333-99849, 333-120623, 333-125017, 333-130489, 333-145027, 333-145029, 333-146820, 333-159989, 333-167185, 333-167186, 333-167187, 333-181675, 333-183767, 333-183768, and 333-183769) of United Community Banks, Inc. of our report dated February 28, 2014 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Atlanta, Georgia
February 28, 2014

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 1, 2013, relating to our audits of the consolidated financial statements and internal control over financial reporting, included in the Annual Report on Form 10-K of United Community Banks, Inc. for the year ended December 31, 2012. We hereby consent to the incorporation by reference of said report in the Registration Statements of United Community Banks, Inc. on Form S-8 (File No. 33-80885, effective December 27, 1995; File No. 333-70471, effective January 12, 1999; File No. 333-86876, effective April 24, 2002; File No. 333-99849, effective September 19, 2002; File No. 333-120623, effective November 19, 2004; File No. 333-125017, effective May 17, 2005; File No. 333-130489, effective December 20, 2005; File No. 333-145027, effective August 1, 2007; File No. 333-145029, effective August 1, 2007; File No. 333-146820, effective October 19, 2007; File No. 333-159989, effective June 15, 2009; File No. 333-167185, effective May 28, 2010; File No. 333-167186, effective May 28, 2010; File No. 333-167187, effective May 28, 2010; File No. 333-181675, effective May 24, 2012; File no. 333-183767, effective September 7, 2012; File No. 333-183768, effective September 7, 2012; and File No. 333-183769, effective September 7, 2012) and Registration Statements of United Community Banks, Inc. on Form S-3 (File No. 333-159958, effective March 22, 2012; File No. 333-175226, effective March 28, 2012; File No. 333-174420, effective March 28, 2012; File No. 333-180752, effective April 25, 2012; and File No. 333-185733, effective January 30, 2013).

/s/ Porter Keadle Moore, LLC

Atlanta, Georgia
February 28, 2014

EXHIBIT 31.1

I, Jimmy C. Tallent, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: ***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
President and Chief Executive Officer

Date: February 28, 2014

EXHIBIT 31.2

I, Rex S. Schuette, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: ***/s/ Rex S. Schuette***
Rex S. Schuette
Executive Vice President and
Chief Financial Officer

Date: February 28, 2014

EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of United Community Banks, Inc. ("United") on Form 10-K for the period ending December 31, 2013 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jimmy C. Tallent, President and Chief Executive Officer of United, and I, Rex S. Schuette, Executive Vice President and Chief Financial Officer of United, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of United.

By: ***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
President and Chief Executive Officer

By: ***/s/ Rex S. Schuette***
Rex S. Schuette
Executive Vice President and
Chief Financial Officer

Date: February 28, 2014

EXHIBIT 99

CERTIFICATION
PURSUANT TO 31 C.F.R. § 30.15

The undersigned, Jimmy C. Tallent, President and Chief Executive Officer of United Community Banks, Inc. ("United"), and Rex S. Schuette, Executive Vice President and Chief Financial Officer of United, certify, based on their knowledge, that:

(i) The compensation committee of United has discussed, reviewed, and evaluated with senior risk officers during the most recently completed fiscal year, senior executive officers (as defined in subsection 111(b)(3) of the Emergency Economic Stabilization Act of 2008 and 31 C.F.R. § 30.2) ("SEO") compensation plans and employee compensation plans and the risks these plans pose to United.

(ii) The compensation committee of United has identified and limited during the most recently completed fiscal year any features of the SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of United and has identified any features of the employee compensation plans that pose risks to United and has limited those features to ensure that United is not unnecessarily exposed to risks.

(iii) The compensation committee has reviewed, during the most recently completed fiscal year, the terms of each employee compensation plan and identified any features of the plan that could encourage the manipulation of reported earnings of United to enhance the compensation of an employee, and has limited any such features.

(iv) The compensation committee of United will certify to the reviews of the SEO compensation plans and employee compensation plans required under (i) and (iii) above.

(v) The compensation committee of United will provide a narrative description of how it limited during the most recently completed fiscal year the features in

(A) SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of United;

(B) employee compensation plans that unnecessarily expose United to risks; and

(C) employee compensation plans that could encourage the manipulation of reported earnings of United to enhance the compensation of an employee.

(vi) United has required that bonus payments to SEOs or any of the next twenty most highly compensated employees, as defined in the regulations and guidance established under Section 111 of EESA (bonus payments), be subject to a recovery or "clawback" provision during the time in which any obligation arising from financial assistance provided under the Capital Purchase Program remained outstanding (the "Covered Period") the most recently completed fiscal year if the bonus payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.

(vii) United has prohibited any golden parachute payment, as defined in the regulations and guidance established under Section 111 of EESA, to a SEO or any of the next five most highly compensated employees during the Covered Period of the most recently completed fiscal year.

(viii) United has limited bonus payments to its applicable employees in accordance with Section 111 of EESA and the regulations and guidance established thereunder during the Covered Period of the most recently completed fiscal year.

(ix) United and its employees have complied with the excessive or luxury expenditures policy, as defined in the regulations and guidance established under Section 111 of EESA, during the most recently completed fiscal year; and any expenses that, pursuant to the policy, required approval of the board of directors, a committee of the board of directors, an SEO, or an executive officer with a similar level of responsibility, were properly approved.

(x) United will permit a non-binding shareholder resolution in compliance with any applicable federal securities rules and regulations on the disclosures provided under the federal securities laws related to SEO compensation paid or accrued during the most recently completed fiscal year.

(xi) United will disclose the amount, nature and justification for the offering, during the Covered Period of the most recently completed fiscal year, of any perquisites, as defined in the regulations and guidance established under Section 111 of EESA, whose total value exceeds $25,000 for each employee subject to the bonus payment limitations identified in paragraph (viii).

(xii) United will disclose whether United, the board of directors of United, or the compensation committee of United has engaged during the most recently completed fiscal year a compensation consultant; and the services the compensation consultant or any affiliate of the compensation consultant provided during this period.

(xiii) United has prohibited the payment of any gross-ups, as defined in the regulations and guidance established under Section 111 of EESA, to the SEOs and the next twenty most highly compensated employees during the most recently completed fiscal year.

(xiv) United has substantially complied with all other requirements related to employee compensation that are provided in the agreement between United and the U.S. Department of the Treasury ("Treasury"), including any amendments.

(xv) On March 28, 2013, Treasury completed its sale of United's preferred stock that it held as a result of United's participation in the Capital Purchase Program. Therefore, the Standard referred to in paragraph (xv) of the Model Certification for Years Following First Year Certification set forth in the regulations and guidance established under Section III of EESA, was not required to be met by United.

(xvi) The undersigned understand that a knowing and willful false or fraudulent statement made in connection with this certification may be punished by fine, imprisonment, or both.

By: ***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
President and Chief Executive Officer

By: ***/s/ Rex S. Schuette***
Rex. S. Schuette
Executive Vice President and Chief Financial Officer

Date: February 28, 2014