# 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, 2014

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 ☒ No ☐

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

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 ☒ No ☐

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 ☒ No ☐

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. ☐

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 ☒ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller Reporting Company ☐ |

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $970,205,714 (based on shares held by non-affiliates at $16.37 per share, the closing stock price on the Nasdaq stock market on June 30, 2014).

As of January 31, 2015, 60,295,768 shares of common stock were issued and outstanding including 50,214,981 voting shares and 10,080,787 non-voting shares. Also outstanding were presently exercisable options to acquire 296,470 shares, presently exercisable warrants to acquire 219,909 shares and 397,251 shares issuable under United Community Banks, Inc.'s deferred compensation plan.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for the 2015 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, 2014, operated at 103 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 2014, the Bank originated $276 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. Another Bank subsidiary, United Community Payment Systems, LLC, provides payment processing services for the Bank's customers.

United produces fee revenue through its sale of non-deposit investment products. Those products are sold by employees of United that are licensed financial advisors doing business as United Community Advisory Services. United has an affiliation with a third party broker/dealer, Invest Financial, to facilitate this line of business.

**Recent Developments**

On January 27, 2015, United announced that it had entered into a definitive merger agreement to acquire MoneyTree Corporation ("MoneyTree") and its wholly-owned bank subsidiary, First National Bank ("FNB"). MoneyTree and FNB are headquartered in Lenoir City, Tennessee and FNB currently operates 10 branches in east Tennessee. At December 31, 2014, FNB had $425 million in assets, $354 million in deposits and $253 million in loans. The resulting combination will enhance both United's position in key growth markets in east Tennessee and its ability to offer expanded banking products to FNB's customer base.

Under the terms of the merger agreement, MoneyTree shareholders will receive merger consideration consisting of 80 percent common stock of United and 20 percent cash in the aggregate, with a fixed exchange ratio that is valued at approximately $52 million based on United's January 27, 2015 closing price of $17.65 per share. Completion of the transaction is subject to customary closing conditions, including the receipt of required regulatory approvals and the approval of MoneyTree's shareholders. The transaction is expected to close in the second quarter of 2015.

**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:

- the condition of the general business and economic environment;
- the results of our internal credit stress tests may not accurately predict the impact on our financial condition if the economy were to deteriorate;
- our ability to maintain profitability;
- our ability to fully realize the balance of our net deferred tax asset, including net operating loss carryforwards;
- the risk that we may be required to increase the valuation allowance on our net deferred tax asset in future periods;
- the condition of the banking system and financial markets;
- our ability to raise capital;
- our ability to maintain liquidity or access other sources of funding;
- changes in the cost and availability of funding;
- the success of the local economies in which we operate;
- our lack of geographic diversification;
- our concentrations of residential and commercial construction and development loans and commercial real estate loans are subject to unique risks that could adversely affect our earnings;
- changes in prevailing interest rates may negatively affect our net income and the value of our assets and other interest rate risks;
- our accounting and reporting policies;
- if our allowance for loan losses is not sufficient to cover actual loan losses;
- losses due to fraudulent and negligent conduct of our loan customers, third party service providers or employees;
- risks related to our communications and information systems, including risks with respect to cybersecurity breaches;
- our reliance on third parties to provide key components of our business infrastructure and services required to operate our business;
- competition from financial institutions and other financial service providers;
- risks with respect to our ability to successfully expand and complete acquisitions and integrate businesses and operations that are acquired;
- if the conditions in the stock market, the public debt market and other capital markets deteriorate;
- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and related regulations;
- changes in laws and regulations or failures to comply with such laws and regulations;
- changes in regulatory capital and other requirements;
- the costs and effects of litigation, examinations, investigations, or similar matters, or adverse facts and developments related thereto, including possible dilution;
- regulatory or judicial proceedings, board resolutions, informal memorandums of understanding or formal enforcement actions imposed by regulators that may occur;
- changes in tax laws, regulations and interpretations or challenges to our income tax provision; and
- our ability to maintain effective internal controls over financial reporting and disclosure controls and procedures.

Additional information with respect to factors that may cause actual results to differ materially from those contemplated by such forward-looking statements may also be included in other reports that United files with the Securities and Exchange Commission (the “SEC”). United cautions that the foregoing list of factors is not exclusive, and not to place undue reliance on forward-looking statements. United does not intend to update any forward-looking statement, whether written or oral, relating to the matters discussed in this Form 10-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 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2014 | 2013 | 2012 | 2011 | 2010 |
| **Atlanta, Georgia MSA** | | | | | | | | | | |
| Bartow | 11% | 11% | 9% | 12% | 9% | 3 | 3 | 4 | 3 | 4 |
| Carroll | 7 | 7 | 6 | 6 | 5 | 5 | 5 | 6 | 6 | 7 |
| Cherokee | 5 | 4 | 5 | 4 | 4 | 9 | 9 | 9 | 9 | 9 |
| Cobb | 3 | 3 | 3 | 3 | 3 | 12 | 11 | 10 | 10 | 10 |
| Coweta | 2 | 2 | 2 | 2 | 2 | 10 | 11 | 10 | 10 | 10 |
| Dawson | 34 | 36 | 36 | 36 | 30 | 1 | 1 | 1 | 1 | 1 |
| DeKalb | 1 | 1 | 1 | 1 | 1 | 16 | 18 | 18 | 21 | 21 |
| Douglas | 2 | 2 | 2 | 2 | 1 | 11 | 12 | 12 | 11 | 13 |
| Fayette | 7 | 7 | 7 | 8 | 9 | 6 | 5 | 6 | 5 | 4 |
| Forsyth | 8 | 7 | 6 | 3 | 2 | 4 | 6 | 7 | 11 | 13 |
| Fulton | 1 | 1 | 1 | 1 | 1 | 21 | 20 | 20 | 20 | 18 |
| Gwinnett | 3 | 3 | 3 | 3 | 3 | 7 | 7 | 8 | 7 | 8 |
| Henry | 7 | 6 | 5 | 4 | 4 | 6 | 6 | 7 | 7 | 9 |
| Newton | 3 | 3 | 3 | 3 | 3 | 8 | 8 | 8 | 8 | 8 |
| Paulding | 4 | 4 | 5 | 5 | 3 | 9 | 9 | 6 | 7 | 8 |
| Pickens | 7 | 6 | 4 | 3 | 2 | 4 | 5 | 6 | 7 | 7 |
| Rockdale | 9 | 12 | 12 | 12 | 12 | 6 | 4 | 4 | 4 | 4 |
| Walton | 1 | 2 | 1 | 2 | 1 | 10 | 10 | 10 | 10 | 10 |
| **Gainesville, Georgia MSA** | | | | | | | | | | |
| Hall | 12 | 12 | 12 | 14 | 14 | 4 | 4 | 5 | 3 | 3 |
| **North Georgia** | | | | | | | | | | |
| Chattooga | 44 | 43 | 40 | 40 | 39 | 1 | 1 | 1 | 1 | 1 |
| Fannin | 55 | 50 | 49 | 52 | 49 | 1 | 1 | 1 | 1 | 1 |
| Floyd | 15 | 15 | 16 | 16 | 14 | 3 | 4 | 2 | 1 | 3 |
| Gilmer | 27 | 26 | 25 | 25 | 15 | 2 | 2 | 2 | 2 | 2 |
| Habersham | 22 | 23 | 22 | 20 | 16 | 2 | 2 | 2 | 2 | 3 |
| Jackson | 8 | 7 | 6 | 6 | 5 | 6 | 7 | 6 | 7 | 8 |
| Lumpkin | 29 | 29 | 29 | 29 | 28 | 2 | 2 | 2 | 2 | 2 |
| Rabun | 15 | 14 | 13 | 12 | 11 | 3 | 3 | 3 | 5 | 5 |
| Towns | 53 | 50 | 48 | 41 | 37 | 1 | 1 | 2 | 2 | 2 |
| Union | 84 | 84 | 83 | 84 | 86 | 1 | 1 | 1 | 1 | 1 |
| White | 47 | 48 | 44 | 46 | 43 | 1 | 1 | 1 | 1 | 1 |
| **Tennessee** | | | | | | | | | | |
| Blount | 1 | 1 | 1 | 2 | 2 | 14 | 12 | 11 | 11 | 11 |
| Bradley | 5 | 5 | 5 | 5 | 5 | 8 | 7 | 7 | 7 | 7 |
| Knox | 1 | 1 | 1 | 1 | 1 | 27 | 30 | 26 | 23 | 25 |
| Loudon | 15 | 15 | 13 | 14 | 14 | 3 | 3 | 3 | 3 | 3 |
| McMinn | - | - | 3 | 2 | 2 | - | - | 9 | 9 | 9 |
| Monroe | 3 | 3 | 4 | 4 | 3 | 8 | 8 | 7 | 7 | 8 |
| Roane | 9 | 9 | 8 | 8 | 8 | 6 | 5 | 6 | 6 | 6 |
| **Coastal Georgia** | | | | | | | | | | |
| Chatham | 2 | 2 | 1 | 1 | 1 | 9 | 9 | 10 | 10 | 10 |
| Glynn | 14 | 12 | 12 | 18 | 15 | 2 | 2 | 3 | 2 | 3 |
| Ware | 4 | 3 | 3 | 4 | 4 | 9 | 9 | 9 | 9 | 8 |
| **North Carolina** | | | | | | | | | | |
| Avery | 15 | 16 | 16 | 18 | 17 | 4 | 4 | 2 | 1 | 1 |
| Cherokee | 35 | 35 | 35 | 29 | 29 | 1 | 1 | 1 | 1 | 1 |
| Clay | 44 | 44 | 45 | 48 | 49 | 1 | 1 | 1 | 1 | 1 |
| Graham | 75 | 71 | 71 | 72 | 72 | 1 | 1 | 1 | 1 | 1 |
| Haywood | 10 | 11 | 10 | 10 | 11 | 6 | 6 | 5 | 5 | 5 |
| Henderson | 3 | 3 | 3 | 3 | 3 | 10 | 10 | 11 | 11 | 11 |
| Jackson | 30 | 28 | 25 | 25 | 25 | 1 | 1 | 1 | 1 | 1 |
| Macon | 6 | 7 | 8 | 8 | 8 | 6 | 5 | 5 | 6 | 5 |
| Mitchell | 36 | 34 | 36 | 37 | 34 | 1 | 1 | 1 | 1 | 1 |
| Swain | 15 | 17 | 21 | 25 | 30 | 2 | 2 | 2 | 2 | 2 |
| Transylvania | 16 | 14 | 15 | 14 | 13 | 3 | 3 | 3 | 3 | 4 |
| Watauga | 2 | 2 | 2 | 1 | 1 | 11 | 11 | 12 | 12 | 11 |
| Yancey | 19 | 20 | 18 | 20 | 19 | 3 | 2 | 2 | 2 | 2 |
| **South Carolina** | | | | | | | | | | |
| Greenville | 1 | - | - | - | - | 27 | - | - | - | - |

**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.

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

| Loan Type | Percentage of Portfolio | Risk Elements |
| --- | --- | --- |
| Commercial Real Estate - owner occupied | 24.9% | General economic conditions; consumer spending; effect of rising interest rates; market's loosening of credit underwriting standards and structures; and business confidence. |
| Commercial Real Estate - income producing | 12.8% | Effect of rising interest rates, supply and demand of property type; consumer sentiment; business confidence; effect of financial markets, general economic conditions in the U.S and abroad and recovery of operating fundamentals. |
| Commercial and industrial | 15.2% | 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 | 4.2% | Effect of rising interest rates; changes in market demand for property, recovery of operating fundamentals, market's loosening of credit underwriting standards and structures, and fluctuations in both the debt and equity markets. |
| Residential mortgage | 18.5% | 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. |
| Home equity lines of credit | 10.0% | Unemployment and underemployment levels; rise in interest rates; household income growth; declining home values reducing the amount of equity; lines of credit nearing their "end-of-draw" period. |
| Residential construction | 6.4% | Inadequate long-term financing arrangements; inventory levels; cost overruns, changes in market demand for property; rising interest rates. |
| Consumer installment | 2.2% | Consumer sentiment; elevated umemployment and underemployment in many of our local markets; household income stagnation; and increases in consumer prices. |
| Indirect Auto | 5.7% | Consumer sentiment; unemployment and underemployment levels; rise in interest rates; increases in consumer prices; decline in houseload income and loosening of credit structures. |

**Lending Policy**

The Bank makes loans primarily to persons or businesses that reside, work, own property, or operate in its primary market areas, except for specific specialized lending strategies such as Small Business Administration ("SBA") and franchise lending.  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 an approving officer to document the reason for the exception.  Loans exceeding a lending officer's credit limit must be approved through a credit approval process involving Regional Credit Managers.  Consumer loans are approved through 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.  The Senior Credit Committee approves loans where the total relationship exposure exceeds $8.5 million.  At December 31, 2014, the Bank's secured legal lending limit was $202 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 lending authority set by Credit Administration based on characteristics of the markets they serve. 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. Underwriters are involved with credit decisions at certain levels and with certain products.

**Loan Review and Nonperforming Assets**

United's Loan Review Department 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 Risk 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, source of repayment and guarantors, different loans in a relationship can be assigned different risk ratings. United adopted a dual risk rating system for commercial loans whereby risk is defined at the obligor level and the facility level. The obligor risk rating assigns a rating based on qualitative and quantitative metrics that measure the financial viability of the borrower which is an estimate of the probability that the borrower will default. The facility risk rating considers the loss protection provided by assigned collateral factoring in control and the loan-to-value ratio. This rating estimates the probability of loss once the borrower has defaulted.

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, 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. Consumer loans are part of a pass / fail grading system designed to segment loans based upon the risk of default resulting in a loss to the Bank. Specifically, a failed credit will be a loan that has a high probability of default within the next twelve months with the default expected to result in a loss to the Bank.

In addition, Credit Administration, with supervision and input from the Accounting Department, 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 and the portion of loans guaranteed by the United States Small Business Administration ("SBA") or United States Department of Agriculture ("USDA"), which effectively have no risk of loss. Next, all loans that are considered individually impaired are 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 of the underlying collateral. The remaining loan balance for each major loan category is then multiplied by its respective estimated loss factor that is derived from the weighted 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 estimated and determined based on historical loss experience by type of loan. United multiplies the annualized loss factor by the calculated loss emergence period in order to quantify the amount of incurred losses in the loan portfolio. The loss emergence period is determined for each category of loans based on the average length of time between when a loan first becomes more than 30 days past due and when that loan is ultimately charged off. Management's use of the loss emergence period is an estimate of the period of time from the first evidence of loss incurrence through the period of time until such losses are confirmed (or charged-off). Previously, United reported an unallocated portion of the allowance which was maintained due to imprecision in estimating loss factors and loss emergence periods, and economic and other conditions that cannot be entirely quantified in the analysis. With the incorporation of the loss emergence period into United's allowance methodology in the first quarter of 2014, the previously unallocated balance has been allocated to other components of the allowance for loan losses.

**Asset/Liability Committee**

United's Asset Liability Management Committee ("ALCO") is composed of executive and other 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 and Risk Committee thereof.

**Employees**

As of December 31, 2014, United and its subsidiaries had 1,506 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 Georgia Department of Banking and Finance (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, 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 must receive pre-approval from the DBF and FDIC to pay cash dividends to United in 2015. In 2014 and 2013, the Bank paid a cash dividend of $129 million and $50.0 million, respectively, to United as approved the DBF and FDIC. No dividends were paid by the Bank to United in 2012. United declared cash dividends on its common stock in 2014 of eleven cents but did not declare any dividends in its common stock in 2013 or 2012.

**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, 2014, 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 became 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 are 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 also revised 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 are 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 began 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. Consistent with the Dodd-Frank Act, the Basel III Capital Rules replace the ratings-based approach to securitization exposures, which is based on external credit ratings, with the simplified supervisory formula approach in order to determine the appropriate risk weights for these exposures. Alternatively, banking organizations may use the existing gross-up approach to assign securitization exposures to a risk weight category or choose to assign such exposures a 1,250% risk weight. 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, 2014, 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, 2015, are as follows:

| Name (age) | Position with United and Employment History | Officer of United Since |
|---|---|---|
| Jimmy C. Tallent (62) | Chairman and Chief Executive Officer (2015); President, Chief Executive Officer and Director (1988 - 2015) | 1988 |
| H. Lynn Harton (53) | President and Chief Operating Officer and Director (2015); Executive Vice President and Chief Operating Officer (2012 - 2015); 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 (2009 - 2010), Chief Commercial Banking Officer (2008-2009), Chief Risk and Chief Credit Officer (2007 - 2009) of South Financial Group | 2012 |
| Rex S. Schuette (65) | Executive Vice President and Chief Financial Officer (2001 - 2015) | 2001 |
| Bill M. Gilbert (62) | President, Community Banking (2015); Director of Banking (2013 - 2015); Regional President of North Georgia and Coastal Georgia (2011 - 2013); Senior Vice President of Retail Banking (2003 - 2011) | 2000 |
| Bradley J. Miller (44) | Executive Vice President, Chief Risk Officer and General Counsel (2015); Senior Vice President and General Counsel (2007 - 2015) | 2007 |
| Robert A. Edwards (50) | Executive Vice President and Chief Credit Officer (2015); prior to joining United was Senior Vice President and Executive Credit Officer of Toronto-Dominion Bank (2010 - 2015); Executive Vice President and Chief Credit Officer of South Financial Group (2008 - 2010) | 2015 |
| Richard W. Bradshaw (53) | President, Specialized Lending (2014 - 2015); prior to joining United was Senior Vice President, Head of United States SBA Programs of Toronto-Dominion Bank (2010 - 2014); Executive Vice President, Director of Corporate Financial Services of Carolina First Bank (2009 - 2010) | 2014 |

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. Under the stress test, we 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.

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. A return of recessionary conditions and/or a 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" under the Basel III Capital Rules that became effective on January 1, 2015, a bank must generally maintain a common equity Tier 1 capital ratio of 6.5%, Tier 1 leverage capital ratio of 5.0%, Tier 1 risk-based capital ratio of 8.0% and total risk-based capital ratio of 10%. In addition, our regulators may require us to maintain higher capital levels. 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 $299 million at December 31, 2014, comprising 6% of total loans. Of this amount, $147 million is secured by developed lots and $65 million is secured by raw land or land in the process of development. 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, 2014, comprising 38% 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 the potential for deterioration in income producing commercial real estate may occur through rising vacancy rates or declining absorption rates of existing square footage and/or units. 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, 2014, we recorded a provision for credit losses of $8.50 million compared to $65.5 million and $62.5 million for the years ended December 31, 2013 and 2012, 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 also be affected by the marketplace loosening of credit underwriting standards and structures.

**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 are being 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 became 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 $216 million as of December 31, 2014, which includes approximately $181 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, east Tennessee and western South Carolina. 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, 2014, we had $466 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 121 locations, of which 103 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 2014.

**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 Times New Roman "UCBI". The closing price for the period ended December 31, 2014 was $18.94. Below is a schedule of high, low and closing stock prices and average daily volume for all quarters in 2014 and 2013.

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | **High** | **Low** | **Close** | **Avg Daily Volume** | **High** | **Low** | **Close** | **Avg Daily Volume** |
| First quarter | $ 20.28 | $ 15.74 | $ 19.41 | 494,205 | $ 11.57 | $ 9.59 | $ 11.34 | 195,803 |
| Second quarter | 19.87 | 14.86 | 16.37 | 308,486 | 12.94 | 10.15 | 12.42 | 184,922 |
| Third quarter | 18.42 | 15.42 | 16.46 | 331,109 | 16.04 | 12.15 | 14.99 | 341,270 |
| Fourth quarter | 19.50 | 15.16 | 18.94 | 262,598 | 18.56 | 14.82 | 17.75 | 421,948 |

At January 31, 2015, there were 6,636 record shareholders and approximately 15,450 beneficial shareholders of United's common stock.

**Dividends.** United declared cash dividends of $.11 per share on its common stock in 2014. No cash or stock dividends were declared on United's common stock during 2013. Federal and state laws and regulations impose restrictions on the ability of the Bank to pay dividends to United without prior approvals.

Additional information regarding dividends is included in Note 19 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 2014 and 2013, 74,644 and 24,374 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 2014 or 2013.

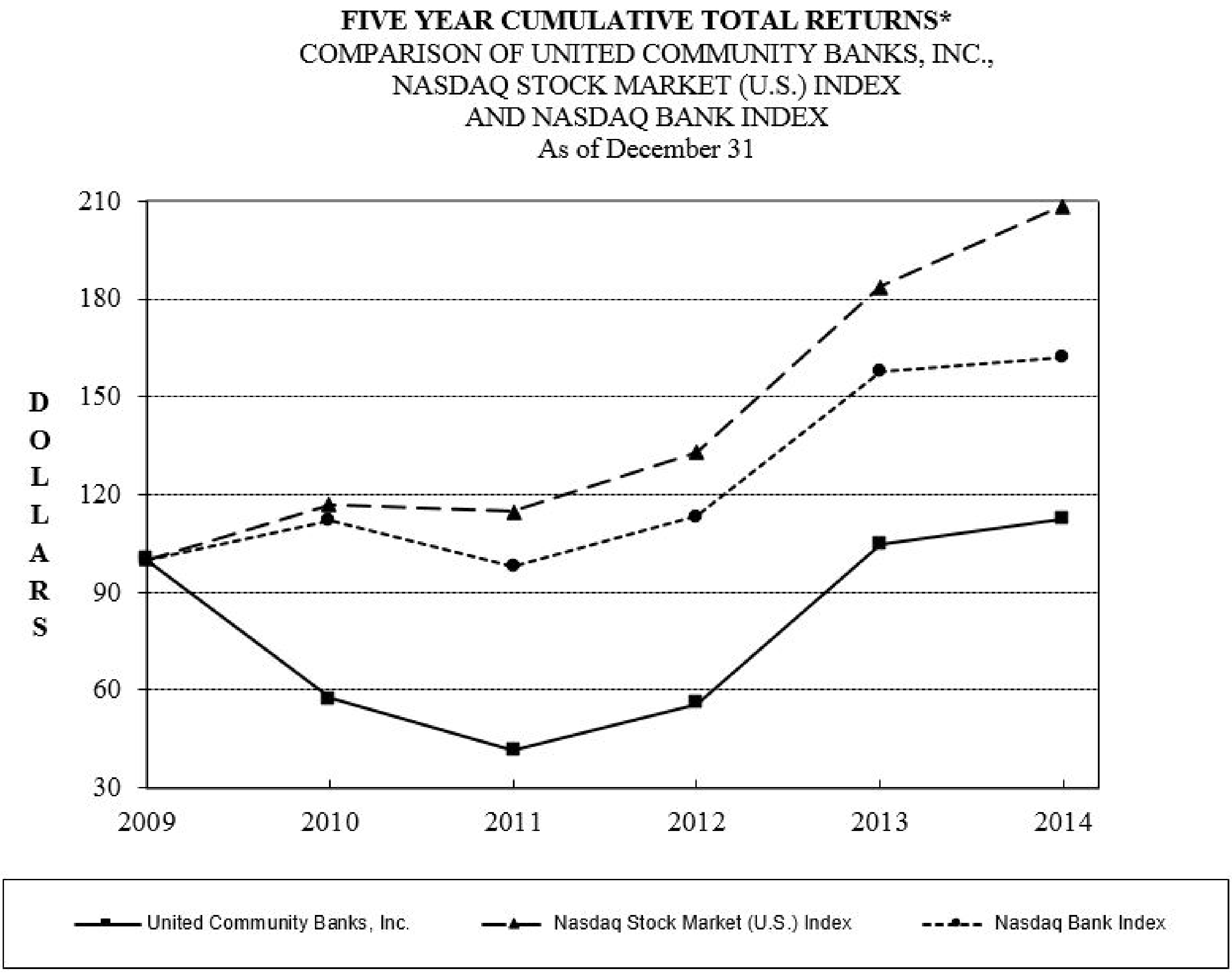
On December 31, 2013, United redeemed all of its outstanding Series A Preferred Stock in the principal amount of $217,000. The redemption price for shares of the Series A Preferred Stock was the stated value of $10 per share, plus any accrued and unpaid dividends that had been earned thereon through 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. The remaining $105 million of Unite's Series B Preferred Stock was redeemed on January 10, 2014 on comparable terms.

On March 3, 2014, United redeemed all of its outstanding Series D Preferred Stock in the principal amount of $16.6 million. The redemption price for shares of the Series D Preferred Stock 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. Following the redemption, there are no shares of United's Series D Preferred Stock outstanding.

In December 2014, United repurchased an outstanding warrant from Fletcher International Ltd for $12.0 million, its estimated fair value.

**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, 2009 and ending on December 31, 2014.




| | Cumulative Total Return * | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| United Community Banks, Inc. | $ 100 | $ 58 | $ 41 | $ 56 | $ 105 | $ 112 |
| Nasdaq Stock Market (U.S.) Index | 100 | 117 | 115 | 133 | 184 | 209 |
| Nasdaq Bank Index | 100 | 112 | 98 | 113 | 158 | 162 |

* Assumes $100 invested on December 31, 2009 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)* | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **INCOME SUMMARY** | | | | | |
| Net interest revenue | $ 224,418 | $ 219,641 | $ 229,758 | $ 238,670 | $ 244,637 |
| Operating provision for credit losses (1) | 8,500 | 65,500 | 62,500 | 251,000 | 234,750 |
| Operating fee revenue | 55,554 | 56,598 | 56,112 | 44,907 | 46,963 |
| **Total operating revenue** (1) | 271,472 | 210,739 | 223,370 | 32,577 | 56,850 |
| Operating expenses (2) | 162,865 | 174,304 | 186,774 | 261,599 | 242,952 |
| Loss on sale of nonperforming assets | — | — | — | — | 45,349 |
| Operating income (loss) from continuing operations before taxes | 108,607 | 36,435 | 36,596 | (229,022) | (231,451) |
| Operating income taxes | 40,987 | (236,705) | 2,740 | (2,276) | 73,218 |
| **Net operating income (loss) from continuing operations** | 67,620 | 273,140 | 33,856 | (226,746) | (304,669) |
| Noncash goodwill impairment charges | — | — | — | — | (210,590) |
| Fraud loss provision and subsequent recovery, net of tax benefit | — | — | — | — | 11,750 |
| Net income (loss) from discontinued operations | — | — | — | — | (101) |
| Gain from sale of subsidiary, net of income taxes and selling costs | — | — | — | — | 1,266 |
| **Net income (loss)** | 67,620 | 273,140 | 33,856 | (226,746) | (502,344) |
| Preferred dividends and discount accretion | 439 | 12,078 | 12,148 | 11,838 | 10,316 |
| **Net income (loss) available to common shareholders** | $ 67,181 | $ 261,062 | $ 21,708 | $ (238,584) | $ (512,660) |
| | | | | | |
| **PERFORMANCE MEASURES** | | | | | |
| Per common share: | | | | | |
| Diluted operating earnings (loss) from continuing operations (1)(2) | $ 1.11 | $ 4.44 | $ .38 | $ (5.97) | $ (16.64) |
| Diluted earnings (loss) from continuing operations | 1.11 | 4.44 | .38 | (5.97) | (27.15) |
| Diluted earnings (loss) | 1.11 | 4.44 | .38 | (5.97) | (27.09) |
| Cash dividends declared | .11 | — | — | — | — |
| Book value | 12.20 | 11.30 | 6.67 | 6.62 | 15.40 |
| Tangible book value (4) | 12.15 | 11.26 | 6.57 | 6.47 | 14.80 |
| | | | | | |
| Key performance ratios: | | | | | |
| Return on common equity (3) | 9.17% | 46.72% | 5.43% | (93.57)% | (85.08)% |
| Return on assets | .91 | 3.86 | .49 | (3.15) | (6.61) |
| Dividend payout ratio | 9.91 | — | — | — | — |
| Net interest margin | 3.26 | 3.30 | 3.51 | 3.52 | 3.59 |
| Operating efficiency ratio from continuing operations (2) | 58.26 | 63.14 | 65.43 | 92.27 | 98.98 |
| Average equity to average assets | 9.69 | 10.35 | 8.47 | 7.75 | 10.77 |
| Average tangible equity to average assets (4) | 9.67 | 10.31 | 8.38 | 7.62 | 8.88 |
| Average tangible common equity to average assets (4) | 9.60 | 7.55 | 5.54 | 3.74 | 6.52 |
| Tangible common equity to risk-weighted assets (4) | 13.82 | 13.17 | 8.26 | 8.25 | 5.64 |
| | | | | | |
| **ASSET QUALITY *** | | | | | |
| Non-performing loans | $ 17,881 | $ 26,819 | $ 109,894 | $ 127,479 | $ 179,094 |
| Foreclosed properties | 1,726 | 4,221 | 18,264 | 32,859 | 142,208 |
| Total non-performing assets (NPAs) | 19,607 | 31,040 | 128,158 | 160,338 | 321,302 |
| Allowance for loan losses | 71,619 | 76,762 | 107,137 | 114,468 | 174,695 |
| Operating net charge-offs (1) | 13,879 | 93,710 | 69,831 | 311,227 | 215,657 |
| Allowance for loan losses to loans | 1.53% | 1.77% | 2.57% | 2.79% | 3.79% |
| Operating net charge-offs to average loans (1) | .31 | 2.22 | 1.69 | 7.33 | 4.42 |
| NPAs to loans and foreclosed properties | .42 | .72 | 3.06 | 3.87 | 6.77 |
| NPAs to total assets | .26 | .42 | 1.88 | 2.30 | 4.42 |
| | | | | | |
| **AVERAGE BALANCES** *($ in millions)* | | | | | |
| Loans | $ 4,450 | $ 4,254 | $ 4,166 | $ 4,307 | $ 4,961 |
| Investment securities | 2,274 | 2,190 | 2,089 | 1,999 | 1,453 |
| Earning assets | 6,880 | 6,649 | 6,547 | 6,785 | 6,822 |
| Total assets | 7,436 | 7,074 | 6,865 | 7,189 | 7,605 |
| Deposits | 6,228 | 6,027 | 5,885 | 6,275 | 6,373 |
| Shareholders' equity | 720 | 732 | 582 | 557 | 819 |
| Common shares - Basic *(thousands)* | 60,588 | 58,787 | 57,857 | 39,943 | 18,925 |
| Common shares - Diluted *(thousands)* | 60,590 | 58,845 | 57,857 | 39,943 | 18,925 |
| | | | | | |
| **AT YEAR END** *($ in millions)* | | | | | |
| Loans * | $ 4,672 | $ 4,329 | $ 4,175 | $ 4,110 | $ 4,604 |
| Investment securities | 2,198 | 2,312 | 2,079 | 2,120 | 1,490 |
| Total assets | 7,567 | 7,425 | 6,802 | 6,983 | 7,276 |
| Deposits | 6,327 | 6,202 | 5,952 | 6,098 | 6,469 |
| Shareholders' equity | 740 | 796 | 581 | 575 | 469 |
| Common shares outstanding *(thousands)* | 60,259 | 59,432 | 57,741 | 57,561 | 18,937 |

(1) Excludes the subsequent recovery of $11.8 million in previously recognized fraud related loan losses in 2010. (2) Excludes goodwill impairment charge of $211 million in 2010. (3) 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). (4) 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)* | 2014 Fourth Quarter | 2014 Third Quarter | 2014 Second Quarter | 2014 First Quarter | 2013 Fourth Quarter | 2013 Third Quarter | 2013 Second Quarter | 2013 First Quarter |
|---|---|---|---|---|---|---|---|---|
| **INCOME SUMMARY** | | | | | | | | |
| Interest revenue | $ 64,353 | $ 63,338 | $ 61,783 | $ 60,495 | $ 61,695 | $ 61,426 | $ 62,088 | $ 62,114 |
| Interest expense | 6,021 | 6,371 | 6,833 | 6,326 | 5,816 | 7,169 | 7,157 | 7,540 |
| Net interest revenue | 58,332 | 56,967 | 54,950 | 54,169 | 55,879 | 54,257 | 54,931 | 54,574 |
| Provision for credit losses | 1,800 | 2,000 | 2,200 | 2,500 | 3,000 | 3,000 | 48,500 | 11,000 |
| Fee revenue | 14,823 | 14,412 | 14,143 | 12,176 | 13,519 | 14,225 | 15,943 | 12,911 |
| **Total revenue** | 71,355 | 69,379 | 66,893 | 63,845 | 66,398 | 65,482 | 22,374 | 56,485 |
| Operating expenses | 41,919 | 41,364 | 40,532 | 39,050 | 41,614 | 40,097 | 48,823 | 43,770 |
| Income before income taxes | 29,436 | 28,015 | 26,361 | 24,795 | 24,784 | 25,385 | (26,449) | 12,715 |
| Income tax expense (benefit) | 11,189 | 10,399 | 10,004 | 9,395 | 8,873 | 9,885 | (256,413) | 950 |
| **Net income** | 18,247 | 17,616 | 16,357 | 15,400 | 15,911 | 15,500 | 229,964 | 11,765 |
| Preferred dividends and discount accretion | — | — | — | 439 | 2,912 | 3,059 | 3,055 | 3,052 |
| **Net income available to common shareholders** | $ 18,247 | $ 17,616 | $ 16,357 | $ 14,961 | $ 12,999 | $ 12,441 | $ 226,909 | $ 8,713 |
| | | | | | | | | |
| **PERFORMANCE MEASURES** | | | | | | | | |
| Per common share: | | | | | | | | |
| Diluted income | $ .30 | $ .29 | $ .27 | $ .25 | $ .22 | $ .21 | $ 3.90 | $ .15 |
| Cash dividends declared | .05 | .03 | .03 | — | — | — | — | — |
| Book value | 12.20 | 12.15 | 11.94 | 11.66 | 11.30 | 10.99 | 10.90 | 6.85 |
| Tangible book value (2) | 12.15 | 12.10 | 11.91 | 11.63 | 11.26 | 10.95 | 10.82 | 6.76 |
| | | | | | | | | |
| Key performance ratios: | | | | | | | | |
| Return on common equity (1)(3) | 9.60% | 9.41% | 8.99% | 8.64% | 7.52% | 7.38% | 197.22% | 8.51% |
| Return on assets (3) | .96 | .95 | .88 | .85 | .86 | .86 | 13.34 | .70 |
| Dividend payout ratio | 16.67 | 10.34 | 11.11 | — | — | — | — | — |
| Net interest margin (3) | 3.31 | 3.32 | 3.21 | 3.21 | 3.26 | 3.26 | 3.33 | 3.37 |
| Efficiency ratio | 57.47 | 57.96 | 58.65 | 59.05 | 60.02 | 58.55 | 68.89 | 64.97 |
| Average equity to average assets | 9.76 | 9.85 | 9.61 | 9.52 | 11.62 | 11.80 | 11.57 | 8.60 |
| Average tangible equity to average assets (2) | 9.72 | 9.83 | 9.58 | 9.50 | 11.59 | 11.76 | 11.53 | 8.53 |
| Average tangible common equity to average assets (2) | 9.72 | 9.83 | 9.58 | 9.22 | 8.99 | 9.02 | 8.79 | 5.66 |
| Tangible common equity to risk-weighted assets (2) | 13.82 | 14.10 | 13.92 | 13.63 | 13.18 | 13.34 | 13.16 | 8.45 |
| | | | | | | | | |
| **ASSET QUALITY *** | | | | | | | | |
| Non-performing loans | $ 17,881 | $ 18,745 | $ 20,724 | $ 25,250 | $ 26,819 | $ 26,088 | $ 27,864 | $ 96,006 |
| Foreclosed properties | 1,726 | 3,146 | 2,969 | 5,594 | 4,221 | 4,467 | 3,936 | 16,734 |
| Total non-performing assets (NPAs) | 19,607 | 21,891 | 23,693 | 30,844 | 31,040 | 30,555 | 31,800 | 112,740 |
| Allowance for loan losses | 71,619 | 71,928 | 73,248 | 75,223 | 76,762 | 80,372 | 81,845 | 105,753 |
| Net charge-offs | 2,509 | 3,155 | 4,175 | 4,039 | 4,445 | 4,473 | 72,408 | 12,384 |
| Allowance for loan losses to loans | 1.53% | 1.57% | 1.66% | 1.73% | 1.77% | 1.88% | 1.95% | 2.52% |
| Net charge-offs to average loans (3) | .22 | .28 | .38 | .38 | .41 | .42 | 6.87 | 1.21 |
| NPAs to loans and foreclosed properties | .42 | .48 | .54 | .71 | .72 | .72 | .76 | 2.68 |
| NPAs to total assets | .26 | .29 | .32 | .42 | .42 | .42 | .44 | 1.65 |
| | | | | | | | | |
| **AVERAGE BALANCES** *($ in millions)* | | | | | | | | |
| Loans | $ 4,621 | $ 4,446 | $ 4,376 | $ 4,356 | $ 4,315 | $ 4,250 | $ 4,253 | $ 4,197 |
| Investment securities | 2,222 | 2,231 | 2,326 | 2,320 | 2,280 | 2,178 | 2,161 | 2,141 |
| Earning assets | 7,013 | 6,820 | 6,861 | 6,827 | 6,823 | 6,615 | 6,608 | 6,547 |
| Total assets | 7,565 | 7,374 | 7,418 | 7,384 | 7,370 | 7,170 | 6,915 | 6,834 |
| Deposits | 6,383 | 6,143 | 6,187 | 6,197 | 6,190 | 5,987 | 5,983 | 5,946 |
| Shareholders' equity | 738 | 726 | 713 | 703 | 856 | 846 | 636 | 588 |
| Common shares - basic *(thousands)* | 60,830 | 60,776 | 60,712 | 60,059 | 59,923 | 59,100 | 58,141 | 58,081 |
| Common shares - diluted *(thousands)* | 60,833 | 60,779 | 60,714 | 60,061 | 59,925 | 59,202 | 58,141 | 58,081 |
| | | | | | | | | |
| **AT PERIOD END** *($ in millions)* | | | | | | | | |
| Loans * | $ 4,672 | $ 4,569 | $ 4,410 | $ 4,356 | $ 4,329 | $ 4,267 | $ 4,189 | $ 4,194 |
| Investment securities | 2,198 | 2,222 | 2,190 | 2,302 | 2,312 | 2,169 | 2,152 | 2,141 |
| Total assets | 7,567 | 7,526 | 7,352 | 7,398 | 7,425 | 7,243 | 7,163 | 6,849 |
| Deposits | 6,327 | 6,241 | 6,164 | 6,248 | 6,202 | 6,113 | 6,012 | 6,026 |
| Shareholders' equity | 740 | 736 | 722 | 704 | 796 | 852 | 829 | 592 |
| Common shares outstanding *(thousands)* | 60,259 | 60,248 | 60,139 | 60,092 | 59,432 | 59,412 | 57,831 | 57,767 |

(1) 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). (2) Excludes effect of acquisition related intangibles and associated amortization.

(3) Annualized.

* 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 generally 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 32.

United reported net income of $67.6 million, or $1.11 per diluted share, in 2014, compared with $273 million, or $4.44 per share in 2013. Earnings for 2013 were significantly impacted by the reversal of a $272 million valuation allowance on United's net deferred tax asset and a large bulk sale of classified assets, both of which took place in the second quarter of 2013. The effects of these two events on the income statement were significant increases in the provision for loan losses and foreclosed property expense from the classified asset sales and the recognition of a tax benefit in the income tax line from the valuation allowance reversal.

United's financial condition improved considerably over the last two years, as several of our 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 and $16.6 million in Series D Preferred Stock in March 2014. The improvement continued in 2014 with further investment in new businesses and markets. In 2014, United made significant investments in its SBA business, including the acquisition of Business Carolina, Inc., a specialty lending corporation headquartered in Columbia, South Carolina that specializes in SBA and USDA lending, and added management, lenders, underwriters and operations to its specialized lending areas which drove much of the $343 million in loan growth in 2014. Credit quality continued its improving trend leading to much lower levels of nonperforming assets and a lower credit loss provision.

Taxable equivalent net interest revenue was $224 million for 2014, compared to $220 million in 2013. The $4.78 million increase in 2014 is in contrast to a declining trend in net interest revenue in the previous four years. The increase is a result of strategic initiatives to develop new business lines and expand into new markets as well as balance sheet management and restructuring actions taken in the second quarter of 2014 that are mentioned below.

Net interest margin decreased 4 basis points from 3.30% in 2013 to 3.26% in 2014 due primarily to lower yields on loans. The 30 basis point decrease in the average loan yield was partially offset by the 6 basis point reduction in the average rate paid on interest bearing deposits and a higher yield on the taxable investment securities. United's average yield on its taxable investment securities portfolio increased 26 basis points from 2013, mostly as a result of balance sheet management activities late in the second quarter of 2014. The balance sheet management activities, which included restructuring interest rate swaps, selling investment securities and repaying high cost wholesale borrowings, had the effect of lowering United's funding costs and increasing the yield on the investment securities portfolio.

As of December 31, 2014, United's allowance for loan losses was $71.6 million, or 1.53% of loans, compared with $76.8 million, or 1.77% of loans, at the end of 2013. Nonperforming assets of $19.6 million were .26% of total assets at December 31, 2014 compared to .42% as of December 31, 2013. United's allowance for loan losses has continued along a declining trend, both in terms of dollars and as a percentage of assets, as credit measures have improved.

Fee revenue of $55.6 million was down $1.04 million, or 2%, from 2013. The decrease was primarily due to lower mortgage fees reflecting changes in the interest rate environment resulting in lower refinancing activity. Mortgage loan and related fees decreased $2.41 million from 2013. In 2014, United closed $276 million in mortgage loans compared with $297 million in 2013. In 2014, 63%, or $174 million, of the closed loans were for home purchases versus 48%, or $144 million in 2013. Other fee revenue is shown in more detail in Table 4 on page 36. Other fee revenue for 2014 included $2.62 million in gains from sales of SBA loans and there were no gains in 2013. The decrease in other fee revenue of $2.04 million results from an $870,000 decrease in customer derivatives revenue, a $1.45 million in gain on a bank owned life insurance policy in 2013 and $468,000 in gains from the sale of low income housing tax credits in 2013. Deposit service charges and fees were up $1.08 million mostly due to higher interchange fee revenue and an increase in account service fees which were partially offset by lower overdraft fees. Brokerage fees were up $342,000 from 2013.

For 2014, operating expenses of $163 million were down $11.4 million, or 7%, from 2013. United's focus on reducing costs and improving operating efficiency resulted in reductions of communications and equipment, occupancy, and advertising and public relations expenses in 2014. United also had significant decreases in foreclosed property costs, down $7.24 million from 2013, and FDIC assessments and other regulatory charges, down $4.43 million from 2013, both reflecting improving credit measures. Professional fees were down $2.91 million of which $1.20 million was due to the release of a previously disclosed litigation reserve. Salaries and employee benefits expense was up $4.71 million reflecting United's investment in key personnel in new lines of business and markets as well as an increase in production and performance incentives.

Loans at December 31, 2014 were $4.67 billion, up $343 million from the end of 2013. A significant portion of the loan growth resulted from United's new specialized lending businesses, including health care, corporate, SBA, asset-based and commercial real estate lending. These new businesses added $290 million in loan growth in 2014 including $24.8 million that resulted from the acquisition of Business Carolina, Inc. In addition, United purchased $169 million of indirect auto loans during 2014, which drove the increase in the consumer category. Deposits were up $125 million to $6.33 billion, as United focused on increasing low cost core transaction deposits which grew $252 million in 2014, excluding public funds deposits. At the end of 2014, total equity capital was $740 million, down $56.1 million from December 31, 2013, reflecting net income of $67.6 million, offset by the redemption of $122 million in preferred stock and the payment of dividends on United's common stock of $6.66 million. At December 31, 2014, 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 of probable incurred losses in the loan portfolio and is based on analyses developed through specific credit allocations for individual loans and historical loss experience for each loan category. The specific credit allocations are based on impairment analyses of all nonaccrual loans over $500,000, accruing substandard loans in relationships over $2 million and troubled debt restructurings ("TDRs"), which are all considered impaired loans. 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, multiplied by an estimated loss emergence period. 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.

Prior to 2014, United reported an unallocated portion of the allowance. In 2014, United incorporated a loss emergence period into its allowance analysis which resulted in the full allocation of the previously unallocated allowance. Management's use of the loss emergence period is an estimate of the period of time from the first evidence of loss incurrence through the period of time until such losses are confirmed (or charged-off).

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, 2014, the percentage of total assets measured at fair value was 23%. See Note 23 "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, 2014, United had $750,000 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. However, United does evaluate the level of these observable inputs and there are some instances, with highly structured transactions, where United has determined that the inputs not directly observable. This is discussed covered in Note 23 to the Financial Statements. 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.

As United expanded its SBA lending and subsequent loan sales activities, a servicing asset has been recognized (per ASC 860). This asset is recorded at fair value on recognition, and United has elected to carry this asset at fair value for subsequent reporting. Given the nature of the asset, the key valuation inputs are unobservable and United discloses this asset as level 3 item in Note 23.

*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, 2014, United reported a net deferred tax asset totaling $216 million, and a valuation allowance of $4.80 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.

On June 26, 2014, United completed the acquisition of substantially all of the assets of Business Carolina, Inc., a specialty SBA / United States Department of Agriculture ("USDA") lender headquartered in Columbia, South Carolina. On the closing date, United paid $31.3 million in cash for loans having a fair value on the purchase date of $24.8 million, accrued interest of $83,000, servicing rights with a fair value on the purchase date of $2.13 million, premises and equipment with a fair value on the purchase date of $2.60 million and goodwill in the amount of $1.51 million representing the premium paid over the fair value of the separately identifiable assets and liabilities acquired.

United will continue to evaluate potential transactions as they are presented.

**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 32.

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.

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, 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.

**Table 1 - Non-GAAP Performance Measures Reconciliation - Annual**
**Selected Financial Information**

| *(in thousands, except per share data; taxable equivalent)* | For the Twelve Months Ended December 31, 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Interest revenue reconciliation** | | | | | |
| Interest revenue - taxable equivalent | $ 249,969 | $ 247,323 | $ 267,667 | $ 304,308 | $ 344,493 |
| Taxable equivalent adjustment | (1,537) | (1,483) | (1,690) | (1,707) | (2,001) |
| Interest revenue (GAAP) | $ 248,432 | $ 245,840 | $ 265,977 | $ 302,601 | $ 342,492 |
| **Net interest revenue reconciliation** | | | | | |
| Net interest revenue - taxable equivalent | $ 224,418 | $ 219,641 | $ 229,758 | $ 238,670 | $ 244,637 |
| Taxable equivalent adjustment | (1,537) | (1,483) | (1,690) | (1,707) | (2,001) |
| Net interest revenue (GAAP) | $ 222,881 | $ 218,158 | $ 228,068 | $ 236,963 | $ 242,636 |
| **Provision for credit losses reconciliation** | | | | | |
| Operating provision for credit losses | $ 8,500 | $ 65,500 | $ 62,500 | $ 251,000 | $ 234,750 |
| Partial recovery of special fraud-related loan loss | — | — | — | — | (11,750) |
| Provision for credit losses (GAAP) | $ 8,500 | $ 65,500 | $ 62,500 | $ 251,000 | $ 223,000 |
| **Total revenue reconciliation** | | | | | |
| Total operating revenue | $ 271,472 | $ 210,739 | $ 223,370 | $ 32,577 | $ 56,850 |
| Taxable equivalent adjustment | (1,537) | (1,483) | (1,690) | (1,707) | (2,001) |
| Partial recovery of special fraud-related loss | — | — | — | — | 11,750 |
| Total revenue (GAAP) | $ 269,935 | $ 209,256 | $ 221,680 | $ 30,870 | $ 66,599 |
| **Expense reconciliation** | | | | | |
| Operating expense | $ 162,865 | $ 174,304 | $ 186,774 | $ 261,599 | $ 288,301 |
| Noncash goodwill impairment charge | — | — | — | — | 210,590 |
| Operating expense (GAAP) | $ 162,865 | $ 174,304 | $ 186,774 | $ 261,599 | $ 498,891 |
| **Income before taxes reconciliation** | | | | | |
| Income before taxes | $ 108,607 | $ 36,435 | $ 36,596 | $ (229,022) | $ (231,451) |
| Taxable equivalent adjustment | (1,537) | (1,483) | (1,690) | (1,707) | (2,001) |
| Income before taxes (GAAP) | $ 107,070 | $ 34,952 | $ 34,906 | $ (230,729) | $ (432,292) |
| **Income tax expense (benefit) reconciliation** | | | | | |
| Income tax expense (benefit) | $ 40,987 | $ (236,705) | $ 2,740 | $ (2,276) | $ 73,218 |
| Taxable equivalent adjustment | (1,537) | (1,483) | (1,690) | (1,707) | (2,001) |
| Income tax expense (benefit) (GAAP) | $ 39,450 | $ (238,188) | $ 1,050 | $ (3,983) | $ 71,217 |
| **Diluted earnings (loss) from continuing operations per common share reconciliation** | | | | | |
| Diluted operating earnings (loss) from continuing operations per common share | $ 1.11 | $ 4.44 | $ .38 | $ (5.97) | $ (16.64) |
| Noncash goodwill impairment charge | — | — | — | — | (11.13) |
| Partial recovery of special fraud-related loan loss | — | — | — | — | .62 |
| Diluted earnings (loss) from continuing operations per common share (GAAP) | $ 1.11 | $ 4.44 | $ .38 | $ (5.97) | $ (27.15) |
| **Book value per common share reconciliation** | | | | | |
| Tangible book value per common share | $ 12.15 | $ 11.26 | $ 6.57 | $ 6.47 | $ 14.80 |
| Effect of goodwill and other intangibles | .05 | .04 | .10 | .15 | .60 |
| Book value per common share (GAAP) | $ 12.20 | $ 11.30 | $ 6.67 | $ 6.62 | $ 15.40 |
| **Efficiency ratio from continuing operations reconciliation** | | | | | |
| Operating efficiency ratio from continuing operations | 58.26% | 63.14% | 65.43% | 92.27% | 98.98% |
| Noncash goodwill impairment charge | — | — | — | — | 72.29 |
| Efficiency ratio from continuing operations (GAAP) | 58.26% | 63.14% | 65.43% | 92.27% | 171.27% |
| **Average equity to assets reconciliation** | | | | | |
| Tangible common equity to assets | 9.60% | 7.55% | 5.54% | 3.74% | 6.52% |
| Effect of preferred equity | .07 | 2.76 | 2.84 | 3.88 | 2.36 |
| Tangible equity to assets | 9.67 | 10.31 | 8.38 | 7.62 | 8.88 |
| Effect of goodwill and other intangibles | .02 | .04 | .09 | .13 | 1.89 |

| | | | | | |
|---|---|---|---|---|---|
| Equity to assets (GAAP) | 9.69% | 10.35% | 8.47% | 7.75% | 10.77% |
| **Tangible common equity to risk-weighted assets reconciliation** | | | | | |
| Tangible common equity to risk-weighted assets | 13.82% | 13.18% | 8.26% | 8.25% | 5.64% |
| Effect of other comprehensive income | .35 | .39 | .51 | (.03) | (.42) |
| Effect of deferred tax limitation | (3.11) | (4.26) | — | — | — |
| Effect of trust preferred | 1.00 | 1.04 | 1.15 | 1.18 | 1.06 |
| Effect of preferred equity | — | 2.39 | 4.24 | 4.29 | 3.53 |
| Tier I capital ratio (Regulatory) | 12.06% | 12.74% | 14.16% | 13.69% | 9.81% |
| **Net charge-offs reconciliation** | | | | | |
| Operating net charge-offs | $ 13,878 | $ 93,710 | $ 69,831 | $ 311,227 | $ 215,657 |
| Subsequent partial recovery of fraud-related charge-off | — | — | — | — | (11,750) |
| Net charge-offs (GAAP) | $ 13,878 | $ 93,710 | $ 69,831 | $ 311,227 | $ 203,907 |
| **Net charge-offs to average loans reconciliation** | | | | | |
| Operating net charge-offs to average loans | .31% | 2.22% | 1.69% | 7.33% | 4.42% |
| Subsequent partial recovery of fraud-related charge-off | — | — | — | — | (.25) |
| Net charge-offs to average loans (GAAP) | .31% | 2.22% | 1.69% | 7.33% | 4.17% |

**Table 1 (Continued) - Non-GAAP Performance Measures Reconciliation - Quarterly**
**Selected Financial Information**

| *(in thousands, except per share data; taxable equivalent)* | 2014 Fourth Quarter | 2014 Third Quarter | 2014 Second Quarter | 2014 First Quarter | 2013 Fourth Quarter | 2013 Third Quarter | 2013 Second Quarter | 2013 First Quarter |
|---|---|---|---|---|---|---|---|---|
| **Interest revenue reconciliation** | | | | | | | | |
| Interest revenue - taxable equivalent | $ 64,353 | $ 63,338 | $ 61,783 | $ 60,495 | $ 61,695 | $ 61,426 | $ 62,088 | $ 62,114 |
| Taxable equivalent adjustment | (398) | (405) | (377) | (357) | (380) | (370) | (368) | (365) |
| Interest revenue (GAAP) | $ 63,955 | $ 62,933 | $ 61,406 | $ 60,138 | $ 61,315 | $ 61,056 | $ 61,720 | $ 61,749 |
| **Net interest revenue reconciliation** | | | | | | | | |
| Net interest revenue - taxable equivalent | $ 58,332 | $ 56,967 | $ 54,950 | $ 54,169 | $ 55,879 | $ 54,257 | $ 54,931 | $ 54,574 |
| Taxable equivalent adjustment | (398) | (405) | (377) | (357) | (380) | (370) | (368) | (365) |
| Net interest revenue (GAAP) | $ 57,934 | $ 56,562 | $ 54,573 | $ 53,812 | $ 55,499 | $ 53,887 | $ 54,563 | $ 54,209 |
| **Total revenue reconciliation** | | | | | | | | |
| Total operating revenue | $ 71,355 | $ 69,379 | $ 66,893 | $ 63,845 | $ 66,398 | $ 65,482 | $ 22,374 | $ 56,485 |
| Taxable equivalent adjustment | (398) | (405) | (377) | (357) | (380) | (370) | (368) | (365) |
| Total revenue (GAAP) | $ 70,957 | $ 68,974 | $ 66,516 | $ 63,488 | $ 66,018 | $ 65,112 | $ 22,006 | $ 56,120 |
| **Income before taxes reconciliation** | | | | | | | | |
| Income before taxes | $ 29,436 | $ 28,015 | $ 26,361 | $ 24,795 | $ 24,784 | $ 25,385 | $ (26,449) | $ 12,715 |
| Taxable equivalent adjustment | (398) | (405) | (377) | (357) | (380) | (370) | (368) | (365) |
| Income before taxes (GAAP) | $ 29,038 | $ 27,610 | $ 25,984 | $ 24,438 | $ 24,404 | $ 25,015 | $ (26,817) | $ 12,350 |
| **Income tax expense (benefit) reconciliation** | | | | | | | | |
| Income tax expense (benefit) | $ 11,189 | $ 10,399 | $ 10,004 | $ 9,395 | $ 8,873 | $ 9,885 | $ (256,413) | $ 950 |
| Taxable equivalent adjustment | (398) | (405) | (377) | (357) | (380) | (370) | (368) | (365) |
| Income tax expense (benefit) (GAAP) | $ 10,791 | $ 9,994 | $ 9,627 | $ 9,038 | $ 8,493 | $ 9,515 | $ (256,781) | $ 585 |
| **Book value per common share reconciliation** | | | | | | | | |
| Tangible book value per common share | $ 12.15 | $ 12.10 | $ 11.91 | $ 11.63 | $ 11.26 | $ 10.95 | $ 10.82 | $ 6.76 |
| Effect of goodwill and other intangibles | .05 | .05 | .03 | .03 | .04 | .04 | .08 | .09 |
| Book value per common share (GAAP) | $ 12.20 | $ 12.15 | $ 11.94 | $ 11.66 | $ 11.30 | $ 10.99 | $ 10.90 | $ 6.85 |
| **Average equity to assets reconciliation** | | | | | | | | |
| Tangible common equity to assets | 9.72% | 9.83% | 9.58% | 9.22% | 8.99% | 9.02% | 8.79% | 5.66% |
| Effect of preferred equity | — | — | — | .28 | 2.60 | 2.74 | 2.74 | 2.87 |
| Tangible equity to assets | 9.72 | 9.83 | 9.58 | 9.50 | 11.59 | 11.76 | 11.53 | 8.53 |
| Effect of goodwill and other intangibles | .04 | .02 | .03 | .02 | .03 | .04 | .04 | .07 |
| Equity to assets (GAAP) | 9.76% | 9.85% | 9.61% | 9.52% | 11.62% | 11.80% | 11.57% | 8.60% |
| **Tangible common equity to risk-weighted assets reconciliation** | | | | | | | | |
| Tangible common equity to risk-weighted assets | 13.82% | 14.10% | 13.92% | 13.63% | 13.18% | 13.34% | 13.16% | 8.45% |
| Effect of other comprehensive income | .35 | .34 | .53 | .36 | .39 | .49 | .29 | .49 |
| Effect of deferred tax limitation | (3.11) | (3.39) | (3.74) | (3.92) | (4.26) | (4.72) | (4.99) | - |
| Effect of trust preferred | 1.00 | 1.02 | 1.04 | 1.03 | 1.04 | 1.09 | 1.11 | 1.15 |
| Effect of preferred equity | — | — | — | — | 2.39 | 4.01 | 4.11 | 4.22 |
| Tier I capital ratio (Regulatory) | 12.06% | 12.07% | 11.75% | 11.10% | 12.74% | 14.21% | 13.68% | 14.31% |

## Results of Operations

United reported net income of $67.6 million for the year ended December 31, 2014. This compared to net income of $273 million in 2013. Diluted earnings per common share for 2014 were $1.11. This compared to diluted earnings per common share for 2013 of $4.44.

United's results for 2013 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.

### *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 $224 million in 2014, an increase of $4.78 million, or 2%, from 2013. Taxable equivalent net interest revenue for 2013 decreased $10.1 million, or 4%, from 2012.

Net interest revenue had been on a declining trend from 2009 through 2013 due to attrition in the loan portfolio and intense loan pricing competition. United’s securities portfolio yield had also declined during that period as United was unable to reinvest proceeds of maturing securities at comparable interest rates. United had been unable to lower its funding costs to fully offset the decline in earning asset yields leading to lower net interest revenue. In the second quarter of 2014, United restructured its balance sheet to improve its net interest margin and increase net interest revenue. The second quarter 2014 balance sheet restructure included the sale of approximately $237 million in securities which were mostly low-yielding, variable-rate collateralized mortgage obligations (“CMOs”) and fixed rate corporate bonds that had been swapped to a floating rate. Improvement in the credit spreads on corporate bonds allowed United to sell the securities at an attractive gain that was used to repay $44 million in structured repurchase agreements that were paying a 4% interest rate. About $120 million of the proceeds from the sales of securities was reinvested in fixed-rate mortgage-backed securities (“MBS”) and higher yielding floating rate collateralized loan obligations to offset the impact of the decrease in interest revenue on the sold securities. These actions in the second quarter of 2014, along with strong loan growth in the latter half of the year, were primarily responsible for the increase in net interest revenue and stabilizing the net interest margin.

Also in the second quarter of 2014, as a result of improvement in the interest sensitivity position, United effectively terminated $300 million notional in pay fixed forward starting swaps that were serving as cash flow hedges of LIBOR based wholesale borrowings and indexed money market deposits. The swaps were entered into in 2012 in anticipation of rising interest rates and had forward start dates that took effect in the first and second quarters of 2014. Changes in United’s balance sheet since that time made the hedges no longer necessary to achieve a neutral interest sensitivity position. The termination of the cash flow hedges in the second quarter of 2014 lowered United’s deposit and wholesale borrowings costs and also contributed to the increase in net interest revenue and improvement in the net interest margin. United effectively terminated another $100 million notional in pay fixed swaps that were serving as cash flow hedges of LIBOR based money market deposits late in the fourth quarter of 2014.

The above noted securities transactions, along with slowing prepayment activity in United’s mortgage backed securities, which were mostly purchased at a premium, increased the overall yield in the investment portfolio. The higher investment securities yields offset much of the effect on interest revenue of the decline in loan yields. The yield on other interest-earning assets increased 42 basis points although the average balance declined $48.5 million from 2013. Included in other interest-earning assets are 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 2014 increased $176 million, or 4%, from the prior year as United’s funding needs increased with the increase in lending activity and a larger securities portfolio. Average noninterest bearing deposits increased $175 million from 2013 to 2014 providing much of United’s 2014 funding needs. The average cost of interest bearing liabilities for 2014 was .50% compared to .56% for 2013, 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 by swapping the fixed rate on longer-term brokered time deposits to LIBOR minus a spread. In 2013, this hedging program resulted in a negative rate on brokered certificates of deposit.

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 shareholders’ equity.

For 2014, 2013 and 2012, United’s net interest spread was 3.13%, 3.16%, and 3.34%, respectively, while the net interest margin was 3.26%, 3.30%, and 3.51%, respectively. The decline in both ratios from 2013 to 2014 was due to lower yields on loans, which were not completely offset by the increase in the taxable investment securities yield and 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)*

| | 2014 | | | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Average Balance** | **Interest** | **Avg. Rate** | **Average Balance** | **Interest** | **Avg. Rate** | **Average Balance** | **Interest** | **Avg. Rate** |
| **Assets:** | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Loans (1)(2) | $4,450,268 | $ 197,039 | 4.43% | $4,254,159 | $ 201,278 | 4.73% | $4,165,520 | $ 217,705 | 5.23% |
| Taxable securities(3) | 2,255,084 | 47,755 | 2.12 | 2,169,024 | 40,331 | 1.86 | 2,065,162 | 43,657 | 2.11 |
| Tax-exempt securities (1)(3) | 19,279 | 1,209 | 6.27 | 21,228 | 1,354 | 6.38 | 23,759 | 1,565 | 6.59 |
| Federal funds sold and other interest-earning assets | 155,803 | 3,966 | 2.55 | 204,303 | 4,360 | 2.13 | 292,857 | 4,740 | 1.62 |
| **Total interest-earning assets** | 6,880,434 | 249,969 | 3.63 | 6,648,714 | 247,323 | 3.72 | 6,547,298 | 267,667 | 4.09 |
| Non-interest-earning assets: | | | | | | | | | |
| Allowance for loan losses | (75,237) | | | (95,411) | | | (114,647) | | |
| Cash and due from banks | 67,818 | | | 63,174 | | | 53,247 | | |
| Premises and equipment | 161,391 | | | 167,424 | | | 172,544 | | |
| Other assets(3) | 401,240 | | | 290,098 | | | 206,609 | | |
| **Total assets** | $7,435,646 | | | $7,073,999 | | | $6,865,051 | | |
| **Liabilities and Shareholders' Equity:** | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Interest-bearing deposits: | | | | | | | | | |
| NOW | $1,396,373 | $ 1,651 | .12 | $1,285,842 | $ 1,759 | .14 | $1,293,510 | $ 2,049 | .16 |
| Money market | 1,389,837 | 3,060 | .22 | 1,315,385 | 2,210 | .17 | 1,140,354 | 2,518 | .22 |
| Savings deposits | 277,351 | 81 | .03 | 244,725 | 133 | .05 | 216,880 | 150 | .07 |
| Time deposits less than $100,000 | 811,846 | 3,636 | .45 | 974,470 | 5,850 | .60 | 1,170,202 | 9,788 | .84 |
| Time deposits greater than $100,000 | 551,027 | 3,373 | .61 | 654,102 | 5,115 | .78 | 766,411 | 8,027 | 1.05 |
| Brokered deposits | 293,657 | 124 | .04 | 219,215 | (501) | (.23) | 155,902 | 1,282 | .82 |
| Total interest-bearing deposits | 4,720,091 | 11,925 | .25 | 4,693,739 | 14,566 | .31 | 4,743,259 | 23,814 | .50 |
| Federal funds purchased, repurchase agreeements, & other short-term borrowings | 74,541 | 2,160 | 2.90 | 66,561 | 2,071 | 3.11 | 80,593 | 2,987 | 3.71 |
| Federal Home Loan Bank advances | 175,481 | 912 | .52 | 32,604 | 68 | .21 | 124,771 | 907 | .73 |
| Long-term debt | 129,865 | 10,554 | 8.13 | 131,081 | 10,977 | 8.37 | 127,623 | 10,201 | 7.99 |
| Total borrowed funds | 379,887 | 13,626 | 3.59 | 230,246 | 13,116 | 5.70 | 332,987 | 14,095 | 4.23 |
| **Total interest-bearing liabilities** | 5,099,978 | 25,551 | .50 | 4,923,985 | 27,682 | .56 | 5,076,246 | 37,909 | .75 |
| Non-interest-bearing liabilities: | | | | | | | | | |
| Non-interest-bearing deposits | 1,507,944 | | | 1,333,199 | | | 1,142,236 | | |
| Other liabilities | 107,523 | | | 84,506 | | | 64,986 | | |
| Total liabilities | 6,715,445 | | | 6,341,690 | | | 6,283,468 | | |
| Shareholders' equity | 720,201 | | | 732,309 | | | 581,583 | | |
| **Total liabilities and shareholders' equity** | $7,435,646 | | | $7,073,999 | | | $6,865,051 | | |
| Net interest revenue | | $ 224,418 | | | $ 219,641 | | | $ 229,758 | |
| Net interest-rate spread | | | 3.13% | | | 3.16% | | | 3.34% |
| Net interest margin (4) | | | 3.26% | | | 3.30% | | | 3.51% |

(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. Pretax unrealized gains of $3.36 million, $4.36 million and $23.6 million in 2014, 2013

and 2012, 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)*

| | 2014 Compared to 2013 Increase (decrease) due to changes in | | | 2013 Compared to 2012 Increase (decrease) due to changes in | | |
|---|---|---|---|---|---|---|
| | **Volume** | **Rate** | **Total** | **Volume** | **Rate** | **Total** |
| **Interest-earning assets:** | | | | | | |
| Loans | $ 9,030 | $ (13,269) | $ (4,239) | $ 4,552 | $ (20,979) | $ (16,427) |
| Taxable securities | 1,650 | 5,774 | 7,424 | 2,118 | (5,444) | (3,326) |
| Tax-exempt securities | (123) | (22) | (145) | (163) | (48) | (211) |
| Federal funds sold and other interest-earning assets | (1,145) | 751 | (394) | (1,656) | 1,276 | (380) |
| **Total interest-earning assets** | 9,412 | (6,766) | 2,646 | 4,851 | (25,195) | (20,344) |
| **Interest-bearing liabilities:** | | | | | | |
| Interest-bearing deposits: | | | | | | |
| NOW | 143 | (251) | (108) | (12) | (278) | (290) |
| Money Market | 131 | 719 | 850 | 350 | (658) | (308) |
| Savings deposits | 16 | (68) | (52) | 18 | (35) | (17) |
| Time deposits less than $100,000 | (878) | (1,336) | (2,214) | (1,465) | (2,473) | (3,938) |
| Time deposits greater than $100,000 | (732) | (1,010) | (1,742) | (1,067) | (1,845) | (2,912) |
| Brokered deposits | (125) | 750 | 625 | 360 | (2,143) | (1,783) |
| Total interest-bearing deposits | (1,445) | (1,196) | (2,641) | (1,816) | (7,432) | (9,248) |
| Federal funds purchased, repurchase agreements & other short-term borrowings | 237 | (148) | 89 | (477) | (439) | (916) |
| Federal Home Loan Bank advances | 630 | 214 | 844 | (427) | (412) | (839) |
| Long-term debt | (101) | (322) | (423) | 281 | 495 | 776 |
| Total borrowed funds | 766 | (256) | 510 | (623) | (356) | (979) |
| **Total interest-bearing liabilities** | (679) | (1,452) | (2,131) | (2,439) | (7,788) | (10,227) |
| **Increase (decrease) in net interest revenue** | $ 10,091 | $ (5,314) | $ 4,777 | $ 7,290 | $ (17,407) | $ (10,117) |

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

***Provision for Credit Losses***

The provision for credit losses is based on management's evaluation of probable incurred losses in the loan portfolio and unfunded loan commitments as measured by analysis of the allowance for credit losses at the end of each reporting period. The provision for credit losses was $8.50 million in 2014, compared with $65.5 million in 2013, and $62.5 million in 2012. As a percentage of average outstanding loans (excluding loans covered by loss sharing agreements with the FDIC), the provision for credit losses was .19%, 1.55% and 1.52%, respectively, in 2014, 2013 and 2012. 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. In 2014, the provision for loan losses was down substantially reflecting the significant improvement in credit measures following the second quarter 2013 sale of classified assets. 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 ratio of net loan charge-offs to average outstanding loans for 2013 was .31% compared with 2.22% for 2013 and 1.69% for 2012.

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. At December 31, 2014, the allowance for unfunded commitments was $1.93 million compared with $2.17 million at December 31, 2013.

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. Credit quality continued to improve through 2014 with nonperforming assets decreasing further to $19.6 million at December 31, 2014. 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 $55.6 million in 2014, compared with $56.6 million in 2013 and $56.1 million in 2012. The following table presents the components of fee revenue.

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

| | 2014 | 2013 | 2012 | Change 2014-2013 |
|---|---|---|---|---|
| Overdraft fees | $ 11,871 | $ 12,425 | $ 13,302 | (4)% |
| ATM and debit card fees | 15,295 | 14,509 | 13,108 | 5 |
| Other service charges and fees | 5,907 | 5,063 | 5,260 | 17 |
| Service charges and fees | 33,073 | 31,997 | 31,670 | 3 |
| Mortgage loan and related fees | 7,520 | 9,925 | 10,483 | (24) |
| Brokerage fees | 4,807 | 4,465 | 3,082 | 8 |
| Gains from sales of SBA loans | 2,615 | — | — | |
| Customer derivatives | 729 | 1,599 | 524 | (54) |
| Securities gains, net | 4,871 | 186 | 7,078 | |
| Losses on prepayment of borrowings | (4,446) | — | (6,681) | |
| Other | 6,385 | 8,426 | 9,956 | (24) |
| Total fee revenue | $ 55,554 | $ 56,598 | $ 56,112 | (2) |

Service charges and fees of $33.1 million were up $1.08 million, or 3%, from 2013. The increase was primarily due to higher debit card interchange fees which have grown due to higher transaction volume. Overdraft fees continue to decline as customer utilization of our courtesy overdraft services decreases. The increase in other service charges from 2013 to 2014 was due to new service fees introduced on January 1, 2014. United also introduced new service fees on low balance demand deposit accounts in January 2012. The decrease in other service charges and fees from 2012 to 2013 reflects changes in customer behavior to avoid the new fees which included maintaining higher account balances.

Mortgage loan and related fees of $7.52 million were down $2.41 million, or 24%, from 2013. In 2014, United closed 1,639 mortgage loans totaling $276 million compared with 1,918 loans totaling $297 million in 2013. Over the past two years, mortgage refinancing activity has reacted to changes in long-term interest rates. United has continued to invest in its mortgage business by hiring new lenders in select markets. This has allowed United to increase the volume of new purchase mortgages to offset the decline in refinancing activity. In 2014, new home purchase mortgages of $174 million accounted for 63% of production volume compared with $144 million, or 48%, of production volume in 2013 and $118 million, or 33%, of production volume in 2012.

Brokerage fees of $4.81 million increased $342,000, or 8%, from 2013. In late 2012, United added new leadership to its brokerage business and added new brokers in select markets. Brokerage fees have increased over the last two years as a result of United’s focus in growing its advisory services business.

In the second quarter of 2014, United completed its acquisition of Business Carolina, Inc., a specialty lending business headquartered in Columbia, South Carolina that specializes in SBA and USDA lending. At the same time, United brought in new leadership, including lenders and support staff, in its specialized lending area to increase its share of government guaranteed lending programs. United’s SBA and USDA lending strategy includes the selective sale of the guaranteed portion of certain loans at attractive premiums. In 2014, United recognized gains of $2.62 million from the sale of the guaranteed portion of SBA and USDA loans.

Fees from customer swap transactions earned under United’s back-to-back customer swap program of $729,000 were down $870,000 in 2014 from 2013 due to weakening demand for this product following strong growth in 2013 compared to 2012. 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 $4.87 million, $186,000 and $7.08 million during 2014, 2013 and 2012, respectively. United also recognized losses from the prepayment of structured repurchase agreements totaling $4.45 million in 2014 and losses from the prepayment of FHLB advances and structured repurchase agreements of $6.68 million in 2012. The losses were part of the same balance sheet management activities and had the effect of offsetting the securities gains in each respective period.

Other fee revenue of $6.39 million for 2014 was down $2.04 million from 2013, mostly due to non-core items that were comprised of $1.45 million in gains from bank owned life insurance and $468,000 in gains from the sale of low income housing tax credits that were included in other fee revenue in 2013. Other fee revenue for 2012 also reflected non-core items that included $1.10 million in interest on a prior year tax refund that resulted from a net operating loss carry back claim and $728,000 in gains from the sale of low income housing tax credits.

***Operating Expense***

The following table presents the components of operating expenses.

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

| | 2014 | 2013 | 2012 | Change 2014-2013 |
|---|---|---|---|---|
| Salaries and employee benefits | $ 100,941 | $ 96,233 | $ 96,026 | 5% |
| Communications and equipment | 12,523 | 13,233 | 12,940 | (5) |
| Occupancy | 13,513 | 13,930 | 14,304 | (3) |
| Advertising and public relations | 3,461 | 3,718 | 3,855 | (7) |
| Postage, printing and supplies | 3,542 | 3,283 | 3,899 | 8 |
| Professional fees | 7,907 | 9,617 | 8,792 | (18) |
| Foreclosed property - foreclosure and carrying costs | 1,338 | 3,163 | 5,118 | (58) |
| Foreclosed property - writedowns and losses from sales | (704) | 4,706 | 8,875 | (115) |
| FDIC assessments and other regulatory charges | 4,792 | 9,219 | 10,097 | (48) |
| Amortization of intangibles | 1,348 | 2,031 | 2,917 | (34) |
| Other | 14,204 | 15,171 | 19,951 | (6) |
| Total operating expenses | $ 162,865 | $ 174,304 | $ 186,774 | (7) |

Operating expenses were $163 million in 2014 as compared to $174 million in 2013 and $187 million in 2012. 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 as well as lower FDIC insurance assessments resulting from improvement in United’s credit measures.

Salaries and employee benefits expense for 2014 was $101 million, an increase of $4.71 million, or 5%, from 2013. The increase reflects United’s strategic investment in new businesses, particularly its specialized lending area, and expansion into new markets as well as higher production and performance incentives. Headcount totaled 1,532 at December 31, 2014 compared to 1,506 at December 31, 2013, an increase of 26 positions.

Communications and equipment expense of $12.5 million for 2014 was down $710,000, or 5%, from 2013. The decrease reflects lower software maintenance costs and lower equipment rental charges. The decrease in equipment rental charges reflects United’s shift from leasing copier and printing equipment to purchasing those items.

Occupancy expense of $13.5 million for 2014 was down $417,000, or 3%, compared to 2013. The decrease was primarily related to a $400,000 charge in 2013 to write off leasehold improvements on a branch lease that was consolidated into another branch.

Advertising and public relations expense for 2014 was $3.46 million, a decrease of $257,000, or 7%, from 2013. The decrease was due to continued efforts to reduce discretionary spending.

Postage, printing and supplies expense for 2014 was $3.54 million, an increase of $259,000, or 8%, from 2013. The increase was primarily due to higher printing and forms charges related to increased business activity.

Professional fees were $7.91 million for 2014, down $1.71 million, or 18%, from 2013. The decrease is mostly due to lower legal fees as legal costs associated with the classified asset sales in the second quarter of 2013 caused professional fees to be higher in 2013.

Foreclosed property expenses include foreclosure and carrying costs and realized losses and write-downs of foreclosed properties. Foreclosure and carrying costs for 2014 were $1.34 million, a decrease of $1.83 million from 2013, primarily due to a lower number of foreclosed properties. 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 a net gain of $704,000 for the year ended December 31, 2014, compared to a net loss of $4.71 million for 2013. Foreclosed property costs declined in 2014 as the balance of foreclosed properties has stabilized following the accelerated sales of classified assets in the second quarter of 2013. Foreclosed property costs in 2013 were down from 2012 due to the declining volume of foreclosed properties and improving credit conditions.

FDIC assessments and other regulatory charges expense for 2014 was $4.79 million, a decrease of $4.43 million, or 48%, from 2013 due to improving credit measures. Amortization of intangibles continues to decrease as core deposit intangibles related to past acquisitions become fully amortized.

Other expenses totaled $14.2 million for 2014, a decrease of $967,000, or 6%, from 2013, reflecting the release of $1.20 million of the litigation reserve established in 2012. The decrease from 2012 to 2013 is primarily due to a $4.00 million charge in 2012 to establish the litigation reserve for potential losses related to threatened litigation.

***Income Taxes***

Income tax expense was $39.5 million in 2014, compared to income tax benefit of $238 million in 2013 and income tax expense of $1.05 million in 2012, respectively. Income tax expense for 2014 represents an effective tax rate of 36.8%. The 2013 tax benefit was primarily due to the second quarter reversal of $272 million of the deferred tax valuation allowance. The 2012 income tax provision mostly reflects alternative minimum taxes payable by United as United had a full valuation allowance on its deferred tax asset at the time and therefore did not report a full tax provision. The effective tax rates (as a percentage of pre-tax earnings) were not meaningful for 2013 and 2012 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 2015 is expected to be approximately 37.8% 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 basis 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.

Based on all evidence considered, as of December 31, 2014 and 2013, management concluded that it was more likely than not that the net deferred tax asset would be realized. With continuous improvements in credit quality, quarterly earnings for the past thirteen 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, 2014, 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.

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 four to six 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, 2014 deferred tax asset.

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 16 to the consolidated financial statements.

***Fourth Quarter 2014 Discussion***

Taxable equivalent net interest revenue for the fourth quarter of 2014 increased $2.45 million, or 4%, to $58.3 million from the same period a year ago, primarily due to growth in the loan portfolio and a higher average yield in the investment securities portfolio, partially offset by a one basis point increase in the rate on interest-bearing liabilities. The net interest margin increased 5 basis points from the fourth quarter of 2013 to 3.31% for the fourth quarter of 2014. The increase in the net interest margin reflects the positive impact of balance sheet restructuring activities in the second quarter of 2014.

The fourth quarter of 2014 provision for credit losses was $1.80 million, compared to $3.00 million for the fourth quarter of 2013. Nonperforming assets totaled $19.6 million, down $11.4 million from a year ago. Nonperforming assets as a percentage of total assets were .26% at December 31, 2014, compared with .42% at December 31, 2013. Changes from a year ago reflect ongoing improvement in credit measures.

The following table presents the components of fee revenue for the fourth quarters of 2014 and 2013.

**Table 6 - Quarterly Fee Revenue**
*(in thousands)*

| | Three Months Ended December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **Change** |
| Overdraft fees | $ 2,936 | $ 3,199 | (8) % |
| ATM and debit card fees | 3,977 | 3,691 | 8 |
| Other service charges and fees | 1,533 | 1,276 | 20 |
| Service charges and fees | 8,446 | 8,166 | 3 |
| Mortgage loan and related fees | 2,111 | 1,713 | 23 |
| Brokerage fees | 1,176 | 1,361 | (14) |
| Gains on sales of SBA loans | 926 | — | — |
| Customer derivatives | 78 | 417 | (81) |
| Securities gains, net | 208 | 70 | 197 |
| Other | 1,878 | 1,792 | 5 |
| Total fee revenue | $ 14,823 | $ 13,519 | 10 |

Fee revenue for the fourth quarter of 2014 of $14.8 million increased $1.30 million, or 10%, from $13.5 million for the fourth quarter of 2013. Service charges and fees on deposit accounts of $8.45 million increased $280,000, or 3%, from $8.17 million for the fourth quarter of 2013. The increase was due to higher debit card interchange fees resulting from higher transaction volume and higher other service charges and fees resulting from new service fees initiated in January of 2014, partially offset by continued lower utilization of our courtesy overdraft services. Mortgage fees of $2.11 million increased $398,000, or 23%, from $1.71 million in the fourth quarter of 2013 due to an increase in new home purchase mortgages. United closed $77.4 million in mortgage loans in the fourth quarter of 2014, of which 63% were for new home purchases, compared to $55.5 million in the fourth quarter of 2013, of which 48% were for new home purchases. Brokerage fees of $1.18 million decreased $185,000, or 14%, from the fourth quarter of 2013. United began selling some of its SBA loan production for attractive premiums beginning in the second quarter of 2014. Gains recognized on those sales in the fourth quarter of 2014 totaled $926,000. United did not have any gains from sales of SBA loans in the fourth quarter of 2013. Customer derivative fees were down in the fourth quarter of 2014, compared with a year ago due to a decrease in customer demand for the product. Other fee revenue of $1.88 million increased $86,000, or 5%, from the fourth quarter of 2013.

The following table presents operating expenses for the fourth quarters of 2014 and 2013.

**Table 7 - Quarterly Operating Expenses**
*(in thousands)*

| | Three Months Ended December 31, 2014 | Three Months Ended December 31, 2013 | Change |
|---|---|---|---|
| Salaries and employee benefits | $ 26,592 | $ 24,817 | 7% |
| Communications and equipment | 3,153 | 3,414 | (8) |
| Occupancy | 3,448 | 3,735 | (8) |
| Advertising and public relations | 802 | 781 | 3 |
| Postage, printing and supplies | 1,086 | 882 | 23 |
| Professional fees | 2,034 | 2,102 | (3) |
| Foreclosed property - foreclosure and carrying costs | 317 | 626 | (49) |
| Foreclosed property - writedowns, (gains) losses from sales, net | (186) | (435) | (57) |
| FDIC assessments and other regulatory charges | 883 | 1,804 | (51) |
| Amortization of intangibles | 287 | 408 | (30) |
| Other | 3,503 | 3,480 | 1 |
| Total operating expenses | $ 41,919 | $ 41,614 | 1 |

Operating expenses of $41.9 million increased $305,000 from $41.6 million for the fourth quarter of 2013, a 1% increase. Salaries and employee benefit costs of $26.6 million were up $1.78 million from the fourth quarter of 2013, due primarily to investment in revenue producers to support new businesses and expansion into new markets as well as incentives paid for achieving strategic goals and financial targets. Salaries and employee benefits in the fourth quarter of 2014 also included $350,000 in severance charges. Communications and equipment expenses of $3.15 million were down $261,000, or 8%, from $3.41 million for the fourth quarter of 2013 due to lower equipment rental expense. Occupancy expense of $3.45 million was down $287,000 for the fourth quarter of 2014 compared to 2013, primarily due to a $400,000 write-off in 2013 of leasehold improvements on a branch lease for a branch that was consolidated into another branch. Foreclosed property - foreclosure and carrying costs of $317,000 decreased $309,000 from $626,000 for the fourth quarter of 2013, due to a lower number of foreclosed properties held. Write-downs and net gains from sales of foreclosed property totaled a net gain of $186,000 for the fourth quarter of 2014 compared with a net gain of $435,000 for the fourth quarter of 2013. FDIC assessments and other regulatory charges decreased from $1.80 million during the fourth quarter of 2013 to $883,000 for the same period in 2014 due to improvement in credit measures. Other expenses of $3.50 million were up less than 1% from the fourth quarter of 2013. In the fourth quarter of 2014, United reversed $1.20 million of a previously established litigation reserve. The reversal of the litigation reserve was partially offset by a $492,000 charge to reimburse the FDIC for interest incorrectly claimed on an earlier loss sharing certificate, $127,000 in make whole claims on mortgage loans, and higher lending support costs.

**Balance Sheet Review**

Total assets at December 31, 2014 were $7.57 billion, an increase of $142 million, or 2%, from December 31, 2013. On a daily average basis, total assets increased $362 million, or 5%, from 2013 to 2014. Average interest earning assets for 2014 and 2013 were $6.88 billion and $6.65 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 75% of the loans are secured by real estate. 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 modest growth in 2012 and 2013. In 2014, loan growth began to return to pre-crisis levels reflecting United's specialized lending initiatives which resulted in increases in commercial lending. Consumer installment loans also increased due to purchases of indirect auto loans. Total loans averaged $4.45 billion in 2014, compared with $4.25 billion in 2013, an increase of 5%. At December 31, 2014, total loans were $4.67 billion, excluding loans acquired from SCB that are covered by loss sharing agreements with the FDIC, an increase of $343 million, or 8%, from December 31, 2013.

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)*

| **Loans by Category** | **2014** | **2013** | **2012** | **2011** | **2010** |
|---|---|---|---|---|---|
| Owner occupied commercial real estate | $ 1,163,480 | $ 1,133,543 | $ 1,131,544 | $ 1,111,502 | $ 980,673 |
| Income producing commercial real estate | 598,537 | 623,167 | 681,821 | 709,912 | 780,751 |
| Commercial & industrial | 710,256 | 471,961 | 458,246 | 428,249 | 441,518 |
| Commercial construction | 196,030 | 148,903 | 154,769 | 164,155 | 296,582 |
| Total commercial | 2,668,303 | 2,377,574 | 2,426,380 | 2,413,818 | 2,499,524 |
| Residential mortgage | 865,789 | 875,077 | 829,566 | 834,759 | 943,404 |
| Home equity lines of credit | 465,872 | 440,887 | 384,637 | 300,143 | 335,376 |
| Residential construction | 298,627 | 328,579 | 381,677 | 448,391 | 695,166 |
| Consumer installment | 104,899 | 111,045 | 114,309 | 112,503 | 130,656 |
| Indirect auto | 268,629 | 196,104 | 38,439 | — | — |
| Total loans | $ 4,672,119 | $ 4,329,266 | $ 4,175,008 | $ 4,109,614 | $ 4,604,126 |

| **Loans by Market** | **2014** | **2013** | **2012** | **2011** | **2010** |
|---|---|---|---|---|---|
| North Georgia | $ 1,163,479 | $ 1,240,234 | $ 1,363,723 | $ 1,425,811 | $ 1,688,586 |
| Atlanta MSA | 1,281,753 | 1,275,139 | 1,249,470 | 1,219,652 | 1,310,222 |
| North Carolina | 552,766 | 571,971 | 579,085 | 597,446 | 701,798 |
| Coastal Georgia | 455,709 | 423,045 | 400,022 | 346,189 | 335,020 |
| Gainesville MSA | 257,449 | 254,655 | 261,406 | 264,567 | 312,049 |
| East Tennessee | 280,312 | 279,587 | 282,863 | 255,949 | 256,451 |
| South Carolina / Specialized Lending | 412,022 | 88,531 | — | — | — |
| Indirect auto | 268,629 | 196,104 | 38,439 | — | — |
| Total loans | $ 4,672,119 | $ 4,329,266 | $ 4,175,008 | $ 4,109,614 | $ 4,604,126 |

As of December 31, 2014, United’s 25 largest credit relationships consisted of loans and loan commitments ranging from $11 million to $50 million, with an aggregate total credit exposure of $447 million. Total credit exposure includes $64.2 million in unfunded commitments and $383 million in balances outstanding, excluding participations sold. United had only eight lending relationships whose total credit exposure exceeded $20 million of which only three 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, 2014
*(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) | $ 162,708 | $ 412,795 | $ 134,753 | $ 710,256 | $ 243,282 | $ 304,266 |
| Construction (commercial and residential) | 165,002 | 247,986 | 81,669 | 494,657 | 168,778 | 160,877 |
| Total | $ 327,710 | $ 660,781 | $ 216,422 | $ 1,204,913 | $ 412,060 | $ 465,143 |

***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 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, 2014 and 2013, the funded portion of home equity lines totaled $466 million and $441 million, respectively. Approximately 3% of the home equity loans at December 31, 2014 were amortizing. Of the $466 million in balances outstanding at December 31, 2014, $289 million, or 62%, were first liens. At December 31, 2014, 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, 2014 | December 31, 2013 | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|---|---|
| **By Category** | | | | | |
| Owner occupied commercial real estate | $ 46,401 | $ 43,083 | $ 64,936 | $ 78,969 | $ 85,723 |
| Income producing commercial real estate | 20,560 | 34,642 | 52,607 | $ 64,089 | $ 71,042 |
| Commercial & industrial | 7,863 | 9,589 | 18,477 | 15,753 | 16,767 |
| Commercial construction | 3,566 | 16,758 | 19,285 | 18,510 | 90,745 |
| Total commercial | 78,390 | 104,072 | 155,305 | 177,321 | 264,277 |
| Residential mortgage | 31,831 | 44,022 | 55,355 | 65,649 | 74,438 |
| Home equity | 5,296 | 7,967 | 9,824 | 10,793 | 11,705 |
| Residential construction | 10,920 | 14,104 | 37,804 | 71,955 | 158,770 |
| Consumer installment | 1,382 | 2,538 | 3,653 | 2,751 | 2,957 |
| Indirect auto | 574 | — | — | — | — |
| Total | $ 128,393 | $ 172,703 | $ 261,941 | $ 328,469 | $ 512,147 |
| | | | | | |
| **By Market** | | | | | |
| North Georgia | $ 55,821 | $ 69,510 | $ 105,851 | $ 134,945 | $ 212,992 |
| Atlanta MSA | 31,596 | 43,171 | 77,630 | 99,453 | 185,327 |
| North Carolina | 16,479 | 18,954 | 28,657 | 40,302 | 42,335 |
| Coastal Georgia | 15,642 | 18,561 | 17,421 | 24,985 | 29,223 |
| Gainesville MSA | 1,109 | 14,916 | 19,251 | 17,338 | 33,962 |
| East Tennessee | 5,933 | 7,591 | 13,131 | 11,446 | 8,308 |
| South Carolina / Specialized Lending | 1,239 | — | — | — | — |
| Indirect auto | 574 | — | — | — | — |
| Total loans | $ 128,393 | $ 172,703 | $ 261,941 | $ 328,469 | $ 512,147 |

At December 31, 2014, performing substandard loans totaled $128 million and decreased $44.3 million from December 31, 2013. The decrease from 2013 reflects a general declining trend. Performing substandard loans have 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, Georgia, north Georgia and Gainesville, Georgia markets. Income producing commercial real estate, commercial construction, residential mortgage 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 and nonperforming loans as well as charge-off levels. 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. In 2014, United incorporated a loss emergence period into its allowance for loan losses analysis. The increase in precision resulting from the loss emergence period resulted in full allocation of the previously unallocated portion of the allowance.

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)*

| | 2014 | | 2013 | | 2012 | | 2011 | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Amount** | **%*** | **Amount** | **%*** | **Amount** | **%*** | **Amount** | **%*** | **Amount** | **%*** |
| Commercial (secured by real estate) | $ 26,337 | 38 | $ 24,338 | 41 | $ 27,847 | 43 | $ 31,644 | 44 | $ 31,191 | 38 |
| Commercial & industrial | 3,255 | 15 | 6,527 | 11 | 5,537 | 11 | 5,681 | 10 | 7,580 | 10 |
| Commercial construction | 4,747 | 4 | 3,669 | 3 | 8,389 | 4 | 6,097 | 4 | 6,780 | 6 |
| Total commercial | 34,339 | 57 | 34,534 | 55 | 41,773 | 58 | 43,422 | 58 | 45,551 | 54 |
| Residential mortgage | 24,885 | 29 | 20,974 | 30 | 26,642 | 29 | 29,076 | 28 | 22,305 | 28 |
| Residential construction | 10,603 | 6 | 12,532 | 8 | 26,662 | 9 | 30,379 | 11 | 92,571 | 15 |
| Consumer installment | 1,792 | 8 | 2,479 | 7 | 2,747 | 4 | 2,124 | 3 | 3,030 | 3 |
| Unallocated | — | | 6,243 | | 9,313 | | 9,467 | | 11,238 | |
| Total allowance for loan losses | 71,619 | 100 | 76,762 | 100 | 107,137 | 100 | 114,468 | 100 | 174,695 | 100 |
| Allowance for unfunded commitments | 1,930 | | 2,165 | | — | | — | | — | |
| Total allowance for credit losses | $ 73,549 | | $ 78,927 | | $ 107,137 | | $ 114,468 | | $ 174,695 | |

* 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)*

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Balance beginning of period | $ 76,762 | $ 107,137 | $ 114,468 | $ 174,695 | $ 155,602 |
| Charge-offs: | | | | | |
| Owner occupied commercial real estate | 3,136 | 24,965 | 10,280 | 50,401 | 21,646 |
| Income producing commercial real estate | 1,611 | 11,505 | 12,782 | 9,067 | 11,947 |
| Commercial & industrial | 2,145 | 18,914 | 2,424 | 24,890 | 10,837 |
| Commercial construction | 235 | 6,483 | 5,411 | 55,730 | 9,993 |
| Residential mortgage | 7,502 | 8,840 | 12,885 | 46,439 | 25,364 |
| Home equity lines of credit | 2,314 | 3,437 | 4,377 | 7,268 | 3,442 |
| Residential construction | 3,176 | 23,049 | 24,260 | 118,916 | 136,666 |
| Consumer installment | 2,008 | 2,184 | 2,198 | 3,594 | 4,828 |
| Indirect auto | 540 | 277 | 16 | — | — |
| Total loans charged-off | 22,667 | 99,654 | 74,633 | 316,305 | 224,723 |
| Recoveries: | | | | | |
| Owner occupied commercial real estate | 3,056 | 1,305 | 557 | 222 | 1,167 |
| Income producing commercial real estate | 725 | 640 | 135 | 226 | — |
| Commercial & industrial | 1,698 | 1,888 | 1,104 | 967 | 1,762 |
| Commercial construction | 6 | 69 | 111 | 203 | 431 |
| Residential mortgage | 1,110 | 611 | 675 | 660 | 838 |
| Home equity lines of credit | 287 | 104 | 124 | 78 | 29 |
| Residential construction | 627 | 173 | 1,272 | 1,678 | 15,370 |
| Consumer installment | 1,226 | 1,114 | 824 | 1,044 | 1,219 |
| Indirect auto | 54 | 40 | — | — | — |
| Total recoveries | 8,789 | 5,944 | 4,802 | 5,078 | 20,816 |
| Net charge-offs | 13,878 | 93,710 | 69,831 | 311,227 | 203,907 |
| Provision for loan losses | 8,735 | 63,335 | 62,500 | 251,000 | 223,000 |
| Allowance for loan losses at end of period | 71,619 | 76,762 | 107,137 | 114,468 | 174,695 |
| | | | | | |
| Allowance for unfunded commitments at beginning of period | 2,165 | — | — | — | — |
| Provision for unfunded commitments | (235) | 2,165 | — | — | — |
| Allowance for unfunded commitments at end of period | 1,930 | 2,165 | — | — | — |
| Allowance for credit losses | $ 73,549 | $ 78,927 | $ 107,137 | $ 114,468 | $ 174,695 |
| | | | | | |
| Total loans [(1)]: | | | | | |
| At year-end | $ 4,672,119 | $ 4,329,266 | $ 4,175,008 | $ 4,109,614 | $ 4,604,126 |
| Average | 4,440,868 | 4,228,235 | 4,123,530 | 4,244,305 | 4,884,330 |
| | | | | | |
| Allowance for loan losses as a percentage of year-end loans | 1.53% | 1.77% | 2.57% | 2.79% | 3.79% |
| | | | | | |
| As a percentage of average loans: | | | | | |
| Net charge-offs | .31 | 2.22 | 1.69 | 7.33 | 4.17 |
| Provision for loan losses | .20 | 1.50 | 1.52 | 5.91 | 4.57 |

(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 $73.5 million at December 31, 2014 compared with $78.9 million at December 31, 2013. At December 31, 2014, the allowance for loan losses was $71.6 million, or 1.53% of total loans, compared with $76.8 million, or 1.77% of loans at December 31, 2013. 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, 2014 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 $17.9 million at December 31, 2014, compared with $26.8 million at December 31, 2013. There were no accruing loans more than 90 days past due at December 31, 2014 and 2013. At December 31, 2014 and 2013, the ratio of nonperforming loans to total loans was .38% and .62%, respectively. Nonperforming loans have steadily decreased in dollar amount and as a percentage of total loans since 2011. Nonperforming assets, which include nonperforming loans and foreclosed properties, totaled $19.6 million at December 31, 2014, compared with $31.0 million at December 31, 2013. United sold $12.5 million and $31.9 million respectively, of foreclosed properties during 2014 and 2013, which lowered the balance of foreclosed properties by 59% compared to December 31, 2013.

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 original contractual 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, 2014, although in certain isolated cases, United executed forbearance agreements whereby United will continue to fund construction loans to completion or other lines of credit 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)*

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Nonaccrual loans (NPLs) | $ 17,881 | $ 26,819 | $ 109,894 | $ 127,479 | $ 179,094 |
| Foreclosed properties | 1,726 | 4,221 | 18,264 | 32,859 | 142,208 |
| Total nonperforming assets (NPAs) | $ 19,607 | $ 31,040 | $ 128,158 | $ 160,338 | $ 321,302 |
| | | | | | |
| NPLs as a percentage of total loans | .38% | .62% | 2.63% | 3.10% | 3.89% |
| NPAs as a percentage of loans and foreclosed properties | .42 | .72 | 3.06 | 3.87 | 6.77 |
| NPAs as a percentage of total assets | .26 | .42 | 1.88 | 2.30 | 4.42 |

At December 31, 2014 and 2013 United had $85.1 million and $87.0 million, respectively, in loans with terms that have been modified in a TDR. Included therein were $3.78 million and $8.25 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 $81.3 million and $78.7 million, respectively, were performing according to their modified terms and are therefore not considered to be nonperforming assets.

At December 31, 2014 and 2013, there were $106 million and $115 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, 2014 and 2013 were $25.5 million and $38.9 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, 2014 of $81.0 million had specific reserves that totaled $9.88 million and the balance of impaired loans at December 31, 2013 of $75.7 million had specific reserves that totaled $6.02 million. The average recorded investment in impaired loans for 2014, 2013 and 2012 was $109 million, $115 million and $276 million, respectively. During 2014, 2013 and 2012, United recognized $5.04 million, $6.72 million and $9.53 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 7% from 2013 to 2014.

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, 2014 | | | September 30, 2014 | | | June 30, 2014 | | | March 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | | | | | | | | | | | | |
| Owner occupied commercial real estate | $ 4,133 | $ 355 | $ 4,488 | $ 2,156 | $ 1,024 | $ 3,180 | $ 2,975 | $ 653 | $ 3,628 | $ 3,868 | $ 1,167 | $ 5,035 |
| Income producing commercial real estate | 717 | — | 717 | 1,742 | 42 | 1,784 | 1,032 | 242 | 1,274 | 1,278 | 1,645 | 2,923 |
| Commercial & industrial | 1,571 | — | 1,571 | 1,593 | — | 1,593 | 1,102 | — | 1,102 | 822 | — | 822 |
| Commercial construction | 83 | 15 | 98 | 148 | — | 148 | 95 | — | 95 | 479 | — | 479 |
| Total commercial | 6,504 | 370 | 6,874 | 5,639 | 1,066 | 6,705 | 5,204 | 895 | 6,099 | 6,447 | 2,812 | 9,259 |
| Residential mortgage | 8,196 | 1,183 | 9,379 | 8,350 | 1,769 | 10,119 | 10,201 | 1,426 | 11,627 | 13,307 | 2,146 | 15,453 |
| Home equity | 695 | 40 | 735 | 720 | 90 | 810 | 510 | 128 | 638 | 1,106 | 362 | 1,468 |
| Residential construction | 2,006 | 133 | 2,139 | 3,543 | 221 | 3,764 | 4,248 | 520 | 4,768 | 3,805 | 274 | 4,079 |
| Consumer installment | 134 | — | 134 | 139 | — | 139 | 171 | — | 171 | 291 | — | 291 |
| Indirect auto | 346 | — | 346 | 354 | — | 354 | 390 | — | 390 | 294 | — | 294 |
| **Total NPAs** | $ 17,881 | $ 1,726 | $ 19,607 | $ 18,745 | $ 3,146 | $ 21,891 | $ 20,724 | $ 2,969 | $ 23,693 | $ 25,250 | $ 5,594 | $ 30,844 |
| **Balance as a % of Unpaid Principal** | 69.9% | 54.1% | 68.1% | 68.6% | 54.5% | 66.1% | 66.5% | 50.4% | 63.9% | 65.8% | 53.9% | 63.2% |
| **BY MARKET** | | | | | | | | | | | | |
| North Georgia | $ 5,669 | $ 711 | $ 6,380 | $ 7,392 | $ 1,717 | $ 9,109 | $ 8,216 | $ 1,392 | $ 9,608 | $ 12,166 | $ 2,058 | $ 14,224 |
| Atlanta MSA | 1,837 | 372 | 2,209 | 1,724 | 364 | 2,088 | 3,883 | 510 | 4,393 | 2,916 | 904 | 3,820 |
| North Carolina | 5,221 | 234 | 5,455 | 4,919 | 398 | 5,317 | 5,314 | 615 | 5,929 | 6,501 | 866 | 7,367 |
| Coastal Georgia | 799 | 105 | 904 | 781 | 160 | 941 | 782 | 80 | 862 | 800 | 1,607 | 2,407 |
| Gainesville MSA | 1,310 | 81 | 1,391 | 1,403 | 85 | 1,488 | 921 | 49 | 970 | 1,145 | — | 1,145 |
| East Tennessee | 1,414 | 201 | 1,615 | 1,227 | 245 | 1,472 | 1,218 | 323 | 1,541 | 1,428 | 159 | 1,587 |
| South Carolina / Specialized Lending | 1,285 | 22 | 1,307 | 945 | 177 | 1,122 | — | — | — | — | — | — |
| Indirect auto | 346 | — | 346 | 354 | — | 354 | 390 | — | 390 | 294 | — | 294 |
| **Total NPAs** | $ 17,881 | $ 1,726 | $ 19,607 | $ 18,745 | $ 3,146 | $ 21,891 | $ 20,724 | $ 2,969 | $ 23,693 | $ 25,250 | $ 5,594 | $ 30,844 |

| | December 31, 2013 | | | September 30, 2013 | | | June 30, 2013 | | | March 31, 2013 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | | | | | | | | | | | | |
| Owner occupied commercial real estate | $ 5,822 | $ 832 | $ 6,654 | $ 6,358 | $ 591 | $ 6,949 | $ 5,283 | $ 547 | $ 5,830 | $ 8,142 | $ 4,750 | $ 12,892 |
| Income producing commercial real estate | 2,518 | — | 2,518 | 1,657 | 139 | 1,796 | 1,954 | — | 1,954 | 9,162 | 834 | 9,996 |
| 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 | 11,730 | 2,684 | 14,414 | 11,335 | 1,679 | 13,014 | 12,847 | 1,303 | 14,150 | 10,901 | 3,463 | 14,364 |
| Home equity | 1,448 | 389 | 1,837 | 1,169 | 475 | 1,644 | 1,491 | 140 | 1,631 | 916 | — | 916 |
| 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 |
| Indirect auto | — | — | — | — | — | — | — | — | — | — | — | — |
| **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 / Specialized Lending | — | — | — | — | — | — | — | — | — | — | — | — |
| Indirect auto | — | — | — | — | — | — | — | — | — | — | — | — |
| **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 |

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.

The following table summarizes activity in nonperforming assets by year.

## Table 15 - Activity in Nonperforming Assets

*(in thousands)*

| | 2014 (1) | | | 2013 (1) | | | 2012 (1) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Nonaccrual Loans | Foreclosed Properties | Total NPAs | Nonaccrual Loans | Foreclosed Properties | Total NPAs | Nonaccrual Loans | Foreclosed Properties | Total NPAs |
| **Beginning Balance** | $ 26,819 | $ 4,221 | $ 31,040 | $ 109,894 | $ 18,264 | $ 128,158 | $ 127,479 | $ 32,859 | $ 160,338 |
| Loans placed on non-accrual | 33,637 | — | 33,637 | 43,867 | — | 43,867 | 112,547 | — | 112,547 |
| Payments received | (14,108) | — | (14,108) | (60,035) | — | (60,035) | (31,076) | — | (31,076) |
| Loan charge-offs | (19,374) | — | (19,374) | (44,444) | — | (44,444) | (65,064) | — | (65,064) |
| Foreclosures | (9,093) | 9,093 | — | (22,463) | 22,463 | — | (33,992) | 33,992 | — |
| Capitalized costs | — | 209 | 209 | — | 116 | 116 | — | 1,047 | 1,047 |
| Note / property sales | — | (12,501) | (12,501) | — | (31,915) | (31,915) | — | (40,759) | (40,759) |
| Write downs | — | (691) | (691) | — | (3,065) | (3,065) | — | (6,951) | (6,951) |
| Net gains (losses) on sales | — | 1,395 | 1,395 | — | (1,642) | (1,642) | — | (1,924) | (1,924) |
| **Ending Balance** | $ 17,881 | $ 1,726 | $ 19,607 | $ 26,819 | $ 4,221 | $ 31,040 | $ 109,894 | $ 18,264 | $ 128,158 |

(1) Excludes nonperforming loans and foreclosed property covered by loss sharing agreements with the FDIC related to the acquisition of SCB.

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 2014, 2013 and 2012, United transferred $9.09 million, $22.5 million and $34.0 million, respectively, of loans into foreclosed property. During 2014, 2013 and 2012, proceeds from sales of foreclosed properties were $12.5 million, $31.9 million, and $40.8 million, respectively, which includes $2.50 million, $3.49 million, and $9.40 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 $1.71 million, $2.11 million and $6.81 million in 2014, 2013 and 2012, respectively. The gross additional interest income that would have been earned in 2014, 2013 and 2012 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, 2014 decreased $114 million from a year ago.

At December 31, 2014 and December 31, 2013, United had securities held-to-maturity with a carrying value of $415 million and $480 million, respectively, and securities available-for-sale totaling $1.78 billion and $1.83 billion, respectively. At December 31, 2014 and 2013, the securities portfolio represented approximately 29% and 31%, respectively, of total assets. At December 31, 2014, the average life of the investment portfolio was shorter, with an effective duration of 2.46 years compared with 2.96 years at December 31, 2013.

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

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

| | December 31, 2014 | | |
|---|---|---|---|
| | **Available-for-Sale** | **Held-to-Maturity** | **Total Securities** |
| U.S. Treasuries | $ 105,709 | $ — | $ 105,709 |
| U.S. Government agencies | 36,299 | — | 36,299 |
| State and political subdivisions | 20,233 | 48,157 | 68,390 |
| Mortgage-backed securities | 996,820 | 367,110 | 1,363,930 |
| Corporate bonds | 165,628 | — | 165,628 |
| Asset-backed securities | 455,928 | — | 455,928 |
| Other | 2,117 | — | 2,117 |
| Total securities | $ 1,782,734 | $ 415,267 | $ 2,198,001 |
| | **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 |

The investment securities portfolio primarily consists of U.S. Treasury securities, U.S. Government agency securities, U.S. Government sponsored agency mortgage-backed securities, non-agency mortgage-backed securities, corporate securities, municipal securities and asset-backed securities. Mortgage-backed securities rely on the underlying pools of mortgage loans to provide a cash flow of principal and interest. The actual maturities of these securities will 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, 2014 primarily reflect the effect of changes in interest rates. United did not recognize any other than temporary impairment losses on its investment securities in 2014, 2013 or 2012.

At December 31, 2014, United had 62% of its total investment securities portfolio in mortgage backed securities, compared with 68% at December 31, 2013. United has 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 2014 or 2013, excluding U.S. Government sponsored entities. Less than 1% of the securities portfolio is rated below "A" or unrated and 48% of securities, excluding 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.

***Goodwill and Other 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.

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

***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, 2014 were $5.90 billion, an increase of $125 million from December 31, 2013. Total core deposits (demand, NOW, money market and savings deposits, excluding public funds deposits) of $3.69 billion increased $252 million, or 7%, due to the success of core deposit incentive programs.

Total time deposits, excluding brokered deposits, as of December 31, 2014 were $1.26 billion, down $225 million from December 31, 2013. Time deposits less than $100,000 totaled $748 million, a decrease of $144 million, or 16%, from a year ago. Time deposits of $100,000 and greater totaled $508 million as of December 31, 2014, a decrease of $80 million, or 14%, from December 31, 2013. 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, 2014, equal to a year ago and included Now accounts, money market deposits and certificates of deposit. Brokered certificates of deposit account for $273 million of the balance at both December 31, 2014 and 2013. 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)*

| | 2014 | 2013 |
|---|---|---|
| $100,000 and greater: | | |
| Three months or less | $ 120,167 | $ 116,875 |
| Three to six months | 98,443 | 100,425 |
| Six to twelve months | 182,936 | 195,064 |
| Over one year | 106,682 | 176,325 |
| Total | $ 508,228 | $ 588,689 |
| | | |
| Brokered time deposits: | | |
| Three months or less | $ — | $ — |
| Three to six months | — | — |
| Six to twelve months | — | — |
| Over one year | 272,834 | 273,166 |
| Total | $ 272,834 | $ 273,166 |

***Wholesale Funding***

The Bank is a shareholder in the Federal Home Loan Bank of Atlanta ("FHLB"). Through this affiliation, FHLB secured advances totaling $270 million and $120 million at December 31, 2014 and 2013, respectively. United anticipates continued use of this short and long-term source of funds. FHLB advances outstanding at December 31, 2014 had fixed interest rates of .24% or less. 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, 2014 and 2013, United had $6.00 million and $53.2 million in repurchase agreements outstanding. During the second quarters of 2014 and 2012, United prepaid $44 million and $50 million, respectively, in structured repurchase agreements and incurred prepayment charges of $4.45 million and $4.48 million, respectively. 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 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. Until 2013, the Bank was unable to pay dividends to United and liquidity was obtained from external sources (debt and equity issuances) to meet its needs. In 2014 and 2013, the Bank paid dividends of $129 million and $50 million, respectively, to United.

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 $13.7 million at December 31, 2014, 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)*

| December 31, 2014 | 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 |
|---|---|---|---|---|---|
| Federal funds purchased | $ — | —% | $ 65,000 | $ 22,795 | .32% |
| Repurchase agreements | 6,000 | 4.00 | 55,075 | 28,568 | 3.81 |
| Other | — | — | 40,000 | 23,178 | 4.30 |
| | $ 6,000 | | | $ 74,541 | |
| 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 | |

At December 31, 2014, United had sufficient qualifying collateral to increase FHLB advances by $791 million and Federal Reserve discount window capacity of $753 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 $102 million for the year ended December 31, 2014. Net income of $67.6 million for the year included the deferred income tax expense of $38.2 million, non-cash expenses for provision for credit losses of $8.50 million, non-cash depreciation, amortization and accretion of $20.0 million. Accrued expenses and other liabilities decreased $15.4 million, along with other assets and accrued interest receivable increase of $16.8 million. Net cash used in investing activities of $237 million consisted primarily of $611 million of purchases of securities, a net increase in loans of $326 million, purchases of premises and equipment of $5.05 million and net cash paid for the BCI acquisition of $31.3 million, that were offset by proceeds from sales of securities of $421 million, maturities and calls of investment securities of $295 million, proceeds from note sales of $4.56 million, and net proceeds from sales of other real estate of $10.2 million. The $99.4 million of net cash provided financing activities consisted primarily of a net increase in deposits of $125 million and a $150 million net increase in FHLB advances. Cash from financing activities was also increased by $12.2 million in proceeds from the issuance of common stock. This increase was offset by $122 million paid to retire preferred stock, a $51.7 million reduction in short-term borrowings and $12.0 million in cash used to repurchase an outstanding warrant. In the opinion of management, United's liquidity position at December 31, 2014 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, 2014
*(in thousands)*

| | Maturity By Years | | | | |
|---|---|---|---|---|---|
| | Total | 1 or Less | 1 to 3 | 3 to 5 | Over 5 |
| **Contractual Cash Obligations** | | | | | |
| FHLB advances | $ 270,125 | $ 270,000 | $ 125 | $ — | $ — |
| Long-term debt | 129,865 | — | 35,000 | 40,000 | 54,865 |
| Operating leases | 10,877 | 1,741 | 2,707 | 1,906 | 4,523 |
| Total contractual cash obligations | $ 410,867 | $ 271,741 | $ 37,832 | $ 41,906 | $ 59,388 |
| **Other Commitments** | | | | | |
| Lines of credit | $ 878,160 | $ 240,137 | $ 123,768 | $ 190,398 | $ 323,857 |
| Commercial letters of credit | 19,861 | 18,226 | 1,155 | 480 | — |
| Uncertain tax positions | 4,195 | 585 | 839 | 374 | 2,397 |
| Total other commitments | $ 902,216 | $ 258,948 | $ 125,762 | $ 191,252 | $ 326,254 |

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, 2014
*(in thousands)*

| | Maturity By Years | | | | |
|---|---|---|---|---|---|
| | 1 or Less | 1 to 5 | 5 to 10 | Over 10 | Total |
| **Available for Sale** | | | | | |
| U.S. Treasury securities | $ — | $ 105,709 | $ — | $ — | $ 105,709 |
| U.S. government agency securities | — | — | 36,299 | — | 36,299 |
| State and political subdivisions | 6,405 | 10,771 | 2,165 | 892 | 20,233 |
| Corporate bonds | 9,815 | 37,891 | 117,172 | 750 | 165,628 |
| Asset-backed securities | 9,505 | 257,886 | 58,966 | 129,571 | 455,928 |
| Other securities [1] | 8,204 | 582,576 | 214,909 | 193,248 | 998,937 |
| Total securities available for sale | $ 33,929 | $ 994,833 | $ 429,511 | $ 324,461 | $ 1,782,734 |
| Weighted average yield [2] | 2.68% | 2.18% | 2.21% | 3.35% | 2.41% |
| **Held to Maturity** | | | | | |
| State and political subdivisions | $ 1,000 | $ 18,582 | $ 19,573 | $ 9,002 | $ 48,157 |
| Other securities [1] | — | 249,815 | 111,603 | 5,692 | 367,110 |
| Total securities available for sale | $ 1,000 | $ 268,397 | $ 131,176 | $ 14,694 | $ 415,267 |
| Weighted average yield [2] | 4.00% | 3.00% | 3.17% | 4.96% | 3.12% |
| **Combined Portfolio** | | | | | |
| U.S. Treasury securities | $ — | $ 105,709 | $ — | $ — | $ 105,709 |
| U.S. governement agency securities | — | — | 36,299 | — | 36,299 |
| State and political subdivisions | 7,405 | 29,353 | 21,738 | 9,894 | 68,390 |
| Corporate bonds | 9,815 | 37,891 | 117,172 | 750 | 165,628 |
| Asset-backed securities | 9,505 | 257,886 | 58,966 | 129,571 | 455,928 |
| Other securities [1] | 8,204 | 832,391 | 326,512 | 198,940 | 1,366,046 |
| Total securities available for sale | $ 34,929 | $ 1,263,230 | $ 560,687 | $ 339,155 | $ 2,198,000 |
| Weighted average yield [2] | 2.71% | 2.41% | 2.42% | 3.42% | 2.58% |

(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, 2014 and 2013, United had $375 million and $350 million, respectively, in offsetting repurchase agreements / reverse repurchase 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, 2014 was $740 million, a decrease of $56.1 million from December 31, 2013. 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 decreased $57.2 million, or 7%, from December 31, 2013. The decrease results from the redemption of $122 million in preferred stock in the first quarter of 2014. The preferred stock redemption was offset by 2014 earnings, net of dividend declared on common stock.

United accrued $439,000 and $12.1 million, respectively, 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, 2014 and 2013.

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. On March 3, 2014, United redeemed all of its outstanding $16.6 million in Series D preferred stock at par. United funded the redemptions by utilizing cash on hand, cash dividends from the Bank and short-term debt.

In December, 2014, United repurchased an outstanding warrant from Fletcher International Ltd. ("Fletcher"), for $12.0 million, its estimated fair value.

On August 12, 2013, 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 $643 million at December 31, 2014. 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 $709 million at December 31, 2014. The ratios, as calculated under the guidelines, were 12.06% and 13.31% for Tier 1 and Total risk-based capital, respectively, at December 31, 2014.

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, 2014. 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, 2014, all of United's trust preferred securities qualified as Tier 1 capital. Further information on United's trust preferred securities is provided in Note 13 to the consolidated financial statements.

The following table shows United's capital ratios, as calculated under regulatory guidelines, at December 31, 2014 and 2013:

**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 | 2014 | 2013 | 2014 | 2013 |
| Risk-based ratios: | | | | | | |
| Tier 1 capital | 4.0% | 6.0% | 12.05% | 12.74% | 12.84% | 13.55% |
| Total capital | 8.0 | 10.0 | 13.30 | 13.99 | 14.09 | 14.80 |
| Leverage ratio | 3.0 | 5.0 | 8.69 | 9.08 | 9.25 | 9.61 |
| | | | | | | |
| Tier 1 capital | | | $ 642,663 | $ 649,162 | $ 683,332 | $ 686,687 |
| Total capital | | | 709,408 | 713,063 | 749,927 | 750,216 |
| | | | | | | |
| Risk-weighted assets | | | 5,332,822 | 5,097,091 | 5,320,615 | 5,066,948 |
| Average total assets | | | 7,396,450 | 7,150,360 | 7,385,048 | 7,142,050 |

**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, 2014 and 2013 made use of the down scenarios problematic. The following table presents United's interest sensitivity position at December 31, 2014 and 2013.

**Table 22 - Interest Sensitivity**

| | Increase (Decrease) in Net Interest Revenue from Base Scenario at December 31, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| Change in Rates | Shock | Ramp | Shock | Ramp |
| 200 basis point increase | 1.7% | 2.0% | 4.4% | 5.4% |

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).

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 hedging 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 cash flow hedging relationship at the time of termination, the resulting gain or loss is amortized over the remaining life of the original contract as long as the forecasted hedged cash flows are expected to remain probable. 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, 2014, United had $4.74 million in 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 one active cash flow hedge of floating rate liabilities that will begin interest settlements over the next twelve months. United expects that $3.34 million will be reclassified as an increase to deposit and wholesale borrowings interest expense over the next twelve months related to these terminated derivative positions and active 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:

## 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, 2014. In making this assessment, we used the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment, management concluded that as of December 31, 2014, 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.

| | |
|---|---|
| /s/ Jimmy C. Tallent | /s/ Rex S. Schuette |
| Jimmy C. Tallent | Rex S. Schuette |
| Chairman 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 and the related consolidated statement of income, of comprehensive income (loss), of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of United Community Banks, Inc. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014 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, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* 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 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits 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 audits 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 27, 2015

*PricewaterhouseCoopers LLP, 1075 Peachtree St, Suite 2600, Atlanta, GA 30309*
*T: (678) 419 1000, F: (678) 419 1239, www.pwc.com/us*

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 statement of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the year ended December 31, 2012 of United Community Banks, Inc. and subsidiaries (the "Company"). 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 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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of United Community Banks, Inc. and subsidiaries for the year 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 Income**
**For the Years Ended December 31, 2014, 2013 and 2012**
*(in thousands, except per share data)*

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Interest revenue: | | | |
| Loans, including fees | $ 196,279 | $ 200,893 | $ 217,378 |
| Investment securities: | | | |
| Taxable | 47,755 | 40,331 | 43,657 |
| Tax exempt | 738 | 827 | 956 |
| Deposits in banks and short-term investments | 3,660 | 3,789 | 3,986 |
| Total interest revenue | 248,432 | 245,840 | 265,977 |
| Interest expense: | | | |
| Deposits: | | | |
| NOW | 1,651 | 1,759 | 2,049 |
| Money market | 3,060 | 2,210 | 2,518 |
| Savings | 81 | 133 | 150 |
| Time | 7,133 | 10,464 | 19,097 |
| Total deposit interest expense | 11,925 | 14,566 | 23,814 |
| Short-term borrowings | 2,160 | 2,071 | 2,987 |
| Federal Home Loan Bank advances | 912 | 68 | 907 |
| Long-term debt | 10,554 | 10,977 | 10,201 |
| Total interest expense | 25,551 | 27,682 | 37,909 |
| Net interest revenue | 222,881 | 218,158 | 228,068 |
| Provision for credit losses | 8,500 | 65,500 | 62,500 |
| Net interest revenue after provision for credit losses | 214,381 | 152,658 | 165,568 |
| Fee revenue: | | | |
| Service charges and fees | 33,073 | 31,997 | 31,670 |
| Mortgage loan and other related fees | 7,520 | 9,925 | 10,483 |
| Brokerage fees | 4,807 | 4,465 | 3,082 |
| Securities gains, net | 4,871 | 186 | 7,078 |
| Losses on prepayment of borrowings | (4,446) | — | (6,681) |
| Other | 9,729 | 10,025 | 10,480 |
| Total fee revenue | 55,554 | 56,598 | 56,112 |
| Total revenue | 269,935 | 209,256 | 221,680 |
| Operating expenses: | | | |
| Salaries and employee benefits | 100,941 | 96,233 | 96,026 |
| Occupancy | 13,513 | 13,930 | 14,304 |
| Communications and equipment | 12,523 | 13,233 | 12,940 |
| FDIC assessments and other regulatory charges | 4,792 | 9,219 | 10,097 |
| Professional fees | 7,907 | 9,617 | 8,792 |
| Postage, printing and supplies | 3,542 | 3,283 | 3,899 |
| Advertising and public relations | 3,461 | 3,718 | 3,855 |
| Amortization of intangibles | 1,348 | 2,031 | 2,917 |
| Foreclosed property | 634 | 7,869 | 13,993 |
| Other | 14,204 | 15,171 | 19,951 |
| Total operating expenses | 162,865 | 174,304 | 186,774 |
| Income before income taxes | 107,070 | 34,952 | 34,906 |
| Income tax expense (benefit) | 39,450 | (238,188) | 1,050 |
| **Net income** | 67,620 | 273,140 | 33,856 |
| Preferred stock dividends | 439 | 12,078 | 12,148 |
| **Net income available to common shareholders** | $ 67,181 | $ 261,062 | $ 21,708 |
| Income per common share: | | | |
| Basic | $ 1.11 | $ 4.44 | $ .38 |
| Diluted | 1.11 | 4.44 | .38 |
| Weighted average common shares outstanding: | | | |
| Basic | 60,588 | 58,787 | 57,857 |
| Diluted | 60,590 | 58,845 | 57,857 |

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, 2014, 2013 and 2012**
*(in thousands, except per share data)*

| | 2014 | | | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | $ 107,070 | $ (39,450) | $ 67,620 | $ 34,952 | $ 238,188 | $ 273,140 | $ 34,906 | $ (1,050) | $ 33,856 |
| Other comprehensive income (loss): | | | | | | | | | |
| Unrealized (losses) gains on available-for-sale securities: | | | | | | | | | |
| Unrealized holding gains (losses) arising during period | 12,550 | (4,676) | 7,874 | (22,421) | 8,475 | (13,946) | 748 | (273) | 475 |
| 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 | (4,871) | 1,902 | (2,969) | (186) | 72 | (114) | (7,078) | 2,753 | (4,325) |
| 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) |
| Net unrealized gains (losses) | 7,679 | (2,774) | 4,905 | (14,301) | 2,465 | (11,836) | (6,330) | — | (6,330) |
| Amortization of gains included in net income (loss) on available-for-sale securities transferred to held to maturity | 1,656 | (622) | 1,034 | (731) | 282 | (449) | (1,988) | 773 | (1,215) |
| 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 on available-for-sale securities transferred to held-to-maturity and release of valuation allowance | — | — | — | — | 1,293 | 1,293 | — | (773) | (773) |
| Net unrealized gains (losses) | 1,656 | (622) | 1,034 | (9,037) | 4,694 | (4,343) | (1,988) | - | (1,988) |
| Amounts reclassified into net income on cash flow hedges | 2,010 | (782) | 1,228 | (904) | 352 | (552) | (3,712) | 1,444 | (2,268) |
| Unrealized losses on derivative financial instruments accounted for as cash flow hedges | (8,437) | 3,282 | (5,155) | 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 on cash flow hedges and release of valuation allowance | — | — | — | — | 13,698 | 13,698 | — | (4,844) | (4,844) |
| Net unrealized gains (losses) | (6,427) | 2,500 | (3,927) | 9,180 | 10,127 | 19,307 | (12,451) | — | (12,451) |
| Net actuarial gain (loss) on defined benefit pension plan | (1,933) | 752 | (1,181) | 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 | 365 | (142) | 223 | 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 |
| Net defined benefit pension plan activity | (1,568) | 610 | (958) | 1,093 | (425) | 668 | 438 | — | 438 |
| Total other comprehensive income (loss) | 1,340 | (286) | 1,054 | (13,065) | 16,861 | 3,796 | (20,331) | — | (20,331) |
| Comprehensive income (loss) | $ 108,410 | $ (39,736) | $ 68,674 | $ 21,887 | $ 255,049 | $ 276,936 | $ 14,575 | $ (1,050) | $ 13,525 |

See accompanying notes to consolidated financial statements.

**UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES**
**Consolidated Balance Sheet**
**As of December 31, 2014 and 2013**
*(in thousands, except share data)*

**Assets**

| | 2014 | 2013 |
|---|---|---|
| Cash and due from banks | $ 77,180 | $ 71,230 |
| Interest-bearing deposits in banks | 89,074 | 119,669 |
| Short-term investments | 26,401 | 37,999 |
| Cash and cash equivalents | 192,655 | 228,898 |
| | | |
| Securities available-for-sale | 1,782,734 | 1,832,217 |
| Securities held-to-maturity (fair value $425,233 and $485,585) | 415,267 | 479,742 |
| Mortgage loans held for sale | 13,737 | 10,319 |
| Loans, net of unearned income | 4,672,119 | 4,329,266 |
| Less allowance for loan losses | (71,619) | (76,762) |
| Loans, net | 4,600,500 | 4,252,504 |
| Assets covered by loss sharing agreements with the FDIC | 3,315 | 22,882 |
| Premises and equipment, net | 159,390 | 163,589 |
| Bank owned life insurance | 81,294 | 80,670 |
| Accrued interest receivable | 20,103 | 19,598 |
| Net deferred tax asset | 215,503 | 258,518 |
| Derivative financial instruments | 20,599 | 23,833 |
| Other assets | 61,889 | 52,649 |
| **Total assets** | $ 7,566,986 | $ 7,425,419 |

**Liabilities and Shareholders' Equity**

| | 2014 | 2013 |
|---|---|---|
| Liabilities: | | |
| Deposits: | | |
| Demand | $ 1,574,317 | $ 1,388,512 |
| NOW | 1,504,887 | 1,427,939 |
| Money market | 1,273,283 | 1,227,575 |
| Savings | 292,308 | 251,125 |
| Time: | | |
| Less than $100,000 | 748,478 | 892,961 |
| Greater than $100,000 | 508,228 | 588,689 |
| Brokered | 425,011 | 424,704 |
| Total deposits | 6,326,512 | 6,201,505 |
| | | |
| Repurchase agreements | 6,000 | 53,241 |
| Federal Home Loan Bank advances | 270,125 | 120,125 |
| Long-term debt | 129,865 | 129,865 |
| Derivative financial instruments | 31,997 | 46,232 |
| Unsettled securities purchases | 5,425 | 29,562 |
| Accrued expenses and other liabilities | 57,485 | 49,174 |
| **Total liabilities** | 6,827,409 | 6,629,704 |
| | | |
| Commitments and contingencies | | |
| | | |
| Shareholders' equity: | | |
| Preferred stock, $1 par value; 10,000,000 shares authorized; | | |
| Series B, $1,000 stated value; 0 and 105,000 shares issued and outstanding | — | 105,000 |
| Series D, $1,000 stated value; 0 and 16,613 shares issued and outstanding | — | 16,613 |
| Common stock, $1 par value; 100,000,000 shares authorized; | | |
| 50,178,605 and 46,243,345 shares issued and outstanding | 50,178 | 46,243 |
| Common stock, non-voting, $1 par value; 26,000,000 shares authorized; | | |
| 10,080,787 and 13,188,206 shares issued and outstanding | 10,081 | 13,188 |
| Common stock issuable; 357,983 and 241,832 shares | 5,168 | 3,930 |
| Capital surplus | 1,080,508 | 1,078,676 |
| Accumulated deficit | (387,568) | (448,091) |
| Accumulated other comprehensive loss | (18,790) | (19,844) |
| **Total shareholders' equity** | 739,577 | 795,715 |
| **Total liabilities and shareholders' equity** | $ 7,566,986 | $ 7,425,419 |

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, 2014, 2013 and 2012**
*(in thousands except share data)*

| | Preferred Stock | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Series A | Series B | Series D | Common Stock | Non-Voting Common Stock | Common Stock Issuable | Capital Surplus | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive (Loss) Income | Total |
| **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 Reivnestment 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 income | | | | | | | | | 3,796 | 3,796 |
| Redemption of Series A preferred stock (21,700 shares) | (217) | | | | | | | | | (217) |
| Redemption of Series B preferred stock (75,000 shares) | | (75,000) | | | | | | | | (75,000) |
| Common stock issued to Dividend Reinvestment Plan and employee benefit plans (62,978 common shares) | | | | 63 | | | 733 | | | 796 |
| Conversion of non- | | | | 2,129 | (2,129) | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| voting common stock to voting common stock (2,128,588 shares) | | | | | | | | | | |
| 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 |
| Net income | | | | | | | | 67,620 | | 67,620 |
| Other comprehensive income | | | | | | | | | 1,054 | 1,054 |
| Redemption of Series B preferred stock (105,000 shares) | | (105,000) | | | | | | | | (105,000) |
| Redemption of Series D preferred stock (16,613 shares) | | | (16,613) | | | | | | | (16,613) |
| Common stock issued at market (640,000 shares) | | | | 640 | | | 11,566 | | | 12,206 |
| Common stock issued to Dividend Reinvestment Plan and employee benefit plans (28,070 common shares) | | | | 28 | | | 441 | | | 469 |
| Conversion of non-voting common stock to voting common stock (3,107,419 shares) | | | | 3,107 | (3,107) | | | | | — |
| Warrant repurchase at fair value | | | | | | | (12,000) | | | (12,000) |
| Amortization of stock options and restricted stock | | | | | | | 4,304 | | | 4,304 |
| Vesting of restricted stock awards, net of shares surrendered to cover payroll taxes (146,548 common shares issued, 115,609 | | | | 147 | | 1,274 | (2,736) | | | (1,315) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| common shares deferred) | | | | | | | | | | |
| Deferred compensation plan, net, including dividend equivalents | | | | | | 234 | | | | 234 |
| Shares issued from deferred compensation plan (13,223 common shares) | | | | 13 | | (270) | 257 | | | — |
| Common stock dividends ($.11 per share) | | | | | | | | (6,658) | | (6,658) |
| Preferred stock dividends: | | | | | | | | | | |
| Series B | | | | | | | | (159) | | (159) |
| Series D | | | | | | | | (280) | | (280) |
| **Balance, December 31, 2014** | $ — | $ — | $ — | $ 50,178 | $ 10,081 | $ 5,168 | $ 1,080,508 | $ (387,568) | $ (18,790) | $ 739,577 |

See accompanying notes to consolidated financial statements.

**UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES**
**Consolidated Statement of Cash Flows**
**For the Years Ended December 31, 2014, 2013 and 2012**
*(in thousands)*

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Operating activities: | | | |
| Net income | $ 67,620 | $ 273,140 | $ 33,856 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, amortization and accretion | 19,952 | 26,388 | 32,562 |
| Provision for credit losses | 8,500 | 65,500 | 62,500 |
| Stock based compensation | 4,304 | 3,045 | 1,976 |
| Deferred income tax expense (benefit) | 38,226 | (241,655) | — |
| Securities gains, net | (4,871) | (186) | (7,078) |
| Losses on prepayment of borrowings | 4,446 | — | 6,681 |
| Net (gains) losses on sales and write downs of other real estate owned | (704) | 4,706 | 8,875 |
| Change in assets and liabilities: | | | |
| (Increase) decrease in other assets and accrued interest receivable | (16,774) | (293) | 43,738 |
| (Decrease) increase in accrued expenses and other liabilities | (15,385) | 42,505 | 4,908 |
| (Increase) decrease in mortgage loans held for sale | (3,418) | 18,502 | (4,940) |
| **Net cash provided by operating activities** | 101,896 | 191,652 | 183,078 |
| | | | |
| Investing activities: | | | |
| Investment securities held-to-maturity: | | | |
| Proceeds from maturities and calls | 64,791 | 63,985 | 82,801 |
| Purchases | (173) | (8,481) | — |
| Investment securities available-for-sale: | | | |
| Proceeds from sales | 419,201 | 39,731 | 469,167 |
| Proceeds from maturities and calls | 224,302 | 477,060 | 629,896 |
| Purchases | (603,384) | (818,256) | (1,166,653) |
| Net increase in loans | (326,452) | (358,858) | (159,814) |
| Proceeds from loan sales | 4,561 | 91,913 | — |
| Net cash paid for acquisition | (31,261) | — | — |
| Proceeds collected from FDIC under loss sharing agreements | 2,662 | 5,882 | 14,292 |
| Purchases of premises and equipment | (5,054) | (8,143) | (4,117) |
| Proceeds from sales of premises and equipment | 3,137 | 3,946 | 1,059 |
| Proceeds from sale of other real estate owned | 10,175 | 28,430 | 31,356 |
| **Net cash used in investing activities** | (237,495) | (482,791) | (102,013) |
| | | | |
| Financing activities: | | | |
| Net increase (decrease) in deposits | 125,007 | 249,365 | (145,843) |
| Net increase (decrease) in short-term borrowings | (51,687) | 667 | (54,483) |
| Proceeds from Federal Home Loan Bank advances | 1,230,000 | 770,000 | 1,789,000 |
| Repayment of Federal Home Loan Bank advances | (1,080,000) | (690,000) | (1,791,701) |
| Repayment of long-term debt | — | (35,000) | (30,500) |
| Proceeds from issuance of long-term debt | — | 40,000 | 35,000 |
| Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans | 469 | 796 | 894 |
| Proceeds from issuance of common stock, net of offering costs | 12,206 | — | — |
| Proceeds from warrant exercise | — | 19,389 | — |
| Repurchase of outstanding warrant at fair value | (12,000) | — | — |
| Retirement of preferred stock | (121,613) | (75,217) | — |
| Cash dividends on common stock | (1,810) | — | — |
| Cash dividends on Series A preferred stock | — | (15) | (12) |
| Cash dividends on Series B preferred stock | (802) | (9,440) | (9,000) |
| Cash dividends on Series D preferred stock | (412) | (1,657) | (1,687) |
| **Net cash provided by (used in) financing activities** | 99,358 | 268,888 | (208,332) |
| | | | |
| **Net change in cash and cash equivalents** | (36,241) | (22,251) | (127,267) |
| | | | |
| Cash and cash equivalents at beginning of year | 228,898 | 251,149 | 378,416 |
| | | | |
| **Cash and cash equivalents at end of year** | $ 192,657 | $ 228,898 | $ 251,149 |
| | | | |
| **Supplemental disclosures of cash flow information:** | | | |
| Cash paid during the period for: | | | |
| Interest | $ 25,669 | $ 26,139 | $ 42,107 |
| Income taxes paid (refunds received) | 3,046 | 2,362 | (26,164) |

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 significant policies.

### Organization and Basis of Presentation

At December 31, 2014, 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. United's community banking operations are divided among geographic regions and local community banks within those regions, those regions and banks have similar economic characteristics and are therefore aggregated into one operating segment for purposes of segment reporting.

Additionally United assessed other operating units to determine if they should be classified and reported as segments. They include Mortgage, Advisory Services and Specialized Lending. Each was assessed for separate reporting on both a qualitative and a quantitative basis in accordance with Financial Accounting Standards Board's ("FASB") Accounting Standards Codification Topic 280 Segment Reporting ("ASC 280"). Qualitatively, these business units are currently operating in the same geographic footprint as the community banks and face many of the same customers as the community banks. While the chief operating decision maker does have some separate financial information for these entities, for much of 2014 they were viewed more as a product line extension of the community banks. However, management will continue to evaluate these business units for separate reporting as facts and circumstances change. On a quantitative basis, ASC 280 provides a threshold of 10% of Revenue, Net Income or Assets where a breach of any of these thresholds would trigger segment reporting. Under this requirement none of the entities reached the threshold.

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

### Cash and Cash Equivalents

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

### 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.

**(1) Summary of Significant Accounting Policies, continued**

**Investment Securities, continued**

Held-to-maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are reported in other comprehensive income as a separate component of shareholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from available-for-sale to held-to-maturity are included in the balance of accumulated other comprehensive income in the consolidated balance 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.

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 fair value. The amount by which cost exceeds fair 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 valuation allowances were required at December 31, 2014 or 2013 since those loans have fair values that exceeded 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 well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged against interest revenue on loans. Interest payments are applied to reduce the principal balance on nonaccrual loans. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance and future payments are reasonably assured. Nonaccrual loans include smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

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

**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.

**(1) Summary of Significant Accounting Policies, continued**

**Loans, continued**

**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 at date of purchase. After acquisition, further losses evidenced by decreases in expected cash flows are recognized by an increase in the allowance for loan losses.

Purchased loans are accounted for individually or aggregated into pools of loans based on common risk characteristics such as the type of loan, payment status, or collateral type. United estimates the amount and timing of expected cash flows for each purchased loan 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 and the allowance for unfunded commitments included in other liabilities). Increases to the allowance for loan losses and allowance for unfunded commitments are established through a provision for credit losses charged to income. Loans are charged 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 annualized historical loss rate for each major loan category, weighted toward the most recent quarters' losses and multiplied by the estimated loss emergence period for each loan type. 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"). 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.

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

**Owner occupied commercial real estate –** Loans in this category are susceptible to declined in occupancy rates, business failure and general economic conditions are common risks for this segment of the loan portfolio.

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

**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 and declining real estate values.

**Home equity lines of credit –** Risks common to home equity lines of credit are general economic conditions and declining real estate values which reduce or eliminate the borrower's home equity.

**Residential construction** – Residential construction loans are susceptible to the same risks as 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.

**Indirect auto** - Risks common to indirect auto loans include unemployment and changes in local economic conditions as well as the inability to monitor collateral.

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, 2014. 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.

**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 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.

**Small Business Administration ("SBA") Servicing Rights**

United records a separate servicing asset for the SBA loans where the servicing is retained. This asset represents the right or obligation to service the SBA loans and receive a fee in compensation. Typically that fee is 1% of the loan balance being serviced. Servicing assets are initially recorded at their fair value as a component of the sale proceeds. The fair value of the servicing assets is based on an analysis of discounted cash flows that incorporates estimates of (1) market servicing costs (typically 40 basis points), (2) market-based prepayment rates, and (3) market profit margins.

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

## (1) Summary of Significant Accounting Policies, continued

**Small Business Administration ("SBA") Servicing Rights, continued**

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

**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.

**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.

## (1) Summary of Significant Accounting Policies, continued

**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.

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 accounting hedges. Changes in the fair value of derivatives not designated as hedges are recognized in current period earnings. United has master netting agreements with the derivatives dealers with which it does business, but reflects gross assets and liabilities on the consolidated balance 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) or over the time when the hedged item was forecasted to impact earnings (cash flow hedge). Immediate recognition in earnings is required upon sale or extinguishment of the hedged item (fair value hedge) or if it is probable that the hedged cash flows will not occur (cash flow hedge).

By using derivative instruments, United is exposed to credit and market risk. If the counterparty fails to perform, credit risk is 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. United also requires 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.

**(1) Summary of Significant Accounting Policies, continued**

**Earnings Per Common Share**

Basic earnings per common share is net income available to common shareholders divided by the weighted average number of shares of common stock outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Additionally, shares issuable to participants in United's deferred compensation plan are considered to be participating securities for purposes of calculating basic earnings per share. 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.

**Loss Contingencies**

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

**Dividend Restrictions**

Banking regulations require maintaining certain capital levels and may limit dividends paid by the Bank to 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 23. 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.

**Reclassifications**

Certain 2013 and 2012 amounts have been reclassified to conform to the 2014 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.

**(2) Accounting Standards Updates**

In January 2014, the FASB issued Accounting Standards Update ("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.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This ASU provides guidance on the recognition of revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for public entities for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and will be applied retrospectively either to each prior reporting period or with a cumulative effect recognized at the date of initial application. United is in the process of evaluating this guidance.

**(2) Accounting Standards Updates, continued**

In June 2014, FASB issued ASU No. 2014-11, *Repurchase-to-Maturity Transactions, Repurchase Financings and Disclosures.* This ASU changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. For repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting. The ASU also requires new disclosures for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. The Update is effective for the first interim or annual period beginning after December 15, 2014. United is currently evaluating the guidance's impact on its financial position, results of operation and disclosures.

In June 2014, FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* This ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and should not be reflected in estimating the grant-date fair value of the award. The standard is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. This guidance is not expected to have a material impact on United's financial position, results of operations or disclosures.

In August 2014, the FASB issued ASU No. 2014-14, *Receivables – Troubled Debt Restructurings by Creditors, Classification of Certain Government Guaranteed Mortgage Loans upon Foreclosure*. This ASU addresses diversity in practice related to how creditors classify government-guaranteed mortgage loans, including Federal Housing Administration or U.S. Department of Veterans Affairs guaranteed loans upon foreclosure. The amendments in this ASU require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: 1) The loan has a government guarantee that is not separable from the loan before foreclosure, 2) At the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim, and 3) At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. This guidance is not expected to have a material impact on United's financial position, results of operations or disclosures.

In January 2015, the FASB issued ASU 2015-01, *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. This ASU eliminates the concept of an extraordinary item from GAAP. As a result, an entity will no longer be required to segregate extraordinary items from the results of ordinary operations, to separately present an extraordinary item on its income statement, net of tax, after income from continuing operations or to disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, the standard will still retain the presentation and disclosure guidance for items that are unusual in nature and occur infrequently. The standard will be effective for the United's fiscal year beginning after December 15, 2015 and subsequent interim periods. The adoption of ASU 2015-015 is not expected to have a material effect on the United's consolidated financial statements.

**(3) Mergers and Acquisitions**

On June 26, 2014, United completed the acquisition of substantially all of the assets of Business Carolina, Inc., a specialty Small Business Administration ("SBA") / United States Department of Agriculture ("USDA") lender headquartered in Columbia, South Carolina. On the closing date, United paid $31.3 million in cash for loans having a fair value on the purchase date of $24.8 million, accrued interest of $83,000, servicing rights with a fair value on the purchase date of $2.13 million, premises and equipment with a fair value on the purchase date of $2.60 million and goodwill in the amount of $1.51 million representing the premium paid over the fair value of the separately identifiable assets and liabilities acquired. The gross contractual amount of loans receivable was $28.0 million as of the acquisition date. United has not identified any material separately identifiable intangible assets resulting from the acquisition.

The loans and servicing assets that were acquired in this transaction were valued by a third party vendor that specializes in the valuations of these SBA related assets. These assets are very illiquid and United does not have the same level of visibility into the inputs that the valuation vendor has. Therefore, United considers those inputs to be level 3 in the ASC 820 hierarchy. For the loans, the valuations were derived by estimating the expected cash flows using a combination of prepayment speed and default estimates. The cash flows are then discounted using the rates implied by observed transactions in the market place. The valuation approach to the servicing asset is discussed in Note 10 to the financial statements.

## (4) Cash Flows

During 2014, 2013 and 2012, non-accrual loans having a value of $9.09 million, $22.5 million and $34.0 million, respectively, were transferred to foreclosed property. Also, during 2014, 2013 and 2012, United financed the sale of foreclosed properties with loans totaling $2.50 million, $3.49 million and $9.40 million, respectively.

United accounts for securities transactions on the trade date. At December 31, 2014, United had purchased $5.43 million in securities that had not settled. At December 31, 2013, United had sold $4.60 million in securities and purchased $29.6 million in securities 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, 2014 and 2013 *(in thousands).*

| December 31, 2014 | Gross Amounts of Recognized Assets | Gross Amounts Offset on the Balance Sheet | Net Asset Balance | Gross Amounts not Offset in the Balance Sheet | | Net Amount |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Collateral Received | |
| Repurchase agreements / reverse repurchase agreements | $ 395,000 | $ (375,000) | $ 20,000 | $ — | $ (20,302) | $ — |
| Derivatives | 20,599 | — | 20,599 | (869) | (3,716) | 16,014 |
| Total | $ 415,599 | $ (375,000) | $ 40,599 | $ (869) | $ (24,018) | $ 16,014 |
| Weighted average interest rate of reverse repurchase agreements | 1.16% | | | | | |

| | 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 | $ 375,000 | $ (375,000) | $ — | $ — | $ — | $ — |
| Derivatives | 31,997 | | 31,997 | (869) | (32,792) | — |
| Total | $ 406,997 | $ (375,000) | $ 31,997 | $ (869) | $ (32,792) | $ — |
| Weighted average interest rate of repurchase agreements | .29% | | | | | |

| December 31, 2013 | Gross Amounts of Recognized Assets | Gross Amounts Offset on the Balance Sheet | Net Asset Balance | Gross Amounts not Offset in the Balance Sheet | | Net Amount |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Collateral Received | |
| Repurchase agreements / reverse repurchase agreements | $ 385,000 | $ (350,000) | $ 35,000 | $ — | $ (38,982) | $ — |
| Derivatives | 23,833 | — | 23,833 | (4,378) | (2,912) | 16,543 |
| Total | $ 408,833 | $ (350,000) | $ 58,833 | $ (4,378) | $ (41,894) | $ 16,543 |
| 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 | .27% | | | | | |

agreements

## (6) Investment Securities

In 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, 2014 and 2013, securities with a carrying value of $1.51 billion and $1.53 billion, respectively, were pledged to secure public deposits, derivatives and other secured borrowings.

The cost basis, unrealized gains and losses, and fair value of securities held-to-maturity at December 31, 2014 and 2013 are listed below *(in thousands)*:

| As of December 31, 2014 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| State and political subdivisions | $ 48,157 | $ 3,504 | $ — | $ 51,661 |
| Mortgage-backed securities (1) | 367,110 | 7,716 | 1,254 | 373,572 |
| Total | $ 415,267 | $ 11,220 | $ 1,254 | $ 425,233 |
| 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 |

(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, 2014 and 2013 are listed below *(in thousands):*

| As of December 31, 2014 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. Treasuries | $ 105,540 | $ 235 | $ 66 | $ 105,709 |
| U.S. Government agencies | 36,474 | — | 175 | 36,299 |
| State and political subdivisions | 19,748 | 504 | 19 | 20,233 |
| Mortgage-backed securities (1) | 988,012 | 16,273 | 7,465 | 996,820 |
| Corporate bonds | 165,018 | 1,686 | 1,076 | 165,628 |
| Asset-backed securities | 455,626 | 2,257 | 1,955 | 455,928 |
| Other | 2,117 | — | — | 2,117 |
| Total | $ 1,772,535 | $ 20,955 | $ 10,756 | $ 1,782,734 |
| 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 |

(1) All are residential type mortgage-backed securities

**(6) Investment Securities, continued**

The following summarizes securities held-to-maturity in an unrealized loss position as of December 31, 2014 and 2013 *(in thousands)*:

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| As of December 31, 2014 | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Mortgage-backed securities | 126,514 | 917 | 17,053 | 337 | 143,567 | 1,254 |
| Total unrealized loss position | $ 126,514 | $ 917 | $ 17,053 | $ 337 | $ 143,567 | $ 1,254 |
| 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, 2014 and 2013 *(in thousands)*:

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| As of December 31, 2014 | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| U.S. Treasuries | $ 34,180 | $ 66 | $ — | $ — | $ 34,180 | $ 66 |
| U.S. Government agencies | 36,299 | 175 | — | — | 36,299 | 175 |
| State and political subdivisions | 2,481 | 19 | — | — | 2,481 | 19 |
| Mortgage-backed securities | 88,741 | 446 | 251,977 | 7,019 | 340,718 | 7,465 |
| Corporate bonds | 37,891 | 371 | 20,275 | 705 | 58,166 | 1,076 |
| Asset-backed securities | 221,359 | 1,592 | 40,952 | 363 | 262,311 | 1,955 |
| Total unrealized loss position | $ 420,951 | $ 2,669 | $ 313,204 | $ 8,087 | $ 734,155 | $ 10,756 |
| 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 |

At December 31, 2014, there were 113 available-for-sale securities and 21 held-to-maturity securities that were in an unrealized loss position. Management does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of its amortized cost basis. Unrealized losses at December 31, 2014 and 2013 were primarily attributable to changes in interest rates.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analyst's reports. No impairment charges were recognized during 2014, 2013 or 2012.

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

**(6) Investment Securities, continued**

The amortized cost and fair value of available-for-sale and held-to-maturity securities at December 31, 2014, by contractual maturity, are presented in the following table *(in thousands)*:

| | Available-for-Sale | | Held-to-Maturity | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| US Treasuries: | | | | |
| 1 to 5 years | $ 105,540 | $ 105,709 | $ — | $ — |
| | 105,540 | 105,709 | — | — |
| US Government agencies: | | | | |
| 5 to 10 years | 36,474 | 36,299 | — | — |
| | 36,474 | 36,299 | — | — |
| State and political subdivisions: | | | | |
| Within 1 year | 6,369 | 6,405 | 1,000 | 1,013 |
| 1 to 5 years | 10,430 | 10,771 | 18,582 | 19,812 |
| 5 to 10 years | 2,101 | 2,165 | 19,573 | 21,033 |
| More than 10 years | 848 | 892 | 9,002 | 9,803 |
| | 19,748 | 20,233 | 48,157 | 51,661 |
| Corporate bonds: | | | | |
| Within 1 year | 9,980 | 9,815 | — | — |
| 1 to 5 years | 38,262 | 37,891 | — | — |
| 5 to 10 years | 115,776 | 117,172 | — | — |
| More than 10 years | 1,000 | 750 | — | — |
| | 165,018 | 165,628 | — | — |
| Asset-backed securities: | | | | |
| Within 1 year | 9,590 | 9,505 | — | — |
| 1 to 5 years | 256,986 | 257,886 | — | — |
| 5 to 10 years | 58,581 | 58,966 | — | — |
| More than 10 years | 130,469 | 129,571 | — | — |
| | 455,626 | 455,928 | — | — |
| Other: | | | | |
| Within 1 year | 62 | 62 | — | — |
| More than 10 years | 2,055 | 2,055 | — | — |
| | 2,117 | 2,117 | — | — |
| Total securities other than mortgage-backed securities: | | | | |
| Within 1 year | 26,001 | 25,787 | 1,000 | 1,013 |
| 1 to 5 years | 411,218 | 412,257 | 18,582 | 19,812 |
| 5 to 10 years | 212,932 | 214,602 | 19,573 | 21,033 |
| More than 10 years | 134,372 | 133,268 | 9,002 | 9,803 |
| Mortgage-backed securities | 988,012 | 996,820 | 367,110 | 373,572 |
| | $ 1,772,535 | $ 1,782,734 | $ 415,267 | $ 425,233 |

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.

**(6) Investment Securities, continued**

The following summarizes securities sales activities for the years ended December 31, 2014, 2013 and 2012 *(in thousands)*:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Proceeds from sales | $ 419,201 | $ 39,731 | $ 469,167 |
| Gross gains on sales | $ 6,003 | $ 264 | $ 7,364 |
| Gross losses on sales | (1,132) | (78) | (286) |
| Net gains on sales of securities | $ 4,871 | $ 186 | $ 7,078 |
| Income tax expense attributable to sales | $ 1,902 | $ 72 | $ 2,753 |

At year-end 2014 and 2013, 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.

**(7) Loans and Allowance for Credit Losses**

Major classifications of loans at December 31, 2014 and 2013 are summarized as follows *(in thousands)*:

| | 2014 | 2013 |
|---|---|---|
| Owner occupied commercial real estate | $ 1,163,480 | $ 1,133,543 |
| Income producing commercial real estate | 598,537 | 623,167 |
| Commercial & industrial | 710,256 | 471,961 |
| Commercial construction | 196,030 | 148,903 |
| Total commercial | 2,668,303 | 2,377,574 |
| Residential mortgage | 865,789 | 875,077 |
| Home equity lines of credit | 465,872 | 440,887 |
| Residential construction | 298,627 | 328,579 |
| Consumer installment | 104,899 | 111,045 |
| Indirect auto | 268,629 | 196,104 |
| Total loans | 4,672,119 | 4,329,266 |
| Less allowance for loan losses | (71,619) | (76,762) |
| Loans, net | $ 4,600,500 | $ 4,252,504 |

At December 31, 2014 and 2013, $1.05 million and $977,000, 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, 2014 and 2013.

At December 31, 2014 and 2013, loans with a carrying value of $2.35 billion and $1.77 billion were pledged as collateral to secure FHLB advances and other contingent funding sources.

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.

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

The following table presents the balance and activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2014, 2013 and 2012 *(in thousands)*:

| Year Ended December 31, 2014 | Beginning Balance | Charge-Offs | Recoveries | Allocation of Unallocated | Provision | Ending Balance |
|---|---|---|---|---|---|---|
| Owner occupied commercial real estate | $ 17,164 | $ (3,136) | $ 3,056 | $ 1,278 | $ (2,321) | $ 16,041 |
| Income producing commercial real estate | 7,174 | (1,611) | 725 | 688 | 3,320 | 10,296 |
| Commercial & industrial | 6,527 | (2,145) | 1,698 | 318 | (3,143) | 3,255 |
| Commercial construction | 3,669 | (235) | 6 | 388 | 919 | 4,747 |
| Residential mortgage | 15,446 | (7,502) | 1,110 | 1,452 | 9,805 | 20,311 |
| Home equity lines of credit | 5,528 | (2,314) | 287 | 391 | 682 | 4,574 |
| Residential construction | 12,532 | (3,176) | 627 | 1,728 | (1,108) | 10,603 |
| Consumer installment | 1,353 | (2,008) | 1,226 | — | 160 | 731 |
| Indirect auto | 1,126 | (540) | 54 | — | 421 | 1,061 |
| Unallocated | 6,243 | — | — | (6,243) | — | — |
| Total allowance for loan losses | 76,762 | (22,667) | 8,789 | — | 8,735 | 71,619 |
| Allowance for unfunded commitments | 2,165 | — | — | — | (235) | 1,930 |
| Total allowance for credit losses | $ 78,927 | $ (22,667) | $ 8,789 | $ — | $ 8,500 | $ 73,549 |

| Year Ended December 31, 2013 | Beginning Balance | Charge-Offs | Recoveries | Allocation of Unallocated | Provision | Ending Balance |
|---|---|---|---|---|---|---|
| Owner occupied commercial real estate | $ 17,265 | $ (24,965) | $ 1,305 | $ — | $ 23,559 | $ 17,164 |
| Income producing commercial real estate | 10,582 | (11,505) | 640 | — | 7,457 | 7,174 |
| 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 | 19,117 | (8,840) | 611 | — | 4,558 | 15,446 |
| Home equity lines of credit | 7,525 | (3,437) | 104 | — | 1,336 | 5,528 |
| Residential construction | 26,662 | (23,049) | 173 | — | 8,746 | 12,532 |
| Consumer installment | 2,527 | (2,184) | 1,114 | — | (104) | 1,353 |
| Indirect auto | 220 | (277) | 40 | — | 1,143 | 1,126 |
| 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 |

| Year Ended December 31, 2012 | Beginning Balance | Charge-Offs | Recoveries | Allocation of Unallocated | Provision | Ending Balance |
|---|---|---|---|---|---|---|
| Owner occupied commercial real estate | $ 19,310 | $ (10,280) | $ 557 | $ — | $ 7,678 | $ 17,265 |
| Income producing commercial real estate | 12,334 | (12,782) | 135 | — | 10,895 | 10,582 |
| 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 | 21,386 | (12,885) | 675 | — | 9,941 | 19,117 |
| Home equity lines of credit | 7,690 | (4,377) | 124 | — | 4,088 | 7,525 |
| Residential construction | 30,379 | (24,260) | 1,272 | — | 19,271 | 26,662 |
| Consumer installment | 2,124 | (2,198) | 824 | — | 1,777 | 2,527 |
| Indirect auto | — | (16) | — | — | 236 | 220 |
| 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 |

**(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, 2014 and December 31, 2013 *(in thousands)*:

| | Allowance for Loan Losses | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2014 | | | December 31, 2013 | | |
| | Individually evaluated for impairment | Collectively evaluated for impairment | Ending Balance | Individually evaluated for impairment | Collectively evaluated for impairment | Ending Balance |
| Owner occupied commercial real estate | $ 2,737 | $ 13,304 | $ 16,041 | $ 1,023 | $ 16,141 | $ 17,164 |
| Income producing commercial real estate | 1,917 | 8,379 | 10,296 | 990 | 6,184 | 7,174 |
| Commercial & industrial | 15 | 3,240 | 3,255 | 66 | 6,461 | 6,527 |
| Commercial construction | 729 | 4,018 | 4,747 | 112 | 3,557 | 3,669 |
| Residential mortgage | 3,227 | 17,084 | 20,311 | 2,914 | 12,532 | 15,446 |
| Home equity lines of credit | 47 | 4,527 | 4,574 | 5 | 5,523 | 5,528 |
| Residential construction | 1,192 | 9,411 | 10,603 | 688 | 11,844 | 12,532 |
| Consumer installment | 18 | 713 | 731 | 224 | 1,129 | 1,353 |
| Indirect auto | — | 1,061 | 1,061 | — | 1,126 | 1,126 |
| Unallocated | — | — | — | — | 6,243 | 6,243 |
| Total allowance for loan losses | 9,882 | 61,737 | 71,619 | 6,022 | 70,740 | 76,762 |
| Allowance for unfunded commitments | — | 1,930 | 1,930 | — | 2,165 | 2,165 |
| Total allowance for credit losses | $ 9,882 | $ 63,667 | $ 73,549 | $ 6,022 | $ 72,905 | $ 78,927 |

| | Loans Outstanding | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2014 | | | December 31, 2013 | | |
| | Individually evaluated for impairment | Collectively evaluated for impairment | Ending Balance | Individually evaluated for impairment | Collectively evaluated for impairment | Ending Balance |
| Owner occupied commercial real estate | $ 34,654 | $ 1,128,826 | $ 1,163,480 | $ 32,969 | $ 1,100,574 | $ 1,133,543 |
| Income producing commercial real estate | 24,484 | 574,053 | 598,537 | 27,239 | 595,928 | 623,167 |
| Commercial & industrial | 3,977 | 706,279 | 710,256 | 4,217 | 467,744 | 471,961 |
| Commercial construction | 12,321 | 183,709 | 196,030 | 13,715 | 135,188 | 148,903 |
| Residential mortgage | 18,775 | 847,014 | 865,789 | 20,167 | 854,910 | 875,077 |
| Home equity lines of credit | 478 | 465,394 | 465,872 | 505 | 440,382 | 440,887 |
| Residential construction | 11,604 | 287,023 | 298,627 | 14,808 | 313,771 | 328,579 |
| Consumer installment | 179 | 104,720 | 104,899 | 999 | 110,046 | 111,045 |
| Indirect auto | — | 268,629 | 268,629 | — | 196,104 | 196,104 |
| Total loans | $ 106,472 | $ 4,565,647 | $ 4,672,119 | $ 114,619 | $ 4,214,647 | $ 4,329,266 |

Management considers all loans that are on nonaccrual with a balance of $500,000 or greater and all TDRs to be impaired. In addition, management reviews all accruing substandard loans greater than $2 million to determine if the loan is impaired. A loan is considered impaired when, based on current events and circumstances, it is probable that all amounts due according to the original contractual terms of the loan will not be collected. All TDRs are considered impaired regardless of accrual status. Impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. For TDRs less than $500,000, impairment is estimated based on the average impairment of TDRs greater than $500,000 by loan category. For loan types that do not have TDRs greater than $500,000, the average impairment for all TDR loans is used to quantify the amount of required specific reserve. 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 losses in the loan portfolio. The allowance is comprised of specific reserves on individually impaired loans, which are determined as described above, and general reserves which are determined based on historical loss experience as adjusted for current trends and economic conditions multiplied by a loss emergence period factor. Management uses eight quarters of historical loss experience weighted toward the most recent four 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. In previous years, the weighted average was calculated 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. Management adopted this method of weighting quarterly loss rates to capture the rapidly deteriorating credit conditions in its loss factors during the financial crisis. Now that credit conditions have begun to stabilize, management concluded in the first quarter of 2014 that it was appropriate to apply a more level weighting moving forward to capture the full range and impacts of credit losses experienced during the most recent economic and credit cycle. For the four most recent quarters, management applied a weighting factor of 1.75. For the four oldest quarters, management applied a weighting of 1.00 for each quarterly loss factor. Management believes the current weightings are more appropriate to measure the probable losses incurred within the loan portfolio.

Also, beginning in the first quarter of 2014, management updated its measurement of the loss emergence period in the calculation of the allowance for credit losses. The rapidly deteriorating credit conditions during the peak of the credit cycle shortened the length of time between management's estimation of the incurrence of a loss and its recognition as a charge-off. In most cases, the loss emergence period was within a twelve month period which made the use of annualized loss factors appropriate for measuring the amount of incurred yet unconfirmed credit losses within the loan portfolio. As United has moved out beyond the peak of the financial crisis, management has observed that the loss emergence period has extended. Management calculates the loss emergence period for each pool of loans based on the average length of time between the date a loan first exceeds 30 days past due and the date the loan is charged off.

The updates to the weightings to the eight quarters of loss history and the update to our estimation of the loss emergence period did not have a material effect on the total allowance for loan losses or the provision for loan losses for 2014. These updates resulted in the full allocation of the previously unallocated portion of the allowance for loan losses.

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

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

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 Credit 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 written down to their collateral value less estimated selling costs 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.

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

In 2013, management 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.

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, 2014 *(in thousands)*:

| | |
|---|---|
| Balances at December 31, 2013 | $ 2,898 |
| New loans and advances | 400 |
| Repayments | (94) |
| Balances at December 31, 2014 | $ 3,204 |

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)*:

| | 2014 | | | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Interest Revenue Recognized During Impairment | Cash Basis Interest Revenue Received | Average Balance | Interest Revenue Recognized During Impairment | Cash Basis Interest Revenue Received | Average Balance | Interest Revenue Recognized During Impairment | Cash Basis Interest Revenue Received |
| Owner occupied commercial real estate | $ 32,748 | $ 1,647 | $ 1,712 | $ 31,935 | $ 1,923 | $ 2,044 | $ 56,374 | $ 2,602 | $ 2,773 |
| Income producing commercial real estate | 25,920 | 1,270 | 1,311 | 27,789 | 1,630 | 1,763 | 58,182 | 2,392 | 2,497 |
| Commercial & industrial | 4,290 | 175 | 231 | 4,609 | 401 | 865 | 45,233 | 1,051 | 2,523 |
| Commercial construction | 12,156 | 455 | 458 | 13,946 | 633 | 720 | 45,489 | 875 | 1,268 |
| Total commercial | 75,114 | 3,547 | 3,712 | 78,279 | 4,587 | 5,392 | 205,278 | 6,920 | 9,061 |
| Residential mortgage | 20,132 | 873 | 869 | 20,906 | 1,091 | 1,066 | 22,923 | 1,032 | 1,158 |
| Home equity lines of credit | 518 | 21 | 22 | 507 | 23 | 22 | 1,003 | 26 | 32 |
| Residential construction | 13,058 | 576 | 575 | 14,558 | 993 | 1,023 | 46,410 | 1,527 | 2,054 |
| Consumer installment | 305 | 19 | 22 | 383 | 21 | 21 | 564 | 26 | 27 |
| Indirect auto | — | — | — | — | — | — | — | — | — |
| Total | $ 109,127 | $ 5,036 | $ 5,200 | $ 114,633 | $ 6,715 | $ 7,524 | $ 276,178 | $ 9,531 | $ 12,332 |

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

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2014 and 2013 *(in thousands)*:

| | December 31, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Recorded Investment | Allowance for Loan Losses Allocated | Unpaid Principal Balance | Recorded Investment | Allowance for Loan Losses Allocated |
| With no related allowance recorded: | | | | | | |
| Owner occupied commercial real estate | $ 12,025 | $ 11,325 | $ — | $ 17,717 | $ 14,458 | $ — |
| Income producing commercial real estate | 8,311 | 8,311 | — | 12,644 | 9,747 | — |
| Commercial & industrial | 1,679 | 1,042 | — | 2,252 | 2,252 | — |
| Commercial construction | — | — | — | 974 | 974 | — |
| Total commercial | 22,015 | 20,678 | — | 33,587 | 27,431 | — |
| Residential mortgage | 2,569 | 1,472 | — | 4,496 | 3,634 | — |
| Home equity lines of credit | — | — | — | — | — | — |
| Residential construction | 4,338 | 3,338 | — | 9,462 | 7,807 | — |
| Consumer installment | — | — | — | — | — | — |
| Indirect auto | — | — | — | — | — | — |
| Total with no related allowance recorded | 28,922 | 25,488 | — | 47,545 | 38,872 | — |
| With an allowance recorded: | | | | | | |
| Owner occupied commercial real estate | 24,728 | 23,329 | 2,737 | 18,595 | 18,513 | 1,023 |
| Income producing commercial real estate | 16,352 | 16,173 | 1,917 | 17,490 | 17,490 | 990 |
| Commercial & industrial | 2,936 | 2,935 | 15 | 2,248 | 1,965 | 66 |
| Commercial construction | 12,401 | 12,321 | 729 | 12,821 | 12,741 | 112 |
| Total commercial | 56,417 | 54,758 | 5,398 | 51,154 | 50,709 | 2,191 |
| Residential mortgage | 17,732 | 17,303 | 3,227 | 17,119 | 16,533 | 2,914 |
| Home equity lines of credit | 478 | 478 | 47 | 505 | 505 | 5 |
| Residential construction | 8,962 | 8,266 | 1,192 | 8,469 | 7,001 | 688 |
| Consumer installment | 179 | 179 | 18 | 999 | 999 | 224 |
| Indirect auto | — | — | — | — | — | — |
| Total with an allowance recorded | 83,768 | 80,984 | 9,882 | 78,246 | 75,747 | 6,022 |
| Total | $ 112,690 | $ 106,472 | $ 9,882 | $ 125,791 | $ 114,619 | $ 6,022 |

There were no loans more than 90 days past due and still accruing interest at December 31, 2014 and 2013. Nonaccrual loans at December 31, 2014 and 2013 were $17.9 million and $26.8 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.

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

The following table presents the recorded investment (unpaid principal less amounts charged-off) in nonaccrual loans by loan class as of December 31, 2014 and 2013 *(in thousands)*:

| | 2014 | 2013 |
|---|---|---|
| Owner occupied commercial real estate | $ 4,133 | $ 5,822 |
| Income producing commercial real estate | 717 | 2,518 |
| Commercial & industrial | 1,571 | 427 |
| Commercial construction | 83 | 361 |
| Total commercial | 6,504 | 9,128 |
| Residential mortgage | 8,196 | 11,730 |
| Home equity lines of credit | 695 | 1,448 |
| Residential construction | 2,006 | 4,264 |
| Consumer installment | 134 | 249 |
| Indirect auto | 346 | — |
| Total | $ 17,881 | $ 26,819 |

The following table presents the aging of the recorded investment in past due loans as of December 31, 2014 and 2013 by class of loans *(in thousands)*:

| | Loans Past Due | | | | Loans Not | |
|---|---|---|---|---|---|---|
| **As of December 31, 2014** | 30 - 59 Days | 60 - 89 Days | > 90 Days | Total | Past Due | Total |
| Owner occupied commercial real estate | $ 1,444 | $ 1,929 | $ 1,141 | $ 4,514 | $ 1,158,966 | $ 1,163,480 |
| Income producing commercial real estate | 2,322 | 1,172 | — | 3,494 | 595,043 | 598,537 |
| Commercial & industrial | 302 | 40 | 1,425 | 1,767 | 708,489 | 710,256 |
| Commercial construction | — | — | 66 | 66 | 195,964 | 196,030 |
| Total commercial | 4,068 | 3,141 | 2,632 | 9,841 | 2,658,462 | 2,668,303 |
| Residential mortgage | 5,234 | 2,931 | 3,278 | 11,443 | 854,346 | 865,789 |
| Home equity lines of credit | 961 | 303 | 167 | 1,431 | 464,441 | 465,872 |
| Residential construction | 1,172 | 268 | 1,395 | 2,835 | 295,792 | 298,627 |
| Consumer installment | 607 | 136 | 33 | 776 | 104,123 | 104,899 |
| Indirect auto | 200 | 146 | 141 | 487 | 268,142 | 268,629 |
| Total loans | $ 12,242 | $ 6,925 | $ 7,646 | $ 26,813 | $ 4,645,306 | $ 4,672,119 |
| **As of December 31, 2013** | | | | | | |
| Owner occupied commercial real estate | $ 1,845 | $ 705 | $ 2,017 | $ 4,567 | $ 1,128,976 | $ 1,133,543 |
| Income producing commercial real estate | 3,879 | 2,092 | 530 | 6,501 | 616,666 | 623,167 |
| 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 | 9,011 | 2,832 | 4,140 | 15,983 | 859,094 | 875,077 |
| Home equity lines of credit | 2,056 | 430 | 941 | 3,427 | 437,460 | 440,887 |
| Residential construction | 1,335 | 588 | 1,375 | 3,298 | 325,281 | 328,579 |
| Consumer installment | 1,058 | 358 | 24 | 1,440 | 109,605 | 111,045 |
| Indirect auto | 185 | 65 | 42 | 292 | 195,812 | 196,104 |
| Total loans | $ 21,812 | $ 7,483 | $ 9,392 | $ 38,687 | $ 4,290,579 | $ 4,329,266 |

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.

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

Loans modified under the terms of a TDR during the twelve months ended December 31, 2014, 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, 2014, 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, 2014** | **Number of Contracts** | **Pre-Modification Outstanding Recorded Investment** | **Post-Modification Outstanding Recorded Investment** | **Number of Contracts** | **Recorded Investment** |
| Owner occupied commercial real estate | 12 | $ 4,793 | $ 4,793 | 1 | $ 104 |
| Income producing commercial real estate | 3 | 1,459 | 1,459 | — | — |
| Commercial & industrial | 9 | 1,185 | 1,185 | 2 | 54 |
| Commercial construction | 6 | 829 | 829 | — | — |
| Total commercial | 30 | 8,266 | 8,266 | 3 | 158 |
| Residential mortgage | 39 | 3,622 | 3,445 | 9 | 892 |
| Home equity lines of credit | 1 | 36 | 36 | — | — |
| Residential construction | 4 | 1,262 | 1,262 | — | — |
| Consumer installment | 5 | 226 | 226 | — | — |
| Indirect auto | — | — | — | — | — |
| Total loans | 79 | $ 13,412 | $ 13,235 | 12 | $ 1,050 |
| **Year ended December 31, 2013** | | | | | |
| Owner occupied commercial real estate | 12 | $ 6,326 | $ 5,227 | 3 | $ 670 |
| Income producing commercial real estate | 8 | 6,157 | 6,157 | — | — |
| 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 |
| Home equity lines of credit | — | — | — | — | — |
| Residential construction | 15 | 2,160 | 2,015 | 3 | 531 |
| Consumer installment | 11 | 80 | 80 | 5 | 29 |
| Indirect auto | — | — | — | — | — |
| Total loans | 110 | $ 23,701 | $ 21,676 | 17 | $ 3,360 |
| **Year ended December 31, 2012** | | | | | |
| Owner occupied commercial real estate | 31 | $ 17,387 | $ 15,865 | 6 | $ 2,341 |
| Income producing commercial real estate | 23 | 17,063 | 17,063 | 1 | 946 |
| 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 | 64 | 14,404 | 13,575 | 10 | 650 |
| Home equity lines of credit | 3 | 728 | 728 | — | — |
| Residential construction | 49 | 19,909 | 17,400 | 16 | 5,728 |
| Consumer installment | 25 | 334 | 328 | 4 | 39 |
| Indirect auto | — | — | — | — | — |
| Total loans | 237 | $ 107,458 | $ 102,509 | 43 | $ 13,999 |

**(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, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | 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 |
| Owner occupied commercial real estate | 54 | $ 27,695 | $ 26,296 | 45 | $ 24,064 | $ 22,399 |
| Income producing commercial real estate | 31 | 18,094 | 17,915 | 32 | 20,900 | 18,268 |
| Commercial & industrial | 32 | 2,848 | 2,847 | 36 | 3,527 | 3,245 |
| Commercial construction | 14 | 11,360 | 11,280 | 13 | 13,122 | 13,042 |
| Total commercial | 131 | 59,997 | 58,338 | 126 | 61,613 | 56,954 |
| Residential mortgage | 154 | 18,630 | 17,836 | 133 | 20,117 | 18,852 |
| Home equity lines of credit | 2 | 478 | 478 | 3 | 505 | 505 |
| Residential construction | 48 | 8,962 | 8,265 | 57 | 12,459 | 10,452 |
| Consumer installment | 17 | 179 | 179 | 26 | 203 | 203 |
| Indirect auto | — | — | — | — | — | — |
| Total loans | 352 | $ 88,246 | $ 85,096 | 345 | $ 94,897 | $ 86,966 |

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.

As of December 31, 2014 and 2013, United has allocated $9.72 million and $5.64 million, respectively, of specific reserves to customers whose loan terms have been modified in TDRs. United committed to lend additional amounts totaling up to $51,000 and $6,000 as of December 31, 2014 and 2013, respectively, to customers with outstanding loans that are classified as TDRs.

<u>**Risk Ratings**</u>

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.

**Consumer Purpose Loans**. Beginning in the first quarter of 2014, United began to apply a pass / fail grading system to all consumer purpose loans. Under the pass / fail grading system, consumer purpose loans meeting the criteria of substandard are classified as "fail" and all other loans are classified as "pass". For reporting purposes, consumer purpose loans classified as "fail" are reported in the performing substandard or nonaccrual columns and all other consumer purpose loans are reported in the "pass" column. The first quarter grading change resulted in decreases in loans categorized as "watch" for the consumer installment, residential mortgage and home equity lines of credit loan classifications. Loan balances reported in the "watch" column for residential mortgage are generally commercial purpose loans secured by the borrower's residence.

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

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

As of December 31, 2014 and 2013, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows *(in thousands)*:

| | | | Substandard | | Doubtful / | |
|---|---|---|---|---|---|---|
| **As of December 31, 2014** | **Pass** | **Watch** | **Performing** | **Nonaccrual** | **Loss** | **Total** |
| Owner occupied commercial real estate | $ 1,094,057 | $ 18,889 | $ 46,401 | $ 4,133 | $ — | $ 1,163,480 |
| Income producing commercial real estate | 560,559 | 16,701 | 20,560 | 717 | — | 598,537 |
| Commercial & industrial | 696,805 | 4,017 | 7,863 | 1,571 | — | 710,256 |
| Commercial construction | 190,070 | 2,311 | 3,566 | 83 | — | 196,030 |
| Total commercial | 2,541,491 | 41,918 | 78,390 | 6,504 | — | 2,668,303 |
| Residential mortgage | 814,168 | 11,594 | 31,831 | 8,196 | — | 865,789 |
| Home equity lines of credit | 459,881 | — | 5,296 | 695 | — | 465,872 |
| Residential construction | 280,166 | 5,535 | 10,920 | 2,006 | — | 298,627 |
| Consumer installment | 103,383 | — | 1,382 | 134 | — | 104,899 |
| Indirect auto | 267,709 | — | 574 | 346 | — | 268,629 |
| Total loans | $ 4,466,798 | $ 59,047 | $ 128,393 | $ 17,881 | $ — | $ 4,672,119 |
| | | | | | | |
| **As of December 31, 2013** | | | | | | |
| Owner occupied commercial real estate | $ 1,054,924 | $ 29,714 | $ 43,083 | $ 5,822 | $ — | $ 1,133,543 |
| Income producing commercial real estate | 575,597 | 10,410 | 34,642 | 2,518 | — | 623,167 |
| 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 | 793,381 | 25,944 | 44,022 | 11,730 | — | 875,077 |
| Home equity lines of credit | 426,052 | 5,420 | 7,967 | 1,448 | — | 440,887 |
| Residential construction | 298,685 | 11,526 | 14,104 | 4,264 | — | 328,579 |
| Consumer installment | 107,029 | 1,229 | 2,538 | 249 | — | 111,045 |
| Indirect auto | 196,104 | — | — | — | — | 196,104 |
| Total loans | $ 4,029,187 | $ 100,557 | $ 172,703 | $ 26,819 | $ — | $ 4,329,266 |

## (8) Foreclosed Property

Major classifications of foreclosed properties at December 31, 2014 and 2013 are summarized as follows *(in thousands)*:

| | **2014** | **2013** |
|---|---|---|
| Commercial real estate | $ 639 | $ 1,287 |
| Commercial construction | 15 | — |
| Total commercial | 654 | 1,287 |
| Residential mortgage | 1,259 | 3,380 |
| Residential construction | 473 | 736 |
| Total foreclosed property | 2,386 | 5,403 |
| Less valuation allowance | (660) | (1,182) |
| Foreclosed property, net | $ 1,726 | $ 4,221 |
| Balance as a percentage of original loan unpaid principal | 54.1% | 44.5% |

**(8) Foreclosed Property, continued**

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

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Balance at beginning of year | $ 1,182 | $ 6,954 | $ 18,982 |
| Additions charged to expense | 691 | 3,065 | 6,951 |
| Charge-offs upon disposition | (1,213) | (8,837) | (18,979) |
| Balance at end of year | $ 660 | $ 1,182 | $ 6,954 |

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

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Net (gain) loss on sales | $ (1,395) | $ 1,641 | $ 1,924 |
| Provision for unrealized losses | 691 | 3,065 | 6,951 |
| Operating expenses, net of rental income | 1,338 | 3,163 | 5,118 |
| Total foreclosed property expense | $ 634 | $ 7,869 | $ 13,993 |

## (9) Premises and Equipment

Premises and equipment at December 31, 2014 and 2013 are summarized as follows, *(in thousands)*:

| | 2014 | 2013 |
|---|---|---|
| Land and land improvements | $ 79,525 | $ 80,845 |
| Buildings and improvements | 113,105 | 114,048 |
| Furniture and equipment | 59,827 | 63,015 |
| Construction in progress | 1,861 | 510 |
| | 254,318 | 258,418 |
| Less accumulated depreciation | (94,928) | (94,829) |
| Premises and equipment, net | $ 159,390 | $ 163,589 |

Depreciation expense was $8.66 million, $9.40 million and $9.26 million for 2014, 2013 and 2012, respectively.

United leases certain branch properties and equipment under operating leases. Rent expense was $2.14 million, $2.34 million and $2.30 million for 2014, 2013 and 2012, 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)*:

| | |
|---|---|
| 2015 | $ 1,741 |
| 2016 | 1,376 |
| 2017 | 1,331 |
| 2018 | 1,009 |
| 2019 | 897 |
| Thereafter | 4,523 |
| Total | $ 10,877 |

## (10) SBA Servicing Rights

United accounts for SBA servicing rights at fair value and is included in other assets. Changes in the balances of servicing assets and servicing liabilities subsequently measured using the fair value measurement method for the year ended December 31, 2014, are recorded as follows *(in thousands)*:

**ASC 860 Servicing Asset Rollforward**

| | | |
|---|---|---|
| Fair value as of January 1, 2014 | $ | — |
| Additions: | | |
| Acquired servicing rights | | 2,133 |
| Originated servicing rights capitalized upon sale of loans | | 832 |
| Subtractions: | | |
| Disposals | | (152) |
| Changes in fair value: | | |
| Due to change in valuation inputs or assumptions used in the valuation model | | (262) |
| Fair value as of December 31, 2014 | $ | 2,551 |

A summary of the key characteristics, inputs, and economic assumptions used to estimate the fair value of the Company's SBA Servicing Asset as of December 31, 2014, and the sensitivity of the fair values to immediate adverse changes in those assumptions are shown in the table below *(in thousands)*:

**Sensitivity of the SBA Servicing Asset**
**As of December 31, 2014**

| | | |
|---|---|---|
| Fair value of retained Servicing Assets | $ | 2,551 |
| Prepayment rate assumption | | 6.70% |
| 10% adverse change | $ | (62) |
| 20% adverse change | $ | (122) |
| Discount rate | | 12.0% |
| 100 bps adverse change | $ | (85) |
| 200bps adverse change | $ | (164) |
| Weighted-average life (months) | | 6.5 |
| Weighted-average gross margin | | 2.00% |

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

## (11) Deposits

At December 31, 2014, the contractual maturities of time deposits, including brokered time deposits, are summarized as follows *(in thousands)*:

| Maturing In: | | |
|---|---|---|
| 2015 | $ | 1,001,274 |
| 2016 | | 179,246 |
| 2017 | | 38,505 |
| 2018 | | 25,331 |
| 2019 | | 13,596 |
| thereafter | | 271,587 |
| | $ | 1,529,539 |

At December 31, 2014 and 2013, United held $273 million in certificates of deposit obtained through the efforts of third party brokers. The daily average balance of these brokered deposits totaled $294 million and $219 million in 2014 and 2013, respectively. The brokered certificates of deposit at December 31, 2014 had maturities ranging from 20 to 21 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 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 spread that also result in a negative yield.

## (12) Federal Home Loan Bank Advances

At December 31, 2014, United had advances totaling $270 million from the FHLB all of which were fixed rate advances. At December 31, 2013, United had advances totaling $120 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, 2014 had maturities of no more than 61 days with interest rates up to 0.24%. At December 31, 2014, the weighted average interest rate on FHLB advances was .22%, compared to .19% as of December 31, 2013. The FHLB advances are collateralized by owner occupied and income producing commercial real estate and residential mortgage loans, investment securities and FHLB stock.

At December 31, 2014, the maturities and current rates of outstanding advances were as follows *(in thousands)*:

| Maturing In: | | Amount Maturing | Current Rate Range |
|---|---|---|---|
| 2015 | $ | 270,000 | 0.18% - 0.24% |
| 2016 | | 125 | |
| | $ | 270,125 | |

## (13) Long-term Debt

Long-term debt at December 31, 2014 and 2013 consisted of the following *(in thousands)*:

| | 2014 | 2013 | Issue Date | Stated Maturity Date | Earliest Call Date | Interest Rate |
|---|---|---|---|---|---|---|
| 2013 senior debentures | $ 40,000 | $ 40,000 | 2013 | 2018 | 2015 | 6.000% |
| 2012 senior debentures | 35,000 | 35,000 | 2012 | 2017 | 2017 | 9.000 |
| Total senior debentures | 75,000 | 75,000 | | | | |
| 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 | 12,131 | 2008 | 2038 | 2013 | 9.000 |
| United Community Statutory Trust III | 1,238 | 1,238 | 2008 | 2038 | 2013 | Prime + 3.00 |
| Total trust preferred securities | 54,865 | 54,865 | | | | |
| Total long-term debt | $ 129,865 | $ 129,865 | | | | |

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.

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 were issued with attached warrants that allowed 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.

In the first quarter of 2015, United sent redemption notices with respect to the trust preferred securities issued under United Community Statutory Trust I and United Community Capital Trust II. Such trust preferred securities will be redeemed in March 2015. The redemption prices for United Community Statutory Trust I and United Community Capital Trust II expressed as a percentage of their respective par values, are 103.18% and 103.389%, respectively.

## (14) 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, 2014, 2013 and 2012 *(in thousands).*

| Details about Accumulated Other Comprehensive Income Components | Amounts Reclassified from Accumulated Other Comprehensive Income For the Years Ended December 31, 2014 | 2013 | 2012 | Affected Line Item in the Statement Where Net Income is Presented |
|---|---|---|---|---|
| Realized gains on available-for-sale securities: | | | | |
| | $ 4,871 | $ 186 | $ 7,078 | Securities gains, net |
| | (1,902) | (72) | (2,753) | Tax expense |
| | $ 2,969 | $ 114 | $ 4,325 | Net of tax |
| Amortization of gains included in net income on available-for-sale securities transferred to held to maturity: | | | | |
| | $ 1,656 | $ 731 | $ 1,988 | Investment securities interest revenue |
| | (622) | (282) | (773) | Tax expense |
| | $ 1,034 | $ 449 | $ 1,215 | Net of tax |
| Amounts included in net income on derivative financial instruments accounted for as cash flow hedges: | | | | |
| Effective portion of interest rate contracts | $ — | $ 852 | $ 3,475 | Loan interest revenue |
| Ineffective portion of interest rate contracts | — | 52 | 237 | Loan interest revenue |
| Effective portion of interest rate contracts | (764) | — | — | Time deposit interest expense |
| Effective portion of interest rate contracts | (223) | — | — | Money market deposit interest expense |
| Amortization of losses on de-designated positions | (79) | — | — | Deposits in banks and short-term investments interest revenue |
| Amortization of losses on de-designated positions | (198) | — | — | Money market deposit interest expense |
| Amortization of losses on de-designated positions | (234) | | | Federal Home Loan Bank advances interest expense |
| Amortization of losses on de-designated positions | (512) | — | — | Time deposit interest expense |
| | (2,010) | 904 | 3,712 | Total before tax |
| | 782 | (352) | (1,444) | Tax (expense) or benefit |
| | $ (1,228) | $ 552 | $ 2,268 | 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) | $ (365) | Salaries and employee benefits expense |
| Actuarial losses | — | (167) | (250) | Salaries and employee benefits expense |
| | (365) | (532) | (615) | Total before tax |
| | 142 | 207 | 240 | Tax benefit |
| | $ (223) | $ (325) | $ (375) | Net of tax |
| Total reclassifications for the period | $ 2,552 | $ 790 | $ 7,433 | Net of tax |
| Amounts shown above in parentheses reduce earnings | | | | |

## (15) Earnings Per Share

United is required to report on the face of the consolidated statement of income, earnings per common share with and without the dilutive effects of potential common stock issuances from instruments such as options, convertible securities and warrants. Basic earnings per common share is based on the weighted average number of 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, 2014, 2013 and 2012, United accrued dividends on preferred stock, including accretion of discounts, as shown in the following table (*in thousands)*:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Series A - 6% fixed | $ — | $ 12 | $ 12 |
| Series B - 5% fixed until December 6, 2013, 9% thereafter | 159 | 10,401 | 10,465 |
| Series D - LIBOR plus 9.6875%, resets quarterly | 280 | 1,665 | 1,671 |
| Total preferred stock dividends | $ 439 | $ 12,078 | $ 12,148 |

Series B preferred stock was issued at a discount. Dividend amounts shown include discount accretion for each period.

The preferred stock dividends were subtracted from net income in order to arrive at net income available to common shareholders. There were no dilutive securities outstanding at December 31, 2012.

## (15) Earnings Per Share, continued

The following table sets forth the computation of basic and diluted net income per common share for the years ended December 31, 2014, 2013 and 2012 *(in thousands, except per share data)*:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Net income available to common stockholders | $ 67,181 | $ 261,062 | $ 21,708 |
| Income per common share: | | | |
| Basic | 1.11 | 4.44 | .38 |
| Diluted | 1.11 | 4.44 | .38 |
| Weighted average common shares: | | | |
| Basic | 60,588 | 58,787 | 57,857 |
| Effect of dilutive securities: | | | |
| Stock options | 2 | 1 | — |
| Warrants | — | 57 | — |
| Diluted | 60,590 | 58,845 | 57,857 |

At December 31, 2014, 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; 313,555 shares of common stock issuable upon exercise of stock options granted to employees with a weighted average exercise price of $93.40; and 829,201 shares of common stock issuable upon completion of vesting of restricted stock awards.

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.

## (16) Income Taxes

Income tax expense (benefit) for the years ended December 31, 2014, 2013 and 2012 is as follows *(in thousands)*:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Current | $ 1,224 | $ 3,467 | $ 1,050 |
| Deferred | 37,524 | 23,785 | 9,446 |
| Increase (decrease) in valuation allowance | 702 | (265,440) | (9,446) |
| Total income tax expense (benefit) | $ 39,450 | $ (238,188) | $ 1,050 |

## (16) Income Taxes, continued

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

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Pretax income at statutory rates | $ 37,475 | $ 12,234 | $ 12,217 |
| Add (deduct): | | | |
| State taxes, net of federal benefit | 3,365 | 895 | 577 |
| Bank owned life insurance earnings | (209) | (704) | (444) |
| Adjustment to reserve for uncertain tax positions | (200) | (426) | (577) |
| Tax-exempt interest revenue | (757) | (714) | (816) |
| Nondeductible interest expense | 12 | 10 | 18 |
| Equity compensation | — | 676 | 255 |
| Tax credits | (250) | (438) | (460) |
| Change in state statutory tax rate | — | 1,003 | — |
| Change in valuation allowance affecting other comprehensive income | — | 12,174 | — |
| (Decrease) increase in valuation allowance | 702 | (265,440) | (9,446) |
| Other | (688) | 2,542 | (274) |
| Total income tax expense (benefit) | $ 39,450 | $ (238,188) | $ 1,050 |

The following summarizes the sources and expected tax consequences of future taxable deductions (revenue) which comprise the net deferred tax asset at December 31, 2014 and 2013, which is included in other assets *(in thousands)*:

| | 2014 | 2013 |
|---|---|---|
| Deferred tax assets: | | |
| Allowances for loan losses | $ 27,563 | $ 29,672 |
| Net operating loss carry forwards | 184,015 | 219,863 |
| Deferred compensation | 7,188 | 6,299 |
| Reserve for losses on foreclosed properties | 254 | 678 |
| Nonqualified share based compensation | 3,993 | 3,710 |
| Accrued expenses | 2,107 | 2,663 |
| Investment in low income housing tax credit partnerships | 1,856 | 1,335 |
| Unamortized pension actuarial losses and prior service cost | 1,862 | 1,252 |
| Acquired intangible assets | 593 | 326 |
| Unrealized losses on securities available-for-sale | — | 2,056 |
| Unrealized losses on cash flow hedges | 1,977 | — |
| Other | 1,477 | 3,985 |
| Total deferred tax assets | 232,885 | 271,839 |
| Deferred tax liabilities: | | |
| Unrealized gains on securities available-for-sale | 1,340 | — |
| Unrealized gains on cash flow hedges | — | 523 |
| Premises and equipment | 2,452 | 2,812 |
| Loan origination costs | 4,342 | 4,234 |
| Gain from acquisition of Southern Community Bank | 306 | 816 |
| Prepaid expenses | 626 | 836 |
| Uncertain tax positions | 4,195 | — |
| Total deferred tax liabilities | 13,261 | 9,221 |
| Less valuation allowance | 4,121 | 4,100 |
| Net deferred tax asset | $ 215,503 | $ 258,518 |

## (16) Income Taxes, continued

The valuation allowance on deferred tax assets was $4.12 million and $4.10 million, respectively, at December 31, 2014 and 2013. 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.

At December 31, 2014 and 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 $4.12 million is related to specific state income tax credits that have short carryforward periods and are expected to expire unused.

United expects to realize $216 million in net deferred tax assets well in advance of the statutory carryforward period. At December 31, 2014, $36 million of existing deferred tax assets were not related to net operating losses or credits, and therefore, have no expiration date. At December 31, 2014, United had state net operating loss carryforwards of approximately $26.5 million that begin to expire in 2024, and approximately $64.8 million that begin to expire in 2029, and $526 million that begin to expire in 2028, if not previously utilized. United has $427 million in federal net operating loss carryforwards that begin to expire in 2030, if not previously utilized. United has $2.80 million of federal general business tax credits that begin to expire in 2028, if not previously utilized as well as $5.1 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, 2014 that it was more likely than not that the net deferred tax assets of $216 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)*:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Balance at beginning of year | $ 4,503 | $ 5,069 | $ 5,985 |
| Additions based on tax positions related to prior years | — | — | 130 |
| Additions based on tax positions related to the current year | 374 | 352 | 500 |
| Decreases resulting from a lapse in the applicable statute of limitations | (682) | (918) | (957) |
| Decreases based on settlements with taxing authorities | — | — | (589) |
| Balance at end of year | $ 4,195 | $ 4,503 | $ 5,069 |

Approximately $3.4 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 and 2012, United reversed $59,000 and $120,000, 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. No previously recorded penalties and interest were reversed in 2014. No amounts were accrued for interest and penalties at December 31, 2014 or 2013.

## (16) Income Taxes, continued

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 2011.

## (17) 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. 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 $1.20 million, $1.24 million and $1.66 million in 2014, 2013 and 2012, respectively. The 401(k) Plan allows employees to choose to invest among a number of investment options, including United's common stock. Effective January 1, 2015, United's common stock was no longer offered as an investment option for new contributions. During 2014, 2013 and 2012, the 401(k) Plan purchased 17,373, 48,996 and 86,350 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, bonus or vested restricted stock units 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 2014, 2013 and 2012, 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 2014 or 2012.

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 $1.46 million, $1.60 million, and $1.87 million, for 2014, 2013 and 2012, respectively. United made contributions to the plan in the form of benefit payments to participant retirees of $304,000, $272,000 in 2014, and 2013, respectively.

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

| | 2014 | 2013 |
|---|---|---|
| Discount rate for disclosures | 4.00% | 4.50% |
| Discount rate for net periodic benefit cost | 4.50% | 4.00% |
| Rate of compensation increase | N/A | NA |
| Measurement date | 12/31/2014 | 12/31/2013 |

**(17) Pension and Employee Benefit Plans, continued**

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

| | 2014 | 2013 |
|---|---|---|
| Accumulated benefit obligation: | | |
| Accumulated benefit obligation - beginning of year | $ 13,320 | $ 13,155 |
| Service cost | 341 | 465 |
| Interest cost | 579 | 533 |
| Actuarial (gains) losses | 1,933 | (561) |
| Benefits paid | (304) | (272) |
| Accumulated benefit obligation - end of year | 15,869 | 13,320 |

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

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Service cost | $ 341 | $ 465 | $ 597 |
| Interest cost | 579 | 533 | 537 |
| Amortization of prior service cost | 365 | 365 | 365 |
| Amortization of net losses | — | 167 | 250 |
| Net periodic benefit cost | 1,285 | 1,530 | 1,749 |

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 $271,000 and $365,000, respectively, as of December 31, 2014. The following benefit payments, which reflect expected future service, are expected (in thousands) for years 2015 – 2019 and the following five years are $321,000, $769,000, $795,000, $997,000, $988,000 and $5.08 million respectively

**(18) 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, management 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.

**(18) Derivatives and Hedging Activities, continued**

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, 2014 and 2013 *(in thousands)*:

***Derivatives Designated as Hedging Instruments under ASC 815***

| Interest Rate Products | Balance Sheet Location | Fair Value December 31, 2014 | Fair Value December 31, 2013 |
|---|---|---|---|
| Cash flow hedge of money market deposits | Other assets | $ — | $ 4,782 |
| Fair value hedge of corporate bonds | Other assets | — | 3,939 |
| | | $ — | $ 8,721 |
| Cash flow hedge of short-term debt | Other liabilities | $ — | $ 3,368 |
| Cash flow hedge of money market deposits | Other liabilities | 350 | $ — |
| Fair value hedge of brokered CD's | Other liabilities | 5,817 | 19,970 |
| Fair value hedge of corporate bonds | Other liabilities | — | 2,308 |
| | | $ 6,167 | $ 25,646 |

## *Derivatives not Designated as Hedging Instruments under ASC 815*

| Interest Rate Products | Balance Sheet Location | Fair Value December 31, 2014 | Fair Value December 31, 2013 |
|---|---|---|---|
| Customer swap positions | Other assets | $ 3,433 | $ 898 |
| Dealer offsets to customer swap positions | Other assets | 128 | 1,347 |
| Bifurcated embedded derivatives | Other assets | 12,262 | 12,867 |
| Offsetting positions for de-designated cash flow hedges | Other assets | 4,776 | — |
| | | $ 20,599 | $ 15,112 |
| Customer swap positions | Other liabilities | $ 129 | $ 1,347 |
| Dealer offsets to customer swap positions | Other liabilities | 3,456 | 915 |
| Dealer offsets to bifurcated embedded derivatives | Other liabilities | 17,467 | 18,324 |
| De-designated cash flow hedge | Other liabilities | 4,778 | — |
| | | $ 25,830 | $ 20,586 |

**Risk Management Objective of Using Derivatives**

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 offsetting dealer swaps are economic hedges of the bifurcated embedded derivatives.

## (18) Derivatives and Hedging Activities

**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, 2014, 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 one current cash flow hedge is for the purpose of converting variable rate deposits to a fixed rate to protect the company in a rising rate environment. The swap has a notional amount of $175 million and is forward starting and does not begin interest settlements until 2015. At December 31, 2013, 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 three swap contracts outstanding with a total notional amount of $375 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 $107,000 in hedge ineffectiveness gains on active cash flow hedges in 2014 in money market interest expense. United recognized $70,000 in hedge ineffectiveness losses on active cash flow hedges in 2013 in deposit interest expense. No such hedge ineffectiveness gains or losses were recognized on active cash flow hedges in 2012 or 2011. United expects that $3.34 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 and 2012, United accelerated the reclassification of $52,000 and $237,000, respectively, in gains from terminated positions as a result of the forecasted transactions becoming probable not to occur. These amounts were recognized in loan interest revenue as hedge ineffectiveness.

**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, 2014, United had 16 interest rate swaps with an aggregate notional amount of $197 million that were designated as fair value hedges of interest rate risk and were pay-variable / receive-fixed swaps hedging the changes in the fair value of fixed rate brokered time deposits resulting from changes in interest rates. 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.

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 year ended December 31, 2014, United recognized a net loss of $1.28 million related to ineffectiveness in the fair value hedging relationships. During the years ended December 31, 2013 and 2012, United recognized net gains of $1.07 million and $870,000 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 $4.61 million, $4.67 million and $2.42 million for the years ended December 31, 2014, 2013 and 2012, 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.

**(18) Derivatives and Hedging Activities, continued**

**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 income for the years ended December 31, 2014, 2013 and 2012.

**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 | | |
|---|---|---|---|---|---|---|---|
| | | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Fair value hedges of brokered CD's | Interest expense | $ 13,400 | $ (16,433) | $ 540 | $ (14,357) | $ 16,981 | $ 330 |
| Fair value hedges of corporate bonds | Interest revenue | (2,487) | 6,285 | — | 2,163 | (5,765) | — |
| | | $ 10,913 | $ (10,148) | $ 540 | $ (12,194) | $ 11,216 | $ 330 |

**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) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | Location | 2014 | 2013 | 2012 | Location | 2014 | 2013 | 2012 |
| | | | | Interest revenue | $ (79) | $ 904 | $ 3,712 | | | | |
| | | | | Interest expense | (1,931) | — | — | | | | |
| Interest rate swaps | $ (8,437) | $ 10,084 | $ (8,739) | | $ (2,010) | $ 904 | $ 3,712 | Interest expense | $ (107) | $ 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 carrying 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.

**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, 2014, collateral totaling $32.8 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.

## (19) 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, as revised by the Basel III Capital Rules effective as of January 1, 2015, 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, 2014, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action in effect at such time. To be categorized as well-capitalized at December 31, 2014, the Bank must have exceeded the well-capitalized guideline ratios in effect at such time, as set forth in the table below and have met certain other requirements. Management believes that the Bank exceeded all well-capitalized requirements at December 31, 2014, 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" at December 31, 2014, required that United maintain a minimum Tier 1 risk-based capital ratio of 6% and a minimum Total risk-based capital ratio of 10%.

Regulatory capital ratios at December 31, 2014 and 2013, along with the minimum amounts required for capital adequacy purposes and to be well-capitalized under prompt corrective action provisions in effect at such times are presented below for United and the Bank *(dollars in thousands)*:

## Regulatory Matters

| | Regulatory Guidelines | | United Community Banks, Inc. (consolidated) | | United Community Bank | |
|---|---|---|---|---|---|---|
| | **Minimum** | **Well Capitalized** | **2014** | **2013** | **2014** | **2013** |
| Risk-based ratios: | | | | | | |
| Tier 1 capital | 4.0% | 6.0% | 12.05% | 12.74% | 12.84% | 13.55% |
| Total capital | 8.0 | 10.0 | 13.30 | 13.99 | 14.09 | 14.80 |
| Leverage ratio | 3.0 | | 8.69 | 9.08 | 9.25 | 9.61 |
| Tier 1 capital | | | $ 642,663 | $ 649,162 | $ 683,332 | $ 686,687 |
| Total capital | | | 709,408 | 713,063 | 749,927 | 750,216 |
| Risk-weighted assets | | | 5,332,822 | 5,097,091 | 5,320,615 | 5,066,948 |
| Average total assets | | | 7,396,450 | 7,150,360 | 7,385,048 | 7,142,050 |

Effective January 1, 2015, the Basel III Capital Rules revised the framework for prompt corrective action 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.

Management believes that, as of December 31, 2014, 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.

## (19) Regulatory Matters

**Cash, Dividend, Loan and Other Restrictions**

At December 31, 2014 and 2013, 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. In addition, dividends paid to United require pre-approval of the Georgia Department of Banking and Finance and the FDIC while the Bank has an accumulated deficit (negative retained earnings). During 2014, the Bank received regulatory approval to pay cash dividends to United of $129 million.

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.

## (20) Commitments and Contingencies

The following table summarizes, as of December 31, 2014 and 2013, the contract amount of off-balance sheet instruments *(in thousands)*:

| | 2014 | 2013 |
|---|---|---|
| Financial instruments whose contract amounts represent credit risk: | | |
| Commitments to extend credit | $ 878,160 | $ 747,170 |
| Letters of credit | 19,861 | 19,846 |
| Minimum Lease Payments | 10,877 | 6,310 |

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 credit 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.

## (21) 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.

On December 31, 2013, United redeemed 21,700 shares of its Series A Non-Cumulative Preferred. On December 27, 2013, United redeemed 75,000 shares of the Fixed Rate Cumulative Perpetual Preferred Stock, Series B and redeemed the remaining 105,000 shares on January 10, 2014. On March 3, 2014, United redeemed 16,613 shares of the Cumulative Perpetual Preferred Stock, Series D. There are no preferred shares outstanding at December 31, 2014.

## (22) 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. In 2012, shareholders approved an amendment 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, 2014, 460,000 additional awards could be granted under the 2000 Plan. Through December 31, 2014, 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.

Restricted stock and options outstanding and activity for the years ended December 31, 2014, 2013 and 2012 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, 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 | | |
| Granted | 97,016 | 17.33 | 10,000 | 16.71 | | |
| Exercised | (336,691) | 12.23 | — | — | | |
| Cancelled | (4,800) | 13.78 | (47,217) | 110.33 | | |
| December 31, 2014 | 829,201 | 14.76 | 313,555 | 93.40 | 2.78 | $ 120 |
| Vested / Exercisable at December 31, 2014 | 7,580 | 9.90 | 297,305 | 97.66 | 2.44 | 63 |

During 2013 and 2012, 9,344 shares and 20,489 shares of common stock, respectively, having a grant date fair value of $108,000, and $172,000, 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. No such grants were made in 2014.

**(22) Shareholders' Equity, continued**

The following is a summary of stock options outstanding at December 31, 2014:

| Options Outstanding | | | | Options Exercisable | |
|---|---|---|---|---|---|
| Shares | Range | Weighted Average Price | Average Remaining Life | Shares | Weighted Average Price |
| 26,823 | $ 10.00 - 30.00 | $ 14.96 | 8.02 | 10,573 | $ 14.15 |
| 44,777 | 30.01 - 50.00 | 31.67 | 4.15 | 44,777 | 31.67 |
| 72,318 | 50.01 - 70.00 | 66.31 | 3.13 | 72,318 | 66.31 |
| 2,075 | 70.01 - 90.00 | 77.53 | 3.25 | 2,075 | 77.53 |
| 28,950 | 90.01 - 110.00 | 107.28 | 0.32 | 28,950 | 107.28 |
| 17,228 | 110.01 - 130.00 | 111.38 | 0.49 | 17,228 | 111.38 |
| 115,981 | 130.01 - 150.00 | 143.69 | 1.80 | 115,981 | 143.69 |
| 5,403 | 150.01 - 170.00 | 152.10 | 2.21 | 5,403 | 152.10 |
| 313,555 | 10.00 - 170.00 | 93.40 | 2.78 | 297,305 | 97.66 |

The weighted average fair value of options granted in 2014 and 2013 was $9.49 and $5.10 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.

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

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Expected volatility | 66% | 30% | NA |
| Expected dividend yield | 1.0% | 0.0% | NA |
| Expected life (in years) | 6.25 | 6.25 | NA |
| Risk free rate | 2.1% | 2.0% | NA |

Compensation expense relating to options of $15,000 and $256,000, respectively, was included in earnings for 2014 and 2012. 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 $6,000 and $99,000 was included in the determination of income tax expense in 2014 and 2012, 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 2014, 2013 and 2012.

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 2014, 2013 and 2012 was $4.29 million, $2.85 million and $1.66 million, respectively. The total intrinsic value of restricted stock at December 31, 2014 was approximately $15.7 million.

As of December 31, 2014, there was $9.56 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 2.89 years. The aggregate grant date fair value of options and restricted stock that vested during 2014 was $3.98 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 had previously been suspended but was re-activated in 2014 when United restored its quarterly dividend. In 2014, 191 shares were issued under the DRIP. No shares were issued under the DRIP in 2013 or 2012.

**(22) Shareholders' Equity, continued**

United's 401(k) Plan regularly purchases shares of United's common stock directly from United. During 2014, 2013 and 2012, United's 401(k) Plan purchased 17,373 shares, 48,996 shares and 86,350 shares, respectively, directly from United at the average of the high and low stock prices on the transaction dates. Effective January 1, 2015, the 401(k) Plan discontinued offering shares of United's common stock as an investment option. 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 2014, 2013 and 2012 United issued 10,506 shares, 13,982 shares and 23,555 shares, respectively through the ESPP. Effective January 1, 2015, the discount was increased to 10% on purchases made 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. United also allows restricted stock grantees to defer all or a portion of their restricted stock in the deferred compensation plan upon vesting. At December 31, 2014 and 2013, United had 357,984 and 241,832 shares, respectively, of its common stock that was issuable under the deferred compensation plan.

**(23) 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). United has processes in place to review the significant valuation inputs and to reassess how the instruments are classified in the valuation framework.

**<u>Fair Value Hierarchy</u>**

*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.

**<u>Securities Available-for-Sale</u>**

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 and are not directly observable.

**(23) Assets and Liabilities Measured at Fair Value, continued**

**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 fair value. The fair value of mortgage loans held for sale is based on what secondary markets are currently offering for mortgage loans with similar characteristics.

**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 typically determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

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.

## (23) Assets and Liabilities Measured at Fair Value, continued

**Derivative Financial Instruments, continued**

Although management has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2014, management had assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. Additionally, in the review of the structured derivative inputs, it was determined that the broker quotes, used as a key valuation input, were not observable consistent with a level 2 disclosure. This resulted in the Bank transferring them to a level 3 in the ASC 820 leveling disclosures as of December 31, 2014.

**SBA Servicing Rights**

As United expanded its SBA lending and subsequent loan sales activities, a servicing asset has been recognized (per ASC 860). This asset is recorded at fair value on recognition, and management has elected to carry this asset at fair value for subsequent reporting. Given the nature of the asset, the key valuation inputs are unobservable and management discloses this asset as level 3.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The table below presents United's assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands)*:

| December 31, 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Securities available for sale: | | | | |
| U.S. Treasury securities | $ 105,709 | $ — | $ — | $ 105,709 |
| U.S. Agencies | — | 36,299 | — | 36,299 |
| State and political subdivisions | — | 20,233 | — | 20,233 |
| Mortgage-backed securities | — | 996,820 | — | 996,820 |
| Corporate bonds | — | 164,878 | 750 | 165,628 |
| Asset-backed securities | — | 455,928 | — | 455,928 |
| Other | — | 2,117 | — | 2,117 |
| Deferred compensation plan assets | 3,864 | — | — | 3,864 |
| SBA servicing rights | — | — | 2,551 | 2,551 |
| Derivative financial instruments | — | 8,337 | 12,262 | 20,599 |
| Total assets | $ 109,573 | $ 1,684,612 | $ 15,563 | 1,809,748 |
| **Liabilities:** | | | | |
| Deferred compensation plan liability | $ 3,864 | $ — | $ — | $ 3,864 |
| Derivative financial instruments | — | 13,018 | 18,979 | 31,997 |
| Total liabilities | $ 3,864 | $ 13,018 | $ 18,979 | $ 35,861 |

| 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 |
| Derivative financial instruments | — | 46,232 | — | 46,232 |
| Total liabilities | $ 3,496 | $ 46,232 | $ — | $ 49,728 |

**(23) 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)*:

| | 2014 | | | | 2013 | 2012 |
|---|---|---|---|---|---|---|
| | Derivative Asset | Derivative Liability | SBA servicing rights | Securities Available-for-Sale | Securities Available-for-Sale | Securities Available-for-Sale |
| Balance at beginning of period | $ — | $ — | $ — | $ 350 | $ 350 | $ 350 |
| Purchases | — | — | 2,133 | — | — | — |
| Additions | — | — | 832 | — | — | — |
| Sales and settlements | — | — | (152) | — | — | — |
| Other comprehensive income | — | — | — | 400 | — | — |
| Amounts included in earnings - fair value adjustments | — | — | (262) | — | — | — |
| Transfers between valuation levels, net | 12,262 | 18,979 | — | — | — | — |
| Balance at end of period | $ 12,262 | $ 18,979 | $ 2,551 | $ 750 | $ 350 | $ 350 |

The following table presents quantitative information about Level 3 fair value measurements for fair value on a recurring basis at December 31, 2014 and 2013 *(in thousands)*:

| Level 3 Assets | 2014 Fair Value | 2013 Fair Value | Valuation Technique | Unobservable Inputs | Weighted Average |
|---|---|---|---|---|---|
| SBA Servicing Rights | $ 2,551 | $ — | Discounted cash flow | Discount rate<br>Prepayment Rate | 12.0%<br>6.70% |
| Corporate Bonds | 750 | 350 | Indicative bid provided by a broker | Multiple factors, including but not limited to, current operations, financial condition, cash flows, and recently executed financing transactions related to the company | N/A |
| Derivatives assets | 12,262 | — | Dealer Priced | Dealer Priced | N/A |
| Derivative liabilities | 18,979 | — | Dealer Priced | Dealer Priced | N/A |

## 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 fair value 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, 2014 and 2013, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands)*:

| December 31, 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Loans | $ — | $ — | $ 83,541 | $ 83,541 |
| Foreclosed properties | | | 1,555 | 1,555 |
| Total | $ — | $ — | $ 85,096 | $ 85,096 |
| **December 31, 2013** | | | | |
| **Assets** | | | | |
| Loans | $ — | $ — | $ 82,798 | $ 82,798 |
| Foreclosed properties | | | 3,747 | 3,747 |
| Total | $ — | $ — | $ 86,545 | $ 86,545 |

**(23) Assets and Liabilities Measured at Fair Value, continued**

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.

**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.

United’s cash and cash equivalents and repurchase agreements have short maturities and therefore the carrying value approximates fair value. 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.

## (23) Assets and Liabilities Measured at Fair Value, continued

**Assets and Liabilities Not Measured at Fair Value, continued**

The carrying amount and fair values for other financial instruments that are not measured at fair value on a recurring basis in United's balance sheet at December 31, 2014 and 2013 are as follows *(in thousands)*:

| | Carrying | Fair Value Level | | | |
|---|---|---|---|---|---|
| **December 31, 2014** | **Amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets: | | | | | |
| Securities held to maturity | $ 415,267 | $ — | $ 425,233 | $ — | $ 425,233 |
| Loans, net | 4,600,500 | — | — | 4,549,027 | 4,710,559 |
| Mortgage loans held for sale | 13,737 | — | 14,139 | — | 14,139 |
| Liabilities: | | | | | |
| Deposits | 6,326,513 | — | 6,328,264 | — | 6,328,264 |
| Federal Home Loan Bank advances | 270,125 | — | 270,125 | — | 270,125 |
| Long-term debt | 129,865 | — | — | 132,814 | 132,814 |
| **December 31, 2013** | | | | | |
| 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 |

## (24) Subsequent Events

On January 27, 2015, United announced that it had entered into a definitive merger agreement to acquire MoneyTree Corporation ("MoneyTree") and its wholly-owned bank subsidiary, First National Bank ("FNB"). MoneyTree and FNB are headquartered in Lenoir City, Tennessee and FNB currently operates 10 branches in east Tennessee. At December 31, 2014, FNB had $425 million in assets, $354 million in deposits and $253 million in loans. The resulting combination will enhance both United's position in key growth markets in east Tennessee and its ability to offer expanded banking products to FNB's customer base.

Under the terms of the merger agreement, MoneyTree shareholders will receive merger consideration consisting of 80 percent common stock of United and 20 percent cash in the aggregate, with a fixed exchange ratio that is valued at approximately $52 million based on United's January 27, 2015 closing price of $17.65 per share. Completion of the transaction is subject to customary closing conditions, including the receipt of required regulatory approvals and the approval of MoneyTree's shareholders. The transaction is expected to close in the second quarter of 2015.

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

**Statement of Income**
**For the Years Ended December 31, 2014, 2013 and 2012**

*(in thousands)*

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Dividends from bank and other subsidiaries | $ 132,000 | $ 50,000 | $ — |
| Shared service fees from subsidiaries | 8,057 | 6,764 | 6,714 |
| Other | 424 | 1,217 | 1,169 |
| Total income | 140,481 | 57,981 | 7,883 |
| | | | |
| Interest expense | 11,550 | 10,977 | 10,201 |
| Other expense | 9,868 | 8,658 | 8,717 |
| Total expenses | 21,418 | 19,635 | 18,918 |
| Income tax benefit | 2,357 | 24,862 | 398 |
| Income (loss) before equity in undistributed loss of subsidiaries | 121,420 | 63,208 | (10,637) |
| Equity in undistributed earnings of subsidiaries | (53,800) | 209,932 | 44,493 |
| Net income | $ 67,620 | $ 273,140 | $ 33,856 |

**Balance Sheet**
**As of December 31, 2014 and 2013**

*(in thousands)*

| Assets | 2014 | 2013 |
|---|---|---|
| Cash | $ 31,967 | $ 36,338 |
| Investment in subsidiaries | 816,919 | 869,665 |
| Other assets | 32,295 | 34,972 |
| Total assets | $ 881,181 | $ 940,975 |
| | | |
| Liabilities and Shareholders' Equity | | |
| | | |
| Long-term debt | $ 129,865 | $ 129,865 |
| Other liabilities | 11,739 | 15,395 |
| Total liabilities | 141,604 | 145,260 |
| Shareholders' equity | 739,577 | 795,715 |
| Total liabilities and shareholders' equity | $ 881,181 | $ 940,975 |

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

**Statement of Cash Flows**
**For the Years Ended December 31, 2014, 2013 and 2012**

*(in thousands)*

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Operating activities: | | | |
| Net income | $ 67,620 | $ 273,140 | $ 33,856 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | |
| Equity in undistributed earnings of the subsidiaries | 53,800 | (209,932) | (44,493) |
| Depreciation, amortization and accretion | 22 | 82 | 142 |
| Stock-based compensation | 4,304 | 3,045 | 1,976 |
| Change in assets and liabilities: | | | |
| Other assets | 2,529 | (29,168) | 21,722 |
| Other liabilities | (9,177) | 5,682 | (20,483) |
| **Net cash provided by (used in) operating activities** | 119,098 | 42,849 | (7,280) |
| Investing activities: | | | |
| Purchases and disposal of premises and equipment | (44) | — | — |
| Sales and paydowns of securities available for sale | 537 | 586 | — |
| **Net cash (used in) provided by investing activities** | 493 | 586 | — |
| 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 | 469 | 796 | 894 |
| Proceeds from issuance of common stock, net of offering costs | 12,206 | — | — |
| Proceeds from exercise of warrant | — | 19,389 | — |
| Repurchase of outstanding warrant | (12,000) | — | — |
| Retirement of preferred stock | (121,613) | (75,217) | — |
| Cash dividends on common stock | (1,810) | — | — |
| Cash dividends on Series A preferred stock | — | (15) | (12) |
| Cash dividends on Series B preferred stock | (802) | (9,440) | (9,000) |
| Cash dividends on Series D preferred stock | (412) | (1,657) | (1,687) |
| **Net cash used in financing activities** | (123,962) | (61,144) | (5,305) |
| **Net change in cash** | (4,371) | (17,709) | (12,585) |
| Cash at beginning of year | 36,338 | 54,047 | 66,632 |
| **Cash at end of year** | $ 31,967 | $ 36,338 | $ 54,047 |

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

During the past two years, United did not have any change in or 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, 2014.

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 2014 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, 2014 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 2014 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 2015 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 2015 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 2015 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 2015 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 Income - Years ended December 31, 2014, 2013, and 2012
Consolidated Balance Sheet - December 31, 2014 and 2013
Consolidated Statement of Changes in Shareholders' Equity - Years ended December 31, 2014, 2013, and 2012
Consolidated Statement of Cash Flows - Years ended December 31, 2014, 2013, and 2012
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 |
|---|---|
| 2.1 | Agreement and Plan of Merger, dated January 27, 2015 by and between United Community Banks, Inc. and MoneyTree Corporation (incorporated herein by reference to exhibit 2.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on January 28, 2015) |
| 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. |
| 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).* |

| Exhibit No. | Exhibit |
|---|---|
| 10.3 | 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).* |
| 10.4 | 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).* |
| 10.5 | 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, 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).* |
| 10.6 | 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).* |
| 10.7 | 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).* |
| 10.8 | United Community Banks, Inc. Amended and Restated Dividend Reinvestment and Share Purchase Plan (incorporated herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-3D, File No. 333-197026, filed with the SEC on June 25, 2014).* |
| 10.9 | 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).* |
| 10.10 | 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).* |
| 10.11 | 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).* |
| 10.12 | 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).* |

| Exhibit No. | Exhibit |
|---|---|
| 10.13 | 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).* |
| 10.14 | Credit Agreement dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank. (incorporated herein by reference to Exhibit 10.21 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, File No. 001-35095, filed with the SEC on February 28, 2014). |
| 10.15 | Form of Incentive Stock Option Award Agreement.* |
| 10.16 | Form of Nonqualified Stock Option Award Agreement.* |
| 10.17 | Form of Restricted Stock Unit Award Agreement.* |
| 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, Chairman 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. |
| 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 27th day of February, 2015.

**UNITED COMMUNITY BANKS, INC.**
**(Registrant)**

***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
Chairman and Chief Executive Officer
(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, 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 5th day of February, 2015.

***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
Chairman and Chief Executive Officer
(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, Chief Accounting Officer
(Principal Accounting Officer)

***/s/ H. Lynn Harton***
H. Lynn Harton
President, Chief Operating Officer and Director

***/s/ W.C. Nelson, Jr.***
W. C. Nelson, Jr.
Lead Independent Director

***/s/ Robert Blalock***
Robert Blalock
Director

***/s/ Clifford V. Brokaw***
Clifford V. Brokaw
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**

| Exhibit No. | Description |
|---|---|
| 10.15 | Form of Incentive Stock Option Award Agreement. |
| 10.16 | Form of Nonqualified Stock Option Award Agreement. |
| 10.17 | Form of Restricted Stock Unit Award Agreement. |
| 21 | Subsidiaries of United. |
| 23.1 | Consent of Independent Registered Public Accounting Firm. |
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| 24 | Power of Attorney of certain officers and directors of United (included on Signature Page). |
| 31.1 | Certification by Jimmy C. Tallent, Chairman 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. |

**EXHIBIT 10.15**

**UNITED COMMUNITY BANKS, INC.**
**AMENDED AND RESTATED**
**2000 KEY EMPLOYEE STOCK OPTION PLAN**

**STOCK OPTION AWARD AGREEMENT**
**(Incentive Stock Option – Key Employee)**

| | |
|---|---|
| **Optionee:** | ___________________________________ |
| **Number of Shares:** | _____________________________ Shares |
| **Option Exercise Price:** | $____________________ per Share |
| **Date of Grant:** | ___________________________________ |
| **Vesting Schedule:** | Per attached Optionee Statement referred to herein as "***Exhibit B***" |
| **Territory:** | Any county and any contiguous county and any metropolitan statistical area in which any of the Company's subsidiary banks has an office as of the date hereof. |

**THIS AGREEMENT** (the "***Agreement***") is entered into as of the ___ day of ________________, _______, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia corporation (the "***Company***"), and the individual designated above (the "***Optionee***").

**WHEREAS,** the United Community Banks, Inc. Amended and Restated 2000 Key Employee Stock Option Plan (the "Plan") was adopted by the Company, effective March 15, 2007;

**WHEREAS,** the Optionee performs valuable services for the Company or a Subsidiary; and

**WHEREAS,** the Board of Directors of the Company or the committee responsible for the administration of the Plan has determined to grant the Option to the Optionee as provided herein;

**NOW, THEREFORE,** for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**1.** **Grant of the Option.**

**1.1** Option. An option to purchase shares of the Company's Common Stock, par value $1.00 per share (the "Shares"), is hereby granted to the Optionee (the "***Option***").

**1.2** Number of Shares. The number of Shares that the Optionee can purchase upon exercise of the Option is set forth above.

**1.3** Option Exercise Price. The price the Optionee must pay to exercise the Option (the "***Option Exercise Price***") is set forth above. The Option Exercise Price per Share may not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Date of Grant (one hundred and ten percent (110%) of the Fair Market Value of a Share if the Participant owns (within the meaning of Section 424(d) of the Code) stock of the Company or any Subsidiary possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or Subsidiary).

**1.4** Date of Grant. The date that the Option is granted (the "***Date of Grant***") is set forth above.

**1.5** Type of Option. Subject to Section 6.1 of the Plan, the Option is intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code; provided, however, that nothing in this Agreement shall be interpreted as a representation, guarantee or other undertaking on the part of the Company that the Option is or will be determined to be an Incentive Stock Option within the meaning of Section 422 of the Code. To the extent this Option is not treated as an Incentive Stock Option, it will be treated as a Nonqualified Stock Option. If the Option (including all other Options under the Plan and all other incentive stock options of the Company or any Subsidiary) are first exercisable in any calendar year for Shares having an aggregate Fair Market Value (determined as of the Date of Grant) that exceeds one hundred thousand dollars ($100,000), the Option shall be treated as a Nonqualified Stock Option to the extent required by Section 422 of the Code with respect to such excess Shares.

**1.6** Construction. This Agreement shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

**1.7** Execution of Agreement. The Option is evidenced by this Agreement. If the Optionee does not execute this Agreement within thirty (30) days of receiving the Agreement, the Committee may in its discretion cancel the Option and this Agreement.

**2. Duration.**

The Option shall be exercisable to the extent and in the manner provided herein for a period of ten (10) years from the Date of Grant (five (5) years from the Date of Grant if the Participant owns (within the meaning of Section 424(d) of the Code) stock of the Company or any Subsidiary possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or Subsidiary) (the "***Exercise Term***"); provided, however, that the Exercise Term may end earlier as provided in Sections 5 and 13 hereof.

**3. Vesting.**

The Option shall vest and become exercisable in accordance with the vesting schedule specified in Exhibit B. The Optionee may exercise the Option to the extent it is vested during the Exercise Term, subject to any limitations on exercise contained in Section 7 hereof.

**4. Manner of Exercise and Payment.**

**4.1** Delivery. To exercise the Option, the Optionee must deliver a completed copy of the Option Exercise Form, attached hereto as Exhibit A and incorporated herein by reference, to the address indicated on such Form or such other address designated by the Company from time to time. The Committee may establish a minimum number of Shares (e.g., 100) for which the Option may be exercised at a particular time. Contemporaneously with the delivery of the Option Exercise Form, the Optionee shall tender to the Company the aggregate Option Exercise Price for the Shares as to which the Optionee is exercising the Option by (i) cash, check, or wire transfer, (ii) delivering or properly attesting to ownership of Shares (that have been owned by the Optionee for such period as may be required by the Committee) with a Fair Market Value at the date of exercise equal to the aggregate Option Exercise Price for the Shares as to which the Optionee is exercising the Option, (iii) delivery of a proper notice electing a Net Exercise, (iv) a broker-assisted cashless exercise transaction through a brokerage firm designated by the Optionee, (v) such other method of payment as may be acceptable to the Committee pursuant to the Plan or (vi) any combination of the foregoing. The Company shall deliver to the Optionee certificates evidencing the Shares as to which the Option was exercised within thirty (30) days of the date on which the Optionee delivers the Option Exercise Form and makes payment of the aggregate Option Exercise Price to the Company or shall make such Shares available for electronic delivery in the U.S. to an account the Optionee designates in writing within three (3) business days after the date on which the Optionee delivers the Option Exercise Form and makes payment of the aggregate Option Exercise Price to the Company, and in either case such Shares shall be free and clear of all liens, security interests, pledges or other claims or charges, except those provided in this Agreement or the Plan, or any other agreement affecting the Shares. Notwithstanding the foregoing, if the Optionee is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, the Optionee may not exercise any Option prior to the date that is six (6) months after the Date of Grant unless the Optionee's employment has terminated due to death, Disability, or Retirement after the Date of Grant.

**4.2** No Rights as Shareholder. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to any Shares subject to the Option until (i) the Option shall have been exercised pursuant to the terms of this Agreement and the Optionee shall have paid the full purchase price for the number of Shares in respect of which the Option was exercised, (ii) the Company shall have issued and delivered the Shares to the Optionee, and (iii) the Optionee's name shall have been entered as a shareholder of record on the books of the Company, whereupon the Optionee shall have full voting and other ownership rights with respect to such Shares, subject to divestment pursuant to Section 13.

**5. Termination of Employment.**

**5.1** Termination of Employment for Cause. If the Optionee's employment is terminated by the Company for Cause, the outstanding Option shall expire immediately, and the Optionee's right to exercise the outstanding Option (whether vested or not vested) shall terminate immediately upon the date of the Optionee's termination of employment.

**5.2** Termination of Employment Without Cause or For Good Reason.

(1) If the Optionee's employment with the Company is terminated involuntarily by the Company without Cause or is terminated by the Optionee for Good Reason (as defined in subsection (2) below), the Option shall continue to vest in accordance with the original vesting schedule set forth in this Agreement (just as if the Optionee had remained employed) and shall remain exercisable at any time prior to the expiration of the term of the Option. In the event of the Optionee's death after a termination covered by this subsection 5.2, the Option shall continue to vest and be exercisable in accordance with this subsection 5.2 as if the Optionee had lived and the Option shall be exercisable by the persons described in Section 5.3.

(2) For purposes of this Option, the Optionee shall be entitled to terminate his employment with the Company for Good Reason in the event, without the Optionee's express written consent, of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraphs (i), (iii), or (iv) below, such act or failure to act is corrected prior to the Optionee's date of termination:

(i) a material reduction in the Optionee's responsibilities at the Company; or

(ii) the required relocation of the Optionee's employment to a location outside of the market area of the Company; or

(iii) a material reduction in the levels of coverage of the Optionee under the Company's director and officer liability insurance policy or indemnification commitments; or

(iv) a substantial reduction in the Optionee's base salary, a material reduction in his incentive compensation or the taking of any action by the Company which would, directly or indirectly, materially reduce any of the benefits provided to the Optionee under any of the Company's pension, 401(k) deferred compensation, life insurance, medical, accident or disability plans in which the Optionee is participating.

The Optionee's right to terminate employment for Good Reason shall not be affected by the Optionee's incapacity due to physical or mental illness, except for a Disability as defined in the Plan. The Optionee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

**5.3** Termination of Employment Due to Death. If the Optionee dies while actively employed by the Company, the outstanding unvested portion of the Option shall immediately vest, and thereafter the Option shall remain exercisable at any time prior to its expiration date or for one (1) year after the date of death, whichever period is shorter, (i) by such person(s) who have acquired the Optionee's rights by will or the laws of descent and distribution, or (ii) if no such person in (i) exists, by the executor or representative of the Optionee's estate.

**5.4** Termination of Employment by Disability. In the event the employment of the Optionee with the Company is terminated by reason of Disability (as defined in the Plan), the outstanding unvested portion of the Option shall expire as of the date the employment of the Optionee is terminated by reason of Disability, and the outstanding vested portion of the Option as of that date shall remain exercisable at any time prior to its expiration date, or for one (1) year after the termination of the Optionee's employment by reason of Disability, whichever period is shorter.

**5.5** Voluntary Termination of Employment or Retirement. If the Optionee voluntarily terminates his or her employment with the Company (except for Good Reason), including upon Retirement, the outstanding unvested portion of the Option shall expire as of the date of termination of employment, and the vested portion of the Option as of the date of termination of employment shall remain exercisable (i) if the Optionee is not eligible for Retirement as of the date of such termination, at any time prior to its expiration date or for three (3) months after the date of termination of employment, whichever period is shorter, or (ii) if the Optionee is eligible for Retirement as of the date of such termination, at any time prior to its expiration date.

**5.6** Employment by Subsidiary. For purposes of this Section and Sections 8 and 13, employment with the Company includes employment with any Subsidiary and service as a member of the Board of Directors of the Company or a Subsidiary. A change of employment between the Company and any Subsidiary or between Subsidiaries or a change in the nature of the Optionee's service relationship with the Company and the Subsidiaries (e.g., from employee to Director or Director to employee) without any interruption in the Optionee's provision of services is not a termination of employment under this Agreement.

**6. Nontransferability.**

The Option shall not be transferable other than by will or by the laws of descent and distribution, and, during the lifetime of the Optionee, the Option shall be exercisable only by the Optionee except as provided in Section 5.3.

**7. Securities Laws Restrictions**.

The Option may not be exercised at any time unless, in the opinion of counsel for the Company, the issuance and sale of the Shares issued upon such exercise is exempt from registration under the Securities Act of 1933, as amended, or any other applicable federal or state securities law, rule or regulation, or the Shares have been duly registered under such laws. The Company intends to register the Shares issuable upon the exercise of the Option; however, until the Shares have been registered under all applicable laws, the Optionee shall represent, warrant and agree, as a condition to the exercise of any Option, that the Shares are being purchased for investment only and without a view to any sale or distribution of such Shares and that such Shares shall not be transferred or disposed of in any manner without registration under such laws, unless it is the opinion of counsel for the Company that such a disposition is exempt from such registration. The Optionee acknowledges that an appropriate legend giving notice of the foregoing restrictions may appear conspicuously on all certificates evidencing the Shares issued upon the exercise of the Option.

**8. No Right to Continued Employment.**

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Optionee any right with respect to continuance of employment by the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company to terminate the Optionee's employment at any time.

**9. Adjustments; Company Transactions.**

**9.1** In the event of a change in capitalization, the Committee shall make appropriate adjustments in accordance with the provisions of Section 4.3 of the Plan. The adjustment shall be effective and final, binding and conclusive for all purposes of the Plan and this Agreement.

**9.2** In the event of a proposed sale of all or substantially all of the assets or stock of the Company, the merger of the Company with or into another corporation such that shareholders of the Company immediately prior to the merger exchange their Shares of stock in the Company for cash and/or shares of another entity or any other Change in Control or corporate transaction to which the Committee deems this provision applicable (any such event is referred to as a "***Transaction***"), the Committee may, in its discretion, without consent of the Optionee:

(i) cause the Option to be assumed, or arrange for the substitution, in exchange for the Option, of options to purchase equity securities other than Shares (including, if appropriate, equity securities of an entity other than the Company), on such terms and conditions as the Committee determines are appropriate;

(ii) accelerate the vesting of or right to exercise the Option, in whole or in part, immediately prior to or in connection with the closing or completion of any such Transaction, and cause the expiration of the Option to the extent not vested, or not timely exercised or purchased by the date of the closing or completion of any such Transaction or other date thereafter designated by the Committee; or

(iii) cancel or arrange for the cancellation of all or any portion of the Option in exchange for a cash payment of the excess, if any, of the Fair Market Value of the Shares or portion thereof being canceled over the purchase price with respect to the Option or portion thereof being canceled (an Option whose purchase price equals or exceeds the Fair Market Value of the Shares may be canceled without any payment therefor).

**10. Withholding of Taxes.**

**10.1** Prior to the issuance of Shares to the Optionee upon exercise of the Option, the Optionee shall pay the federal, state, and local income taxes and other amounts as may be required by law to be withheld (the "***Withholding Taxes***") (if any) to the Company in cash or by check or wire transfer. In satisfaction of the Withholding Taxes, the Optionee may make a written election (the "Tax Election") to satisfy such withholding obligation by a broker-assisted cashless exercise transaction through a brokerage firm designated by the Optionee, by delivering Shares (that have been owned by the Optionee for such period as may be required by the Committee) or by having the Company retain from the Shares to be delivered a number of Shares having an aggregate Fair Market Value equal to the Withholding Taxes, provided that, if the Optionee may be subject to liability under Section 16(b) of the Exchange Act, the election must comply with the requirements applicable to Share transactions by the Optionee, and Shares may only be used to pay the minimum required withholdings. The Company shall have the right to deduct from any amounts payable to the Optionee for salary, bonuses or otherwise an amount equal to Withholding Taxes with respect to the Option.

**10.2** If the Optionee makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Share or Shares issued to him pursuant to his exercise of the Option within the two-year period commencing on the day after the Date of Grant or within the one-year period commencing on the day after the date of transfer of such Share or Shares to the Optionee pursuant to such exercise, the Optionee shall, within ten (10) days of such disposition, notify the Company thereof, by delivery of written notice to the Company at its principal executive office, and immediately deliver to the Company the amount of Withholding Taxes (if any).

**11.** **Optionee Bound by the Plan.**

The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof.

**12.** **Modification of Agreement.**

Except as expressly otherwise provided herein, this Agreement may not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, except by a written instrument executed by the parties hereto.

**13.** **Cancellation and Rescission of Awards; Return of Profits.**

**13.1** If, during his employment with the Company or at any time during the one (1) year period after the Date of Termination, the Optionee violates the restrictive covenants set forth in Section 13.2 below, then the Committee shall, notwithstanding any other provision in this Agreement to the contrary, (i) cancel any outstanding portion of the Option (whether or not vested), and (ii) repurchase any Shares issued to the Optionee pursuant to exercise of the Option during the period six (6) months prior to and one (1) year after the Date of Termination at a per Share repurchase price equal to the Option Exercise Price, and require the Optionee to pay to the Company any gain realized by Optionee from the sale of Shares issued to the Optionee pursuant to exercise of the Option during such period.

**13.2** The Optionee will not directly or indirectly, individually, or on behalf of any Person other than the Company or a Subsidiary:

(i) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;

(ii) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Subsidiary or is at will;

(iii) engage in any Restricted Activities within the Territory or from a business location servicing any part of the Territory;

(iv) manage any personnel engaging in any Restricted Activities within the Territory; or

(v) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Subsidiary, the Company's Business or the Company's or any Subsidiary's suppliers, employees, patrons, customers , and others who may at any time have or have had relations with the Company or any Subsidiary.

The Optionee further agrees that he or she will not, except as necessary to carry out his duties as an employee of the Company, disclose or use Confidential Information. The Optionee further agrees that, upon termination or expiration of employment with the Company for any reason whatsoever or at any time, the Optionee will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Optionee's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

**13.3** For purposes of this Section 13, the following terms shall have the meanings specified below:

(i) "***Company's Business***" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(ii) "***Confidential Information***" means information, without regard to form, relating to the Company's or any Subsidiary's customers, operation, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including, but not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Subsidiary by third parties that the Company or any Subsidiary is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two (2) year period after the Date of Termination.

(iii) "***Customers***" means all Persons that (1) the Optionee serviced or solicited on behalf of the Company or any Subsidiary, (2) whose dealings with the Company or any Subsidiary were coordinated or supervised, in whole or in part, by the Optionee, or (3) about whom the Optionee obtained Confidential Information, in each case during the term of this Agreement or while otherwise employed by the Company.

(iv) "***Date of Termination***" means the date upon which the Optionee's employment with the Company ceases for any reason.

(v) "***Person***" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

(vi) "***Restricted Activities***" means serving as a director, officer, executive, manager, employee or business consultant for a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

**14. <u>Severability; Scope of Restrictions</u>.**

Should any provision of this Agreement, including Section 13, be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms. If any court of competent jurisdiction shall determine that the restrictions set forth in any provision of Section 13 are overbroad or unreasonable as applied to Optionee, the parties hereto acknowledge their mutual intention and agreement that those restrictions be enforced to the fullest extent the court deems reasonable, and the Agreement shall be modified to that extent.

**15. Governing Law.**

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States and the laws of the State of Georgia without giving effect to the conflicts of laws principles thereof.

**16. Successors in Interest.**

This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and, subject to Section 9.2, upon any person acquiring, whether by merger, consolidation, reorganization, purchase of stock or assets, or otherwise, all or substantially all of the Company's assets and business. This Agreement shall inure to the benefit of the Optionee's heirs and legal representatives. All obligations imposed upon the Optionee and all rights granted to the Company under this Agreement shall be final, binding and conclusive upon the Optionee's heirs, executors, administrators and successors.

**17. Entire Agreement.**

This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto.

**18. Resolution of Disputes.**

**18.1** Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement and the Plan shall be determined by the Committee. Any determination made by the Committee shall be final, binding and conclusive on the Optionee and the Company and their successors, assigns, heirs, executors, administrators and legal representatives for all purposes.

**18.2** To the extent permitted by applicable law, any dispute, disagreement or claim which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement or the Plan, any breach hereof or thereof, or relating to the enforcement or arbitrability of any provision hereof or thereof, shall be settled by binding arbitration in Atlanta, Georgia by the American Arbitration Association. Judgment on the arbitrator's award shall be final and may be entered in any court having jurisdiction thereof. Except as may otherwise be determined by the arbitrator(s), each party shall be solely responsible for any expenses (including attorneys' fees and disbursements, court costs and expert witness fees) incurred by it or on its behalf in investigating and enforcing any rights under this Agreement, and each party shall bear one-half of the fees and expenses of the arbitrator(s) in connection with any arbitration or other proceeding.

**18.3 THIS AGREEMENT CONTAINS AN ARBITRATION CLAUSE. BY SIGNING THIS AGREEMENT, THE PARTIES AGREE THAT EACH PARTY TO THIS AGREEMENT IS GIVING UP THE RIGHT TO SUE THE OTHER PARTY IN COURT, INCLUDING THE RIGHT TO A TRIAL BY JURY. ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED. THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS. THE ARBITRATOR(S) DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD. THE ARBITRATION RULES MAY IMPOSE TIME LIMITS FOR BRINGING A CLAIM IN ARBITRATION. IN SOME CASES, A CLAIM THAT IS INELIGIBLE FOR ARBITRATION COULD HAVE OTHERWISE BEEN BROUGHT IN COURT.**

**19. Legal Construction.**

The legal construction and interpretation of this Agreement (including, but not limited to, issues of gender, plural or singular, governing law and severability) shall be governed by the provisions of Article 19 of the Plan.

**20. Section 409A.**

This Option is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the standards, regulations or other guidance promulgated hereunder ("Section 409A"). Any action that may be taken (and, to the extent possible, any action actually taken) by the Company shall not be taken (or shall be void and without effect), if such action results in the Option becoming subject to and violating the requirements of Section 409A. Any provision in this Agreement that is determined to result in the Option becoming subject to and violating the requirements of Section 409A shall be void and without effect. In addition, any provision that is required to appear in this Agreement to conform the Option's exemption from Section 409A that is not expressly set forth herein shall be deemed to be set forth herein, and the Agreement shall be administered in all respects as if such provision were expressly set forth.

**[EXECUTION PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date first above written.

**UNITED COMMUNITY BANKS, INC.**

By: ______________________________

Name: ______________________________

Title: ______________________________

By signing below, the Optionee hereby accepts the Option subject to all its terms and provisions and agrees to be bound by the terms and provisions of this Agreement and the Plan. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors of the Company, or the Compensation Committee or other Committee responsible for the administration of the Plan, upon any questions arising under the Plan. The Optionee authorizes the Company to withhold, in accordance with applicable law, from any compensation payable to him or her, any taxes required to be withheld by federal, state, local or foreign law as a result of the grant, existence or exercise of the Option, or subsequent sale of the Shares.

**OPTIONEE**

By: ______________________________

Name: ______________________________

**[EXHIBITS FOLLOW]**

**EXHIBIT 10.16**

**UNITED COMMUNITY BANKS, INC.**
**AMENDED AND RESTATED**
**2000 KEY EMPLOYEE STOCK OPTION PLAN**

**STOCK OPTION AWARD AGREEMENT**
**(Nonqualified Stock Option – Key Employee)**

| | |
|---|---|
| **Optionee:** | ______________________________ |
| **Number of Shares:** | _________________________ Shares |
| **Option Exercise Price:** | $_______________ per Share |
| **Date of Grant:** | ______________________________ |
| **Vesting Schedule:** | Per attached Optionee Statement referred to herein as "***Exhibit B***" |
| **Territory:** | Any county and any contiguous county and any metropolitan statistical area in which any of the Company's subsidiary banks has an office as of the date hereof. |

**THIS AGREEMENT** (the "***Agreement***") is entered into as of the ____ day of ______________, _______, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia corporation (the "***Company***"), and the individual designated above (the "***Optionee***").

**WHEREAS,** the United Community Banks, Inc. Amended and Restated 2000 Key Employee Stock Option Plan (the "***Plan***") was adopted by the Company, effective March 15, 2007;

**WHEREAS,** the Optionee performs valuable services for the Company or a Subsidiary; and

**WHEREAS,** the Board of Directors of the Company or the committee responsible for the administration of the Plan has determined to grant the Option to the Optionee as provided herein;

**NOW, THEREFORE,** for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**1. Grant of the Option.**

**1.1** Option. An option to purchase shares of the Company's Common Stock, par value $1.00 per share (the "***Shares***"), is hereby granted to the Optionee (the "***Option***").

**1.2** Number of Shares. The number of Shares that the Optionee can purchase upon exercise of the Option is set forth above.

**1.3** Option Exercise Price. The price the Optionee must pay to exercise the Option (the "***Option Exercise Price***") is set forth above. The Option Exercise Price per Share may not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Date of Grant.

**1.4** Date of Grant. The date that the Option is granted (the "***Date of Grant***") is set forth above.

**1.5** Type of Option. The Option is intended to be a Nonqualified Stock Option. It is not intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended from time to time, or any successor provision thereto.

**1.6** Construction. This Agreement shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

**1.7** Execution of Agreement. The Option is evidenced by this Agreement. If the Optionee does not execute this Agreement within thirty (30) days of receiving the Agreement, the Committee may in its discretion cancel the Option and this Agreement.

**2. Duration.**

The Option shall be exercisable to the extent and in the manner provided herein for a period of ten (10) years from the Date of Grant (the "***Exercise Term***"); provided, however, that the Exercise Term may end earlier as provided in Sections 5 and 13 hereof.

**3. Vesting.**

The Option shall vest and become exercisable in accordance with the vesting schedule specified in Exhibit B. The Optionee may exercise the Option to the extent it is vested during the Exercise Term, subject to any limitations on exercise contained in Section 7 hereof.

**4. Manner of Exercise and Payment.**

**4.1** Delivery. To exercise the Option, the Optionee must deliver a completed copy of the Option Exercise Form, attached hereto as Exhibit A and incorporated herein by reference, to the address indicated on such Form or such other address designated by the Company from time to time. The Committee may establish a minimum number of Shares (e.g., 100) for which the Option may be exercised at a particular time. Contemporaneously with the delivery of the Option Exercise Form, the Optionee shall tender to the Company the aggregate Option Exercise Price for the Shares as to which the Optionee is exercising the Option by (i) cash, check, or wire transfer, (ii) delivering or properly attesting to ownership of Shares (that have been owned by the Optionee for such period as may be required by the Committee) with a Fair Market Value at the date of exercise equal to the aggregate Option Exercise Price for the Shares as to which the Optionee is exercising the Option, (iii) delivery of a proper notice electing a Net Exercise, (iv) a broker-assisted cashless exercise transaction through a brokerage firm designated by the Optionee, (v) such other method of payment as may be acceptable to the Committee pursuant to the Plan or (vi) any combination of the foregoing. The Company shall deliver to the Optionee certificates evidencing the Shares as to which the Option was exercised within thirty (30) days of the date on which the Optionee delivers the Option Exercise Form and makes payment of the aggregate Option Exercise Price to the Company or shall make such Shares available for electronic delivery in the U.S. to an account the Optionee designates in writing within three (3) business days after the date on which the Optionee delivers the Option Exercise Form and makes payment of the aggregate Option Exercise Price to the Company, and in either case such Shares shall be free and clear of all liens, security interests, pledges or other claims or charges, except those provided in this Agreement or the Plan, or any other agreement affecting the Shares. Notwithstanding the foregoing, if the Optionee is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, the Optionee may not exercise any Option prior to the date that is six (6) months after the Date of Grant unless the Optionee's employment has terminated due to death, Disability, or Retirement after the Date of Grant.

**4.2** No Rights as Shareholder. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to any Shares subject to the Option until (i) the Option shall have been exercised pursuant to the terms of this Agreement and the Optionee shall have paid the full purchase price for the number of Shares in respect of which the Option was exercised, (ii) the Company shall have issued and delivered the Shares to the Optionee, and (iii) the Optionee's name shall have been entered as a shareholder of record on the books of the Company, whereupon the Optionee shall have full voting and other ownership rights with respect to such Shares, subject to divestment pursuant to Section 13.

**5. Termination of Employment.**

**5.1** Termination of Employment for Cause. If the Optionee's employment is terminated by the Company for Cause, the outstanding Option shall expire immediately, and the Optionee's right to exercise the outstanding Option (whether vested or not vested) shall terminate immediately upon the date of the Optionee's termination of employment.

**5.2** Termination of Employment Without Cause or For Good Reason.

(1) If the Optionee's employment with the Company is terminated involuntarily by the Company without Cause or is terminated by the Optionee for Good Reason (as defined in subsection (2) below), the Option shall continue to vest in accordance with the original vesting schedule set forth in this Agreement (just as if the Optionee had remained employed) and shall remain exercisable at any time prior to the expiration of the term of the Option. In the event of the Optionee's death after a termination covered by this subsection 5.2, the Option shall continue to vest and be exercisable in accordance with this subsection 5.2 as if the Optionee had lived and the Option shall be exercisable by the persons described in Section 5.3.

(2) For purposes of this Option, the Optionee shall be entitled to terminate his employment with the Company for Good Reason in the event, without the Optionee's express written consent, of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraphs (i), (iii), or (iv) below, such act or failure to act is corrected prior to the Optionee's date of termination:

(i) a material reduction in the Optionee's responsibilities at the Company; or

(ii) the required relocation of the Optionee's employment to a location outside of the market area of the Company; or

(iii) a material reduction in the levels of coverage of the Optionee under the Company's director and officer liability insurance policy or indemnification commitments; or

(iv) a substantial reduction in the Optionee's base salary, a material reduction in his incentive compensation or the taking of any action by the Company which would, directly or indirectly, materially reduce any of the benefits provided to the Optionee under any of the Company's pension, 401(k), deferred compensation, life insurance, medical, accident or disability plans in which the Optionee is participating.

The Optionee's right to terminate employment for Good Reason shall not be affected by the Optionee's incapacity due to physical or mental illness, except for a Disability as defined in the Plan. The Optionee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

**5.3** Termination of Employment Due to Death. If the Optionee dies while actively employed by the Company, the outstanding unvested portion of the Option shall immediately vest, and thereafter the Option shall remain exercisable at any time prior to its expiration date or for one (1) year after the date of death, whichever period is shorter, (i) by such person(s) who have acquired the Optionee's rights by will or the laws of descent and distribution, or (ii) if no such person in (i) exists, by the executor or representative of the Optionee's estate.

**5.4** Termination of Employment by Disability. In the event the employment of the Optionee with the Company is terminated by reason of Disability (as defined in the Plan), the outstanding unvested portion of the Option shall expire as of the date the employment of the Optionee is terminated by reason of Disability, and the outstanding vested portion of the Option as of that date shall remain exercisable at any time prior to its expiration date or for one (1) year after the termination of the Optionee's employment by reason of Disability, whichever period is shorter.

**5.5** Voluntary Termination of Employment or Retirement. If the Optionee voluntarily terminates his or her employment with the Company (except for Good Reason), including upon Retirement, the outstanding unvested portion of the Option shall expire as of the date of termination of employment, and the vested portion of the Option as of the date of termination of employment shall remain exercisable (i) if the Optionee is not eligible for Retirement as of the date of such termination, at any time prior to its expiration date or for three (3) months after the date of termination of employment, whichever period is shorter, or (ii) if the Optionee is eligible for Retirement as of the date of such termination, at any time prior to its expiration date.

**5.6** Employment by Subsidiary. For purposes of this Section 5 and Sections 8 and 13, employment with the Company includes employment with any Subsidiary and service as a member of the Board of Directors of the Company or a Subsidiary. A change of employment between the Company and any Subsidiary or between Subsidiaries or a change in the nature of the Optionee's service relationship with the Company and the Subsidiaries (e.g., from employee to Director or Director to employee) without any interruption in the Optionee's provision of services is not a termination of employment under this Agreement.

**6. Nontransferability.**

The Option shall not be transferable other than by will or by the laws of descent and distribution, and, during the lifetime of the Optionee, the Option shall be exercisable only by the Optionee except as provided in Section 5.3. Notwithstanding the foregoing, any portion or all of the Option which is vested may be transferred, in whole or in part, without consideration, to another person or entity to the extent permitted by the Plan (a "Permitted Transferee"). Appropriate evidence of any such transfer to the Permitted Transferees shall be delivered to the Company on such forms as the Committee or Company shall prescribe and shall comply with and indicate the Optionee's (if during the lifetime of the Optionee) and the Permitted Transferee's agreement to abide by the Company's then current stock option transfer guidelines. If all or part of the Option is transferred to a Permitted Transferee, the Permitted Transferee shall remain subject to all terms and conditions applicable to such Option prior to the transfer.

**7. Securities Laws Restrictions.**

The Option may not be exercised at any time unless, in the opinion of counsel for the Company, the issuance and sale of the Shares issued upon such exercise is exempt from registration under the Securities Act of 1933, as amended, or any other applicable federal or state securities law, rule or regulation, or the Shares have been duly registered under such laws. The Company intends to register the Shares issuable upon the exercise of the Option; however, until the Shares have been registered under all applicable laws, the Optionee shall represent, warrant and agree, as a condition to the exercise of any Option, that the Shares are being purchased for investment only and without a view to any sale or distribution of such Shares and that such Shares shall not be transferred or disposed of in any manner without registration under such laws, unless it is the opinion of counsel for the Company that such a disposition is exempt from such registration. The Optionee acknowledges that an appropriate legend giving notice of the foregoing restrictions may appear conspicuously on all certificates evidencing the Shares issued upon the exercise of the Option.

**8. No Right to Continued Employment.**

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Optionee any right with respect to continuance of employment by the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company to terminate the Optionee's employment at any time.

**9. Adjustments; Company Transactions.**

**9.1** In the event of a change in capitalization, the Committee shall make appropriate adjustments in accordance with the provisions of Section 4.3 of the Plan. The adjustment shall be effective and final, binding and conclusive for all purposes of the Plan and this Agreement.

**9.2** In the event of a proposed sale of all or substantially all of the assets or stock of the Company, the merger of the Company with or into another corporation such that shareholders of the Company immediately prior to the merger exchange their Shares of stock in the Company for cash and/or shares of another entity or any other Change in Control or corporate transaction to which the Committee deems this provision applicable (any such event is referred to as a "***Transaction***"), the Committee may, in its discretion, without consent of the Optionee:

(i) cause the Option to be assumed, or arrange for the substitution, in exchange for the Option, of options to purchase equity securities other than Shares (including, if appropriate, equity securities of an entity other than the Company), on such terms and conditions as the Committee determines are appropriate;

(ii) accelerate the vesting of or right to exercise the Option, in whole or in part, immediately prior to or in connection with the closing or completion of any such Transaction, and cause the expiration of the Option to the extent not vested, or not timely exercised or purchased by the date of the closing or completion of any such Transaction or other date thereafter designated by the Committee; or

(iii) cancel or arrange for the cancellation of all or any portion of the Option in exchange for a cash payment of the excess, if any, of the Fair Market Value of the Shares or portion thereof being canceled over the purchase price with respect to the Option or portion thereof being canceled (an Option whose purchase price equals or exceeds the Fair Market Value of the Shares may be canceled without any payment therefor).

**10. Withholding of Taxes.**

Prior to the issuance of Shares to the Optionee upon exercise of the Option, the Optionee shall pay the federal, state, and local income taxes and other amounts as may be required by law to be withheld (the "***Withholding Taxes***") (if any) to the Company in cash or by check or wire transfer. In satisfaction of the Withholding Taxes, the Optionee may make a written election (the "***Tax Election***") to satisfy such withholding obligation by a broker-assisted cashless exercise transaction through a brokerage firm designated by the Optionee, by delivering Shares (that have been owned by the Optionee for such period as may be required by the Committee) or by having the Company retain from the Shares to be delivered a number of Shares having an aggregate Fair Market Value equal to the Withholding Taxes, provided that, if the Optionee may be subject to liability under Section 16(b) of the Exchange Act, the election must comply with the requirements applicable to Share transactions by the Optionee, and Shares may only be used to pay the minimum required withholdings. The Company shall have the right to deduct from any amounts payable to the Optionee for salary, bonuses or otherwise an amount equal to Withholding Taxes with respect to the Option.

**11. Optionee Bound by the Plan.**

The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof.

**12. Modification of Agreement.**

Except as expressly otherwise provided herein, this Agreement may not be modified, amended, suspended or terminated, and any terms or conditions may not be waived, except by a written instrument executed by the parties hereto.

**13. Cancellation and Rescission of Awards; Return of Profits.**

**13.1** If, during his employment with the Company or at any time during the one (1) year period after the Date of Termination, the Optionee violates the restrictive covenants set forth in Section 13.2 below, then the Committee shall, notwithstanding any other provision in this Agreement to the contrary, (i) cancel any outstanding portion of the Option (whether or not vested), and (ii) repurchase any Shares issued to the Optionee pursuant to exercise of the Option during the period six (6) months prior to and one (1) year after the Date of Termination at a per Share repurchase price equal to the Option Exercise Price, and require the Optionee to pay to the Company any gain realized by Optionee from the sale of Shares issued to the Optionee pursuant to exercise of the Option during such period.

**13.2** The Optionee will not directly or indirectly, individually, or on behalf of any Person other than the Company or a Subsidiary:

(i) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;

(ii) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Subsidiary or is at will;

(iii) engage in any Restricted Activities within the Territory or from a business location servicing any part of the Territory;

(iv) manage any personnel engaging in any Restricted Activities within the Territory; or

(v) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Subsidiary, the Company's Business or the Company's or any Subsidiary's suppliers, employees, patrons, customers , and others who may at any time have or have had relations with the Company or any Subsidiary.

The Optionee further agrees that he or she will not, except as necessary to carry out his duties as an employee of the Company, disclose or use Confidential Information. The Optionee further agrees that, upon termination or expiration of employment with the Company for any reason whatsoever or at any time, the Optionee will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Optionee's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

**13.3** For purposes of this Section 13, the following terms shall have the meanings specified below:

(i) "***Company's Business***" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(ii) "***Confidential Information***" means information, without regard to form, relating to the Company's or any Subsidiary's customers, operation, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including, but not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Subsidiary by third parties that the Company or any Subsidiary is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two (2) year period after the Date of Termination.

(iii) "***Customers***" means all Persons that (1) the Optionee serviced or solicited on behalf of the Company or any Subsidiary, (2) whose dealings with the Company or any Subsidiary were coordinated or supervised, in whole or in part, by the Optionee, or (3) about whom the Optionee obtained Confidential Information, in each case during the term of this Agreement or while otherwise employed by the Company.

(iv) "***Date of Termination***" means the date upon which the Optionee's employment with the Company ceases for any reason.

(v) "***Person***" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

(vi) "***Restricted Activities***" means serving as a director, officer, executive, manager, employee or business consultant for a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

**14. Severability; Scope of Restrictions.**

Should any provision of this Agreement, including Section 13, be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms. If any court of competent jurisdiction shall determine that the restrictions set forth in any provision of Section 13 are overbroad or unreasonable as applied to Optionee, the parties hereto acknowledge their mutual intention and agreement that those restrictions be enforced to the fullest extent the court deems reasonable, and the Agreement shall be modified to that extent.

**15. Governing Law.**

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States and the laws of the State of Georgia without giving effect to the conflicts of laws principles thereof.

**16. Successors in Interest.**

This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and, subject to Section 9.2, upon any person acquiring, whether by merger, consolidation, reorganization, purchase of stock or assets, or otherwise, all or substantially all of the Company's assets and business. This Agreement shall inure to the benefit of the Optionee's heirs and legal representatives. All obligations imposed upon the Optionee and all rights granted to the Company under this Agreement shall be final, binding and conclusive upon the Optionee's heirs, executors, administrators and successors.

**17. Entire Agreement.**

This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto.

**18. Resolution of Disputes.**

**18.1** Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement and the Plan shall be determined by the Committee. Any determination made by the Committee shall be final, binding and conclusive on the Optionee and the Company and their successors, assigns, heirs, executors, administrators and legal representatives for all purposes.

**18.2** To the extent permitted by applicable law, any dispute, disagreement or claim which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement or the Plan, any breach hereof or thereof, or relating to the enforcement or arbitrability of any provision hereof or thereof, shall be settled by binding arbitration in Atlanta, Georgia by the American Arbitration Association. Judgment on the arbitrator's award shall be final and may be entered in any court having jurisdiction thereof. Except as may otherwise be determined by the arbitrator(s), each party shall be solely responsible for any expenses (including attorneys' fees and disbursements, court costs and expert witness fees) incurred by it or on its behalf in investigating and enforcing any rights under this Agreement, and each party shall bear one-half of the fees and expenses of the arbitrator(s) in connection with any arbitration or other proceeding.

**18.3 THIS AGREEMENT CONTAINS AN ARBITRATION CLAUSE. BY SIGNING THIS AGREEMENT, THE PARTIES AGREE THAT EACH PARTY TO THIS AGREEMENT IS GIVING UP THE RIGHT TO SUE THE OTHER PARTY IN COURT, INCLUDING THE RIGHT TO A TRIAL BY JURY. ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED. THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS. THE ARBITRATOR(S) DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD. THE ARBITRATION RULES MAY IMPOSE TIME LIMITS FOR BRINGING A CLAIM IN ARBITRATION. IN SOME CASES, A CLAIM THAT IS INELIGIBLE FOR ARBITRATION COULD HAVE OTHERWISE BEEN BROUGHT IN COURT.**

**19. Legal Construction.**

The legal construction and interpretation of this Agreement (including, but not limited to, issues of gender, plural or singular, governing law and severability) shall be governed by the provisions of Article 19 of the Plan.

**20. Section 409A.**

This Option is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the standards, regulations or other guidance promulgated hereunder ("Section 409A"). Any action that may be taken (and, to the extent possible, any action actually taken) by the Company shall not be taken (or shall be void and without effect), if such action results in the Option becoming subject to and violating the requirements of Section 409A. Any provision in this Agreement that is determined to result in the Option becoming subject to and violating the requirements of Section 409A shall be void and without effect. In addition, any provision that is required to appear in this Agreement to conform the Option's exemption from Section 409A that is not expressly set forth herein shall be deemed to be set forth herein, and the Agreement shall be administered in all respects as if such provision were expressly set forth.

**[EXECUTION PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date first above written.

**UNITED COMMUNITY BANKS, INC.**

By: ____________________________

Name: ____________________________

Title: ____________________________

By signing below, the Optionee hereby accepts the Option subject to all its terms and provisions and agrees to be bound by the terms and provisions of this Agreement and the Plan. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors of the Company, or the Compensation Committee or other Committee responsible for the administration of the Plan, upon any questions arising under the Plan. The Optionee authorizes the Company to withhold, in accordance with applicable law, from any compensation payable to him or her, any taxes required to be withheld by federal, state, local or foreign law as a result of the grant, existence or exercise of the Option, or subsequent sale of the Shares.

**OPTIONEE**

By: ____________________________

Name: ____________________________

**[EXHIBITS FOLLOW]**

**EXHIBIT 10.17**

**UNITED COMMUNITY BANKS, INC.**
**AMENDED AND RESTATED**
**2000 KEY EMPLOYEE STOCK OPTION PLAN**

**RESTRICTED STOCK UNIT AWARD AGREEMENT**
**(Key Employee)**

| | |
|---|---|
| **Grantee:** | ______________________________ |
| **Number of RSUs:** | ____________________________ RSUs |
| **Date of Grant:** | ______________________________ |
| **Vesting Schedule:** | Per attached Grantee Statement referred to herein as "***Exhibit A***" |
| **Territory:** | Any county and any contiguous county and any metropolitan statistical area in which any of the Company's subsidiary banks has an office as of the date hereof. |

**THIS AGREEMENT** (the "***Agreement***") is entered into as of the _____day of ______, _________, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia corporation (the "***Company***"), and the individual designated above (the "***Grantee***").

**WHEREAS**, the Company maintains the United Community Banks, Inc. Amended and Restated 2000 Key Employee Stock Option Plan (the "***Plan***"), and the Grantee has been selected by the Committee to receive a Restricted Stock Unit Award under the Plan;

**NOW, THEREFORE, IT IS AGREED**, by and between the Company and the Grantee, as follows:

**1. Award of Restricted Stock Units**

1.1 The Company hereby grants to the Grantee an award of Restricted Stock Units ("***RSUs***") in the amount set forth above, subject to, and in accordance with, the restrictions, terms, and conditions set forth in this Agreement and the Plan. The grant date of this award of RSUs is set forth above (the "***Date of Grant***").

1.2 This Agreement (including any Exhibits) shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

1.3 This Award is conditioned on the Grantee's execution of this Agreement. If this Agreement is not executed by the Grantee and returned to the Company within seven days of receipt of Agreement, it may be canceled by the Committee resulting in the immediate forfeiture of all RSUs.

**2. Vesting and Termination of Employment**

2.1 Vesting. Subject to Sections 2.2 through 2.5 below and Section 8, if the Grantee remains employed by the Company, the RSUs shall vest in accordance with the provisions of Exhibit A. Each date on which the RSUs vest is hereinafter referred to as a "Vesting Date". Notwithstanding the foregoing, no Vesting Date can be any earlier than the day immediately after the day which is twelve (12) months and thirty (30) days following the Date of Grant (the period from the Date of Grant until the day which is twelve (12) months and thirty (30) days following the Date of Grant being hereinafter referred to as the "Initial Restriction Period").

Except as otherwise provided below, on the Vesting Date, a number of Shares equal to the number of vested RSUs shall be issued to the Grantee free and clear of all restrictions imposed by this Agreement (except those imposed by Sections 3.3 and 8 below). The Company shall transfer such Shares to an unrestricted account in the name of the Grantee as soon as practical (and no later than thirty (30) days) after the Vesting Date. For purposes of this Agreement, employment with a Subsidiary of the Company or service as a member of the Board of Directors of the Company or a Subsidiary shall be considered employment with the Company.

2.2 Termination for Cause. If the Grantee's employment is terminated by the Company for Cause (as defined in the Plan), the unvested RSUs shall be forfeited immediately as of the date of termination of employment.

2.3 Termination of Employment Without Cause or For Good Reason.

(1) If the Grantee's employment with the Company is terminated involuntarily by the Company without Cause (as defined in the Plan) or is terminated by the Grantee for Good Reason (as defined in subsection (2) below), in either event after the expiration of the Initial Restriction Period, the unvested RSUs shall continue to vest in accordance with the original vesting schedule and shall be subject to performance criteria, if provided for, in Exhibit A (just as if the Grantee had remained employed). In the event of the Grantee's death after a termination covered by this Section 2.3, the unvested RSUs shall continue to vest as if the Grantee had lived and upon vesting, a number of Shares equal to the number of vested RSUs shall be transferred to the Grantee's surviving spouse or, if none, to his estate.

(2) For purposes of this Agreement, the Grantee shall be entitled to terminate his or her employment with the Company for Good Reason in the event of, without the Grantee's express written consent, any one of the acts by the Company set forth below, after the expiration of the Initial Restriction Period, and satisfaction of the following conditions: (a) Grantee provides notice to Company of such Good Reason condition within 90 days of his learning of its initial existence; (b) Company is given 30 days to remedy the Good Reason condition and fails to do so; and (c) Grantee terminates employment within 6 months of his learning of the initial existence of the Good Reason condition. The Good Reason conditions are:

(i) a material reduction in the Grantee's responsibilities at the Company; or

(ii) the required relocation of the Grantee's employment to a location outside of the market area of the Company; or

(iii) a material reduction in the levels of coverage of the Grantee under the Company's director and officer liability insurance policy or indemnification commitments; or

(iv) a substantial reduction in the Grantee's base salary, a material reduction in his incentive compensation or the taking of any action by the Company which would, directly or indirectly, materially reduce any of the benefits provided to the Grantee under any of the Company's pension, 401(k), deferred compensation, life insurance, medical, accident or disability plans in which the Grantee is participating.

The Grantee's right to terminate employment for Good Reason shall not be affected by the Grantee's incapacity due to physical or mental illness, except for a Disability as defined in the Plan. The Grantee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.4 Termination of Employment Due to Death or Disability. Subject to Exhibit A (just as if the Grantee had remained employed), if the Grantee's employment is terminated by the Company as a result of death or Disability, the unvested portion of the grant for the current year, if any, and the unvested portion of the grant for the subsequent year following termination, shall remain outstanding and payable upon attainment of the original vest date(s), and shall be subject to performance criteria, if provided for, on Exhibit A attached hereto. All remaining unvested RSUs shall be immediately forfeited. In the event Grantee's employment is terminated as a result of death, the number of outstanding RSUs shall be transferred to the Grantee's surviving spouse or, if none, to his estate upon attainment of the original vest date(s), and subject to performance criteria, if provided for, on Exhibit A attached hereto.

2.5 Termination of Employment for Other Reasons Including Retirement. If the Grantee voluntarily terminates his or her employment including Retirement (except for Good Reason), the outstanding unvested RSUs shall immediately be forfeited as of the date of termination of employment.

2.6 Nontransferability. The RSUs may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date the Grantee becomes vested in the RSUs and the Shares are issued.

2.7 Section 409A Compliance. To the extent applicable, this Agreement shall at all times be interpreted and operated in compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and the standards, regulations or other guidance promulgated thereunder ("***Section 409A***"). Any action that may be taken (and, to the extent possible, any action actually taken) by the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A. Any provision in this Agreement that is determined to violate the requirements of Section 409A shall be void and without effect. In addition, any provision that is required to appear in this Agreement in accordance with Section 409A that is not expressly set forth herein shall be deemed to be set forth herein, and the Agreement shall be administered in all respects as if such provision were expressly set forth. The Company shall delay the commencement of any delivery of Shares that are payable to Grantee upon his separation from service if Grantee is a "key employee" of the Company (as determined by the Company in accordance with procedures established by the Company that are consistent with Section 409A) to the date which is immediately following the earlier of (i) six months after the date of Grantee's separation from service or (ii) Grantee's death, to the extent such delay is required under the provisions of Section 409A to avoid imposition of additional income and other taxes, provided that the Company and Grantee agree to take into account any exemptions available under Section 409A. For purposes of this Agreement, termination of employment shall be construed consistent with the meaning of a separation from service within the meaning of Section 409A.

**3. Change in Capitalization; Deferral Rights**

3.1 During the period the RSUs are not vested, the Grantee shall be credited with dividend equivalents or other distributions declared on the Shares represented by the RSUs in the manner determined by the Committee. Within thirty (30) days after a Vesting Date and subject to Exhibit A, Grantee shall be paid in cash the dividend equivalents or other distributions with respect to the vested RSUs to which the dividend equivalents or other distributions relate.

3.2 In the event of a change in capitalization, the Committee shall make appropriate adjustments in accordance with Section 4.3 of the Plan to reflect the change in capitalization, provided that any such additional Shares or additional or different shares or securities reflected in any such adjustment shall remain subject to the restrictions in this Agreement.

3.3 The Grantee represents and warrants that he is acquiring the Shares under this Agreement for investment purposes only, and not with a view to distribution thereof. The Grantee is aware that the Shares may not be registered under the federal or any state securities laws and that in that event, in addition to the other restrictions on the Shares, they will not be able to be transferred unless an exemption from registration is available or the Shares are registered. By making this award of RSUs, the Company is not undertaking any obligation to register the RSUs under any federal or state securities laws.

3.4 To the extent the Grantee is eligible to participate in a deferred compensation plan established for such purpose, the Grantee may elect to defer delivery of the Shares that would otherwise be due by virtue of the lapse or waiver of the vesting requirements as set forth in Section 2. If such deferral election is made, the Committee shall, in its sole discretion, establish the rules and procedures for such deferrals which shall be in compliance with Section 409A.

**4. No Right to Continued Employment**

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right with respect to continuance of employment by the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company to terminate the Grantee's employment at any time.

**5. Taxes and Withholding**

The Grantee shall be responsible for all federal, state, and local income taxes payable with respect to this award of RSUs and any dividends paid on such RSUs. The Company and the Grantee agree to report the value of the RSUs in a consistent manner for federal income tax purposes. The Company shall have the right to retain and withhold from any payment of Shares (but only for the minimum required withholdings) or cash the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require the Grantee to reimburse the Company for any such taxes required to be withheld and may withhold any distribution in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due to the Grantee an amount equal to such taxes required to be withheld or withhold and cancel (but only for the minimum required withholdings) (in whole or in part) a number of Shares having a market value not less than the amount of such taxes.

**6. The Grantee Bound By The Plan**

The Grantee hereby acknowledges receipt of a copy of the Plan and the prospectus for the Plan, and agrees to be bound by all the terms and provisions thereof.

**7. Modification of Agreement; Severability**

This Agreement may be modified, amended, suspended, or terminated, and any terms or conditions may be waived, but only by a written instrument executed by the parties hereto. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

**8. Cancellation and Rescission of Award; Return of Shares**

8.1 If, during his employment with the Company or at any time during the one (1) year period after the Date of Termination, the Grantee violates the restrictive covenants set forth in Section 8.2 below, then the Committee shall, notwithstanding any other provision in this Agreement to the contrary, (i) cancel the outstanding RSUs that are not yet vested or with respect to which Shares have not yet been issued to the Grantee, and (ii) require the Grantee to return to the Company any Shares issued to the Grantee pursuant to vesting of the RSUs (or to pay to the Company the then current value of such Shares) that occurred (or will occur) during the period six (6) months prior to and one (1) year after the Date of Termination.

8.2 The Grantee will not directly or indirectly, individually, or on behalf of any Person other than the Company or a Subsidiary:

(i) solicit any Customers for the purpose of providing services identical to or reasonably substitutable for the Company's Business;

(ii) solicit or induce, or in any manner attempt to solicit or induce, any Person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or any Subsidiary or is at will;

(iii) engage in any Restricted Activities within the Territory or from a business location servicing any part of the Territory;

(iv) manage any personnel engaging in any Restricted Activities within the Territory; or

(v) knowingly or intentionally damage or destroy the goodwill and esteem of the Company, any Subsidiary, the Company's Business or the Company's or any Subsidiary's suppliers, employees, patrons, customers , and others who may at any time have or have had relations with the Company or any Subsidiary.

If any term of this Section 8 shall be held to be illegal or invalid by a court of competent jurisdiction, the remaining terms shall remain in full force and effect. If any court of competent jurisdiction shall determine that the restrictions set forth in any provision of this Section 8 or the application thereof are unenforceable in whole or in part because of the time, geographic area or scope of such restriction or provision, the parties hereto agree that such court in making such determination shall have the power to modify the time, geographic area or scope of such restriction or provision to the extent necessary to make it enforceable, and that the restriction or provision in its modified form shall be valid and enforceable to the full extent permitted by law.

The Grantee further agrees that he or she will not, except as necessary to carry out his duties as an employee of the Company, disclose or use Confidential Information. The Grantee further agrees that, upon termination or expiration of employment with the Company for any reason whatsoever or at any time, the Grantee will upon request by the Company deliver promptly to the Company all materials (including electronically-stored materials), documents, plans, records, notes, or other papers, and any copies in the Grantee's possession or control, relating in any way to the Company's Business, which at all times shall be the property of the Company.

8.3 For purposes of this Section 8, the following terms shall have the meanings specified below:

(i) "***Company's Business***" means the business of operating a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

(ii) "***Confidential Information***" means information, without regard to form, relating to the Company's or any Subsidiary's customers, operation, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including, but not limited to, technical or non-technical data (including personnel data), formulas, patterns, compilations (including compilations of customer information), programs, devices, methods, techniques, processes, financial data or lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to the Company or any Subsidiary by third parties that the Company or any Subsidiary is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two (2) year period after the Date of Termination.

(iii) "***Customers***" means all Persons that (1) the Grantee serviced or solicited on behalf of the Company or any Subsidiary, (2) whose dealings with the Company or any Subsidiary were coordinated or supervised, in whole or in part, by the Grantee, or (3) about whom the Grantee obtained Confidential Information, in each case during the term of this Agreement or while otherwise employed by the Company.

(iv) "***Date of Termination***" means the date upon which the Grantee's employment with the Company ceases for any reason.

(v) "***Person***" means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

(vi) "***Restricted Activities***" means serving as a director, officer, executive, manager, employee or business consultant for a commercial or retail bank, savings association, mutual thrift, credit union, trust company, securities brokerage or insurance agency.

**9. Governing Law**

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the state of Georgia without giving effect to the conflicts of laws principles thereof.

**10. Successors in Interest**

This Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns, whether by merger, consolidation, reorganization, sale of assets, or otherwise. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be final, binding, and conclusive upon the Grantee's heirs, executors, administrators, and successors.

**11. Entire Agreement**

This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. Wherever appropriate in this Agreement, personal pronouns shall be deemed to include the other genders and the singular to include the plural. Wherever used in this Agreement, the term "including" means "including, without limitation."

**12. Resolution of Disputes**

12.1 Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement and the Plan shall be determined by the Committee. Any determination made by the Committee shall be final, binding and conclusive on the Grantee and the Company and their successors, assigns, heirs, executors, administrators and legal representatives for all purposes.

12.2 To the extent permitted by applicable law, any dispute, disagreement or claim which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement or the Plan, any breach hereof or thereof, or relating to the enforcement or arbitrability of any provision hereof or thereof, shall be settled by binding arbitration in Atlanta, Georgia by the American Arbitration Association. Judgment on the arbitrator's award shall be final and may be entered in any court having jurisdiction thereof. Except as may otherwise be determined by the arbitrator(s), each party shall be solely responsible for any expenses (including attorneys' fees and disbursements, court costs and expert witness fees) incurred by it or on its behalf in investigating and enforcing any rights under this Agreement, and each party shall bear one-half of the fees and expenses of the arbitrator(s) in connection with any arbitration or other proceeding.

**12.3 THIS AGREEMENT CONTAINS AN ARBITRATION CLAUSE. BY SIGNING THIS AGREEMENT, THE PARTIES AGREE THAT EACH PARTY TO THIS AGREEMENT IS GIVING UP THE RIGHT TO SUE THE OTHER PARTY IN COURT, INCLUDING THE RIGHT TO A TRIAL BY JURY. ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED. THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS. THE ARBITRATOR(S) DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD. THE ARBITRATION RULES MAY IMPOSE TIME LIMITS FOR BRINGING A CLAIM IN ARBITRATION. IN SOME CASES, A CLAIM THAT IS INELIGIBLE FOR ARBITRATION COULD HAVE OTHERWISE BEEN BROUGHT IN COURT.**

**[EXECUTION PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date first above written.

**UNITED COMMUNITY BANKS, INC.**

By: ______________________________

Name: ______________________________

Title: ______________________________

By signing below, the Grantee hereby accepts the RSU grant subject to all its terms and provisions and agrees to be bound by the terms and provisions of this Agreement, including Exhibit A and Section 8, and the Plan. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors of the Company, or the Compensation Committee or other Committee responsible for the administration of the Plan, upon any questions arising under the Plan.

**GRANTEE**

By: ______________________________

Name: ______________________________

**[EXHIBIT A FOLLOWS]**

**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 South Carolina Properties, Inc. | South Carolina |
| UCB Real Estate Investments, Inc. | Georgia |
| UCB Metro Real Estate Investments, Inc. | Georgia |
| UCBI Georgia Credits LLC | Georgia |
| United Community Payment Systems, LLC (50% owned by United Community Bank) | Delaware |
| 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, 333-185733, and 333-197026) 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 27, 2015 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 27, 2015

**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; File No. 333-185733, effective January 30, 2013; and File No. 333-197026, effective June 25, 2014).

/s/ Porter Keadle Moore, LLC

Atlanta, Georgia
February 27, 2015

**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
Chairman and Chief Executive Officer

Date: February 27, 2015

**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 27, 2015

**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, 2014 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jimmy C. Tallent, Chairman 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
Chairman and Chief Executive Officer

By: ***/s/ Rex S. Schuette***
Rex S. Schuette
Executive Vice President and
Chief Financial Officer

Date: February 27, 2015