

UNITED COMMUNITY BANKS INC
Form 10-Q
August 02, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2013

OR

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

For the Transition Period from _____ to _____

Commission file number 001-35095

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

Georgia
(State of Incorporation)

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

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

30512
(Zip Code)

(706) 781-2265

(Telephone Number)

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

YES NO

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

to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer 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.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do
not check if a smaller
reporting company) 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

Common stock, par value \$1 per share 43,363,414 shares voting and 14,474,810 shares non-voting outstanding as of July 31, 2013.

1

INDEX

PART I - Financial Information

Item 1.	Financial Statements.	
	Consolidated Statement of Income (unaudited) for the Three and Six Months Ended June 30, 2013 and 2012	3
	Consolidated Statement of Comprehensive Income (unaudited) for the Three and Six Months Ended June 30, 2013 and 2012	4
	Consolidated Balance Sheet (unaudited) at June 30, 2013, December 31, 2012 and June 30, 2012	5
	Consolidated Statement of Changes in Shareholders' Equity (unaudited) for the Six Months Ended June 30, 2013 and 2012	6
	Consolidated Statement of Cash Flows (unaudited) for the Six Months Ended June 30, 2013 and 2012	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	37
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.	60
Item 4.	Controls and Procedures.	60

PART II - Other Information

Item 1.	Legal Proceedings.	61
Item 1A.	Risk Factors.	61
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.	62
Item 3.	Defaults Upon Senior Securities.	62
Item 4.	Mine Safety Disclosures.	62
Item 5.	Other Information.	62
Item 6.	Exhibits.	63

Part I – Financial Information

Item 1 – Financial Statements

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

(in thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Interest revenue:				
Loans, including fees	\$50,728	\$54,178	\$101,662	\$109,937
Investment securities, including tax exempt of \$210, \$262, \$422 and \$512	9,681	11,062	19,646	24,066
Deposits in banks and short-term investments	916	1,096	1,786	2,108
Total interest revenue	61,325	66,336	123,094	136,111
Interest expense:				
Deposits:				
NOW	419	503	873	1,140
Money market	534	661	1,096	1,302
Savings	36	38	72	75
Time	2,924	5,073	6,150	11,232
Total deposit interest expense	3,913	6,275	8,191	13,749
Short-term borrowings	522	904	1,038	1,949
Federal Home Loan Bank advances	30	390	49	856
Long-term debt	2,666	2,375	5,328	4,747
Total interest expense	7,131	9,944	14,606	21,301
Net interest revenue	54,194	56,392	108,488	114,810
Provision for loan losses	48,500	18,000	59,500	33,000
Net interest revenue after provision for loan losses	5,694	38,392	48,988	81,810
Fee revenue:				
Service charges and fees	7,972	7,816	15,375	15,599
Mortgage loan and other related fees	3,003	2,322	5,658	4,421
Brokerage fees	1,063	809	1,830	1,622
Securities gains, net	-	6,490	116	7,047
Loss from prepayment of debt	-	(6,199)	-	(6,681)
Other	4,274	1,629	6,159	6,238
Total fee revenue	16,312	12,867	29,138	28,246
Total revenue	22,006	51,259	78,126	110,056
Operating expenses:				
Salaries and employee benefits	24,734	24,297	48,326	49,522
Communications and equipment	3,468	3,211	6,514	6,366
Occupancy	3,449	3,539	6,816	7,310
Advertising and public relations	1,037	1,088	1,975	1,934
Postage, printing and supplies	894	916	1,757	1,895
Professional fees	2,499	1,952	4,865	3,927
Foreclosed property	5,151	1,851	7,484	5,676
FDIC assessments and other regulatory charges	2,505	2,545	5,010	5,055

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Amortization of intangibles	491	730	1,196	1,462
Other	4,595	4,181	8,650	8,118
Total operating expenses	48,823	44,310	92,593	91,265
Net (loss) income before income taxes	(26,817)	6,949	(14,467)	18,791
Income tax (benefit) expense	(256,781)	450	(256,196)	764
Net income	229,964	6,499	241,729	18,027
Preferred stock dividends and discount accretion	3,055	3,032	6,107	6,062
Net income available to common shareholders	\$226,909	\$3,467	\$235,622	\$11,965
Earnings per common share - basic / diluted	\$3.90	\$0.06	\$4.05	\$.21
Weighted average common shares outstanding - basic / diluted	58,141	57,840	58,111	57,803

See accompanying notes to consolidated financial statements.

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

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
2013						
Net (loss) income			\$ (26,817)			\$ 241,196
Other comprehensive income (loss):						
Unrealized (losses) gains on available-for-sale securities:						
Unrealized holding gains (losses) arising during period	(15,358)	5,798	(9,560)	(13,717)	5,177	(8,540)
Reclassification adjustment for gains included in net income	-	-	-	(116)	45	(71)
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	-	(3,526)	(3,526)	-	(2,950)	(2,950)
Net unrealized gains (losses)	(15,358)	2,272	(13,086)	(13,833)	2,272	(11,561)
Amortization of gains included in net income on available-for-sale securities transferred to held-to-maturity	(271)	103	(168)	(590)	227	(363)
Adjustment of valuation allowance for the change in deferred taxes arising from the amortization of gains included in net income (loss) on available-for-sale securities transferred to held-to-maturity and release of valuation allowance	-	1,415	1,415	-	1,293	1,293
Net unrealized losses	(271)	1,518	1,247	(590)	1,520	930
Amounts reclassified into net income on cash flow hedges	(306)	119	(187)	(844)	328	(516)
Unrealized losses on derivative financial instruments accounted for as cash flow hedges	11,672	(4,540)	7,132	12,102	(4,707)	7,395
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	-	13,740	13,740	-	13,698	13,698
Net unrealized losses	11,366	9,319	20,685	11,258	9,319	20,577
Net actuarial loss on defined benefit pension plan	-	-	-	(415)	161	(254)
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	133	(52)	81	265	(103)	162
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	-	110	110	-	-	-
Net defined benefit pension plan activity	133	58	191	(150)	58	(92)
Total other comprehensive income (loss)	(4,130)	13,167	9,037	(3,315)	13,169	9,854
Comprehensive income			\$ (30,947)			\$ 251,050

2012

Net (loss) income	\$6,949	\$(450)	\$6,499	\$18,791	\$(764)	\$18,027
Other comprehensive income (loss):						
Unrealized (losses) gains on available-for-sale securities:						
Unrealized holding gains (losses) arising during period	4,264	(1,645)	2,619	924	(277)	647
Reclassification adjustment for gains included in net income	(6,490)	2,425	(4,065)	(7,047)	2,631	(4,416)
Valuation allowance for the change in deferred taxes arising from unrealized gains and losses on available-for-sale securities	-	(780)	(780)	-	(2,354)	(2,354)
Net unrealized gains (losses)	(2,226)	-	(2,226)	(6,123)	-	(6,123)
Amortization of gains included in net income on available-for-sale securities transferred to held-to-maturity	(400)	151	(249)	(813)	308	(505)
Valuation allowance for the change in deferred taxes arising from the amortization of gains included in net income (loss) on available-for-sale securities transferred to held-to-maturity	-	(151)	(151)	-	(308)	(308)
Net unrealized losses	(400)	-	(400)	(813)	-	(813)
Amortization of gains included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	(714)	278	(436)	(2,314)	900	(1,414)
Unrealized losses on derivative financial instruments accounted for as cash flow hedges	(4,855)	1,889	(2,966)	(4,855)	1,889	(2,966)
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	-	(2,167)	(2,167)	-	(2,789)	(2,789)
Net unrealized losses	(5,569)	-	(5,569)	(7,169)	-	(7,169)
Net actuarial loss on defined benefit pension plan	-	-	-	-	-	-
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	154	(60)	94	308	(120)	188
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		60	60		120	120
Net defined benefit pension plan activity	154	-	154	308	-	308
Total other comprehensive income (loss)	(8,041)	-	(8,041)	(13,797)	-	(13,797)
Comprehensive income	\$(1,092)	\$(450)	\$(1,542)	\$4,994	\$(764)	\$4,230

See accompanying notes to consolidated financial statements.

4

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

(in thousands, except share and per share data)	June 30, 2013	December 31, 2012	June 30, 2012
ASSETS			
Cash and due from banks	\$62,564	\$66,536	\$50,596
Interest-bearing deposits in banks	141,016	124,613	133,857
Short-term investments	57,000	60,000	120,000
Cash and cash equivalents	260,580	251,149	304,453
Securities available-for-sale	1,937,264	1,834,593	1,701,583
Securities held-to-maturity (fair value \$226,695, \$261,131 and \$299,791)	214,947	244,184	282,750
Mortgage loans held for sale	19,150	28,821	18,645
Loans, net of unearned income	4,189,368	4,175,008	4,119,235
Less allowance for loan losses	(81,845)	(107,137)	(112,705)
Loans, net	4,107,523	4,067,871	4,006,530
Assets covered by loss sharing agreements with the FDIC	35,675	47,467	65,914
Premises and equipment, net	167,197	168,920	172,200
Bank owned life insurance	82,276	81,867	81,265
Accrued interest receivable	19,279	18,659	20,151
Goodwill and other intangible assets	4,315	5,510	6,965
Foreclosed property	3,936	18,264	30,421
Net deferred tax asset	272,287	-	-
Unsettled securities sales	-	5,763	-
Other assets	38,206	29,191	46,229
Total assets	\$7,162,635	\$6,802,259	\$6,737,106
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits:			
Demand	\$1,349,804	\$1,252,605	\$1,150,444
NOW	1,225,664	1,316,453	1,196,507
Money market	1,167,889	1,149,912	1,117,139
Savings	247,821	227,308	219,077
Time:			
Less than \$100,000	982,009	1,055,271	1,164,451
Greater than \$100,000	664,112	705,558	764,343
Brokered	374,530	245,033	210,506
Total deposits	6,011,829	5,952,140	5,822,467
Short-term borrowings	54,163	52,574	53,656
Federal Home Loan Bank advances	70,125	40,125	125,125
Long-term debt	124,845	124,805	120,265
Accrued expenses and other liabilities	72,370	51,210	39,598
Total liabilities	6,333,332	6,220,854	6,161,111

Commitments and contingencies

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Shareholders' equity:

Preferred stock, \$1 par value; 10,000,000 shares authorized;			
Series A; \$10 stated value; 21,700 shares issued and outstanding	217	217	217
Series B; \$1,000 stated value; 180,000 shares issued and outstanding	179,323	178,557	177,814
Series D; \$1,000 stated value; 16,613 shares issued and outstanding	16,613	16,613	16,613
Common stock, \$1 par value; 100,000,000 shares authorized;			
43,356,492, 42,423,870 and 41,726,509 shares issued and			
outstanding	43,356	42,424	41,727
Common stock, non-voting, \$1 par value; 30,000,000 shares			
authorized;			
14,474,810, 15,316,794 and 15,914,209 shares issued and outstanding	14,475	15,317	15,914
Common stock issuable; 271,215, 133,238 and 94,657 shares	4,705	3,119	2,893
Capital surplus	1,057,931	1,057,951	1,056,819
Accumulated deficit	(473,531)	(709,153)	(718,896)
Accumulated other comprehensive loss	(13,786)	(23,640)	(17,106)
Total shareholders' equity	829,303	581,405	575,995
Total liabilities and shareholders' equity	\$7,162,635	\$6,802,259	\$6,737,106

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.

Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

For the Six Months Ended June 30,

(in thousands, except share and per share data)	Preferred Stock			Non-Voting Common			Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Series A	Series B	Series D	Common Stock	Common Stock	Stock Issuable				
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 loss								18,027		18,027
Other comprehensive loss									(13,797)	(13,797)
Common stock issued to dividend reinvestment plan and employee benefit plans (60,982 shares)				61			440			501
Amortization of stock options and restricted stock awards							946			946
Vesting of restricted stock (15,790 shares issued, 8,399 shares deferred)				16		(151)	206			71
Deferred compensation plan, net, including dividend equivalents							101			101