

UNITED COMMUNITY BANKS INC
Form 10-Q
November 07, 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 September 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.)
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125 Highway 515 East Blairsville, Georgia Address of Principal Executive Offices	30512 (Zip Code)
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(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

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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 45,230,240 shares voting and 14,189,006 shares non-voting outstanding as of October 31, 2013.

INDEX

PART I - Financial Information

Item 1.	Financial Statements.	
	Consolidated Statement of Income (unaudited) for the Three and Nine Months Ended September 30, 2013 and 2012	3
	Consolidated Statement of Comprehensive Income (unaudited) for the Three and Nine Months Ended September 30, 2013 and 2012	4
	Consolidated Balance Sheet (unaudited) at September 30, 2013, December 31, 2012 and September 30, 2012	5
	Consolidated Statement of Changes in Shareholders' Equity (unaudited) for the Nine Months Ended September 30, 2013 and 2012	6
	Consolidated Statement of Cash Flows (unaudited) for the Nine Months Ended September 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.	38
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.	61
Item 4.	Controls and Procedures.	61

PART II - Other Information

Item 1.	Legal Proceedings.	62
Item 1A.	Risk Factors.	62
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 Income (Unaudited)

(in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
Interest revenue:				
Loans, including fees	\$50,114	\$53,868	\$151,776	\$163,805
Investment securities, including tax exempt of \$202, \$225, \$624 and \$737	9,872	10,706	29,518	34,772
Deposits in banks and short-term investments	1,007	985	2,793	3,093
Total interest revenue	60,993	65,559	184,087	201,670
Interest expense:				
Deposits:				
NOW	413	447	1,286	1,587
Money market	545	599	1,641	1,901
Savings	37	37	109	112
Time	2,486	4,612	8,636	15,844
Total deposit interest expense	3,481	5,695	11,672	19,444
Short-term borrowings	525	514	1,563	2,463
Federal Home Loan Bank advances	16	26	65	882
Long-term debt	3,003	2,372	8,331	7,119
Total interest expense	7,025	8,607	21,631	29,908
Net interest revenue	53,968	56,952	162,456	171,762
Provision for loan losses	3,000	15,500	62,500	48,500
Net interest revenue after provision for loan losses	50,968	41,452	99,956	123,262
Fee revenue:				
Service charges and fees	8,456	7,696	23,831	23,295
Mortgage loan and other related fees	2,554	2,800	8,212	7,221
Brokerage fees	1,274	709	3,104	2,331
Securities gains, net	-	-	116	7,047
Loss from prepayment of debt	-	-	-	(6,681)
Other	1,860	2,559	8,019	8,797
Total fee revenue	14,144	13,764	43,282	42,010
Total revenue	65,112	55,216	143,238	165,272
Operating expenses:				
Salaries and employee benefits	23,090	22,918	71,416	72,440
Communications and equipment	3,305	3,254	9,819	9,620
Occupancy	3,379	3,539	10,195	10,849

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Advertising and public relations	962	934	2,937	2,868
Postage, printing and supplies	644	954	2,401	2,849
Professional fees	2,650	2,180	7,515	6,107
Foreclosed property	194	3,706	7,678	9,382
FDIC assessments and other regulatory charges	2,405	2,537	7,415	7,592
Amortization of intangibles	427	728	1,623	2,190
Other	3,041	4,033	11,691	12,151
Total operating expenses	40,097	44,783	132,690	136,048
Net income before income taxes	25,015	10,433	10,548	29,224
Income tax expense (benefit)	9,515	(135)	(246,681)	629
Net income	15,500	10,568	257,229	28,595
Preferred stock dividends and discount accretion	3,059	3,041	9,166	9,103
Net income available to common shareholders	\$12,441	\$7,527	\$248,063	\$19,492
Earnings per common share				
Basic	\$.21	\$.13	\$4.24	\$.34
Diluted	.21	.13	4.24	.34
Weighted average common shares outstanding				
Basic	59,100	57,880	58,443	57,826
Diluted	59,202	57,880	58,444	57,826

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY
BANKS, INC.

Consolidated Statement of Comprehensive Income

(Unaudited)

(in thousands)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	Before- tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before- tax Amount	Tax (Expense) Benefit	Net of Tax Amount
2013						
Net (loss) income	\$ 25,015	\$ (9,515)	\$ 15,500	\$ 10,548	\$ 246,681	\$ 257,229
Other comprehensive income (loss):						
Unrealized (losses) gains on available-for-sale securities:						
Unrealized holding gains (losses) arising during period	(13,215)	4,971	(8,244)	(26,932)	10,148	(16,784)
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	-	-	-	-	(2,950)	(2,950)
Net unrealized gains (losses)	(13,215)	4,971	(8,244)	(27,048)	7,243	(19,805)
Amortization of gains included in net income on available-for-sale securities transferred to held-to-maturity	(214)	82	(132)	(804)	309	(495)
Adjustment of valuation allowance for the change in deferred taxes arising from the amortization of gains included in net income (loss) on available-for-sale securities transferred to held-to-maturity and release of valuation allowance	-	-	-	-	1,293	1,293
Net unrealized losses	(214)	82	(132)	(804)	1,602	798
	(58)	23	(35)	(902)	351	(551)

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Amounts reclassified into net income on cash flow hedges

Unrealized losses on derivative financial instruments accounted for as cash flow hedges	(3,369)	1,321	(2,048)	8,733	(3,386)	5,347
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
Net unrealized losses	(3,427)	1,344	(2,083)	7,831	10,663	18,494
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	398	(155)	243
Net defined benefit pension plan activity	133	(52)	81	(17)	6	(11)
Total other comprehensive income (loss)	(16,723)	6,345	(10,378)	(20,038)	19,514	(524)
Comprehensive income	\$ 8,292	\$ (3,170)	\$ 5,122	\$ (9,490)	\$ 266,195	\$ 256,705

2012

Net income	\$ 10,433	\$ 135	\$ 10,568	\$ 29,224	\$ (629)	\$ 28,595
Other comprehensive income (loss):						
Unrealized (losses) gains on available-for-sale securities:						
Unrealized holding gains (losses) arising during period	5,813	(2,139)	3,674	6,737	(2,415)	4,322
Reclassification adjustment for gains included in net income	-	-	-	(7,047)	2,631	(4,416)
Valuation allowance for the change in deferred taxes	-	2,139	2,139	-	(216)	(216)

arising from unrealized gains and losses on available-for-sale securities						
Net unrealized gains (losses)	5,813	-	5,813	(310)	-	(310)
Amortization of gains included in net income on available-for-sale securities transferred to held-to-maturity	(499)	189	(310)	(1,312)	497	(815)
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	-	(189)	(189)	-	(497)	(497)
Net unrealized losses	(499)	-	(499)	(1,312)	-	(1,312)
Amortization of gains included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	(763)	297	(466)	(3,077)	1,197	(1,880)
Unrealized losses on derivative financial instruments accounted for as cash flow hedges	(3,943)	1,534	(2,409)	(8,798)	3,422	(5,376)
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	-	(1,831)	(1,831)	-	(4,619)	(4,619)
Net unrealized losses	(4,706)	-	(4,706)	(11,875)	-	(11,875)
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	462	(180)	282
Valuation allowance for the change in deferred taxes arising from reclassification of unamortized prior	-	60	60	-	180	180

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service cost and actuarial losses and amortization of prior service cost and actuarial losses						
Net defined benefit pension plan activity	154	-	154	462	-	462
Total other comprehensive income (loss)	762	-	762	(13,035)	-	(13,035)
Comprehensive income	\$ 11,195	\$ 135	\$ 11,330	\$ 16,189	\$ (629)	\$ 15,560

See accompanying notes to consolidated financial statements.

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

	September 30, 2013	December 31, 2012	September 30, 2012
(in thousands, except share and per share data)			
ASSETS			
Cash and due from banks	\$70,986	\$66,536	\$57,270
Interest-bearing deposits in banks	131,147	124,613	119,355
Short-term investments	62,000	60,000	45,000
Cash and cash equivalents	264,133	251,149	221,625
Securities available for sale	1,963,424	1,834,593	1,761,994
Securities held to maturity (fair value \$214,651, \$261,131 and \$281,336)	205,613	244,184	262,648
Mortgage loans held for sale	11,987	28,821	30,571
Loans, net of unearned income	4,267,067	4,175,008	4,137,845
Less allowance for loan losses	(80,372)	(107,137)	(107,642)
Loans, net	4,186,695	4,067,871	4,030,203
Assets covered by loss sharing agreements with the FDIC	31,207	47,467	53,070
Premises and equipment, net	165,993	168,920	170,532
Bank owned life insurance	80,537	81,867	81,574
Accrued interest receivable	18,199	18,659	19,133
Other intangible assets	3,888	5,510	6,237
Foreclosed property	4,467	18,264	26,958
Net deferred tax asset	269,784	-	-
Other assets	37,366	34,954	34,690
Total assets	\$7,243,293	\$6,802,259	\$6,699,235
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits:			
Demand	\$1,418,782	\$1,252,605	\$1,210,703
NOW	1,279,134	1,316,453	1,184,341
Money market	1,197,495	1,149,912	1,126,312
Savings	249,044	227,308	222,431
Time:			
Less than \$100,000	925,089	1,055,271	1,123,672
Greater than \$100,000	624,019	705,558	731,766
Brokered	419,344	245,033	223,474
Total deposits	6,112,907	5,952,140	5,822,699
Short-term borrowings	53,769	52,574	53,243
Federal Home Loan Bank advances	125	40,125	50,125
Long-term debt	129,865	124,805	120,285
Unsettled securities purchases	11,610	-	24,319
Accrued expenses and other liabilities	82,800	51,210	43,309
Total liabilities	6,391,076	6,220,854	6,113,980
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

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Series B; \$1,000 stated value; 180,000 shares issued and outstanding	179,714	178,557	178,183
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; 45,222,839, 42,423,870 and 42,393,319 shares issued and outstanding	45,223	42,424	42,393
Common stock, non-voting, \$1 par value; 30,000,000 shares authorized; 14,189,006, 15,316,794 and 15,316,794 shares issued and outstanding	14,189	15,317	15,317
Common stock issuable; 242,262, 133,238 and 129,270 shares	3,979	3,119	3,247
Capital surplus	1,077,536	1,057,951	1,056,998
Accumulated deficit	(461,090)	(709,153)	(711,369)
Accumulated other comprehensive loss	(24,164)	(23,640)	(16,344)
Total shareholders' equity	852,217	581,405	585,255
Total liabilities and shareholders' equity	\$7,243,293	\$6,802,259	\$6,699,235

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.

Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
For the Nine Months Ended September 30,

(in thousands, except share and per share data)	Preferred Stock			Non-Voting Common				Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)
	Series A	Series B	Series D	Common Stock	Common Stock	Issuable Stock	Capital Surplus		
Balance, December 31, 2011	\$217	\$177,092	\$16,613	\$41,647	\$15,914	\$3,233	\$1,054,940	\$(730,861)	\$(3,309)
Net income								28,595	
Other comprehensive loss									(13,035)
Common stock issued to dividend reinvestment plan and employee benefit plans (87,086 shares)				86			616		
Conversion of non-voting common stock to voting common stock (597,415 shares)				597	(597)				
Amortization of stock options and restricted stock awards							1,412		
Vesting of restricted stock (59,081 shares issued, 36,673 shares deferred)				60		155	(257)		
Deferred compensation plan, net, including dividend equivalents						149			
Shares issued from deferred compensation plan (2,637 shares)				3		(290)	287		
Preferred stock dividends:									
Series A								(9)	
Series B		1,091						(7,841)	
Series D								(1,253)	
Balance, September 30, 2012	\$217	\$178,183	\$16,613	\$42,393	\$15,317	\$3,247	\$1,056,998	\$(711,369)	\$(16,344)
Balance, December 31, 2012	\$217	\$178,557	\$16,613	\$42,424	\$15,317	\$3,119	\$1,057,951	\$(709,153)	\$(23,640)
Net income								257,229	
Other comprehensive income									(524)
Common stock issued to dividend reinvestment plan and to employee benefit plans (49,830 shares)				50			532		
Conversion of non-voting common stock to voting (1,127,788 shares)				1,128	(1,128)				
				1,551			17,838		

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Warrant exercise (1,551,126 shares)										
Amortization of stock options and restricted stock awards								2,168		
Vesting of restricted stock, net of shares surrendered to cover payroll taxes (51,995 shares issued, 115,664 shares deferred)	52					1,693	(1,900)		
Deferred compensation plan, net, including dividend equivalents							132			
Shares issued from deferred compensation plan (18,230 shares)	18					(965)	947		
Preferred stock dividends:										
Series A								(9)	
Series B		1,157						(7,907)	
Series D								(1,250)	
Balance, September 30, 2013	\$217	\$179,714	\$16,613	\$45,223	\$14,189	\$3,979	\$1,077,536	\$(461,090)	\$(24,164)	

See accompanying notes to consolidated financial statements.

