

UNITED COMMUNITY BANKS INC  
Form 10-Q  
May 04, 2011

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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 March 31, 2011

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 001-39095

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.



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## 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 March 31,	
	2011	2010
<b>Interest revenue:</b>		
Loans, including fees	\$ 61,107	\$ 72,215
Investment securities, including tax exempt of \$259 and \$311	13,604	16,203
Federal funds sold, commercial paper and deposits in banks	819	938
Total interest revenue	75,530	89,356
<b>Interest expense:</b>		
Deposits:		
NOW	1,324	1,854
Money market	2,028	1,757
Savings	77	84
Time	11,732	20,198
Total deposit interest expense	15,161	23,893
Federal funds purchased, repurchase agreements and other short-term borrowings	1,042	1,038
Federal Home Loan Bank advances	590	977
Long-term debt	2,780	2,662
Total interest expense	19,573	28,570
Net interest revenue	55,957	60,786
Provision for loan losses	190,000	75,000
Net interest expense after provision for loan losses	(134,043 )	(14,214 )
<b>Fee revenue:</b>		
Service charges and fees	6,720	7,447
Mortgage loan and other related fees	1,494	1,479
Brokerage fees	677	567
Securities gains, net	55	61
Other	2,892	2,112
Total fee revenue	11,838	11,666
Total revenue	(122,205 )	(2,548 )
<b>Operating expenses:</b>		
Salaries and employee benefits	24,924	24,360
Communications and equipment	3,344	3,273
Occupancy	4,074	3,814
Advertising and public relations	978	1,043
Postage, printing and supplies	1,118	1,225
Professional fees	3,330	1,943
Foreclosed property	64,899	10,813
FDIC assessments and other regulatory charges	5,413	3,626
Amortization of intangibles	762	802
Other	6,429	3,921
Total operating expenses	115,271	54,820

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Loss from continuing operations before income taxes	(237,476 )	(57,368 )
Income tax benefit	(94,990 )	(22,910 )
Net loss from continuing operations	(142,486 )	(34,458 )
Loss from discontinued operations, net of income taxes	-	(101 )
Gain from sale of subsidiary, net of income taxes and selling costs	-	1,266
Net loss	(142,486 )	(33,293 )
Preferred stock dividends and discount accretion	2,778	2,572
Net loss available to common shareholders	\$ (145,264 )	\$ (35,865 )
Loss from continuing operations per common share - Basic / Diluted	\$ (1.57 )	\$ (.39 )
Loss per common share - Basic / Diluted	(1.57 )	(.38 )
Weighted average common shares outstanding - Basic / Diluted	92,330	94,390

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.  
Consolidated Balance Sheet

(in thousands, except share and per share data)	March 31, 2011 (unaudited)	December 31, 2010 (audited)	March 31, 2010 (unaudited)
<b>ASSETS</b>			
Cash and due from banks	\$ 153,891	\$95,994	\$ 105,613
Interest-bearing deposits in banks	465,656	111,901	99,893
Federal funds sold, commercial paper and short-term investments	470,087	441,562	183,049
Cash and cash equivalents	1,089,634	649,457	388,555
Securities available for sale	1,638,494	1,224,417	1,526,589
Securities held to maturity (fair value \$248,361 and \$267,988)	245,430	265,807	-
Loans held for sale	80,629	-	-
Mortgage loans held for sale	25,364	35,908	21,998
Loans, net of unearned income	4,194,372	4,604,126	4,992,045
Less allowance for loan losses	133,121	174,695	173,934
Loans, net	4,061,251	4,429,431	4,818,111
Assets covered by loss sharing agreements with the FDIC	125,789	131,887	169,287
Premises and equipment, net	179,143	178,239	181,217
Accrued interest receivable	21,687	24,299	30,492
Goodwill and other intangible assets	10,684	11,446	224,394
Foreclosed property	54,378	142,208	136,275
Net deferred tax asset	266,367	166,937	92,986
Other assets	174,742	183,160	247,114
Total assets	\$7,973,592	\$7,443,196	\$7,837,018
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities:</b>			
<b>Deposits:</b>			
Demand	\$864,708	\$793,414	\$740,727
NOW	1,320,136	1,424,781	1,344,973
Money market	967,938	891,252	729,283
Savings	193,591	183,894	186,699
Time:			
Less than \$100,000	1,576,505	1,496,700	1,643,059
Greater than \$100,000	990,289	1,002,359	1,132,034
Brokered	684,581	676,772	710,813
Total deposits	6,597,748	6,469,172	6,487,588
Federal funds purchased, repurchase agreements, and other short-term borrowings	102,107	101,067	102,480
Federal Home Loan Bank advances	55,125	55,125	114,303
Long-term debt	150,166	150,146	150,086
Unsettled securities purchases	177,532	-	17,588
Accrued expenses and other liabilities	40,766	32,171	39,078
Total liabilities	7,123,444	6,807,681	6,911,123
<b>Shareholders' equity:</b>			
Preferred stock, \$1 par value; 10,000,000 shares authorized;			

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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	176,049	175,711	174,727
Series D; \$1,000 stated value; 16,613 shares issued and outstanding	16,613	-	-
Series F; \$1,000 stated value; 195,872 shares issued and outstanding	195,872	-	-
Series G; \$1,000 stated value; 151,185 shares issued and outstanding	151,185	-	-
Common stock, \$1 par value; 200,000,000 shares authorized; 104,515,553, 94,685,003 and 94,175,857 shares issued and outstanding	104,516	94,685	94,176
Common stock issuable; 397,138, 336,437 and 262,002 shares	3,681	3,894	4,127
Capital surplus	655,350	665,496	622,803
Accumulated deficit	(480,831 )	(335,567 )	(15,481 )
Accumulated other comprehensive income	27,496	31,079	45,326
Total shareholders' equity	850,148	635,515	925,895
Total liabilities and shareholders' equity	\$7,973,592	\$7,443,196	\$7,837,018

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity (Unaudited)  
For the Three Months Ended March 31,

(in thousands, except share and per share data)	Preferred Stock					Common			(Accumulated Deficit)	Accumulated Other	Comprehensive Income
	Series A	Series B	Series D	Series F	Series G	Common Stock	Issuable	Capital Surplus	Retained Earnings	Income	
Balance, December 31, 2009	\$217	\$174,408	\$-	\$-	\$-	\$94,046	\$3,597	\$622,034	\$20,384	\$47,635	\$90,000
Comprehensive income:											
Net loss									(33,293 )		(33,293 )
Other comprehensive income (loss):											
Unrealized holding gains on available for sale securities, net of deferred tax expense and reclassification adjustment										783	783
Unrealized losses on derivative financial instruments qualifying as cash flow hedges, net of deferred tax benefit										(3,092 )	(3,092 )
Comprehensive loss									(33,293 )	(2,309 )	(35,602 )
Common stock issued to dividend Reinvestment plan and employee											



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benefit plans (125,021 shares)						124		387				51
Amortization of stock option and restricted stock								832				83
Vesting of restricted stock (12,447 shares issued, 16,162 shares deferred)						6	444	(450 )				-
Deferred compensation plan, net, including dividend equivalents								86				86
Dividends on Series A preferred stock									(3 )			(3)
Dividends on Series B preferred stock	319								(2,569 )			(2)
Balance, March 31, 2010	\$217	\$174,727	\$-	\$-	\$-	\$94,176	\$4,127	\$622,803	\$(15,481 )	\$45,326	\$92	\$92
Balance, December 31, 2010	\$217	\$175,711	\$-	\$-	\$-	\$94,685	\$3,894	\$665,496	\$(335,567)	\$31,079	\$63	\$63
Comprehensive loss:												
Net loss									(142,486)			(1)
Other comprehensive loss:												
Unrealized holding gains on available for sale securities, net of deferred tax expense and reclassification adjustment												(1,003 )
Unrealized losses on derivative financial instruments qualifying												(1)

as cash								
flow hedges, net								
of								
deferred								
tax benefit								(2,580 ) (2
Comprehensive								
loss							(142,486)	(3,583 ) (1
Preferred for common								
equity exchange								
related to tax								
benefits preservation								
plan (7,755,631								
common shares)	16,613			(7,756 )		(8,857 )		-
Common stock issued								
to dividend								
reinvestment plan								
and employee								
benefit plans								
(230,096 shares)				232		143		37
Common and								
preferred stock issued								
(17,338,497								
common shares)		195,872	151,185	17,338		(1,866 )		36
Amortization of stock								
options and								
restricted								
stock awards						549		54
Vesting of								
restricted stock								
(7,097								
shares								
issued, 31,910								
shares								
deferred)					7	54	(61 )	-
Deferred								
compensation plan,								
net,								
including								
dividend equivalents						65		