

UNITED COMMUNITY BANKS INC
Form 10-Q
November 08, 2018

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, 2018
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 58-1807304
(State of Incorporation) (I.R.S. Employer Identification No.)
125 Highway 515 East
Blairsville, Georgia 30512
Address of Principal Executive Offices (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 every Interactive Data File required to be submitted 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 such files).

YES NO

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 79,207,368 shares outstanding as of October 31, 2018.

INDEX

PART I - Financial Information

Item 1.	Financial Statements.	
	<u>Consolidated Statements of Income (unaudited) for the Three and Nine Months Ended September 30, 2018 and 2017</u>	<u>3</u>
	<u>Consolidated Statements of Comprehensive Income (unaudited) for the Three and Nine Months Ended September 30, 2018 and 2017</u>	<u>4</u>
	<u>Consolidated Balance Sheets (unaudited) at September 30, 2018 and December 31, 2017</u>	<u>5</u>
	<u>Consolidated Statements of Changes in Shareholders' Equity (unaudited) for the Nine Months Ended September 30, 2018 and 2017</u>	<u>6</u>
	<u>Consolidated Statements of Cash Flows (unaudited) for the Nine Months Ended September 30, 2018 and 2017</u>	<u>7</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>48</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	<u>72</u>
Item 4.	<u>Controls and Procedures.</u>	<u>72</u>
<u>PART II - Other Information</u>		
Item 1.	<u>Legal Proceedings.</u>	<u>73</u>
Item 1A.	<u>Risk Factors.</u>	<u>73</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	<u>73</u>
Item 3.	<u>Defaults Upon Senior Securities.</u>	<u>73</u>
Item 4.	<u>Mine Safety Disclosures.</u>	<u>73</u>
Item 5.	<u>Other Information.</u>	<u>73</u>
Item 6.	<u>Exhibits.</u>	<u>74</u>

Part I – Financial Information

UNITED COMMUNITY BANKS, INC.

Consolidated Statements of Income (Unaudited)

(in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest revenue:				
Loans, including fees	\$108,335	\$80,264	\$308,296	\$227,816
Investment securities, including tax exempt of \$1,052, \$671, \$3,049 and \$1,307	19,899	17,875	56,448	53,365
Deposits in banks and short-term investments	487	700	1,482	1,782
Total interest revenue	128,721	98,839	366,226	282,963
Interest expense:				
Deposits:				
NOW and interest-bearing demand	1,901	700	4,317	1,932
Money market	3,261	1,953	8,019	4,938
Savings	33	34	117	89
Time	5,746	1,870	12,900	4,257
Total deposit interest expense	10,941	4,557	25,353	11,216
Short-term borrowings	274	36	772	177
Federal Home Loan Bank advances	1,791	1,709	5,551	4,603
Long-term debt	3,605	2,762	10,679	8,490
Total interest expense	16,611	9,064	42,355	24,486
Net interest revenue	112,110	89,775	323,871	258,477
Provision for credit losses	1,800	1,000	7,400	2,600
Net interest revenue after provision for credit losses	110,310	88,775	316,471	255,877
Noninterest income:				
Service charges and fees	9,112	8,220	26,831	29,525
Mortgage loan and other related fees	5,262	4,200	15,928	13,435
Brokerage fees	1,525	1,009	3,598	3,565
Gains from sales of SBA/USDA loans	2,605	2,806	6,784	7,391
Securities gains (losses), net	2	188	(1,302)	190
Other	5,674	4,150	18,077	12,226
Total noninterest income	24,180	20,573	69,916	66,332
Total revenue	134,490	109,348	386,387	322,209
Noninterest expenses:				
Salaries and employee benefits	47,146	38,027	135,384	112,056
Communications and equipment	5,590	4,547	15,071	14,443
Occupancy	5,779	4,945	16,939	14,802
Advertising and public relations	1,442	1,026	4,341	3,347
Postage, printing and supplies	1,574	1,411	4,896	4,127
Professional fees	3,927	2,976	11,435	8,391
FDIC assessments and other regulatory charges	2,228	2,127	6,677	4,758
Amortization of intangibles	1,681	1,212	5,426	3,085

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Merger-related and other charges	115	3,176	4,449	7,060
Other	8,236	6,227	23,425	19,660
Total noninterest expenses	77,718	65,674	228,043	191,729
Net income before income taxes	56,772	43,674	158,344	130,480
Income tax expense	13,090	15,728	37,370	50,743
Net income	\$43,682	\$27,946	\$120,974	\$79,737
Net income available to common shareholders	\$43,381	\$27,719	\$120,124	\$79,078
Earnings per common share:				
Basic	\$0.54	\$0.38	\$1.51	\$1.10
Diluted	0.54	0.38	1.51	1.10
Weighted average common shares outstanding:				
Basic	79,806	73,151	79,588	72,060
Diluted	79,818	73,162	79,598	72,071

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.

Consolidated Statements 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
2018						
Net income	\$56,772	\$(13,090)	\$43,682	\$158,344	\$(37,370)	\$120,974
Other comprehensive loss:						
Unrealized losses on available-for-sale securities:						
Unrealized holding losses arising during period	(14,022)	3,397	(10,625)	(52,860)	12,861	(39,999)
Reclassification adjustment for (gains) losses included in net income	(2)	5	3	1,302	(312)	990
Net unrealized losses	(14,024)	3,402	(10,622)	(51,558)	12,549	(39,009)
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	168	(40)	128	607	(149)	458
Amortization of losses included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	105	(27)	78	395	(103)	292
Net actuarial loss on defined benefit pension plan	—	—	—	(5)	1	(4)
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	227	(57)	170	681	(188)	493
Net defined benefit pension plan activity	227	(57)	170	676	(187)	489
Total other comprehensive loss	(13,524)	3,278	(10,246)	(49,880)	12,110	(37,770)
Comprehensive income	\$43,248	\$(9,812)	\$33,436	\$108,464	\$(25,260)	\$83,204
2017						
Net income	\$43,674	\$(15,728)	\$27,946	\$130,480	\$(50,743)	\$79,737
Other comprehensive income:						
Unrealized gains on available-for-sale securities:						
Unrealized holding gains arising during period	1,016	(355)	661	18,644	(7,036)	11,608
Reclassification adjustment for gains included in net income	(188)	73	(115)	(190)	72	(118)
Net unrealized gains	828	(282)	546	18,454	(6,964)	11,490
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	278	(105)	173	849	(319)	530
Amortization of losses included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	150	(58)	92	740	(288)	452
Reclassification of disproportionate tax effect related to terminated cash flow hedges	—	—	—	—	3,400	3,400
Net cash flow hedge activity	150	(58)	92	740	3,112	3,852
Net actuarial loss on defined benefit pension plan	—	—	—	(718)	280	(438)

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Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	200	(78) 122	600	(235) 365	
Net defined benefit pension plan activity	200	(78) 122	(118) 45	(73)
Total other comprehensive income	1,456	(523) 933	19,925	(4,126) 15,799	
Comprehensive income	\$45,130	\$(16,251)	\$28,879	\$150,405	\$(54,869)	\$95,536	

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.

Consolidated Balance Sheets (Unaudited)

September December

(in thousands, except share data) 30, 2018 31, 2017