

UNITED COMMUNITY BANKS INC

Form 10-Q

November 04, 2010

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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 September 30, 2010**  
**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 0-21656**  
**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 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, or 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**

**Smaller Reporting  
Company**

**(Do not check if a  
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 94,495,730 shares  
outstanding as of October 31, 2010

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<i>(in thousands, except per share data)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Interest revenue:</b>				
Loans, including fees	\$ 68,419	\$ 80,874	\$ 211,245	\$ 244,445
Investment securities, including tax exempt of \$279, \$328, \$886 and \$956	14,711	18,820	46,743	60,057
Federal funds sold, commercial paper and deposits in banks	719	907	2,416	1,447
Total interest revenue	83,849	100,601	260,404	305,949
<b>Interest expense:</b>				
Deposits:				
NOW	1,705	2,528	5,304	8,708
Money market	1,930	2,711	5,516	7,217
Savings	83	130	250	378
Time	16,099	28,183	54,015	96,300
Total deposit interest expense	19,817	33,552	65,085	112,603
Federal funds purchased, repurchase agreements and other short-term borrowings	1,068	613	3,162	1,761
Federal Home Loan Bank advances	796	1,300	2,747	3,577
Long-term debt	2,665	2,712	7,994	8,241
Total interest expense	24,346	38,177	78,988	126,182
Net interest revenue	59,503	62,424	181,416	179,767
Provision for loan losses	50,500	95,000	187,000	220,000
Net interest revenue after provision for loan losses	9,003	(32,576)	(5,584)	(40,233)
<b>Fee revenue:</b>				
Service charges and fees	7,648	8,138	23,088	22,729
Mortgage loan and other related fees	2,071	1,832	5,151	7,308
Brokerage fees	731	456	1,884	1,642
Securities gains, net	2,491	1,149	2,552	741
Gain from acquisition				11,390
Losses from prepayment of borrowings	(2,233)		(2,233)	
Other	2,153	1,814	5,664	4,097
Total fee revenue	12,861	13,389	36,106	47,907
<b>Total revenue</b>	<b>21,864</b>	<b>(19,187)</b>	<b>30,522</b>	<b>7,674</b>

**Operating expenses:**

Salaries and employee benefits	24,891	23,889	72,841	77,507
Communications and equipment	3,620	3,640	10,404	10,857
Occupancy	3,720	4,063	11,370	11,650
Advertising and public relations	1,128	823	3,523	2,992
Postage, printing and supplies	1,019	1,270	3,009	3,733
Professional fees	2,117	2,358	6,238	8,834
Foreclosed property	19,752	7,918	45,105	17,974
FDIC assessments and other regulatory charges	3,256	2,801	10,448	12,293
Amortization of intangibles	793	813	2,389	2,291
Other	4,610	3,851	12,707	8,793
Loss on sale of nonperforming assets			45,349	
Goodwill impairment	210,590	25,000	210,590	95,000
Severance costs				2,898
<b>Total operating expenses</b>	<b>275,496</b>	<b>76,426</b>	<b>433,973</b>	<b>254,822</b>
Loss from continuing operations before income taxes	(253,632)	(95,613)	(403,451)	(247,148)
Income tax benefit	(17,217)	(26,832)	(73,046)	(58,371)
<b>Net loss from continuing operations</b>	<b>(236,415)</b>	<b>(68,781)</b>	<b>(330,405)</b>	<b>(188,777)</b>
(Loss) income from discontinued operations, net of income taxes		63	(101)	285
Gain from sale of subsidiary, net of income taxes and selling costs			1,266	
<b>Net loss</b>	<b>(236,415)</b>	<b>(68,718)</b>	<b>(329,240)</b>	<b>(188,492)</b>
Preferred stock dividends and discount accretion	2,581	2,562	7,730	7,675
<b>Net loss available to common shareholders</b>	<b>\$ (238,996)</b>	<b>\$ (71,280)</b>	<b>\$ (336,970)</b>	<b>\$ (196,167)</b>
Loss from continuing operations per common share				
Basic / Diluted	\$ (2.52)	\$ (1.43)	\$ (3.58)	\$ (4.01)
Loss per common share Basic / Diluted	(2.52)	(1.43)	(3.56)	(4.01)
Weighted average common shares outstanding				
Basic / Diluted	94,679	49,771	94,527	48,968

See accompanying notes to consolidated financial statements

**Table of Contents****UNITED COMMUNITY BANKS, INC.  
Consolidated Balance Sheet**

<i>(in thousands, except share and per share data)</i>	<b>September 30, 2010 <i>(unaudited)</i></b>	<b>December 31, 2009 <i>(audited)</i></b>	<b>September 30, 2009 <i>(unaudited)</i></b>
<b>ASSETS</b>			
Cash and due from banks	\$ 104,033	\$ 126,265	\$ 195,559
Interest-bearing deposits in banks	64,408	120,382	78,589
Federal funds sold, commercial paper and short-term investments	108,579	129,720	397,361
Cash and cash equivalents	277,020	376,367	671,509
Securities available for sale	1,053,518	1,530,047	1,532,514
Securities held to maturity (fair value \$263,012)	256,694		
Mortgage loans held for sale	20,630	30,226	20,460
Loans, net of unearned income	4,759,504	5,151,476	5,362,689
Less allowance for loan losses	174,613	155,602	150,187
Loans, net	4,584,891	4,995,874	5,212,502
Assets covered by loss sharing agreements with the FDIC	144,581	185,938	197,914
Premises and equipment, net	178,842	182,038	179,467
Accrued interest receivable	24,672	33,867	35,679
Goodwill and other intangible assets	12,217	225,196	226,008
Foreclosed property	129,964	120,770	110,610
Other assets	330,020	319,591	256,954
<b>Total assets</b>	<b>\$ 7,013,049</b>	<b>\$ 7,999,914</b>	<b>\$ 8,443,617</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
Liabilities:			
Deposits:			
Demand	\$ 783,251	\$ 707,826	\$ 703,054
NOW	1,338,371	1,335,790	1,318,264
Money market	804,644	713,901	687,780
Savings	186,617	177,427	180,738
Time:			
Less than \$100,000	1,498,379	1,746,511	1,854,726
Greater than \$100,000	1,033,132	1,187,499	1,237,172
Brokered	354,243	758,880	839,572
Total deposits	5,998,637	6,627,834	6,821,306
Federal funds purchased, repurchase agreements, and other short-term borrowings	103,780	101,389	101,951
Federal Home Loan Bank advances	55,125	114,501	314,704

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Long-term debt	150,126	150,066	150,046
Accrued expenses and other liabilities	42,906	43,803	48,972
<b>Total liabilities</b>	<b>6,350,574</b>	<b>7,037,593</b>	<b>7,436,979</b>
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	175,378	174,408	174,095
Common stock, \$1 par value; 200,000,000 shares authorized; 94,433,300, 94,045,603 and 93,901,492 shares issued and outstanding	94,433	94,046	93,901
Common stock issuable; 305,594, 221,906 and 196,818 shares	3,961	3,597	3,471
Capital surplus	664,605	622,034	620,494
(Accumulated deficit) retained earnings	(316,587)	20,384	62,786
Accumulated other comprehensive income	40,468	47,635	51,674
<b>Total shareholders' equity</b>	<b>662,475</b>	<b>962,321</b>	<b>1,006,638</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,013,049</b>	<b>\$ 7,999,914</b>	<b>\$ 8,443,617</b>

See accompanying notes to consolidated financial statements



**Table of Contents****UNITED COMMUNITY BANKS, INC.****Consolidated Statement of Changes in Shareholders' Equity (Unaudited)****For the Nine Months Ended September 30,**

	Series					(Accumulated	Accumulated		
	A	Series B	Common	Common	Stock	Capital	Deficit)	Treasury	Other
(Thousands, except share and per share data)	Preferred	Preferred	Common	Stock	Issuable	Surplus	Retained	Stock	Comprehensive
	Stock	Stock	Stock	Stock	Surplus	Earnings	Earnings	(Loss)	Income
<b>Balance, December 31, 2008</b>	\$ 258	\$ 173,180	\$ 48,809	\$ 2,908	\$ 460,708	\$ 265,405	\$ (16,465)	\$ 54,579	\$ 98
Comprehensive income:									
Net income						(188,492)			(188,492)
Other comprehensive loss:									
Realized holding gains on available for sale securities, net of deferred tax expense and reclassification adjustment								14,223	14,223
Realized losses on derivative financial instruments qualifying as cash flow hedges, net of deferred tax benefit								(17,128)	(17,128)
Other comprehensive loss						(188,492)		(2,905)	(2,905)
Redemption of preferred stock (4,100 shares)	(41)								
Dividends declared on common stock (1,522 shares)			482		(6,731)	(6,451)	12,649		
Exercise of stock options (437 shares)					(6)		8		
Common stock issued to dividend reinvestment plan and employee benefit plans (256,990 shares)			103		(1,978)		3,434		
Common stock issued (44,505,000 shares)			44,505		166,394	2,774			
Amortization of stock option and restricted stock expense (12,447 shares issued, 12,447 shares deferred)			2	416	(658)		240		
Deferred compensation plan, net, including restricted stock equivalents				302					
Shares issued from deferred compensation plan (1,000 shares)				(155)	21		134		
Common stock option exercise and restricted stock expense					(30)				
Dividends on Series A preferred stock (\$.45 per share)							(11)		
Dividends on Series B preferred stock (5%)		915					(7,665)		
<b>Balance, September 30, 2009</b>	\$ 217	\$ 174,095	\$ 93,901	\$ 3,471	\$ 620,494	\$ 62,786	\$	\$ 51,674	\$ 1,000
<b>Balance, December 31, 2009</b>	\$ 217	\$ 174,408	\$ 94,046	\$ 3,597	\$ 622,034	\$ 20,384	\$	\$ 47,635	\$ 96
Comprehensive loss:									

ss	(329,240)	(32
comprehensive loss:		
ized holding gains on available for sale		
ies, net of deferred tax benefit and		
ification adjustment		739
ized losses on derivative financial		
ments qualifying as cash flow hedges, net		
ferred tax benefit	(7,906)	(