

2014 ANNUAL REPORT



FINANCIAL HIGHLIGHTS

(in millions, except per share data)

	2014	2013
CORE EARNINGS SUMMARY		
Net interest revenue	\$ 224.4	\$ 219.6
Core fee revenue	54.9	53.9
Core operating expenses	162.1	163.5
Core earnings (pre-tax, pre-credit)	117.2	110.0
Provision for loan losses	(8.5)	(65.5)
Foreclosed property costs	(.6)	(7.9)
Gain on bank owned life insurance	-	1.5
Severance costs	(.6)	(2.3)
Securities gains, net	4.8	.2
Loss from prepayment of borrowings	(4.4)	-
Partial reversal of provision for litigation settlement	1.2	-
Gain on sale of low income housing tax credits	-	.5
Return of overclaimed interest on loss sharing agreement	(.5)	-
Income tax benefit (expense)	(41.0)	236.7
Net income	67.6	273.2
Preferred dividends and discount accretion	(.4)	(12.1)
Net income available to common shareholders	\$ 67.2	\$ 261.1
PER COMMON SHARE		
Diluted earnings	\$ 1.11	\$ 4.44
Cash dividends declared	.11	-
Book value	12.20	11.30
Tangible book value	12.15	11.26
PERFORMANCE MEASURES		
Net interest margin	3.26 %	3.30 %
Return on assets	.91	3.86
Return on common equity	9.17	46.72
Allowance for loan losses to loans	1.53	1.77
Tier I common risk-based capital ratio	11.06	9.31
Tier I risk-based capital ratio	12.06	12.74
AS OF YEAR-END		
Loans	\$ 4,672	\$ 4,329
Investment securities	2,198	2,312
Total assets	7,567	7,425
Deposits	6,327	6,202
Shareholders' equity	740	796
Common shares outstanding (thousands)	60,259	59,432
Beneficial owners	15,450	16,650
Employees	1,536	1,506
Banking offices	103	102

LETTER TO SHAREHOLDERS

2014: MOVING FORWARD TO BUILD UNITED'S VALUE

In my last annual report letter to you, I described 2013 as a transformative year for United. We had restored credit quality and eliminated restrictions that were inhibiting both our growth and the value of your investment in United. The exceptional work of our bankers during that year set the stage for United to move forward.

And move forward we did. In 2014, we invested strategically in markets, talent, and products that, combined with our existing strengths, drove meaningful improvement in United's financial performance and in our strategic positioning of the franchise to grow its value. Net income for the year totaled \$67.6 million. We improved operating efficiency to 57.5 percent, and we achieved positive operating leverage, meaning that we grew revenue at a faster pace than our expenses. United now moves forward with strong capital ratios; we improved all credit measures and concluded 2014 with a return on assets close to our 1 percent goal. The board of directors restored cash dividends to our shareholders in the second quarter and increased it in the fourth quarter.

We grew total loans by 8 percent during 2014—a tribute to solid work across our community banks. Loan production reached \$1.5 billion with net growth of \$343 million. This essentially means that loan pay-offs and competitive pressures required that we lend more than four dollars to grow the portfolio by one dollar. United bankers achieved substantial growth in a still-challenging economy while simultaneously diversifying our portfolio. Long-standing relationships that our bankers have maintained and strengthened, and the new relationships that they add each day, continually reinforce our reputation for outstanding service. That is what sets us apart and drives the value of our franchise.

In 2014, we invested strategically in talent, markets, and products that, combined with our existing strengths, drove meaningful improvement in revenues and profitability.

A notable contributor to loan growth has been specialty lending, an area in which we have strategically invested over the past two years. In 2013, we rolled out health care, corporate and commercial real estate specialties, and in 2014, we added small business administration (SBA) and asset-based lending. Last April, we welcomed Rich Bradshaw as President of Specialized Lending. Rich is a 20-year specialized lending veteran who, among his many accomplishments, has increased SBA origination volume substantially for a number of the country's largest lenders. In May, we added three more proven SBA leaders with a combined 51 years of experience. And in June, we acquired Business Carolina, Inc., a specialist in small business lending in Georgia, North Carolina, South Carolina, and Tennessee. The acquisition included approximately \$25 million in loans, \$6 million in other assets and a highly skilled team in this area of expertise.

SBA lending appeals to small businesses because it provides access to more affordable credit due to backing from the Small Business Administration. For United, given our markets, it is an attractive loan growth source that diversifies the portfolio, produces fee revenue, and increases our value to local businesses and economies. Our pipeline of opportunities in this area is strong; in fact, we expect to be among the top 10 SBA lenders in the country in the foreseeable future.

Total loans grew by 8 percent during 2014—a tribute to solid work across our community banks. Loan production was \$1.5 billion with net growth of \$343 million.

Solid production from our community banks and the successful roll-out of specialized lending underscored our loan growth for 2014. Moving forward, we are excited about the long-term prospects of this strategically powerful combination of legacy and new platforms.

I also want to recognize our bankers for something they continue to do extremely well; growing core deposits. These core deposits—checking, savings, and money market accounts—increased 7 percent, or \$252 million, during 2014. Represented in this total are thousands of new United depositors, as well as increased business with existing customers. These dollars provide the foundation to fund loan growth, and are further testimony to the real relationship banking that our bankers practice every day.

MARKETS

In January 2015, we announced a plan to enhance our presence in the growing east Tennessee market through the acquisition of MoneyTree Corp. and its wholly-owned bank subsidiary First National Bank (FNB). FNB is an attractive franchise with a high-quality balance sheet and a service-oriented culture, similar to United's. Its \$425 million in assets and 10 branches will boost our share and presence in Knoxville, Cleveland, and other attractive markets along the Interstate-75 corridor. The synergies

between our banks provide for loan growth opportunities, cost savings, and higher earnings as we offer our expanded product line to FNB customers.

In February 2015, we opened our first banking office in Greenville, South Carolina; another attractive market where Lynn Harton, our president and chief operating officer, has longstanding ties. We also added a loan production office in Midtown Atlanta to capitalize on opportunities as growth returns and accelerates in the city and region.

TALENT

We invested in back office functions, an important area in today's more complex regulatory environment. In this regard, and upon David Shearrow's retirement as chief risk officer at the end of January 2015, we separated responsibilities for our risk and credit management disciplines into two positions: chief risk officer and chief credit officer. This structure is consistent with those of other growth-oriented banks. Brad Miller became our chief risk officer, reporting to me, in tandem with his ongoing role as general counsel. We hired veteran credit manager Rob Edwards as chief credit officer, who reports to Lynn Harton. Rob has 25 years of experience in credit management including commercial credit approval, credit risk analytics, and credit policy.

2014-2015 ACCOLADES

*J.D. Power ranked United Community Bank **first in customer satisfaction in the southeastern United States.***

*Overall **customer satisfaction was ranked best in the country among banks with five billion dollars or more in assets, according to national research firm Customer Service Profiles.***

*Forbes magazine ranked United Community Bank **one of America's best performing banks.***

I want to give special recognition to our colleague David Shearrow. David has been an outstanding member of our management team. He has decided to devote his full attention to the pastorate of a local church body and also participation in other mission activities. We admire his dedication to a calling that we know he will serve extremely well, just as he has served United.

On the subject of talented bankers, I am so very proud of the outstanding team we have throughout our four-state footprint. In 2014, J.D. Power ranked United Community Bank first in customer satisfaction in the southeastern United States. And, for the eighth consecutive year, our overall customer satisfaction was ranked best in the country among banks with five billion dollars or more in assets, according to national research firm Customer Service Profiles. In January of 2015,

Forbes magazine ranked us one of America's best performing banks—and we know that it is service that drives performance.

United bankers have a passion to serve under our Golden Rule of Banking: Treat customers the way we want to be treated. I was reminded of our bankers when I heard a firm call itself “a customer service company that just happened to be in the travel industry.” That is a great line and I will borrow it here to say that I am convinced that our bankers see United as a customer service company that just happens to be in banking.

BUILDING VALUE AS UNITED MOVES FORWARD

United has strategic, operating, and performance momentum. Our investments in our company are sound and beginning to pay attractive returns to our shareholders. We are well-positioned to continue to seek strategic opportunities to expand the balance sheet and produce diversified revenue streams. We are dedicated to further enhancing our service capabilities, including technologies that make banking with us easier. And we are focused on capitalizing on merger opportunities which provide United with further attractive ways to expand our footprint and customer base into diverse and growing markets.

The industry at present is not without headwinds, including the regulatory environment and the associated rules and costs that particularly impact banks at the \$10 billion asset threshold. Loan growth for the foreseeable future will continue to be challenging, with lower yields for higher quality loans and low interest rates negatively impacting our margins. The general view is that rates will increase in time. When they do, we will realize benefits from the strong, low-cost core deposit base that our bankers have diligently built.

EXECUTIVE TEAM

I am pleased that we have aligned and enhanced our executive management team by promoting Lynn Harton to president of United, in addition to his continuing as chief operating officer. Lynn also has joined our board of directors. He is a key leader and strategist for growing our business and franchise value. We are fortunate to have Lynn on our team.

Also, W.C. Nelson, who has been a board member since 1988 and our chairman since 2012, has become our lead independent director. It is my sincere privilege to succeed W.C. as chair, as we continue to work together to govern, strengthen, and build this great company.

2015 AND BEYOND

I am very excited about how United Community Banks is moving forward and building value. We have exceptionally experienced and highly respected local leadership across the franchise, funding strength in our legacy markets, a strong culture committed to customer service, and unmatched customer satisfaction.

We are moving forward with selected investments in people, products, services, technology, and markets that enhance our ability to earn and maintain the privilege of serving new and existing customers.

We are well-positioned to be the community and regional bank of choice; the one where customers enjoy banking, where people enjoy working, and that communities know as a caring and dependable neighbor.

We are committed to growing United's shareholder value. You can be 100 percent assured that everything we do, and every decision we make, is designed to earn your confidence, loyalty, and support.

We are well-positioned to be the regional bank of choice; the one where customers enjoy banking, where people enjoy working, and that communities know as a caring and dependable neighbor.

Sincerely,



Jimmy Tallent

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share data)

	2014	2013	2012
INTEREST REVENUE			
Loans, including fees	\$ 196,279	\$ 200,893	\$ 217,378
Investment securities:			
Taxable	47,755	40,331	43,657
Tax exempt	738	827	956
Deposits in banks and short-term investments	3,660	3,789	3,986
Total interest revenue	<u>248,432</u>	<u>245,840</u>	<u>265,977</u>
INTEREST EXPENSE			
Deposits:			
NOW	1,651	1,759	2,049
Money market	3,060	2,210	2,518
Savings	81	133	150
Time	7,133	10,464	19,097
Total deposit interest expense	<u>11,925</u>	<u>14,566</u>	<u>23,814</u>
Short-term borrowings	2,160	2,071	2,987
Federal Home Loan Bank advances	912	68	907
Long-term debt	10,554	10,977	10,201
Total interest expense	<u>25,551</u>	<u>27,682</u>	<u>37,909</u>
Net interest revenue	222,881	218,158	228,068
Provision for credit losses	8,500	65,500	62,500
Net interest revenue after provision for credit losses	<u>214,381</u>	<u>152,658</u>	<u>165,568</u>
FEE REVENUE			
Service charges and fees	33,073	31,997	31,670
Mortgage loan and other related fees	7,520	9,925	10,483
Brokerage fees	4,807	4,465	3,082
Securities gains, net	4,871	186	7,078
Losses from prepayment of borrowings	(4,446)	-	(6,681)
Other	9,729	10,025	10,480
Total fee revenue	<u>55,554</u>	<u>56,598</u>	<u>56,112</u>
Total revenue	<u>269,935</u>	<u>209,256</u>	<u>221,680</u>
OPERATING EXPENSES			
Salaries and employee benefits	100,941	96,233	96,026
Occupancy	13,513	13,930	14,304
Communications and equipment	12,523	13,233	12,940
FDIC assessments and other regulatory charges	4,792	9,219	10,097
Professional fees	7,907	9,617	8,792
Postage, printing, and supplies	3,542	3,283	3,899
Advertising and public relations	3,461	3,718	3,855
Amortization of intangibles	1,348	2,031	2,917
Foreclosed property	634	7,869	13,993
Other	14,204	15,171	19,951
Total operating expenses	<u>162,865</u>	<u>174,304</u>	<u>186,774</u>
Income before income taxes	107,070	34,952	34,906
Income tax expense (benefit)	39,450	(238,188)	1,050
Net income	67,620	273,140	33,856
Preferred stock dividends	439	12,078	12,148
Net income available to common shareholders	\$ 67,181	\$261,062	\$ 21,708
Income per common share:			
Basic	\$ 1.11	\$ 4.44	\$.38
Diluted	1.11	4.44	.38
Weighted average common shares outstanding:			
Basic	60,588	58,787	57,857
Diluted	60,590	58,845	57,857

CONSOLIDATED BALANCE SHEET

(in thousands, except per share data)

	2014	2013
ASSETS		
Cash and due from banks	\$ 77,180	\$ 71,230
Interest-bearing deposits in banks	89,074	119,669
Short-term investments	26,401	37,999
Cash and cash equivalents	192,655	228,898
Securities available-for-sale	1,782,734	1,832,217
Securities held-to-maturity (fair value \$425,233 and \$485,585)	415,267	479,742
Mortgage loans held for sale	13,737	10,319
Loans, net of unearned income	4,672,119	4,329,266
Less allowance for loan losses	(71,619)	(76,762)
Loans, net	4,600,500	4,252,504
Premises and equipment, net	159,390	163,589
Bank owned life insurance	81,294	80,670
Accrued interest receivable	20,103	19,598
Net deferred tax asset	215,503	258,518
Derivative financial instruments	20,599	23,833
Other assets	65,204	75,531
Total assets	\$ 7,566,986	\$ 7,425,419
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand	\$ 1,574,317	\$ 1,388,512
NOW	1,504,887	1,427,939
Money market	1,273,283	1,227,575
Savings	292,308	251,125
Time:		
Less than \$100,000	748,478	892,961
Greater than \$100,000	508,228	588,689
Brokered	425,011	424,704
Total deposits	6,326,512	6,201,505
Repurchase agreements	6,000	53,241
Federal Home Loan Bank advances	270,125	120,125
Long-term debt	129,865	129,865
Derivative financial instruments	31,997	46,232
Accrued expenses and other liabilities	62,910	78,736
Total liabilities	6,827,409	6,629,704
Commitments and contingencies		
Shareholders' equity		
Preferred stock, \$1 par value; 10,000,000 shares authorized;		
Series B, \$1,000 stated value; 105,000 shares issued and outstanding	-	105,000
Series D, \$1,000 stated value; 16,613 shares issued and outstanding	-	16,613
Common stock, \$1 par value; 100,000,000 shares authorized;		
50,178,605 and 46,243,345 shares issued and outstanding	50,178	46,243
Common stock, non-voting, \$1 par value; 26,000,000 shares authorized;		
10,080,787 and 13,188,206 shares issued and outstanding	10,081	13,188
Common stock issuable; 357,983 and 241,832 shares	5,168	3,930
Capital surplus	1,080,508	1,078,676
Accumulated deficit	(387,568)	(448,091)
Accumulated other comprehensive loss	(18,790)	(19,844)
Total shareholders' equity	739,577	795,715
Total liabilities and shareholders' equity	\$ 7,566,986	\$ 7,425,419

SELECTED DATA—QUARTERLY SUMMARY

(in millions, except per share data; taxable equivalent)

	2014				2013
	Q4	Q3	Q2	Q1	Q4
CORE EARNINGS SUMMARY					
Net interest revenue	\$ 58.3	\$ 57.0	\$ 54.9	\$ 54.2	\$ 55.9
Core fee revenue ⁽¹⁾	14.6	14.4	14.0	11.9	13.2
Core revenue ⁽¹⁾	72.9	71.4	68.9	66.1	69.1
Core operating expenses ⁽²⁾	42.1	41.1	40.1	38.8	41.2
Core earnings (pre-tax, pre-credit)⁽¹⁾⁽²⁾	30.8	30.3	28.8	27.3	27.9
Provision for loan losses	(1.8)	(2.0)	(2.2)	(2.5)	(3.0)
Foreclosed property costs	(.1)	(.2)	(.1)	(.2)	(.2)
Severance costs	(.3)	-	(.1)	(.2)	-
Securities gains, net	.2	-	4.4	.2	.1
Loss from prepayment of borrowings	-	-	(4.4)	-	-
Partial reversal of provision for litigation settlement	1.2	-	-	-	-
Return of overclaimed interest on loss sharing agreement	(.5)	-	-	-	-
Income tax expense	(11.3)	(10.5)	(10.0)	(9.2)	(8.9)
Net income	18.2	17.6	16.4	15.4	15.9
Preferred dividends and discount accretion	-	-	-	(.4)	(2.9)
Net income available to common shareholders	\$18.2	\$17.6	\$16.4	\$15.0	\$13.0
PERFORMANCE MEASURES					
Per common share:					
Diluted earnings	\$.30	\$.29	\$.27	\$.25	\$.22
Cash dividends declared	.05	.03	.03	-	-
Book value	12.20	12.15	11.94	11.66	11.30
Tangible book value ⁽³⁾	12.15	12.10	11.91	11.63	11.26
Key performance ratios:					
Net interest margin ⁽⁴⁾	3.31 %	3.32 %	3.21 %	3.21 %	3.26 %
Return on assets ⁽⁴⁾	.96	.95	.88	.85	.86
Return on common equity ⁽⁴⁾⁽⁵⁾	9.60	9.41	8.99	8.64	7.52
Tier 1 common risk-based capital ratio	11.06	11.04	10.71	10.07	9.31
Tier I risk-based capital ratio	12.06	12.07	11.75	11.10	12.74
ASSET QUALITY *					
Non-performing loans	\$ 17.9	\$ 18.7	\$ 20.7	\$ 25.2	\$ 26.8
Foreclosed properties	1.7	3.2	3.0	5.6	4.2
Total non-performing assets (NPAs)	19.6	21.9	23.7	30.8	31.0
Allowance for loan losses	71.6	71.9	73.2	75.2	76.8
Net charge-offs	2.5	3.2	4.2	4.0	4.4
Allowance for loan losses to loans	1.53 %	1.57 %	1.66 %	1.73 %	1.77 %
Net charge-offs to average loans ⁽⁴⁾	.22	.28	.38	.38	.41
NPAs to loans and foreclosed properties	.42	.48	.54	.71	.72
NPAs to total assets	.26	.29	.32	.42	.42
AT PERIOD END					
Loans*	\$ 4,672	\$ 4,569	\$ 4,410	\$ 4,356	\$ 4,329
Investment securities	2,198	2,222	2,190	2,302	2,312
Total assets	7,567	7,526	7,352	7,398	7,425
Deposits	6,327	6,241	6,164	6,248	6,202
Shareholders' equity	740	736	722	704	796
Common shares outstanding	60.3	60.2	60.1	60.1	59.4

¹ Excludes net securities gains and losses from the prepayment of borrowings. ² Excludes foreclosed property costs, severance costs, the partial reversal of an earlier provision for litigation settlement and the return of overclaimed interest on United's loss sharing agreement. ³ Excluded the effect of acquisition related intangible assets. ⁴ Annualized. ⁵ Net income available to common shareholders, which is net of preferred dividends, divided by average realized common equity, which includes accumulated other comprehensive income (loss). * Excludes loans and foreclosed properties covered by loss sharing agreements with the FDIC.

CORPORATE INFORMATION

FINANCIAL INFORMATION

Analysts and investors seeking financial information should contact:

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This Annual Report contains forward looking statements that involve risk and uncertainty and actual results could differ materially from the anticipated results or other expectations expressed in the forward-looking statements. A discussion of factors that could cause actual results to differ materially from those expressed in the forward-looking statements is included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission.

This Annual Report also contains financial measures that were prepared on a basis different from accounting principles generally accepted in the United States ("GAAP"). References to operating earnings, pre-tax, pre-credit earnings and core earnings are non-GAAP financial measures. Management has included such non-GAAP financial measures because such non-GAAP measures exclude certain non-recurring revenue and expense items and therefore provide a meaningful basis for analyzing financial trends. A reconciliation of these measures to financial measures determined using GAAP is included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission.

STOCK PRICE

	Quarter	High	Low	Close	Average Daily Volume
2013	4th	\$ 18.56	\$ 14.82	\$ 17.75	421,948
2014	1st	\$ 20.28	\$ 15.74	\$ 19.41	494,205
	2nd	19.87	14.86	16.37	308,486
	3rd	18.42	15.42	16.46	331,109
	4th	19.50	15.16	18.94	262,598

INVESTOR INFORMATION

Investor information including this report, Form 10-K, quarterly financial results, press releases and various other reports are available at ir.ucbi.com. Alternatively, shareholders may contact Investor Relations at 866-270-5900 or investor_relations@ucbi.com.

STOCK EXCHANGE

United Community Banks, Inc. (Ticker: UCBI) common stock is listed for trading on the NASDAQ Global Select Market.

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

PricewaterhouseCoopers LLP, Atlanta, GA

LEGAL COUNSEL

Troutman Sanders LLP, Atlanta, GA

REGISTRAR TRANSFER AGENT

Continental Stock Transfer & Trust Co.
17 Battery Park, 8th Floor
New York, NY 10004
212-509-4000 | continentalstock.com

EQUAL OPPORTUNITY EMPLOYER

United Community Banks is an equal opportunity employer. All matters regarding recruiting, hiring, training, compensation, benefits, promotions, transfers and other personnel policies will remain free from discriminatory practices.

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BOARD OF DIRECTORS

W.C. Nelson, Jr.
Lead Director
Co-Owner and Operator
Nelson Tractor Co.

Jimmy C. Tallent
Chairman
Chief Executive Officer

Robert H. Blalock
Chief Executive Officer
Blalock Insurance Agency, Inc.

Clifford V. Brokaw
Managing Director
Corsair Capital

L. Cathy Cox
President
Young Harris College

Steven J. Goldstein
Retired Chief Financial Officer
Federal Home Loan Bank of Atlanta

H. Lynn Harton
President
Chief Operating Officer

Thomas A. Richlovsky
Retired Chief Financial Officer and Treasurer
National City Corporation

Tim R. Wallis
Owner and President
Wallis Printing Company

Robert L. Head, Jr.
Director Emeritus
Owner
Head Westgate

EXECUTIVE OFFICERS

Jimmy C. Tallent
Chairman, Chief Executive Officer

H. Lynn Harton
President, Chief Operating Officer

Rex S. Schuette
Executive Vice President,
Chief Financial Officer

Bradley J. Miller
Executive Vice President, Chief Risk Officer and General Counsel

Bill M. Gilbert
President, Community Banking

Robert A. Edwards
Executive Vice President,
Chief Credit Officer

Richard W. Bradshaw
President, Specialized Lending

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