



2022

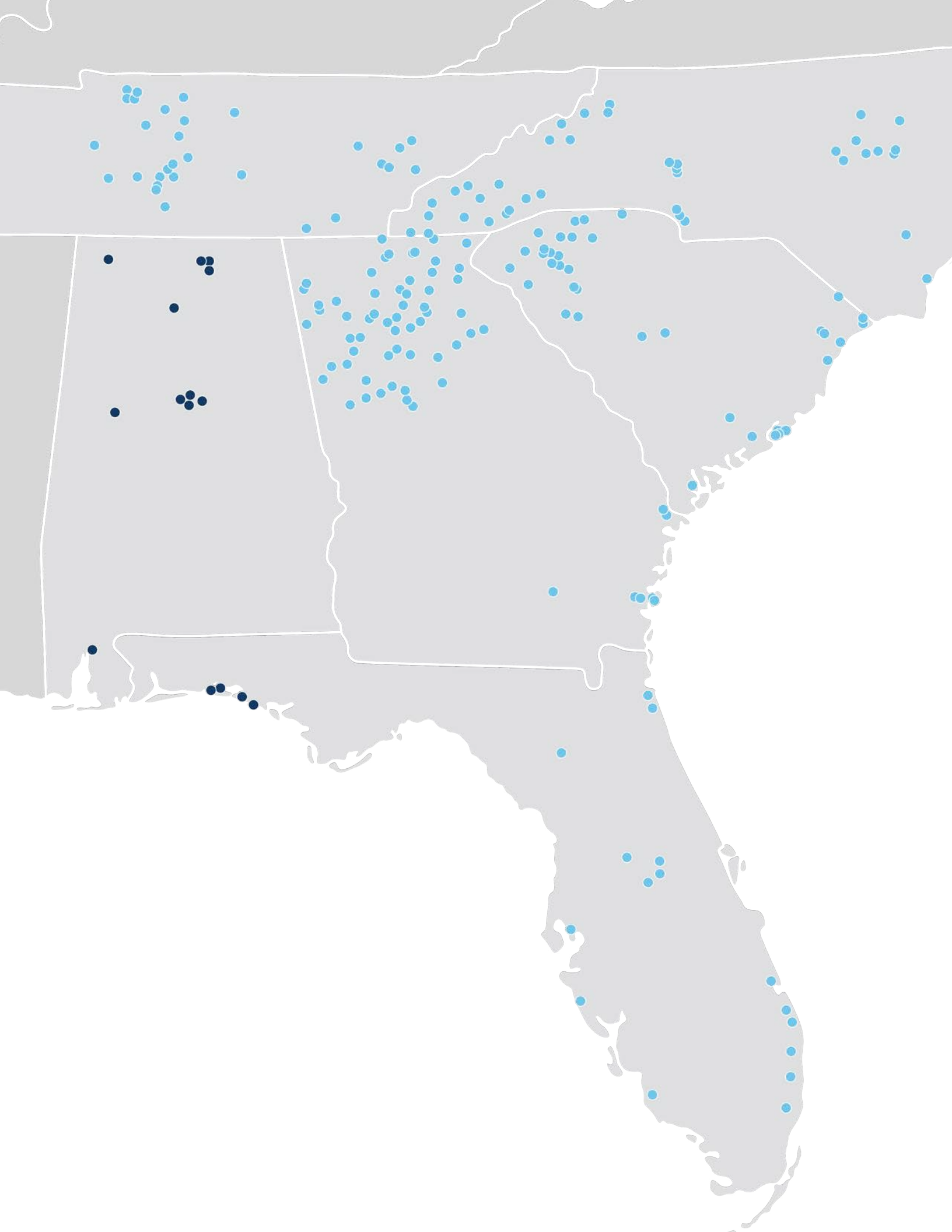
UNITED COMMUNITY BANK
ANNUAL REPORT





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TO OUR GROWING UNITED COMMUNITY:

At United Community Bank, **we are focused on building what we call a LEGENDARY bank—a bank that not only has strong financial performance,** but also one that employees believe in, customers love, and communities value.

We focus on these goals to avoid being distracted by the often volatile environment we are faced with. Consider the changes in the economic environment we observe today. Interest rates are dramatically higher than a year ago, as the Federal Reserve has increased the federal funds rate at an unprecedented pace and engaged in quantitative tightening at the same time. Some consequences of higher rates are easy to see: for example, sharply higher rates drove both a drop in mortgage loan demand and higher unrealized bond losses, which impacted bank capital ratios. Some consequences are not yet clear—we'll have to wait and see how Fed tightening will work through the economy in the coming months.

Interest rates are not the only environmental changes we are adapting to. Deposit growth, which has been strong over the past two years as the US Government flooded the economy with stimulus and dramatically grew the monetary base, has now turned in reverse. Looking forward, funding for loan growth will be more difficult to obtain for all banks and will come at a higher cost.

Other costs are also increasing as inflation and a labor shortage are driving up employee costs and the costs of our outside services. These same issues affect our customer base. Our commercial clients tell us that they have strong demand for their products but find it difficult to hire enough people to meet that demand.

Regulatory changes are also significant, with new and more assertive heads of the regulatory agencies, new CRA regulations, new SEC regulations, and likely longer approval times for mergers.

We have experienced these challenges before and know that we can thrive in this—and any—environment as long as we continue to focus on the basics of what makes us United. That starts with our people.



Our first measure of success as a company is to be a great place to work for great people.

We just completed our regular all-employee engagement survey in the fourth quarter of 2022. Receiving and acting on this feedback is critical to remaining a great workplace. Already, we have made significant improvements to our benefits programs due to the direction provided by the survey. We also increased our minimum wage during 2022 and implemented unscheduled mid-year pay increases for more than half of our employees. The overall message from the survey was very positive, giving me confidence that our teams continue to believe in and be excited by our purpose. Our new Chief Human Resources Officer, **Holly Berry**, has brought fresh energy and excitement to our plans as we continue to improve the environment for our teams.



Holly Berry, Chief Human Resources Officer, joined United in February.



Abraham Cox, Chief Marketing Officer, joined United in November.

Our second measure of success is to have the best customer service in our markets. To that end, we continue to perform thousands of surveys every year to understand what actions our customers value when they have an interaction with United. Each branch receives a customer satisfaction score, which is both a qualifier and a multiplier for our team-based branch incentive system. Our training systems and product initiatives are also informed by these surveys. I am proud that once again:

J.D. Power ranked United Highest in Customer Satisfaction for Consumer Banking in the Southeast, marking eight out of the last nine years our teams were recognized with this award.

Additionally, as we continue to adapt to changing customer desires, we are excited to have added **Abraham Cox** to our team in 2022 as our new Chief Marketing Officer. He brings a great depth of experience and strategic thinking that will help us to continue delivering legendary service as we move forward.



United team members volunteering with the local Habit for Humanity in Orlando.

Having great people, focused on our customers, makes it easier to make the decisions that drive our third measure of success—outstanding financial performance. People, united by purpose, drive performance. We experienced that in 2022, with strong financial results for the year. Our teams delivered solid loan growth across all categories. Our net interest margin expanded, benefiting from increasing interest rates and the strength of our deposit franchise. The resulting revenue increases, combined with continuing expense control, led to a new record low efficiency ratio for us and a record high pre-tax, pre-provision ROA.

Our fourth and final measure of success is to make a difference in our communities. One of the ways we do that is by organizing our banking operations geographically and focusing on being a leader in the communities we operate in. We use the United Community Bank Foundation to amplify the efforts of our employees by making donations to community nonprofit organizations they are involved with. Caring about our communities is not just important to us personally. We also believe it's good for our business—fundamentally, over time, banks reflect the economic vitality of the communities they operate in.

This year, we continued to expand our franchise into high-growth markets, building a foundation for continued success. We completed the acquisition of Reliant Bancorp, with a strong presence in Nashville and other growth markets in Tennessee. In May, we announced the acquisition of Progress Financial Corporation, headquartered in Huntsville, Alabama, with offices in several high-growth Alabama and Florida Panhandle markets. In addition, in February of 2023, we announced a significant increase in our Miami market presence, bringing First National Bank of South Miami into the United family.

We find that our culture of customer service, financial performance, and community building attracts great people to United who want to contribute and win.

I think that is what author Jim Collins would call “the Flywheel Effect.” This is the idea that companies don’t become exceptional—or in our case, LEGENDARY—because of one single initiative, but instead from the accumulation of little wins that stack up over years of hard work.

In closing, I would like to recognize and thank one of our directors, **Bob Blalock**. Bob is retiring from our board after 23 years of service to United. Bob exemplifies someone who puts the team first, wants to win for the right reasons, and speaks the truth faithfully. He has helped guide the bank during difficult times, such as the Great Recession, and has been a supporter as we have changed and grown over the past ten years. We are grateful for all the years of service he gave us, and we will continue to carry out his mission for United.

Thanks to our team and board, United had a great 2022. We are well-positioned to do the same for 2023. We have strong markets, a strong credit culture, strong capital and earnings, and—what matters most—a strong team. I believe we will see an even better 2023 because I believe in the people of United.



Lynn Harton

Chairman, CEO, and President
United Community Banks, Inc.



Robert (Bob) H. Blalock is retiring from our board after 23 years.



Groundbreaking of the future United Headquarters in Greenville, SC.

EXECUTIVE OFFICERS



H. Lynn Harton

Chairman, CEO, and
President, UCB



Richard W. Bradshaw

Chief Banking Officer



Jefferson Harralson

Chief Financial Officer



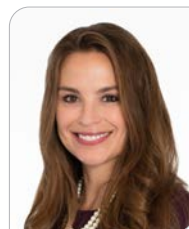
Robert A. Edwards

Chief Risk Officer



Melinda Davis Lux

General Counsel and
Corporate Secretary



Holly Berry

Chief Human
Resources Officer



Mark Terry

Chief Information Officer



Melinda Davis Lux and Lynn Harton lead discussion at our annual Senior Leadership Conference.



The board visits the construction site of United's new headquarters in Greenville, SC.

FINANCIAL HIGHLIGHTS

(\$ in millions, except per share data)

Earnings Summary

	2022	2021
Net interest revenue	\$ 752.4	\$ 549.0
Provision for credit losses	(63.9)	37.6
Noninterest income	137.7	157.8
Noninterest expense	(470.2)	(396.6)
Income tax expense	(78.5)	(78.0)
Net income—GAAP	277.5	269.8
Merger-related and non-operating charges, net of tax benefit	15.1	10.8
Net income—operating¹	\$ 292.6	\$ 280.6
Pre-tax pre-provision income ²	\$ 419.9	\$ 310.2

Per Common Share

Diluted earnings—GAAP	\$ 2.52	\$ 2.97
Diluted earnings—operating ¹	2.66	3.09
Cash dividends declared	0.86	0.78
Book value	24.38	23.63
Tangible book value ³	17.13	18.42

Performance Measures

Net interest margin	3.38 %	3.07 %
Allowance for loan losses to loans	1.04	0.87
Return on assets—GAAP	1.13	1.37
Return on assets—operating ¹	1.19	1.42
Return on common equity—GAAP ⁴	9.54	13.14
Return on tangible common equity—operating ^{1, 3, 4}	14.04	17.33
Equity to total assets	11.25	10.61
Tangible common equity to tangible assets ³	7.88	8.09
Tier 1 risk-based capital ratio	12.81	13.17

As of Year-End

Loans	\$ 15,335	\$ 11,760
Investment securities	6,228	5,653
Total assets	24,009	20,947
Deposits	19,877	18,241
Shareholders' equity	2,701	2,222
Common shares outstanding (thousands)	106,223	89,350
Employees	2,873	2,583
Banking offices	192	171

¹ Excludes the effect of merger-related and other non-operating charges of \$19.4 million and \$14.0 million, respectively, in 2022 and 2021.

² Excludes income taxes and provision for credit losses.

³ Excludes the effect of acquisition-related intangible assets.

⁴ Net income less preferred dividends divided by average realized common equity, which excludes accumulated other comprehensive income (loss).

CONSOLIDATED BALANCE SHEETS

(\$ in thousands, except per share data)

Assets

	2022	2021
Cash and due from banks	\$ 195,771	\$ 144,244
Interest-bearing deposits in banks	316,082	2,147,266
Federal funds and other short-term investments	135,000	27,000
Cash and cash equivalents	646,853	2,318,510
Debt securities available-for-sale	3,614,333	4,496,824
Debt securities held-to-maturity (fair value \$2,191,073 and \$1,148,804)	2,613,648	1,156,098
Loans held for sale, at fair value	13,600	44,109
Loans, net of unearned income	15,334,627	11,760,346
Less allowance for loan losses	(159,357)	(102,532)
Loans, net	15,175,270	11,657,814
Premises and equipment, net	298,456	245,296
Bank owned life insurance	299,297	217,713
Accrued interest receivable	72,807	42,999
Net deferred tax asset	129,313	41,322
Derivative financial instruments	50,636	42,480
Goodwill and other intangible assets, net	779,248	472,407
Other assets	315,423	211,199
Total assets	\$ 24,008,884	\$ 20,946,771

Liabilities and Shareholders' Equity

Liabilities:

Deposits:

Noninterest-bearing demand	\$ 7,643,081	\$ 6,956,981
Interest-bearing deposits	12,233,426	11,284,198
Total deposits	19,876,507	18,241,179

Short-term borrowings	158,933	—
Federal Home Loan Bank advances	550,000	—
Long-term debt	324,663	247,360
Derivative financial instruments	99,543	25,145
Accrued expenses and other liabilities	298,564	210,842
Total liabilities	21,308,210	18,724,526

Commitments and contingencies

Shareholders' equity:

Preferred stock, \$1 par value; 10,000,000 shares authorized; Series I, \$25,000 per share liquidation preference; 4,000 shares issued and outstanding, respectively	\$ 96,422	\$ 96,422
Common stock, \$1 par value; 200,000,000 shares authorized; 106,222,758 and 89,349,826 shares issued and outstanding, respectively	106,223	89,350
Common stock issuable; 607,128 and 595,705 shares, respectively	12,307	11,288
Capital surplus	2,306,366	1,721,007
Retained earnings	508,844	330,654
Accumulated other comprehensive loss	(329,488)	(26,476)
Total shareholders' equity	2,700,674	2,222,245
Total liabilities and shareholders' equity	\$ 24,008,884	\$ 20,946,771

CONSOLIDATED STATEMENTS OF INCOME

(\$ in thousands, except per share data)

Interest Revenue

	2022	2021	2020
Loans, including fees	\$ 673,402	\$ 505,734	\$ 494,212
Investment securities:			
Taxable	121,501	61,994	55,031
Tax exempt	10,323	8,978	7,043
Deposits in banks and short-term investments	7,929	2,088	1,710
Total interest revenue	813,155	578,794	557,996

Interest Expense

Deposits	42,099	14,845	41,772
Short-term borrowings	507	-	3
Federal Home Loan Bank advances	1,424	3	28
Long-term debt	16,768	14,912	14,434
Total interest expense	60,798	29,760	56,237
Net interest revenue	752,357	549,034	501,759
Provision for credit losses	63,913	(37,550)	80,434
Net interest revenue after provision for credit losses	688,444	586,584	421,325

Noninterest Income

Service charges and fees	38,163	33,868	32,401
Mortgage loan gains and other related fees	32,524	58,446	76,087
Brokerage and wealth management fees	23,594	18,998	9,240
Gains from other loan sales, net	10,730	11,267	5,420
Other lending and loan servicing fees	10,005	9,427	8,028
Securities (losses) gains, net	(3,872)	83	748
Other	26,563	25,729	24,185
Total noninterest income	137,707	157,818	156,109
Total revenue	826,151	744,402	577,434

Noninterest Expenses

Salaries and employee benefits	276,205	241,443	224,060
Occupancy	36,247	28,619	25,791
Communications and equipment	38,234	29,829	27,149
Professional fees	20,166	20,589	18,032
Lending and loan servicing expense	9,350	10,859	10,993
Outside services - electronic banking	12,583	9,481	7,513
Postage, printing and supplies	8,749	7,110	6,779
Advertising and public relations	8,384	5,910	15,203
FDIC assessments and other regulatory charges	9,894	7,398	5,982
Amortization of intangibles	6,826	4,045	4,168
Merger-related and other charges	19,375	13,970	7,018
Other	24,136	17,386	15,301
Total noninterest expenses	470,149	396,639	367,989
Income before income taxes	356,002	347,763	209,445
Income tax expense	78,530	77,962	45,356
Net income	\$ 277,472	\$ 269,801	\$ 164,089
Preferred stock dividends	6,875	6,875	3,533
Earnings allocated to participating securities	1,462	1,657	1,287
Net income available to common shareholders	\$ 269,135	\$ 261,269	\$ 159,269
Income per common share:			
Basic	\$ 2.52	\$ 2.97	\$ 1.91
Diluted	2.52	2.97	1.91
Weighted average common shares outstanding:			
Basic	106,661	87,940	83,184
Diluted	106,778	88,097	83,248

SELECTED DATA—QUARTERLY SUMMARY

(\$ in millions, except per share data)

Earnings Summary

	2022				2021
	Q4	Q3	Q2	Q1	Q4
Net interest revenue	\$ 209.9	\$ 199.8	\$ 178.9	\$ 163.8	\$ 137.6
Provision for credit losses	(19.8)	(15.4)	(5.6)	(23.1)	0.6
Noninterest income	33.3	31.9	33.5	39.0	37.2
Noninterest expense	(117.3)	(112.8)	(120.8)	(119.3)	(109.2)
Income tax expense	(24.6)	(22.4)	(19.1)	(12.4)	(14.2)
Net income—GAAP	81.5	81.1	66.9	48.0	52.0
Merger-related & non-operating charges, net of tax benefit	1.1	1.4	5.5	7.1	7.7
Net income—operating¹	\$ 82.6	\$ 82.5	\$ 72.4	\$ 55.1	\$ 59.7
Pre-tax pre-provision income ⁵	\$ 125.9	\$ 118.9	\$ 91.6	\$ 83.5	\$ 65.6

Performance Measures

Per common share:

Diluted net income—GAAP	\$ 0.74	\$ 0.74	\$ 0.61	\$ 0.43	\$ 0.55
Diluted net income—operating ¹	0.75	0.75	0.66	0.50	0.64
Cash dividends declared	0.22	0.22	0.21	0.21	0.20
Book value	24.38	23.78	23.96	24.38	23.63
Tangible book value ²	17.13	16.52	16.68	17.08	18.42

Key performance ratios:

Net interest margin ³	3.76 %	3.57 %	3.19 %	2.97 %	2.81 %
Return on assets—GAAP ³	1.33	1.32	1.08	0.78	0.96
Return on assets—operating ^{1, 3}	1.35	1.34	1.17	0.89	1.10
Return on common equity—GAAP ^{3, 4}	10.86	11.02	9.31	6.80	9.32
Return on common equity—operating ^{1, 3, 4}	11.01	11.21	10.10	7.83	10.74
Return on tangible common equity—operating ^{1, 2, 3, 4}	15.20	15.60	14.20	11.00	13.93
Equity to total assets	11.25	11.12	10.95	11.06	10.61
Tangible common equity to tangible assets ²	7.88	7.70	7.59	7.72	8.09

Asset Quality

Non-performing assets (NPAs)	\$ 44.3	\$ 35.5	\$ 34.4	\$ 40.8	\$ 32.8
Allowance for credit losses—loans and leases	159.4	148.5	136.9	132.8	102.5
Allowance for credit losses—total	180.5	167.3	153.0	146.4	113.5
Net charge-offs (recoveries)	6.6	1.1	(1.1)	3.0	0.2
Allowance for credit losses—loans and leases to loans	1.04 %	1.00 %	0.94 %	0.93 %	0.87 %
Net charge-offs to average loans ³	0.17	0.03	(0.03)	0.08	0.01
NPAs to total assets	0.18	0.15	0.14	0.17	0.16

At Period End

Loans	\$ 15,335	\$ 14,882	\$ 14,541	\$ 14,316	\$ 11,760
Investment securities	6,228	6,539	6,683	6,410	5,653
Total assets	24,009	23,688	24,213	24,374	20,947
Deposits	19,877	20,321	20,873	21,056	18,241
Shareholders' equity	2,701	2,635	2,651	2,695	2,222
Common shares outstanding (thousands)	106,223	106,163	106,034	106,025	89,350

¹ Excludes merger-related and other non-operating charges.

² Excludes the effect of acquisition related intangible assets.

³ Annualized.

⁴ Net income less preferred dividends divided by average realized common equity, which excludes accumulated other comprehensive loss.

⁵ Excludes income taxes and provision for credit losses.

CORPORATE INFORMATION

Financial Information

Analysts and investors seeking financial information should contact:
Jefferson L. Harralson, Chief Financial Officer
864-240-6208 | jefferson_harralson@ucbi.com

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 performance measures 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

		High	Low	Close	Average Daily Volume
2021	4 th	\$ 37.24	\$ 31.85	\$ 35.94	544,805
2022	1 st	\$ 39.32	\$ 34.05	\$ 34.80	839,481
	2 nd	35.47	27.85	30.19	574,079
	3 rd	36.79	29.62	33.10	511,111
	4 th	39.50	32.09	33.80	566,908

Investor Information

Investor information, including this report, Form 10-K, quarterly financial results, press releases, and various other reports, is 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. common stock (Ticker: UCBI) and preferred stock (Ticker: UC BIO) are listed for trading on the NASDAQ Global Select Market.

Independent Registered Public Accountants

PricewaterhouseCoopers 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, Inc. 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.

Disclaimer

This statement has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

Board of Directors

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

Jennifer M. Bazante
Chief Marketing Officer
Humana

George Bell
Former Executive Vice
President
Truist

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

James P. Clements, Ph.D.
President
Clemson University

Kenneth L. Daniels
Retired Chief Credit Risk
and Policy Officer
BB&T Corporation

Lance F. Drummond
Retired Executive Vice President
Operations and Technology
TD Canada Trust

H. Lynn Harton
Chairman, Chief Executive
Officer, and President

Jennifer Mann
Executive Vice President
Chief Human Resources Officer
SAS Institute, Inc.

David C. Shaver
Chief Executive Officer
Cost Segregation Advisors, LLC

Tim R. Wallis
Owner and President
Wallis Printing Company

David H. Wilkins
Partner
*Nelson, Mullins, Riley &
Scarborough, LLP*

Executive Officers

H. Lynn Harton
Chairman, Chief Executive
Officer, and President

Richard W. Bradshaw
Chief Banking Officer

Holly Berry
Chief Human Resources
Officer

Robert A. Edwards
Chief Risk Officer

Jefferson L. Harralson
Chief Financial Officer

Melinda Davis Lux
General Counsel and
Corporate Secretary

Mark Terry
Chief Information Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2022

☐ 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.)

125 Highway 515 East
Blairsville, Georgia

(Address of principal executive offices)

30512

(Zip code)

Registrant's telephone number, including area code: (706) 781-2265

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, par value \$1 per share	UCBI	Nasdaq Global Select Market
Depository shares, each representing 1/1000th interest in a share of Series I Non-Cumulative Preferred Stock	UCBIO	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 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.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates, computed by reference to the closing price (\$30.19 per share) of such common equity, as of June 30, 2022 (the last business day of the registrant's most recently completed second fiscal quarter) was \$3,187,685,387.

As of January 31, 2023, there were 115,031,867 shares of United Community Banks, Inc.'s common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2023 Annual Meeting of Shareholders to be held on May 17, 2023 (the "2023 Proxy Statement") are incorporated herein into Part III by reference.

UNITED COMMUNITY BANKS, INC.

FORM 10-K

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Glossary of Defined Terms

The following terms may be used throughout this report, including the consolidated financial statements and related notes.

Term	Definition
ACL	Allowance for credit losses
Affected Benchmarks	LIBOR and other benchmark rates dependent on the availability of LIBOR
AFS	Available-for-sale
ALCO	Asset/Liability Management Committee
AOCI	Accumulated other comprehensive income (loss)
Aquesta	Aquesta Financial Holdings, Inc. and its wholly-owned subsidiary, Aquesta Bank
ARR	Alternative reference rate
ASC	Accounting Standards Codification
ASC 326	ASC Topic 326, Financial Instruments - Credit Losses
ASU	Accounting standards update
BHC Act	Bank Holding Company Act of 1956, as amended
Bank	United Community Bank
Board	United Community Banks, Inc., Board of Directors
BOLI	Bank owned life insurance
CECL	Current expected credit loss model
CET1	Common equity tier 1
CFPB	Consumer Financial Protection Bureau
CME	Chicago Mercantile Exchange
Company	United Community Banks, Inc. (interchangeable with "United" below)
CRA	Community Reinvestment Act
CVA	Credit valuation adjustment
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DRIP	Dividend Reinvestment and Stock Purchase Plan
DTA	Deferred tax asset
DTL	Deferred tax liability
Fannie Mae	Federal National Mortgage Association
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Federal Reserve System
FHLB	Federal Home Loan Bank
FINRA	Financial Industry Regulatory Authority
FinTrust	FinTrust Capital Partners, LLC, and its operating subsidiaries, FinTrust Capital Advisors, LLC, FinTrust Capital Benefits Group, LLC and FinTrust Brokerage Services, LLC
First Miami	First Miami Bancorp, Inc. and its wholly-owned subsidiary, First National Bank of South Miami
Freddie Mac	Federal Home Loan Mortgage Corporation
FTE	Fully taxable equivalent
GADBF	Georgia Department of Banking and Finance
GAAP	Accounting principles generally accepted in the United States of America
GLB Act	Gramm-Leach-Bliley Act
GSE	U.S. government-sponsored enterprise
HELOC	Home equity lines of credit

Holding Company	United Community Banks, Inc. on an unconsolidated basis
HTM	Held-to-maturity
LIBOR	United States Dollar London Interbank Offered Rate
LIHTC	Low income housing tax credits
MBS	Mortgage-backed securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Modified Retirement Plan	United's unfunded noncontributory defined benefit pension plan
Nasdaq	National Association of Securities Dealers Automated Quotations Stock Market
Navitas	Navitas Credit Corp.
NOW	Negotiable order of withdrawal
NPA	Nonperforming asset
OCI	Other comprehensive income
OREO	Other real estate owned
Patriot Act	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001
PCD	Purchased credit deteriorated loans
PPP	Paycheck Protection Program
Progress	Progress Financial Corporation and its wholly-owned subsidiary, Progress Bank & Trust
PSU	Performance based restricted stock unit awards with market conditions
Reliant	Reliant Bancorp, Inc. and its wholly-owned subsidiary, Reliant Bank
Report	Annual Report on Form 10-K
ROU asset	Right-of-use asset
RWA	Risk-weighted assets
SBA	United States Small Business Administration
SCBFI	South Carolina Board of Financial Institutions
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
SIPC	Securities Investor Protection Corporation
TDR	Troubled debt restructuring
Three Shores	Three Shores Bancorporation, Inc.
U.S. Treasury	United States Department of the Treasury
UCBI	United Community Banks, Inc. and its direct and indirect subsidiaries
UCMS	United Community Mortgage Services
UCPS	United Community Payment Systems, LLC
United	United Community Banks, Inc. and its direct and indirect subsidiaries
USDA	United States Department of Agriculture

Cautionary Note Regarding Forward-Looking Statements

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, information appearing under “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes forward-looking statements. Forward-looking statements are neither statements of historical fact nor assurance of future performance and generally can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “could,” “should,” “projects,” “plans,” “goal,” “targets,” “potential,” “estimates,” “pro forma,” “seeks,” “intends,” or “anticipates,” or similar expressions. Forward-looking statements include discussions of strategy, financial projections, guidance and estimates (including their underlying assumptions), statements regarding plans, objectives, expectations or consequences of various transactions or events, and statements about our future performance, operations, products and services, and should be viewed with caution.

Because forward-looking statements relate to the future, they are subject to known and unknown risks, uncertainties, assumptions and changes in circumstances, many of which are out of our control, and that are difficult to predict as to timing, extent, likelihood and degree of occurrence, and that could cause actual results to differ materially from the results implied or anticipated by the statements. Except as required by law, we expressly disclaim any obligations to publicly update any forward-looking statements whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements, in addition to those described in detail under Items 1A of this Report - “Risk Factors” - include, but are not limited to the following:

- negative economic and political conditions that adversely affect the general economy, housing prices, the real estate market, the job market, consumer confidence, the financial condition of our borrowers and consumer spending habits, which may affect, among other things, the levels of NPAs, charge-offs and provision expense;
- changes in loan underwriting, credit review or loss policies associated with economic conditions, examination conclusions or regulatory developments, either as they currently exist or as they may be affected by conditions associated with the COVID-19 pandemic;
- the continuing effects of the COVID-19 pandemic and the potential effects of other pandemics or public health conditions on the economic and business environments in which we operate;
- strategic, market, operational, liquidity and interest rate risks associated with our business;
- potential fluctuations or unanticipated changes in the interest rate environment, including interest rate changes made by the Federal Reserve, replacements of LIBOR and replacement or reform of other interest rate benchmarks, as well as cash flow reassessments may reduce net interest margin and/or the volumes and values of loans made or held as well as the value of other financial assets;
- our lack of geographic diversification and any unanticipated or greater than anticipated adverse conditions in the national or local economies in which we operate;
- our loan concentration in industries or sectors that may experience unanticipated or greater than anticipated adverse conditions than other industries or sectors in the national or local economies in which we operate;
- the risks of expansion into new geographic or product markets;
- risks with respect to our ability to identify and complete future mergers or acquisitions as well as our ability to successfully expand and integrate those businesses and operations that we acquire;
- our ability to attract and retain key employees;
- competition from financial institutions and other financial service providers including non-bank financial technology providers and our ability to attract customers from other financial institutions;
- losses due to fraudulent and negligent conduct of our customers, third party service providers or employees;
- cybersecurity risks and the vulnerability of our network and online banking portals, and the systems or parties with whom we contract, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches that could adversely affect our business and financial performance or reputation;
- our reliance on third parties to provide key components of our business infrastructure and services required to operate our business;
- the risk that we may be required to make substantial expenditures to keep pace with regulatory initiatives and the rapid technological changes in the financial services market;
- the availability of and access to capital;
- legislative, regulatory or accounting changes that may adversely affect us;
- volatility in the ACL resulting from the CECL methodology, either alone or as that may be affected by conditions affecting our business;
- adverse results (including judgments, costs, fines, reputational harm, inability to obtain necessary approvals and/or other negative effects) from current or future litigation, regulatory proceedings, examinations, investigations, or similar matters, or developments related thereto;

- any matter that would cause us to conclude that there was impairment of any asset, including intangible assets, such as goodwill;
- limitations on our ability to declare and pay dividends and other distributions from the Bank to the Holding Company, which could affect Holding Company liquidity, including its ability to pay dividends to shareholders or take other capital actions;
- the potential effects of events beyond our control that may have a destabilizing effect on financial markets and the economy, such as war or terrorist activities, the Russian invasion of Ukraine, disruptions in our customers' supply chains, disruptions in transportation, essential utility outages or trade disputes and related tariffs; and
- other risks and uncertainties disclosed in documents filed or furnished by us with or to the SEC, any of which could cause actual results to differ materially from future results expressed, implied or otherwise anticipated by such forward-looking statements.

PART I

Unless the context otherwise requires, the terms “we,” “our,” or “us” refer to United Community Banks, Inc. and its direct and indirect subsidiaries, including United Community Bank.

ITEM 1. BUSINESS

Overview

United Community Banks, Inc. is a Georgia corporation incorporated in 1987 and headquartered in Blairsville, Georgia. We are a bank holding company under the BHC Act and, as of July 1, 2021, a financial holding company under the GLB Act. We provide diversified financial services primarily through our principal subsidiary, United Community Bank. The Bank was founded in 1950 as a Georgia state-chartered bank and converted to a South Carolina state-chartered bank effective on July 1, 2021. We have grown through a combination of acquisitions and strategic growth throughout Georgia, South Carolina, North Carolina, Tennessee, and Florida, as well as nationally through our SBA/USDA lending and equipment finance businesses. As of December 31, 2022 we had consolidated total assets of \$24.0 billion. On January 3, 2023, we entered the Alabama market with the acquisition of Progress.

As a financial holding company, we coordinate the financial resources of the consolidated enterprise and maintain systems of financial, operational, and administrative control intended to coordinate selected policies and activities, including as described in Item 9A of Part II.

Recent Developments

Acquisition of Reliant

On January 1, 2022, we acquired Reliant, a bank headquartered in Brentwood, Tennessee, a suburb of Nashville. Reliant operates a 25 branch network in Tennessee, located primarily in the Nashville, Clarksville and Chattanooga metropolitan areas. It also has a manufactured housing finance group based in Knoxville. In this acquisition, we acquired \$2.96 billion of assets and assumed \$2.66 billion of liabilities.

Acquisition of Progress

Subsequent to year-end, on January 3, 2023, United completed the acquisition of Progress, a bank headquartered in Huntsville, Alabama. Progress operates 13 branches in Alabama and the Florida Panhandle. As of December 31, 2022, Progress reported total assets of \$1.76 billion, total loans of \$1.48 billion and total deposits of \$1.34 billion.

Acquisition of First Miami

Subsequent to year-end, on February 13, 2023, United announced an agreement to acquire First Miami, a bank headquartered in South Miami, Florida. First Miami operates 3 offices in the Miami metropolitan area and, as of December 31, 2022, had total assets of \$1.0 billion, total loans of \$594 million, and total deposits of \$867 million. In addition to traditional banking products, First Miami offers private banking, trust and wealth management with approximately \$312 million in assets under administration. The merger, which is subject to regulatory approval, the approval of First Miami shareholders, and other customary conditions, is expected to close in the third quarter of 2023.

Principal Businesses and Services We Provide

We provide a wide range of financial products and services to the commercial, retail, governmental, educational, energy, health care and real estate sectors. This includes a variety of deposit products, secured and unsecured loans, mortgage loans, payment and commerce solutions, equipment finance services, wealth management, trust services, private banking, investment advisory services, insurance services, and other related financial services. These products and services are delivered through a variety of channels including our branches, other offices, the internet, and mobile applications.

Our business model combines the commitment to exceptional customer service of a local bank with the products and expertise of a larger institution. We have a strong culture focused on what we call “The Golden Rule of Banking” – treating each other and our customers the way we would want to be treated. We exist to serve our customers, and we are committed to making lives better through outstanding products, dedication to our customers, and serving the communities in which we operate.

We operate as a locally-focused community bank, supplemented by experienced, centralized support to deliver products and services to our larger, more sophisticated, customers. Our organizational structure reflects these strengths, with local leaders for each market and market advisory boards operating in partnership with the product experts of our Commercial Banking Solutions unit. We believe that this combination of service and expertise sets us apart and is instrumental in our strategy to build long-term relationships.

Lending Activities

We offer a full range of lending services, including real estate, consumer and commercial loans, to individuals, small businesses, mid-sized commercial businesses and non-profit organizations. We also originate loans partially guaranteed by the SBA and to a lesser extent by the USDA loan programs. Our consolidated loans at December 31, 2022 were \$15.3 billion, or 64% of total consolidated assets. The interest rates that we charge on loans vary with the degree of risk, maturity and amount of the loan, and are further subject to competitive pressures, deposit costs, availability of funds and government regulations.

The most significant categories of our loans are those to finance owner occupied real estate, commercial income property, commercial and industrial equipment and operating loans, and consumer loans secured by personal residences. A majority of our loans are made on a secured basis.

The majority of our loans are to customers located in the immediate market areas of our banking locations in Georgia, South Carolina, North Carolina, Tennessee, and Florida, including customers who have a seasonal residence in our market areas. We originate a significant portion of our SBA/USDA and equipment finance loans on a national basis, to customers outside of our immediate market areas.

Our full-service retail mortgage lending division, UCMS, is approved as a seller/servicer for the Fannie Mae and the Freddie Mac and provides fixed and adjustable-rate home mortgages. During 2022, the Bank originated \$1.53 billion in residential mortgage loans for the purchase of homes and to refinance existing mortgage debt. The majority of these mortgages were sold into the secondary market without recourse to us, other than for breaches of warranties. We have retained the servicing on most of our mortgage loans sold.

For additional information regarding our lending activity, see the section captioned “Loans” in the “Balance Sheet Review” section of Part II, Item 7. MD&A of this Report.

Deposit Activities

Deposits are the major source of our funds for lending and other investment activities. We offer our customers a variety of deposit products, including checking accounts, savings accounts, money market accounts and other deposit accounts. Generally, we attempt to maintain the rates paid on our deposits at a competitive level. We generate the majority of our deposits from customers in our local markets. For additional information regarding our deposit accounts, see the section captioned “Deposits” in Part II, Item 7. MD&A of this Report.

Investments

We use our investment portfolio to provide for the investment of excess funds at acceptable risk levels while providing liquidity to fund loan demand or to offset fluctuations in deposits. Our portfolio consists primarily of residential and commercial mortgage-backed securities, asset-backed securities, U.S. Treasury, U.S. agency and municipal obligations. Many of the securities are classified by us as AFS and recorded on our balance sheet at fair value at each balance sheet date. Changes in fair value on AFS securities are generally recorded directly in our shareholders’ equity account and are not recognized in our income statement.

Wealth Management, Trust, and Insurance

Through our Wealth Management division, we provide financial planning services, customized portfolio management and investment advice utilizing an open architecture approach to the selection of asset managers. We also offer trust services to manage fiduciary assets. Seaside Capital Management, Inc. and FinTrust Capital Advisors, LLC are registered investment advisors that offer investment advisory services for clients who wish to utilize an independent custodian. FinTrust Insurance and Benefits, Inc. operates as an independent insurance agency for our clients. We also operate FinTrust Brokerage Services, LLC, a registered broker dealer.

Through our United Community Advisory Services division, we generate fee revenue through the sale of non-deposit investment products and insurance products, including life insurance, long-term care insurance and tax-deferred annuities, to our customers. We have an affiliation with a third party broker/dealer, LPL Financial, to facilitate this line of business.

Reinsurance and Merchant Services

We own a captive insurance subsidiary, NLFC Reinsurance Corp., which provides reinsurance on a property insurance contract covering equipment financed by our equipment financing division.

We provide payment processing services for our commercial and small business customers through UCPS. UCPS is a joint venture between the Bank and Clover, a merchant services provider and subsidiary of Fiserv, Inc.

Other General Information

Subsidiaries

Our consolidated operating subsidiaries at December 31, 2022 are listed in Exhibit 21 of this Report. Technical and regulatory details follow:

- The Bank is supervised and regulated as described in *Supervision and Regulation* in this Item below.
- FinTrust Capital Advisors, LLC and Seaside Capital Management, Inc. are registered with the SEC as investment advisers.
- Seaside Capital Management, Inc. is registered with the State of Florida as an investment adviser.
- FinTrust Brokerage Services, LLC is registered as a broker-dealer with the SEC and all states in which it conducts business for which registration is required and is a Member FINRA/SIPC.
- FinTrust Insurance and Benefits, Inc. is licensed as an insurance agency in all states in which it conducts business for which licensing is required.

Strategic Transactions - Acquisitions and Expansion

An element of our business strategy is to consider opportunities to expand into or enhance our presence in attractive markets in which we believe our operating model will be successful. We have entered new markets and expanded our product offerings both by establishing new branches and service locations and also by selective acquisitions of existing market participants. We have developed a number of commercial lending businesses organically, which provide local commercial real estate, middle market, senior living, renewable energy, builder finance and asset-based lending services. We generally seek acquisition partners that share a similar culture and commitment to customer service. Acquisitions typically involve the payment of a premium over book and market values and, therefore, some dilution to our book value may occur with any future transactions. Our goal is to maintain a reasonable earn-back period of any tangible book value dilution, using realistic growth and expense reduction assumptions, as well as to achieve an attractive return on investment. Our ability to engage in any potential acquisition will depend upon the review and approval from various bank regulatory authorities.

Client Concentration

Neither we nor any of our significant subsidiaries is dependent upon a single client or very few clients.

Calendar-Year Seasonality

We do not experience material seasonality; however, we do experience seasonal variation in certain revenues, expenses, and credit trends. Historically, these variations have somewhat increased certain expenses and diminished certain revenues in the commercial banking business, principally in the first quarter each year.

In addition, we experience seasonal variation in certain business efforts that affect our income and our asset and liability balances. Our mortgage business tends to be seasonally strong in the second and third quarters correlating with home buying trends. Our commercial lending businesses (including SBA and Navitas) tend to be seasonally weaker in the first quarter and seasonally stronger in the fourth quarter. In addition, our government deposit balances tend to be strongest in the third and fourth quarters correlating with their tax receipts.

Cyclicality

Banking

Financial services facilitate commercial and consumer economic activities in critical ways. As a result, in many ways, the performance of the financial services industry tends to reflect that of the economies it serves. As a result, our banking business is broadly and strongly dependent on the size and strength of the U.S. economy.

Generally, when the U.S. economy is in an expansionary phase of the business cycle, we experience loan growth, income from lending tends to rise (assuming static interest rates), credit losses tend to fall, and fee income tends to increase. In a contracting phase, those patterns tend to reverse. The impact of those factors on our operating results can be substantial, especially if they consistently move up or down at the same time.

Our banking business is highly dependent on the level of interest rates, whether federal monetary policy is easing or tightening, and on the shape of the interest rate yield curve. These factors also are cyclical, and are related in complex ways with the business cycle mentioned above.

These factors, and their impacts on us, often are mixed rather than consistently positive or negative. For example, low interest rates reduce the interest income we earn, reduce our costs of funding, tend to stimulate economic activity and loan growth, and, through lower debt service, tend to ease financial pressure on clients, reducing default risk. A steeper yield curve, one with long-term interest rates noticeably higher than short-term rates, is generally positive for our net interest margin as lower short rates will keep our deposit costs down while higher long rates will support the rates we can charge on lending. But if rates fall low enough (as they did prior to 2022), the yield curve can flatten, causing our margins to suffer. Moreover, the Federal Reserve tends to lower rates in response to, or to avoid, a weakening economy. Economic weakness tends to diminish client borrowing and other activities that otherwise benefit our performance.

Further information on these topics is presented: within Item 1A, Risk Factors under the headings: *Risks from Changes in Economic Conditions*, *Risks Associated with Monetary Events*, *Liquidity and Funding Risk*, and *Interest Rate and Yield Curve Risks*.

Mortgage Origination and Related Services

The strength of consumer mortgage lending activity in the United States impacts our mortgage origination and related services line of business. Mortgage lending activity is strongly linked to economic strength and interest rate cycles. Activity tends to be inversely related to prevailing mortgage rates: when rates are high, home-buying and refinancing decrease, and when rates are low, home-buying and refinancing increase. Moreover, expectations about near-term future mortgage rates can accelerate or delay those impacts, as borrowers rush to avoid future rate increases or wait for future rate decreases.

Human Resources Management

As of January 31, 2023, we had 3,046 full-time equivalent employees, compared to 2,921 at January 31, 2022. None of our employees are represented by a union, collective bargaining agreement or similar arrangement, and we have not experienced any labor disputes or strikes arising from any organized labor groups. Our employees support our vision to follow what we call “The Golden Rule of Banking” – to treat each other, and our customers, the way we would like to be treated. We believe that our ability to earn the trust of our customers and deliver exceptional customer service hinges on our culture, which in turn depends upon the dedication and engagement of our employees. When employees are dedicated and engaged, they take extra steps for our customers. We have a community bank mindset, empowering employees to make decisions at the local level, while arming our employees with the products, services, and centralized support of a larger institution. We are committed to attracting and retaining talented employees whose values align with our customer service mission, creating meaningful opportunities for training and advancement, and being an extraordinary place to work.

Diversity and Inclusion

We strive to foster an open, supportive workplace in which our employees can grow professionally and achieve their potential. We pride ourselves on maintaining workplaces that are intended to inspire employees to voice their ideas and openly express opinions for the betterment of the Bank, our employees, and our customers. We desire that all employees feel that they are operating in an inclusive environment that welcomes and supports differences. We believe that encouraging input from all perspectives allows us to provide our customers with creative ideas and solutions for operating effectively in a complex, ever-changing marketplace.

In 2020, to strengthen a sense of belonging for all employees, we formed our Diversity and Inclusion Council, called the “Power of U.” In addition to leadership provided by our Board and executive management, our Diversity and Inclusion Council is designed to recommend strategies, programs, and opportunities to foster diversity and inclusion. The Power of U is comprised of 14 members from across our geographical footprint and focuses on enhancing the Bank’s culture of teamwork, communication and connection.

Oversight and Management

Our Board and its Talent and Compensation Committee provide oversight on human capital matters, including overall compensation philosophy, equity award programs, diversity and inclusion and succession planning. Our Human Resources, Legal and Compliance departments develop policies associated with our labor and human capital practices, identify risks, and implement practices to mitigate those risks, under the oversight of the Board and its committees. At the management level, our Employee Benefits Committee is responsible for reviewing and approving our employee benefits programs, including healthcare and other benefits. Our Incentive Compensation Committee is responsible for overseeing, reviewing and approving the non-executive incentive compensation plans for our employees and for assessing the risks associated with those incentive compensation plans.

Compensation and Benefits

We are committed to providing competitive compensation and benefits programs designed to attract, retain, motivate and reward employees for matching the right products with our customers’ needs, while also staying within our risk tolerance. We offer a variety of group health plans for our employees, including prescription drug coverage, comprehensive dental and vision plans, disability and life insurance and health care accounts, which help our employees reduce the costs of medical and dependent care by allowing them to set aside pre-tax dollars. Employees are eligible to contribute to our 401(k) Retirement Plan beginning the first of the month following their date of employment and may earn a company match on 5% of pay after 90 days of service.

Talent Development

Through our talent development initiatives, such as Boundary Spanning Leadership and Leadership Academy, our internal team and subject matter experts provide our employees with quality continuing education on a variety of topics. Participation in continuing education is expected and supported so our employees stay informed and up to date on information, skills and systems.

Through our memberships with the American Bankers Association, the Risk Management Association, the Mid-Size Bank Coalition of America, and state bankers associations, our employees have access to resources, online training, conferences, and discussion groups designed for bankers at all levels in all roles. We encourage our employees to utilize these resources, and we support our employees’ involvement with these organizations for training, to advance their knowledge and skills sets, and to develop leadership skills. Many of our employees are actively engaged in leadership roles, forums, task forces and other groups within these organizations.

To encourage, support, and equip our rising leaders with relevant skills, we offer our Leadership Academy, an annual program for a selected group of individuals who exemplify the qualities of a next generation leader. The program is designed to empower emerging leaders with the knowledge and skills necessary to lead our Bank. Participants are selected annually for the multi-month program and engage in strategic projects, leadership and business development sessions and executive and senior leadership roundtable mentoring. This is intended to allow our future leaders with the highest potential to enhance their knowledge and skills, grow in understanding of our culture and how we do business, and be challenged with assignments that strategically impact the Bank.

Employee Engagement Surveys

The Best Banks to Work For program, initiated in 2013 by American Banker and Best Companies Group, identifies and recognizes U.S. banks for outstanding employee satisfaction. We are honored to have been named one of American Banker’s 2022 Best Banks to Work For, an award we’ve received for six consecutive years.

We believe that an engaged workforce is one of our most valuable assets in sustaining our success and that we are on this list because we listen to our employees and respond to their concerns. We periodically conduct employee engagement surveys, facilitated by a third-party provider, to seek input and feedback from all of our employees across our entire footprint. Among other things, the survey asks employees to rate and comment on the Bank’s strategies and priorities, customer focus, operations, individual roles and responsibilities, competitiveness for compensation and benefits, work environment and employee engagement. The survey includes questions that ask employees to score certain questions, as well as allowing employees to provide open-ended feedback responses.

The employee engagement survey results are reviewed and discussed by both executive management and our Board. Our leadership analyzes the survey feedback for areas of improvement, progress and emphasis, and action plans are developed with cross functional bank representatives to address areas of opportunity. Our leadership takes the survey feedback into account in developing and prioritizing the Bank's strategic plans and initiatives. We also share an overview of the survey results with our employees and communicate the changes we make in response to the survey to meet our employees' needs, to enhance our employees' experience and to continue to make our company an employer of choice.

Serving the needs of all the members of our communities also remains an important part of our strategy. We know employees want to work for companies that give back and, as an organization, we believe in the power of coming together for good. Through our "Together for Good Council," a group of employees who help to coordinate volunteer efforts, guide charitable giving and lead each of our "Good Days" of service, we are continuing our efforts to enhance our community engagement initiatives and involvement with our local communities.

Competition

Our profitability depends principally on our ability to effectively compete in the markets in which we conduct business. We experience strong competition in all aspects of the businesses in which we engage from both bank and non-bank competitors. Broadly speaking, we compete with national banks, super-regional banks, smaller community banks, credit unions, non-traditional internet-based banks and insurance companies and agencies. We also compete with other financial intermediaries and investment alternatives such as mortgage companies, credit card issuers, leasing companies, finance companies, money market mutual funds, brokerage firms, governmental and corporate bond issuers, and other securities firms. Many of these non-bank competitors are not subject to the same regulatory oversight, which can provide them with a competitive advantage in some instances. In many cases, our competitors have substantially greater resources and offer certain services that we are unable to provide to our customers.

We encounter strong pricing competition in providing our services, particularly in making loans and attracting deposits. The larger national and super-regional banks may have significantly greater lending limits and may offer additional products. We attempt to compete successfully with our competitors, regardless of their size, by emphasizing customer service while continuing to provide a wide variety of services.

We expect competition in the industry to continue to increase mainly as a result of the improvement in financial technology used by both existing and new banking and financial services firms. Competition may further intensify as additional companies (both banks and non-banks) enter the markets where we conduct business, competitors combine to present more formidable challengers, and we enter mature markets in accordance with our expansion strategy.

Supervision and Regulation

Scope of this Section

This section describes certain material aspects of the regulatory framework applicable to banks and financial holding companies and their subsidiaries and to companies engaged in securities and insurance activities. To the extent that the following information describes statutory or regulatory provisions, it is qualified in its entirety by express reference to each of the particular statutory and regulatory provisions, and you should refer to the full text of the statutes, regulations, and corresponding guidance for more information. These statutes and regulations are subject to change, and additional statutes, regulations, and corresponding guidance may be adopted. We are unable to predict these future changes or the effects, if any, that these changes could have on our business. Finally, investors should be aware that the regulatory framework governing banks and the financial services industry is intended primarily to protect depositors and the Deposit Insurance Fund – not to protect our Bank or our security holders.

Overview

The Holding Company

The Holding Company is a bank holding company and financial holding company within the meaning of the BHC Act and is registered with the Federal Reserve. We are subject to the regulation and supervision of, and to examination by, the Federal Reserve (under the BHC Act). We are required to file with the Federal Reserve annual reports and such additional information as the Federal Reserve may require pursuant to the BHC Act.

Effective July 1, 2021, the Holding Company elected to become a financial holding company, which allows for engagement in a broader range of financial activities. A bank holding company that is not a financial holding company is limited to engaging in “banking” and activities found by the Federal Reserve to be “closely related to banking.” Eligible bank holding companies that elect to become financial holding companies may affiliate with securities firms and insurance companies and engage in activities that are “financial in nature.” “Financial” activities are broader in scope than those which are “closely related to banking.” See *Financial Activities other than Banking* in this Item.

The BHC Act requires every bank holding company to obtain the Federal Reserve’s prior approval before (1) acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank that it does not already control; (2) acquiring all or substantially all of the assets of a bank; and (3) subject to certain exceptions, merging or consolidating with any other bank holding company. In addition, a bank holding company is generally prohibited from engaging in, or acquiring a direct or indirect interest in or control of more than 5% of the voting shares of any company engaged in non-banking activities. This prohibition does not apply to activities listed in the BHC Act or found by the Federal Reserve, by order or regulation, to be closely related to banking or managing or controlling banks as to be a proper incident thereto. The Federal Reserve also may approve an application by a bank holding company to acquire a bank located outside the acquirer’s principal state of operations without regard to whether the transaction is prohibited under state law, although state law may still impose certain requirements. See *Interstate Branching and Mergers* in this Item for further information.

The Holding Company is an “affiliate” of the Bank under the Federal Reserve Act, which imposes certain restrictions on (1) loans by the Bank to the Holding Company, (2) investments in the stock or securities of the Holding Company by the Bank, (3) the Bank taking the stock or securities of an “affiliate” as collateral for loans by the Bank to a borrower and (4) the purchase of assets from the Holding Company by the Bank. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services. See *Transactions with Affiliates* discussed below.

The Bank

United Community Bank, our most significant subsidiary, is a South Carolina state-chartered bank subject to the regulation and supervision of, and to examination by, the SCBFI. Effective July 1, 2021, the Bank moved its headquarters from Blairsville, Georgia to Greenville, South Carolina and became a South Carolina state-chartered bank subject to examination and reporting requirements of the SCBFI. Prior to that date, the Bank was a Georgia state-chartered bank subject to examination and reporting requirements of the GADBF. In addition to general supervision and examination powers, the SCBFI has the power to approve mergers with the Bank, the Bank’s issuance of preferred stock or capital notes, the establishment of branches, and many other corporate actions. We are not required to obtain the approval of the SCBFI prior to acquiring the capital stock of a national bank, but we must notify them at least 15 days prior to doing so. We must receive the SCBFI’s approval prior to engaging in the acquisition of a South Carolina state-chartered bank or another South Carolina bank holding company.

The Bank is subject to examination and reporting requirements of the FDIC, the SCBFI and the CFPB. The financial statements and information contained herein have not been reviewed, or confirmed for accuracy or relevance, by the FDIC or any other regulator.

The Bank is insured by, and subject to regulation by, the FDIC and is subject to regulation in certain respects by the CFPB. The Bank is also subject to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be made and the interest that may be charged, limitations on the types of investments that may be made, activities that may be engaged in, and types of services that may be offered. Various consumer laws and regulations also affect the operations of the Bank. In addition, several of the Bank’s subsidiaries are regulated separately, as discussed in *Subsidiaries* in this Item.

In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve as it attempts to control money supply and credit availability in order to influence the economy. Also, the Bank and certain of its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with extensions of credit, leases or sales of property, or furnishing products or services.

Payment of Dividends

The Holding Company is a legal entity separate and distinct from the Bank and other subsidiaries. The Holding Company’s principal source of cash flow, including cash flow to pay dividends on our stock or to pay principal (including premium, if any) and interest on debt securities is dividends paid to it by the Bank. There are statutory and regulatory requirements applicable to the payment of dividends and other distributions by the Bank, as well as by the Holding Company to its shareholders.

During 2022, 2021 and 2020, the Bank paid dividends to the Holding Company of \$133 million, \$217 million and \$150 million, respectively. The Holding Company declared quarterly cash dividends on its common stock in 2022, 2021 and 2020 totaling \$0.86, \$0.78 and \$0.72 per share, respectively.

The Holding Company

Under Georgia corporate law, we may not pay cash dividends if, after giving effect to such payment, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus any amounts needed to satisfy any preferential rights if we were dissolving. In addition, in deciding whether or not to declare a dividend of any particular size, our Board must consider our current and prospective capital, liquidity, and other needs, including the needs of the Bank which we are obligated to support.

The Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve's view that a bank holding company generally should pay cash dividends only to the extent that the holding company's net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the holding company's capital needs, asset quality, and overall financial condition. The Federal Reserve has also indicated that a bank holding company should not maintain a level of cash dividends that places undue pressure on the capital of its bank subsidiaries, or that can be funded only through additional borrowings or other arrangements that undermine the bank holding company's ability to act as a source of strength to its bank subsidiaries. The Holding Company and the Bank must also maintain the CET1 capital conservation buffer of 2.5% to avoid becoming subject to restrictions on capital distributions, including dividends, as described below under *Capital Adequacy-Basel III Capital Standards*.

The Bank

As a South Carolina state-chartered bank, the Bank is permitted to pay a dividend of up to 100% of its current year earnings without requesting approval of the SCBFI, provided certain conditions are met. All other cash dividends require approval of the SCBFI. The application of those restrictions to the Bank is discussed in more detail in Note 1, Summary of Significant Accounting Policies, of Part II, Item 8. Financial Statements, which is incorporated into this Item 1 by reference.

Other Factors Affecting Dividends

If, in the opinion of the applicable regulatory authority, the Holding Company or the Bank are engaged in or about to engage in an unsafe or unsound practice (which, depending on the financial condition of the Holding Company or the Bank, could include the payment of dividends), such authority may require us or the Bank to cease and desist from that practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution's or holding company's capital base to an inadequate level would be an unsafe and unsound banking practice.

In addition, under the Federal Deposit Insurance Act, an FDIC-insured depository institution (such as the Bank) may not make any capital distributions, pay any management fees to its holding company, or pay any dividend if it is undercapitalized or if such payment would cause it to become undercapitalized.

The payment of dividends by the Holding Company and the Bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines imposed by debt covenants. For example, as discussed under *Capital Adequacy* discussed below, our ability to pay dividends would be restricted if our capital ratios fell below minimum regulatory requirements plus a capital conservation buffer.

The Federal Reserve generally requires bank holding companies to pay dividends only out of current operating earnings. The Federal Reserve has released a supervisory letter advising, among other things, that a bank holding company should inform the Federal Reserve and should eliminate, defer, or significantly reduce its dividends if (i) the bank holding company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the bank holding company's prospective rate of earnings is not consistent with the bank holding company's capital needs and overall current and prospective financial condition; or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Transactions with Affiliates

Federal banking laws restrict transactions between a bank and its affiliates, including a parent BHC. The Bank is subject to these restrictions, which include quantitative and qualitative limits on the amounts and types of permissible transactions, including

extensions of credit to affiliates, investments in the stock or securities of affiliates, purchases of assets from affiliates and certain other transactions with affiliates. These restrictions also require that credit transactions with affiliates be collateralized and that transactions with affiliates must be on terms substantially the same, or at least as favorable, as those prevailing at the time for comparable transactions with or involving nonaffiliates. In the absence of such comparable transactions, any transaction between banks and their affiliates must be on terms and under circumstances, including credit standards, which in good faith would be offered to or would apply to nonaffiliates. Generally, a bank's covered transactions with any one affiliate are limited to 10% of the bank's capital stock and surplus and covered transactions with all affiliates are limited to 20% of the bank's capital stock and surplus. The Dodd-Frank Act expanded the scope of these regulations, including by applying them to the credit exposure arising under derivative transactions, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. Federal banking laws also place similar restrictions on loans and other extensions of credit by FDIC-insured banks, such as the Bank, and their subsidiaries to their directors, executive officers, and principal shareholders.

Capital Adequacy

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

Basel III Capital Standards

Federal financial industry regulators require that regulated financial institutions, including the Holding Company and the Bank maintain minimum capital levels. The capital requirements in the United States are based on international standards known as "Basel III," which require the following:

Ratio Description		Minimum Capital	Minimum Capital Plus Capital Conservation Buffer
Risk-based ratios:			
CET1 capital	Common Equity Tier 1 Capital to RWA	4.5 %	7.0%
Tier 1 capital	Tier 1 Capital to RWA	6.0	8.5
Total capital	Total Capital to RWA	8.0	10.5
Leverage ratio	Tier 1 Capital divided by quarterly average assets net of goodwill, certain other intangible assets, and certain required deduction items	4.0	N/A

Tier 1 capital includes two components: CET1 capital and additional Tier 1 capital. The highest form of capital, CET1 capital, consists of common shareholders' equity, excluding AOCI, intangible assets, net of associated net deferred tax liabilities, and disallowed deferred tax assets. Additional Tier 1 capital includes non-cumulative perpetual preferred stock.

Tier 2 capital includes the allowable portion of the ACL up to 1.25% of RWA as well as qualifying subordinated debt and trust preferred securities.

In addition, a banking organization must maintain a 2.5% capital conservation buffer on top of its minimum risk-based capital requirements in order to avoid restrictions on capital distributions or discretionary bonus payments to executives. This buffer must consist solely of Tier 1 Common Equity, but the buffer applies to all three risk-based measurements (CET1, Tier 1 capital and total capital).

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business and in certain circumstances to the appointment of a conservator or receiver. See *Prompt Corrective Action* immediately below for additional information.

In addition, the Bank is required to have a capital structure that the SCBFI determines is adequate, based on SCBFI's assessment of the Bank's businesses and risks. The SCBFI may require the Bank to increase its capital, if found to be inadequate.

Prompt Corrective Action

Federal banking regulators must take “prompt corrective action” regarding FDIC-insured depository institutions that do not meet minimum capital requirements. For this purpose, insured depository institutions are divided into five capital categories, the specific regulatory requirements for which are set forth in the following table.

Category	Risk-Based Ratios				Tangible Equity to Total Assets
	Total Capital	Tier 1 Capital	CET1 Capital	Leverage Ratio	
Well-capitalized	at least 10%	at least 8%	at least 6.5%	at least 5%	
Adequately capitalized	at least 8%	at least 6%	at least 4.5%	at least 4%	
Undercapitalized	under 8%	under 6%	under 4.5%	under 4%	
Significantly undercapitalized	under 6%	under 4%	under 3%	under 3%	
Critically undercapitalized					2% or less

As of December 31, 2022, the Bank qualified as “well-capitalized” under the regulatory capital requirements discussed above. An institution may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position if it receives an unsatisfactory examination rating. Institutions generally are not allowed to publicly disclose examination results.

Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Institutions in any of the three undercapitalized categories are prohibited from declaring dividends or making capital distributions. In addition, an institution that is categorized in the three undercapitalized categories is required to submit an acceptable capital restoration plan to its appropriate federal banking agency, which, for the Bank, is the FDIC. Generally, subject to a narrow exception, banking regulators must appoint a receiver or conservator for an institution that is “critically undercapitalized.” The FDIC regulations also allow it to “downgrade” an institution to a lower capital category based on supervisory factors other than capital.

Holding Company Structure and Support of Subsidiary Banks

Because we are a holding company, our right to participate in the assets of any subsidiary upon the latter’s liquidation or reorganization will be subject to the prior claims of the subsidiary’s creditors (including depositors in the case of the Bank) except to the extent that we may be a creditor with recognized claims against the subsidiary. In addition, depositors of a bank, and the FDIC as their subrogee, would be entitled to priority over the other creditors in the event of liquidation of the bank.

Under Federal Reserve policy, now codified in the Dodd-Frank Act, we are expected to act as a source of financial strength to, and to commit resources to support, the Bank. This support may be required at times even if, absent such Federal Reserve policy, we might not wish to provide it or have the resources to provide it. In addition, any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of the subsidiary bank. In the event of a bank holding company’s bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Consumer Protection Laws

In connection with its lending activities, the Bank is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedure Act and their respective state law counterparts.

Volcker Rule

The Volcker rule (1) generally prohibits banks from engaging in proprietary trading, which is engaging as principal (for the bank’s own account) in any purchase or sale of one or more of certain types of financial instruments, and (2) limits banks’ ability to invest in or sponsor hedge funds or private equity funds.

CFPB

The Dodd-Frank Act created the CFPB, which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, the Consumer Financial Privacy provisions of the GLB Act and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with \$10 billion or more in assets, including the Bank. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products.

The CFPB has issued a number of regulations related to the origination of mortgages, foreclosures, and overdrafts as well as many other consumer issues. Additionally, the CFPB has proposed, or may propose, additional regulations or modifications to existing regulations that directly relate to our business. New CFPB regulations, and changes to CFPB regulations and enforcement priorities, may have a material impact on our compliance costs, compliance risk, and operations of the Bank.

FDIC Insurance Assessments; Deposit Insurance Fund

The Bank's deposits are insured by the FDIC up to \$250,000 per depositor subject to applicable limitations through the Deposit Insurance Fund. As a result, the Bank must pay deposit insurance assessments to the FDIC. The FDIC imposes a risk-based deposit premium assessment system to determine assessments based on a number of factors to measure the risk each institution poses to the Deposit Insurance Fund. The assessment rate is applied to our total average assets less tangible equity. Under the current system, premiums are assessed quarterly and could increase if, for example, criticized loans and/or other higher risk assets increase or balance sheet liquidity decreases. Because the Bank exceeds \$10 billion in assets, the FDIC uses a "scorecard" system to calculate our assessments. Key factors include: the institution's risk category; whether the institution is deemed large and highly complex; whether the institution qualifies for an unsecured debt adjustment; and whether the institution is burdened with a brokered deposit adjustment. Other factors can impact the base against which the applicable rate is applied, including (for example) whether a net loss is realized. The FDIC also has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations. In October 2022, the FDIC announced a uniform 2 basis point increase in the deposit insurance assessment rate beginning in the first quarterly assessment period of 2023, with the intended purpose of having the Deposit Insurance Fund reach its statutory limit of 1.35 percent by the statutory deadline of September 30, 2028.

The FDIC may also terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Interchange Fee Restrictions

We are subject to regulations that severely cap interchange fees which the Bank may charge merchants for debit card transactions. These restrictions were required by a statutory provision known as the Durbin Amendment of the Dodd-Frank Act. The Federal Reserve's final rules implementing the Durbin Amendment capped interchange fees for debit card transactions at \$0.21 plus five basis points in order to be eligible for a safe harbor such that the fee is conclusively determined to be reasonable and proportionate. Another related rule also permits an additional \$0.01 per transaction "fraud prevention adjustment" to the interchange fee if certain Federal Reserve standards are implemented, including an annual review of fraud prevention policies and procedures. With respect to network exclusivity and merchant routing restrictions, all debit cards must now participate in at least two unaffiliated networks so that the transactions initiated using those debit cards will have at least two independent routing channels.

Incentive Compensation and Risk Management

In addition to the potential restrictions on discretionary bonus compensation under the Basel III rules, the federal bank regulatory agencies have issued guidance on incentive compensation policies (the "Incentive Compensation Guidance") intended to ensure that the incentive compensation policies of financial institutions do not undermine the safety and soundness of such institutions by encouraging excessive risk-taking. The Incentive Compensation Guidance, which covers all employees who have the ability to materially affect the risk profile of an institution, either individually or as part of a group, is based upon the key principles that a financial institution's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the institution's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management and (iii) be supported by strong corporate governance, including active and effective oversight by the institution's board of directors. We operate a risk management process for assessing risk in incentive compensation plans.

The Federal Reserve reviews, as part of its regular, risk-focused examination process, the incentive compensation arrangements of financial institutions, including us, that are not "large, complex banking organizations." These reviews are tailored to each financial institution based on the scope and complexity of the institution's activities and the prevalence of incentive compensation

arrangements. The findings of the supervisory initiatives are included in reports of examination. Deficiencies are incorporated into the financial institution's supervisory ratings, which can affect the institution's ability to make acquisitions and take other actions. Enforcement actions may be taken against a financial institution if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the institution's safety and soundness and the institution is not taking prompt and effective measures to correct the deficiencies.

The scope and content of federal bank regulatory agencies' policies on executive compensation are continuing to develop and are likely to continue evolving in the near future. In 2016, federal agencies proposed regulations which could significantly change the regulation of incentive compensation programs at financial institutions. The proposal would create four tiers of institutions based on asset size. Institutions in the top two tiers would be subject to rules much more detailed and proscriptive than are currently in effect. If interpreted aggressively by the regulators, the proposed rules could be used to prevent, as a practical matter, larger institutions from engaging in certain lines of business where substantial commission and bonus pool arrangements are the norm. In the 2016 proposal, the top two tiers included institutions with more than \$50 billion of assets, which would not currently apply to us. Additionally, prompted by post-2016 legislation which significantly raised several statutory asset-size tiers, if this proposal were finalized today, the \$50 billion floor might be raised significantly, allowing us to remain in the third tier for the foreseeable future. We cannot predict what final rules may be adopted, nor how they may be implemented and, therefore, it cannot be determined at this time whether compliance with such policies will adversely affect our ability to hire, retain and motivate our key employees.

Real Estate Lending

Inter-agency guidelines adopted by federal bank regulatory agencies mandate that financial institutions establish real estate lending policies with maximum allowable real estate loan-to-value limits, subject to an allowable amount of non-conforming loans as a percentage of capital. In addition, the federal bank regulatory agencies, including the FDIC, restrict concentrations in commercial real estate lending and have noted that increases in banks' commercial real estate concentrations can create safety and soundness concerns. The regulatory guidance mandates certain minimal risk management practices and categorizes banks with defined levels of such concentrations as banks requiring elevated examiner scrutiny.

Cross-Guarantee Liability

A depository institution insured by the FDIC can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with (i) the default of a commonly controlled FDIC-insured depository institution or (ii) any assistance provided by the FDIC to any commonly controlled FDIC-insured depository institution "in danger of default." "Default" is defined generally as the appointment of a conservator or receiver and "in danger of default" is defined generally as the existence of certain conditions indicating that a default is likely to occur in the absence of regulatory assistance. Any FDIC damage claim is superior to claims of shareholders of the insured depository institution or its holding company but is subordinate to claims of depositors, secured creditors, and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institution. Currently the Bank is our only depository institution subsidiary. If we were to own or operate another depository institution, any loss suffered by the FDIC in respect of one subsidiary bank would likely result in assertion of the cross-guarantee provisions, the assessment of estimated losses against our other subsidiary bank(s), and a potential loss of our investment in our subsidiary banks.

Interstate Branching and Mergers

As previously mentioned, the Bank generally must have SCBFI's approval to establish a new branch. For a new branch located outside of South Carolina, South Carolina law requires the Bank to comply with branching laws applicable to the state where the new branch will be located. Federal law allows the Bank to establish or acquire a branch in another state to the same extent as a bank chartered in that other state would be allowed to establish or acquire a branch in South Carolina.

For an interstate merger or acquisition: the acquiring bank must be well-capitalized and well-managed; concentration limits on liabilities and deposits may not be exceeded; regulators must assess the transaction for incremental systemic risk; and the acquiring bank must have at least "satisfactory" standing under the federal Community Reinvestment Act (discussed immediately below). Once a bank has established branches in a state through *de novo* or acquired branching or through an interstate merger transaction, the bank may then establish or acquire additional branches within that state to the same extent that a bank chartered in that state is allowed to establish or acquire branches within the state.

Community Reinvestment Act

The CRA requires each U.S. bank, consistent with safe and sound operation, to help meet the credit needs of each community where the bank accepts deposits, including low- and moderate-income communities. Federal banking regulators periodically assess the Bank

for CRA compliance and that assessment is made public. The Bank's low- and moderate-income community operations and activities traditionally are critical focal points in those assessments.

For purposes of CRA examinations, federal banking regulators rate each institution's compliance with the CRA as "Outstanding," "Satisfactory," "Needs to Improve" or "Substantial Noncompliance." A CRA rating below "Satisfactory" can slow or halt a bank's plans to expand by branching, acquisition, or merger, and can prevent a bank holding company from becoming a financial holding company. In its most recent CRA examination, the Bank received a "Satisfactory" rating.

The Federal Reserve, the OCC, and the FDIC have adopted revised CRA regulations based upon rules adopted jointly by the agencies in 1995. These rules were effective January 1, 2022.

Financial Activities other than Banking

Permitted Activities. Under the BHC Act, a bank holding company is generally permitted to engage in, or acquire direct or indirect control of more than 5% of the voting shares of any company engaged in, the following activities:

- banking or managing or controlling banks;
- furnishing services to or performing services for our subsidiaries; and
- any activity that the Federal Reserve determines to be so closely related to banking as to be a proper incident to the business of banking.

Activities that the Federal Reserve has found to be so closely related to banking as to be a proper incident to the business of banking include:

- factoring accounts receivable;
- making, acquiring, brokering or servicing loans and usual related activities;
- leasing personal or real property;
- operating a non-bank depository institution, such as a savings association;
- trust company functions;
- financial and investment advisory activities;
- conducting discount securities brokerage activities;
- underwriting and dealing in government obligations and money market instruments;
- providing specified management consulting and counseling activities;
- performing selected data processing services and support services;
- acting as agent or broker in selling credit life insurance and other types of insurance in connection with credit transactions; and
- performing selected insurance underwriting activities.

Federal law generally allows financial holding companies broad authority to engage in activities that are financial in nature or incidental to a financial activity. These include: insurance underwriting and brokerage; merchant banking; securities underwriting, dealing, and market-making; real estate development; and such additional activities as the Federal Reserve in consultation with the Secretary of the Treasury determines to be financial in nature or incidental. A bank holding company may engage in these activities directly or through subsidiaries by qualifying as a "financial holding company." To qualify as a financial holding company, a bank holding company must file an initial declaration with the Federal Reserve, certifying that all of its subsidiary depository institutions are well-managed and well-capitalized.

Federal law also permits banks to engage in certain of these activities through financial subsidiaries. To control or hold an interest in a financial subsidiary, a bank must meet the following requirements:

- The bank must receive approval from its primary federal regulator for the financial subsidiary to engage in the activities.
- The bank and its depository institution affiliates must each be well-capitalized and well-managed.
- The aggregate consolidated total assets of all of the bank's financial subsidiaries must not exceed the lesser of: 45% of the bank's consolidated total assets; or \$50 billion (subject to indexing for inflation).
- The bank must have in place adequate policies and procedures to identify and manage financial and operational risks and to preserve the separate identities and limited liability of the bank and the financial subsidiary.
- If the bank is among the 100 largest banks, the bank must meet the long-term debt rating or alternative standards adopted by the Federal Reserve and the U.S. Secretary of the Treasury from time to time. If this fifth requirement ceases to be met after a

bank controls or holds an interest in a financial subsidiary, the bank cannot invest additional capital in that subsidiary until the requirement again is met.

No new activity may be commenced unless the bank and all of its depository institution affiliates have at least “Satisfactory” CRA ratings. Certain restrictions apply if the bank holding company or the bank fails to continue to meet one or more of the requirements listed above. In addition, federal law contains a number of other provisions that may affect the Bank’s operations, including limitations on the use and disclosure to third parties of client information.

As of December 31, 2022, we are a financial holding company and we have a number of financial subsidiaries, as discussed in *Subsidiaries* in this Item.

Privacy and Data Security

The Federal Reserve, FDIC and other bank regulatory agencies have adopted guidelines for safeguarding confidential, personal customer information. These guidelines require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to create, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. In addition, various federal regulators, including the Federal Reserve and the SEC, have increased their focus on cyber-security through guidance, examinations and regulations. The Bank has adopted a customer information security program that has been approved by its Board of Directors.

The GLB Act requires financial institutions to implement policies regarding the disclosure of non-public personal information about consumers to nonaffiliated third parties. In general, the statute requires explanations to consumers on policies and procedures regarding the disclosure of such nonpublic information and, except as otherwise required by law, prohibits disclosing such information except as provided in a banking subsidiary’s policies and procedures. The Bank has implemented a privacy policy.

States are also increasingly proposing or enacting legislation that relates to data privacy and data protection such as the California Consumer Privacy Act which went into effect on January 1, 2020. We continue to assess the requirements of such laws and proposed legislation and their applicability to us. Moreover, these laws, and proposed legislation, are still subject to revision or formal guidance and they may be interpreted or applied in a manner inconsistent with our understanding.

Like other lenders, the Bank and other of our subsidiaries use credit bureau data in their underwriting activities. Use of such data is regulated under the Fair Credit Reporting Act, which regulates the reporting of information to credit bureaus, prescreening individuals for credit offers, sharing of information between affiliates, and using affiliate data for marketing purposes. Similar state laws may impose additional requirements on the Bank and its subsidiaries.

Anti-Money Laundering Initiatives, the USA Patriot Act and the Office of Foreign Asset Control

We are subject to federal laws that are designed to combat terrorist financing, money laundering and transactions with persons, companies or foreign governments sanctioned by the United States. These include the Bank Secrecy Act, the Money Laundering Control Act, the International Emergency Economic Powers Act and the Trading with the Enemy Act, as administered by the United States Treasury Department’s Office of Foreign Assets Control. These regulations obligate depository institutions and broker-dealers to verify the identity of their customers, conduct customer due diligence, report on suspicious activity, file reports of transactions in currency and conduct enhanced due diligence on certain accounts. They also prohibit U.S. persons from engaging in transactions with certain designated restricted countries and persons. Depository institutions and broker-dealers are required by their federal regulators to maintain robust policies and procedures in order to ensure compliance with these obligations.

Failure of a financial institution to maintain and implement adequate programs to combat terrorist financing, or to comply with all of the relevant laws or regulations, can lead to significant monetary penalties and could have other serious legal and reputational consequences for the institution. Federal regulators evaluate the effectiveness of an applicant in combating money laundering when determining whether to approve a proposed bank merger, acquisition, restructuring, or other expansionary activity. There have been a number of significant enforcement actions by regulators, as well as state attorneys general and the Department of Justice, against banks, broker-dealers and non-bank financial institutions with respect to these laws and some have resulted in substantial penalties, including criminal pleas. Our Board has approved policies and procedures that it believes comply with these laws.

Depositor Preference

Federal law provides that deposits and certain claims for administrative expenses and associate compensation against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution, including federal funds and letters of credit, in the “liquidation or other resolution” of such an institution by any receiver.

Securities Regulation

Certain of our subsidiaries are subject to various securities laws and regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the jurisdictions in which they operate.

Our registered broker-dealer subsidiary is subject to the SEC’s net capital rule, Rule 15c3-1. That rule requires the maintenance of minimum net capital and limits the ability of the broker-dealer to transfer large amounts of capital to a parent company or affiliate. Compliance with the rule could limit operations that require intensive use of capital, such as underwriting and trading.

Certain of our subsidiaries are registered investment advisers which are regulated under the Investment Advisers Act of 1940. Advisory contracts with clients automatically terminate under these laws upon an assignment of the contract by the investment adviser unless appropriate consents are obtained.

Insurance Activities

Certain of our subsidiaries sell various types of insurance as agent in a number of states. Insurance activities are subject to regulation by the states in which such business is transacted. Although most of such regulation focuses on insurance companies and their insurance products, insurance agents and their activities are also subject to regulation by the states, including, among other things, licensing and marketing and sales practices.

Other Proposals

Federal and state legislators as well as regulatory agencies may introduce or enact new laws and rules, or amend existing laws and rules that may affect the regulation of United and its subsidiaries in substantial and unpredictable ways, and, if enacted, could increase or decrease the cost of doing business, limit or expand permissible activities or affect the industry’s competitive balance. We are not able to predict what, if any, legislative and regulatory changes affecting financial institutions will be enacted or implemented in the future, nor the impact that those actions will have upon us. Any such changes, however, could materially and adversely affect our business, financial condition and results of operations.

Source and Availability of Funds

Our revenue is primarily derived from interest on and fees received in connection with the loans we make and from interest and dividends from our investment securities and short-term investments. The principal sources of funds for our lending activities are customer deposits, repayment of loans, and the sale and maturity of investment securities. Our principal expenses are interest paid on deposits and other borrowings and operating and general administrative expenses.

Available Information

Our internet website address is www.ucbi.com. We file with or furnish to the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, proxy statements and annual reports to shareholders and, from time to time, registration statements and other documents. These documents are available free of charge to the public on or through the “Investor Relations” section of our website as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. The SEC maintains an internet site that contains reports, proxy and information statements and other information that we file electronically with, or furnish to, the SEC. The address of that website is www.sec.gov. The information on any website referenced in this Report is not incorporated by reference into, and is not a part of this Report. Further, our references to website URLs are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

This Item outlines specific risks that could affect the ability of our various businesses to compete, change our risk profile or materially affect our financial condition or results of operations. Our operating environment continues to evolve and new risks continue to emerge. To address that challenge we have a risk management governance structure that oversees processes for monitoring evolving risks and oversees various initiatives designed to manage and control our potential exposure. This Item highlights risks that could affect us in material ways by causing future results to differ materially from past results, by causing future results to differ materially from current expectations, or by causing material changes in our financial condition. Some of these risks are interrelated and the occurrence of one or more of them may exacerbate the effect of others.

TRADITIONAL COMPETITION RISKS

We are subject to intense competition for clients and the nature of that competition is rapidly evolving.

Our primary areas of competition include: consumer and commercial deposits, commercial loans, consumer loans including home mortgages and lines of credit, financial planning and wealth management, fixed income products and services, and other consumer and commercial financial products and services. Our competitors in these areas include national, state and non-U.S. banks, credit unions, savings and loan associations, consumer finance companies, mortgage banking firms, trust companies, securities brokerage firms, investment counseling firms, insurance companies and agencies, money market funds and other mutual funds, hedge funds and other financial services companies that serve in our markets. The emergence of non-traditional, disruptive service providers (see *Industry Disruption* section below) has intensified this competitive environment. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for nonbanks to offer products and services traditionally provided by banks, such as check-cashing, automatic transfer and automatic payment systems and “peer-to-peer” lending in which investors provide debt financing and/or capital directly to borrowers. While traditional banks are subject to the same regulatory framework as we are, nonbanks experience a significantly different or reduced degree of regulation as well as lower cost structures. We may face a competitive disadvantage as a result of our smaller size, more limited geographic diversification and inability to spread costs across broader markets. Although we compete by concentrating marketing efforts in our primary markets with local advertisements, personal contacts and greater flexibility and responsiveness in working with local customers, customer loyalty can be easily influenced by a competitor’s new products and our strategy may or may not continue to be successful. Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability which, in turn, could have a material adverse effect on our business, financial condition and results of operations. We may also be affected by the marketplace loosening of credit underwriting standards and structures.

STRATEGIC AND MACRO RISKS

We may be unable to successfully implement our strategy to grow our commercial and consumer banking businesses.

Although our current strategy is expected to evolve as business conditions change, in 2023 our strategy is to continue to invest resources in our banking businesses and operations as we integrate the businesses and operations of our recent acquisitions, including FinTrust, Aquesta, Reliant and Progress and seek to exploit opportunities for cost and revenue synergies. In the future, we expect to continue to nurture profitable organic growth as well as pursue acquisitions or strategic transactions if appropriate opportunities, within or outside of our current markets, present themselves. Our failure or inability to successfully implement those strategies could have a material and adverse effect on our results of operation and financial condition.

Failure to achieve one or more key elements needed for successful business acquisitions and integrations could adversely affect our business and earnings.

Expanding in our current markets and selecting attractive new growth markets by opening additional branches and service locations or through acquisitions of all or part of other financial institutions involve risks, any one of which could result in a material and adverse effect upon our results of operation or financial condition. These risks include, without limitation, the following:

- our inability to identify and expand into suitable markets;
- our inability to identify and acquire suitable sites for new branches and service locations;
- our inability to identify and execute potential acquisition targets;
- our inability to develop accurate estimates and judgments to evaluate asset values and credit, operations, management and market risks with respect to an acquired branch or institution, a new branch office or a new market;
- our inability to realize certain assumptions and estimates to preserve the expected financial benefits of the transaction;

- our inability to avoid the diversion of our management's attention from existing operations during the negotiation of a transaction;
- our inability to manage successful entry into new markets where we have limited or no direct prior experience;
- our inability to obtain regulatory and other approvals, or obtain such approvals without restrictive conditions;
- our inability to integrate the acquired business' operations, clients, and properties quickly and cost-effectively;
- our inability to manage cultural assimilation risks associated with growth through acquisitions, which can be an often-overlooked and often-critical failure point in mergers;
- our inability to combine the franchise values of businesses that we acquire with those of ours without significant loss from re-branding and other similar changes; or
- our inability to retain core clients and key associates.

Failure to achieve one or more key elements needed for successful organic growth could adversely affect our business and earnings.

There are a number of risks to the successful execution of our organic growth strategy that could result in a material and adverse effect upon our results of operation and financial condition. These risks include, without limitation, the following:

- our inability to attract and retain clients in our banking market areas, particularly as we integrate our recent acquisitions, including FinTrust, Aquesta, Reliant and Progress;
- our inability to achieve and maintain growth in our earnings while pursuing new business opportunities;
- our inability to maintain a high level of client service while optimizing our physical branch count due to changing client demand, all while expanding our remote banking services and expanding or enhancing our information processing, technology, compliance, and other operational infrastructures effectively and efficiently;
- our inability to maintain loan quality in the context of significant loan growth;
- our inability to attract sufficient deposits and capital to fund anticipated loan growth;
- our inability to maintain adequate common equity and regulatory capital while managing the liquidity and capital requirements associated with growth, especially organic growth and cash-funded acquisitions;
- our inability to hire or retain adequate management personnel and systems to oversee and support such growth;
- our inability to implement additional policies, procedures and operating systems required to support our growth;
- our inability to manage effectively and efficiently the changes and adaptations necessitated by a complex, burdensome, and evolving regulatory environment

Although we have in place strategies designed to achieve those elements that are significant to us at present, our challenge is to execute those strategies and adjust them, or adopt new strategies, as conditions change.

INDUSTRY DISRUPTION

Failure to keep pace with technological changes could adversely affect our business.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on our business, financial condition and results of operations.

Through technological innovations and changes in client habits, the manner in which clients use financial services continues to change at a rapid pace.

We provide a large number of services remotely (online and mobile), and physical branch utilization has been in long-term decline throughout the industry for many years. Technology has helped us reduce costs and improve service, but also has weakened traditional geographic and relationship ties, and has allowed disruptors to enter traditional banking areas. Through digital marketing and service platforms, many banks are making client inroads unrelated to physical presence. This competitive risk is especially pronounced from the largest U.S. banks, and from online-only banks, due in part to the investments they are able to sustain in their digital platforms.

Companies as disparate as PayPal and Starbucks provide payment and exchange services which compete directly with banks in ways not possible traditionally. Recently, some government leaders have discussed having the U.S. Post Office offer banking services.

The nature of technology-driven disruption to our industry is changing, in some cases seeking to displace traditional financial service providers rather than merely enhance traditional services or their delivery.

A number of recent technologies have worked with the existing financial system and traditional banks, such as the evolution of ATM cards into debit/credit cards and the evolution of debit/credit cards into smart phones. These sorts of technologies often have expanded the market for banking services overall while siphoning a portion of the revenues from those services away from banks and disrupting prior methods of delivering those services. Additionally, some recent innovations may tend to replace traditional banks as financial service providers rather than merely augmenting those services. For example, companies which claim to offer applications and services based on artificial intelligence are beginning to compete much more directly with traditional financial services companies in areas involving personal advice, including high-margin services such as financial planning and wealth management. The low-cost, high-speed nature of these “robo-advisor” services can be especially attractive to younger, less-affluent clients and potential clients, as well as persons interested in “self-service” investment management. Other industry changes, such as zero-commission trading offered by certain large firms able to use trading as a loss-leader, may amplify this trend. Similarly, inventions based on blockchain technology eventually may be the foundation for greatly enhancing transactional security throughout the banking industry, but also eventually may reduce the need for banks as secure deposit-keepers and intermediaries.

OPERATIONAL RISKS

Fraud is a major, and increasing, operational risk for us and all banks.

Two traditional areas, deposit fraud (check kiting, wire fraud, etc.) and loan fraud, continue to be major sources of fraud attempts and loss. The sophistication and methods used to perpetrate fraud continue to evolve as technology changes. In addition to cybersecurity risk (discussed below), new technologies have made it easier for bad actors to obtain and use client personal information, mimic signatures and otherwise create false documents that look genuine. The industry fraud threat continues to evolve, including but not limited to card fraud, check fraud, social engineering and phishing attacks for identity theft and account takeover. Our anti-fraud measures are both preventive and, when necessary, responsive; however, some level of fraud loss is unavoidable, and the risk of a major loss cannot be eliminated.

Our ability to conduct and grow our businesses is dependent in part upon our ability to create, maintain, expand, and evolve an appropriate operational and organizational infrastructure, manage expenses, and recruit and retain personnel with the ability to manage a complex business.

Operational risk can arise in many ways, including: errors related to failed or inadequate physical, operational, information technology, or other processes; faulty or disabled computer or other technology systems; fraud, theft, physical security breaches, electronic data and related security breaches, or other criminal conduct by associates or third parties; and exposure to other external events. Inadequacies may present themselves in myriad ways. Actions taken to manage one risk may be ineffective against others. For example, information technology systems may be sufficiently redundant to withstand a fire, incursion, malware, or other major casualty, but they may be insufficiently adaptable to new business conditions or opportunities. Efforts to make systems more robust may make them less adaptable, and *vice-versa*. Also, our efforts to control expenses, which is a significant priority for us, increases our operational challenges as we strive to maintain client service and compliance at high quality and low cost.

A serious information technology security (cybersecurity) breach can cause significant damage and at the same time be difficult to detect even after it occurs.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks as well as through the internet through digital and mobile technologies. Although we take protective measures and endeavor to modify these systems as circumstances warrant, the advances in technology increase the risk of information security breaches. We provide our customers the ability to bank remotely, including over the internet or through their mobile device. The secure transmission of confidential information is a critical element of remote and mobile banking. Any failure, interruption or breach in security of these systems could result in disruptions to our accounting, deposit, loan and other systems, and adversely affect our customer relationships.

There have been increasing efforts on the part of third parties, including through cyber-attacks, to breach data security at financial institutions or with respect to financial transactions. There have been several recent instances involving financial services, credit bureaus and consumer-based companies reporting the unauthorized disclosure of client or customer information or the destruction or theft of corporate data, by both private individuals and foreign governments. In addition, because the techniques used to cause such security breaches change frequently, often are not recognized until launched against a target and may originate from less regulated and

remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Our network, and the systems of parties with whom we contract, could be vulnerable to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches.

Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks. Among other things, damage can occur due to outright theft or extortion of our funds, fraud or identity theft perpetrated on clients, or adverse publicity associated with a breach and its potential effects. Perpetrators potentially can be associates, clients, and certain vendors, all of whom legitimately have access to some portion of our systems, as well as outsiders with no legitimate access. These risks are heightened through the increasing use of digital and mobile solutions which allow for rapid money movement and increase the difficulty to detect and prevent fraudulent transactions. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches (including breaches of security of customer systems and networks) and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could adversely affect our reputation, results of operations and ability to attract and maintain customers and businesses. In addition, a security breach could also subject us to additional regulatory scrutiny, expose us to civil litigation and possible financial liability and cause reputational damage.

We rely on information technology and telecommunications systems and certain third-party service providers, the operational functions of which may experience disruptions that could adversely affect us and over which we may have limited or no control.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems, third-party accounting systems and mobile and online banking platforms. We outsource many of our major systems, such as data processing, loan servicing and deposit processing systems and online banking platforms. While we have selected these vendors carefully, we do not control their actions. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Financial or operational difficulties of a vendor could also damage our operations if those difficulties interfere with the vendor's ability to serve us. Furthermore, our vendors could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third-party vendors could also create significant delay and expense. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process new and renewed loans, gather deposits and provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. Our ability to recoup our losses may be limited legally or practically in many situations.

Our risk management framework may not be effective in mitigating risks and/or losses.

We have implemented a risk management framework to mitigate our risk and loss exposure. This framework is comprised of various processes, systems and strategies, and is designed to identify, measure, monitor, report and manage the types of risk to which we are subject, including, among others, credit risk, interest rate risk, liquidity risk, legal and regulatory risk, compliance risk, strategic risk, reputational risk and operational risk related to its employees, systems and vendors, among others. Any system of control and any system to reduce risk exposure, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met and will be effective under all circumstances or that it will adequately identify, manage or mitigate any risk or loss to us. Additionally, instruments, systems and strategies used to hedge or otherwise manage exposure to various types of interest rate, price, legal and regulatory compliance, credit, liquidity, operational and business risks and enterprise-wide risk could be less effective than anticipated. As a result, we may not be able to effectively mitigate our risk exposures in particular market environments or against particular types of risk. If our risk management framework is not effective, we could suffer unexpected losses and become subject to litigation, negative regulatory consequences, or reputational damage among other adverse consequences, any of which could result in our business, financial condition, results of operations or prospects being materially adversely affected.

Competition for talent is substantial and increasing. Moreover, revenue growth in some business lines increasingly depends upon top talent.

In recent years, the cost to us of hiring and retaining top revenue-producing talent has increased, and that trend is likely to continue. We have assembled a management team which has substantial background and experience in banking and financial services in our markets. Moreover, much of our organic loan growth in recent years was the result of our ability to attract experienced financial services professionals who have been able to attract customers from other financial institutions. We anticipate deploying a similar

hiring strategy in the future. Additionally, operating our technology systems requires employees with specialized skills that are not readily available in the general employee candidate pool. Inability to retain these key personnel (including key personnel of the businesses we have acquired) or to continue to attract experienced lenders with established books of business could negatively affect our growth because of the loss of these individuals' skills and customer relationships and/or the potential difficulty of promptly replacing them. Moreover, the higher costs we must pay to hire and retain these experienced individuals could cause our noninterest expense levels to rise and negatively impact our results of operations.

RISKS FROM CHANGES IN ECONOMIC CONDITIONS

Inflationary pressures present a potential threat to our results of operation and financial condition.

The United States generally and the regions in which we operate specifically have recently experienced, for the first time in decades, significant inflationary pressures, evidenced by higher gas prices, higher food prices and other consumer items. Inflation represents a loss in purchasing power because the value of investments often does not keep up with inflation and erodes the purchasing power of money and the potential value of investments over time. Accordingly, inflation can result in material adverse effects upon our customers, their businesses (as a result of rising costs, including labor) and, as a result, our financial position and results of operations. Inflation also can and does generally lead to higher interest rates, which have their own separate risks. See *Risks Associated With Monetary Events* and *Interest Rate and Yield Curve Risks* in this Item 1A of this report.

Generally, in periods of economic downturns, including periods of rising interest rates and recessions, our realized credit losses increase, demand for our products and services declines, and the credit quality of our loan portfolio declines.

Our success depends significantly upon local, national and global economic and political conditions, as well as governmental monetary policies and trade relations. Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets where we operate and in the United States as a whole. Unlike banks that are more geographically diversified, we are a regional bank that provides services to customers primarily in Georgia, South Carolina, North Carolina, Tennessee and Florida. The market conditions in these markets may be different from, and could be worse than, the economic conditions in the United States as a whole. As discussed elsewhere in this Item 1A, inflationary pressures have caused the Federal Reserve to recently increase interest rates and indicate its intention to continue to do so. Increases in interest rates in the past have led to recessions of various lengths and intensities and might lead to such a recession in the near future. Such a recession or any other adverse changes in business and economic conditions generally or specifically in the markets in which we operate could affect our business, including causing one or more of the following negative developments:

- a decrease in the demand for loans and other products and services offered by us;
- a decrease in the value of the collateral securing our residential or commercial real estate loans;
- a permanent impairment of our assets; or
- an increase in the number of customers or other counterparties who default on their loans or other obligations to us, which could result in a higher level of NPAs, net charge-offs and provision for loan losses.

RISKS ASSOCIATED WITH MONETARY EVENTS

The Federal Reserve has implemented significant economic strategies that have affected interest rates, inflation, asset values, and the shape of the yield curve. These strategies have had, and will continue to have, a significant impact on our business and on many of our clients.

In response to the recession in 2008 and the following uneven recovery, the Federal Reserve implemented a series of domestic monetary initiatives designed to lower interest rates and make credit easier to obtain. The Federal Reserve changed course in 2015, raising interest rates several times through 2018. Following a substantial and broad stock market decline in 2019 and the onset of the COVID-19 pandemic, the Federal Reserve lowered interest rates, which remained at historically low levels until 2022. In 2022, however, in response to inflationary pressures, the Federal Reserve has increased interest rates substantially and has indicated its intention to continue to do so. These increases in interest rates can have significant and adverse effects upon our business as well as the business of many of our customers.

Federal Reserve strategies can, and often are intended to, affect the domestic money supply, inflation, interest rates, and the shape of the yield curve.

Effects on the yield curve often are most pronounced at the short end of the curve, which is of particular importance to us and other banks. Among other things, easing strategies are intended to lower interest rates, expand the money supply, and stimulate economic activity, while tightening strategies are intended to increase interest rates, tighten the money supply, and restrain economic activity. Many external factors may interfere with the effects of these plans or cause them to be changed, sometimes quickly. Such factors include significant economic trends or events as well as significant international monetary policies and events. Such strategies also can affect the U.S. and world-wide financial systems in ways that may be difficult to predict. Risks associated with interest rates and the yield curve are discussed in this Item 1A under the caption *Interest Rate and Yield Curve Risks*.

REPUTATION RISKS

Our ability to conduct and grow our businesses, and to obtain and retain clients, is highly dependent upon external perceptions of our business practices and financial stability.

Our reputation is a key asset for us. Reputation risk, or the risk to our earnings, liquidity and capital from negative public opinion, is inherent in our business. Our reputation is affected principally by our business practices and how those practices are perceived and understood by others. Negative public opinion could adversely affect our ability to keep and attract customers and expose us to adverse legal and regulatory consequences. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices (including lending to certain customers that transact business in unpopular industries), corporate governance, regulatory compliance, securities compliance, mergers and acquisitions, from sharing or inadequate protection of customer information and from actions taken by government regulators and community organizations in response to that conduct. Negative public opinion could also result from adverse news or publicity that impairs the reputation of the financial services industry generally or that relates to parties with whom we have important relationships. Because we conduct most of our business under the “United” brand, negative public opinion about one business could affect our other businesses.

CREDIT AND COUNTERPARTY RISK

We face the risk that our clients may not repay their loans or other obligations and that the realizable value of collateral may be insufficient to avoid a charge-off.

We also face risks that other counterparties, in a wide range of situations, may fail to honor their obligations to pay us. In our business some level of credit charge-offs is unavoidable and overall levels of credit charge-offs can vary substantially over time. Lending activities are inherently risky. When we lend money or commit to lend, we incur credit risk or the risk of loss if borrowers do not repay their loans or other credit obligations. Credit risk includes, among other things, the quality of our underwriting, the impact of increases in interest rates and changes in the economic conditions in the markets where we operate as well as across the United States.

Rising interest rates and a weakening economy adversely affect the ability of some borrowers to repay outstanding loans as well as the value of the collateral securing some of these loans. If loan customers with significant loan balances fail to repay their loans, our results of operations, financial condition and capital levels will suffer.

We are exposed to higher credit and concentration risk from our commercial real estate, commercial and industrial and commercial construction lending.

Our credit risk and credit losses can increase if our loans become concentrated to borrowers engaged in the same or similar activities or to borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. As of December 31, 2022, approximately 73% of our loan portfolio consisted of commercial loans, including commercial and industrial, equipment financing, commercial construction and commercial real estate mortgage loans. Our borrowers under these loans tend to be small to medium-sized businesses. These types of loans are typically larger than residential real estate loans or consumer loans. During periods of lower economic growth or challenging economic periods, small to medium-sized businesses may be impacted more severely and more quickly than larger businesses. Consequently, the ability of such businesses to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely affect our results of operations and financial condition. An increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on our business, financial condition and results of operations.

Deterioration in economic conditions, housing conditions and commodity and real estate values and an increase in unemployment in certain states or locations could result in materially higher credit losses if loans are concentrated in those locations. Our loans are heavily concentrated in our primary markets of Georgia, South Carolina, North Carolina, Tennessee and Florida. These markets may

have different or weaker performance than other areas of the country and our portfolio may be more negatively impacted than a financial services company with wider geographic diversity.

See the section captioned “Loans” in the “Balance Sheet Review” section of Part II, Item 7. MD&A of this Report for further discussion related to commercial and industrial, construction and commercial real estate loans.

If our allowance for credit losses was required to be increased because it is not large enough to cover expected losses in our loan portfolio, our results of operations and financial condition could be materially and adversely affected.

We maintain an ACL, which is a reserve established through a provision for credit losses charged to expense. After adopting ASC 326, the ACL reflects our assessment of the current expected losses over the life of the loan using historical experience, current conditions and reasonable and supportable forecasts. CECL has created more volatility in the level of our ACL because it relies on macroeconomic forecasts. It is possible that CECL may increase the cost of lending in the industry and result in slower loan growth and lower levels of net income. The level of the allowance reflects our continuing evaluation of factors including current economic forecasts, historical loss experience, the volume and types of loans, and specific credit risks. The determination of the appropriate level of the ACL inherently involves subjectivity in our modeling and requires us to make estimates of current credit risks and future trends, all of which may undergo material changes or vary from our historical experience. Deterioration in economic conditions affecting borrowers, changing economic forecasts, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the ACL. If we are required to materially increase our level of ACL for any reason, such increase could adversely affect our business, financial condition and results of operations.

In addition, bank regulatory agencies periodically review our ACL and may require an increase in the provision for credit losses or the recognition of further loan charge-offs, based on judgments different than those of management. Furthermore, if charge-offs in future periods exceed the ACL, we will need additional provisions to increase the ACL. Any increases in the ACL will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on our business, financial condition and results of operations. See the section captioned “Allowance for Credit Losses” in Part II, Item 7. MD&A of this Report for further discussion related to our process for determining the appropriate level of the ACL.

RISKS RELATED TO PUBLIC HEALTH ISSUES, INCLUDING COVID-19

Outbreaks of communicable diseases, including COVID-19 and its variants, have led to periods of significant volatility in financial, commodities (including oil and gas) and other markets, adversely affected our ability to conduct normal business, adversely affected our clients, and are likely to harm our businesses, financial condition and results of operations.

The ongoing COVID-19 pandemic has caused and may continue to cause significant disruption in the international and United States economies and financial markets and has had an adverse effect on our business and results of operations. This has recently been accompanied by a surge in flu and other respiratory illnesses of varying seriousness and magnitude. The spread of these diseases, including COVID variants, has caused illness and death resulting in quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, supply chain interruptions, and overall economic and financial market instability. In response to the COVID-19 pandemic, the governments of the states in which we have branches, and most other states, periodically have taken preventative or protective actions, such as imposing restrictions on travel and business operations, advising or requiring individuals to limit or forego their time outside of their homes, and ordering temporary closures of businesses that have been deemed to be non-essential. These restrictions and other consequences of public health issues have resulted in significant adverse effects for many different types of businesses, including, among others, those in the hospitality (including hotels and lodging) and restaurant industries, and resulted in a significant number of layoffs and furloughs of employees nationwide and in the regions in which we operate.

Although we are taking precautions to protect the safety and well-being of our employees and customers, the unpredictability of the pandemic and public health issues could result in any of the following:

- employees contracting these diseases, including COVID-19 or its variants;
- reductions in operating effectiveness as employees work from home;
- a work stoppage, forced quarantine, or other interruption of our business, including sustained closures of our business locations;
- unavailability of key personnel necessary to conduct our business activities;
- effects on key employees, including operational management personnel and those charged with preparing, monitoring, and evaluating our financial reporting and internal controls;
- increased cybersecurity risks as a result of employees working remotely;

- declines in demand for loans and other banking services and products;
- reduced consumer spending due to job losses, inflation and other effects directly or indirectly attributable to the pandemic;
- continued volatility in United States financial markets;
- continued volatile performance of our investment securities portfolio;
- decline in the credit quality of our loan portfolio resulting from the effects of the COVID-19 pandemic in our markets, leading to a need to increase the ACL, as applicable;
- declines in value of collateral for loans, including real estate collateral;
- declines in the net worth and liquidity of borrowers and loan guarantors, impairing their ability to honor commitments to us, which may affect, among other things, the levels of NPAs, charge-offs, and provision expense; and
- declines in demand resulting from businesses deemed to be “non-essential” by governments in the markets that we serve, and from both “non-essential” and “essential” businesses suffering adverse effects from reduced levels of economic activity.

REGULATORY, LEGISLATIVE AND LEGAL RISKS

We are subject to a challenging regulatory environment that restricts our activities.

We operate in heavily regulated industries. Our regulatory burdens, including both operating restrictions and ongoing compliance costs, are substantial. We are subject to many banking, deposit, insurance, securities brokerage and underwriting, and consumer lending regulations in addition to the rules applicable to all companies whose securities are publicly traded in the U.S. securities markets. Failure to comply with applicable regulations could result in financial, structural, and operational penalties. In addition, efforts to comply with applicable regulations may increase our costs and/or limit our ability to pursue certain business opportunities. See *Supervision and Regulation* in Item 1 of this Report, for additional information concerning financial industry regulations. Federal and state regulations significantly limit the types of activities in which we, as a financial institution, may engage. In addition, we are subject to a wide array of other regulations that govern other aspects of how we conduct our business, such as in the areas of employment and intellectual property. Federal and state legislative and regulatory authorities often change these regulations or adopt new ones. Actions could be taken that would further limit the amount of interest or fees we can charge, further restrict our ability to collect loans or realize on collateral, affect the terms or profitability of the products and services we offer, or materially and adversely affect us in other ways. The following paragraphs highlight certain specific important risk areas related to regulatory matters currently. These paragraphs do not describe these risks exhaustively, and they do not describe all such risks that we face currently. Moreover, the importance of specific risks will grow or diminish as circumstances change.

Failure to maintain certain regulatory capital levels and ratios could result in regulatory actions that would be materially adverse to our shareholders.

U.S. capital standards are discussed under the captions *Capital Adequacy* and *Prompt Corrective Action* in Item 1 of this Report and the caption “Capital Resources and Dividends” in Item 7 of this report. Pressures to maintain appropriate capital levels and address business needs in a changing economy could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could be dilutive or otherwise have an adverse effect on our shareholders. Such actions could include: reduction or elimination of dividends; the issuance of common or preferred stock, or securities convertible into stock; or the issuance of any class of stock having rights that are adverse to those of the holders of our existing classes of common or preferred stock. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions or make share repurchases or redemptions. Higher capital levels could also lower our return on equity. Additional information concerning these risks and our management of them, all of which is incorporated into this Item 1A by this reference, appears: under the captions *Capital Adequacy* and *Prompt Corrective Action* in Item 1 of this report; under the caption “Capital Resources and Dividends” of Part II, Item 7. MD&A; and Note 22 Regulatory Matters, of Part II, Item 8. Financial Statements.

Political dysfunction and volatility within the federal government, both at the regulatory and Congressional level, creates significant potential for major and abrupt shifts in federal policy regarding bank regulation, taxes, and the economy, any of which could have significant and adverse impacts on our business and financial performance.

Certain of our operations and customers are dependent on the regular operation of the federal or state government or programs they administer. For example, our SBA lending program depends on interaction with the SBA, an independent agency of the federal government. During a lapse in funding, such as has occurred during previous federal government “shutdowns”, the SBA may not be able to engage in such interaction. Similarly, loans we make through USDA lending programs may be delayed or adversely affected by lapses in funding for the USDA. In addition, customers who depend directly or indirectly on providing goods and services to federal or state governments or their agencies may reduce their business with us or delay repayment of loans due to lost or delayed revenue from those relationships. If funding for these lending programs or federal spending generally is reduced as part of the appropriations process or by administrative decision, demand for our services may be reduced. Any of these developments could have a material adverse effect on our financial condition, results of operations or liquidity.

Legal disputes are an unavoidable part of business, and the outcome of pending or threatened litigation cannot be predicted with any certainty.

We face the risk of litigation from clients, associates, vendors, contractual parties, and other persons, either singly or in class actions, and from federal or state regulators. We manage those risks through internal controls, personnel training, insurance, litigation management, our compliance and ethics processes, and other means. However, the commencement, outcome, and magnitude of litigation cannot be predicted or controlled with any certainty. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects.

Data privacy is becoming a major political concern. The laws governing it are new, and are likely to evolve and expand.

Many non-regulated, non-banking companies have gathered large amounts of personal details about millions of people, and have the ability to analyze that data and act on that analysis very quickly. This situation has prompted governmental responses. Two prominent responses are the European Union General Data Protection Regulation and the California Consumer Privacy Act. Neither is a banking industry regulation, but both apply to banks in relation to certain clients. Further general regulation to protect data privacy appears likely, and banking industry regulations might be enlarged as well.

LIQUIDITY AND FUNDING RISK

Liquidity is essential to our business model and a lack of liquidity, or an increase in the cost of liquidity could materially impair our ability to fund our operations and jeopardize our results of operation, financial condition and cash flows.

Liquidity represents an institution's ability to provide funds to satisfy demands from depositors, borrowers and other creditors by either converting assets into cash or accessing new or existing sources of incremental funds. Liquidity risk arises from the possibility that we may be unable to satisfy current or future funding requirements and needs.

Deposit levels may be affected by several factors, including rates paid by competitors, general interest rate levels, returns available to customers on alternative investments, general economic and market conditions and other factors. Loan repayments are a relatively stable source of funds but are subject to the borrowers' ability to repay loans, which can be adversely affected by a number of factors including changes in general economic conditions, adverse trends or events affecting business industry groups or specific businesses, declines in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters and other factors. Furthermore, loans generally are not readily convertible to cash.

Recently, we have increased our reliance on secondary sources of liquidity to meet growth in loans, deposit withdrawal demands and otherwise fund operations and we expect to continue to use secondary sources in the near-term. Such secondary sources may include FHLB advances, brokered deposits, repurchase agreements, secured and unsecured federal funds lines of credit from correspondent banks, Federal Reserve borrowings and/or accessing the equity or debt capital markets. The availability of these secondary funding sources is subject to broad economic conditions, to regulation and to investor assessment of our financial strength and, as such, the cost of funds may fluctuate significantly and/or the availability of such funds may be restricted, thus impacting our net interest income, our immediate liquidity and/or our access to additional liquidity. Additionally, if we fail to remain "well-capitalized" our ability to utilize brokered deposits may be restricted. We have somewhat similar risks to the extent high balance core deposits exceed the amount of deposit insurance coverage available.

We anticipate we will continue to rely primarily on deposits, loan repayments, and cash flows from our investment securities to provide liquidity. However, in the current environment, the secondary sources of borrowed funds described above will be used to augment our primary funding sources. An inability to maintain or raise funds (including the inability to access secondary funding sources) in amounts necessary to meet our liquidity needs would have a substantial negative effect, individually or collectively, on our liquidity. Our access to funding sources in amounts adequate to finance our activities, or on terms attractive to us, could be impaired by factors that affect us specifically or the financial services industry in general. For example, factors that could detrimentally impact our access to liquidity sources include our financial results, a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us, a reduction in our credit rating, any damage to our reputation, counterparty availability, changes in the activities of our business partners, changes affecting our loan portfolio or other assets, or any other event that could cause a decrease in depositor or investor confidence in our creditworthiness and business. Our access to liquidity could also be impaired by factors that are not specific to us, such as general business conditions, interest rate fluctuations, severe volatility or disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole, or legal, regulatory, accounting, and tax environments governing our funding transactions. In addition, our ability to raise funds is strongly affected by the general state of the U.S. and world economies and financial markets as well as the policies and capabilities of the U.S.

government and its agencies, and may remain or become increasingly difficult due to economic and other factors beyond our control. Any such event or failure to manage our liquidity effectively could affect our competitive position, increase our borrowing costs and the interest rates we pay on deposits, limit our access to the capital markets, or cause us to sell investment securities and incur losses from those sales, any and all of which could have a material adverse effect on our results of operations or financial condition. Changes associated with LIBOR and other interest rate benchmarks also may impact our funding ability; see *Interest Rate and Yield Curve Risks* below.

INTEREST RATE AND YIELD CURVE RISKS

We are subject to interest rate risk because a significant portion of our business involves borrowing and lending money, and investing in financial instruments.

A considerable amount of our profitability is dependent on net interest income, which is the difference between interest income earned on loans, leases and investment securities and interest expense paid on deposits, other borrowings, senior debt and subordinated notes. The absolute level of interest rates as well as changes in interest rates, including changes to the shape of the yield curve, may affect our level of interest income, the primary component of our gross revenue, as well as the level of our interest expense. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets, impacting our net interest income. Interest rate fluctuations are caused by many factors which, for the most part, are not under our control. For example, national monetary policy implemented by the Federal Reserve plays a significant role in the determination of interest rates. Additionally, competitor pricing and the resulting negotiations that occur with our customers also impact the rates we collect on loans and the rates we pay on deposits.

Because of significant competitive pressures in our markets and the negative impact of these pressures on our deposit and loan pricing, coupled with the fact that a significant portion of our loan portfolio has variable rate pricing that moves in concert with changes to benchmark rates, our net interest margin may be negatively impacted if these short-term rates begin to decrease and we are unable to lower deposit pricing accordingly. However, if short-term interest rates continue to rise, our results of operations may also be negatively impacted if we are unable to increase the rates we charge on loans or earn on our investment securities in excess of the increases we must pay on deposits and our other funding sources. As interest rates change, we expect that we will periodically experience “gaps” in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities (usually deposits and borrowings) will be more sensitive to changes in market interest rates than our interest-earning assets (usually loans and investment securities), or vice versa. In either event, if market interest rates should move contrary to our position, this “gap” may work against us, and our results of operations and financial condition may be negatively affected.

We have historically entered into certain hedging transactions including interest rate swaps, which are designed to lessen elements of our interest rate exposure. If interest rates do not change in the manner anticipated, such transactions may not be effective and our results of operations may be adversely affected.

A flat or inverted yield curve may reduce our net interest margin and adversely affect our loan and investment portfolios.

The yield curve is a reflection of interest rates applicable to short and long-term debt. The yield curve is steep when short-term rates are much lower than long-term rates; it is flat when short-term rates and long-term rates are nearly the same; and it is inverted when short-term rates exceed long-term rates. Historically, the yield curve is usually upward sloping (higher rates for longer terms). However, the yield curve can be relatively flat or inverted (downward sloping), which has happened several times in the past few years. A flat or inverted yield curve, which tends to decrease net interest margin, would adversely impact our lending businesses and investment portfolio. In 2022, the Federal Reserve increased rates in response to inflation and, at times, the yield curve was inverted. We cannot predict how long those conditions will exist. See *Risks Associated with Monetary Events* within this section of the Report for additional information.

Discontinuance of, and transition away from, LIBOR (and any other reference rates) may adversely affect our reputation, business, financial condition and results of operations.

ICE Benchmark Administration, the administrator of LIBOR, ceased publication of one-week and two-month LIBOR on a representative basis on December 31, 2021. The remaining USD settings (i.e., overnight, one-month, three-month, six-month and 12-month) will cease or become non-representative immediately after June 30, 2023. On December 16, 2022, the Federal Reserve adopted a final rule that implements the Adjustable Interest Rate (LIBOR) Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts that have no, or inadequate, fallback provisions (“Final Rule”).

We no longer originate loans that reference Affected Benchmarks. New floating rate loans reference ARR, such as SOFR. Affected Benchmarks, however, remain the reference rate in a significant number of our outstanding debt securities, loans, derivatives and long-

term debt, and in certain other assets and liabilities. Discontinuance of, and transition away from, such reference rates present various uncertainties and operational, legal, reputational, compliance, financial and other risks and challenges.

For example, certain products and contracts not covered by the Final Rule may contain language requiring us to undertake certain actions to determine ARR to replace existing benchmarks or to exercise discretion in selection of such rates. We may face litigation, disputes or other actions from clients, counterparties, customers, investors or others based on various claims that we incorrectly interpreted or enforced such contract provisions or failed to appropriately communicate or effectuate such transition.

It is possible that the characteristics of ARRs may not be sufficiently similar to, or produce the economic equivalent of, the benchmark rates that they are intended to replace. For example, SOFR is a riskless rate. Historically, in periods of economic or financial industry stress, riskless rates that are analogous to SOFR have been relatively stable. In contrast, LIBOR, which is designed to reflect the credit risk of banks, has widened relative to riskless rates, reflecting increased uncertainty regarding the creditworthiness of banks. SOFR, because it is riskless, tends to be a lower rate than LIBOR. To address these differences between LIBOR and SOFR, industry-recommended LIBOR fallback provisions and the Final Rule include a concept of an adjustment spread that is applied when a LIBOR-based contract falls back to SOFR and that is calculated based on a five-year median look-back of the historical spot difference between the applicable LIBOR tenor and the applicable SOFR tenor. However, because any such adjustment spread is and will be based on a historical median, such adjustment spreads have not, and are likely in the future to not, reflect the spot difference between LIBOR and SOFR at certain points in time and there may be a value transfer between the contracting parties over the life of the instrument because the all-in rate applied to a contract, even taking into account the spread adjustment, might have behaved differently over the life of the instrument in the absence of LIBOR cessation.

Impacts from a change in reference rate would likely include changes to the yield on, and value of, loans or securities held by us, amounts paid on securities we have issued, and amounts received and paid on derivative instruments we have entered into. Any theoretical benefit to us could result in counterparty dissatisfaction, which, in turn could lead to litigation, potentially as class actions, or other adverse consequences, including dissatisfied customers or impaired relationships with financial institution counterparties resulting in loss of business.

In sum, the transition away from Affected Benchmarks to an alternative reference rate is complex and the failure to adequately manage the transition could have a range of material adverse effects, including the potential to:

- adversely affect the pricing, liquidity, value of, return on, and trading for a broad array of financial products, including any Affected Benchmark-linked securities, loans and derivatives that are included in our financial assets and liabilities;
- prompt inquiries or other actions from regulators in respect of our preparation for, execution of, or replacement of Affected Benchmarks with ARRs;
- result in disputes, litigation or other actions with clients, counterparties and investors in various scenarios, such as regarding our interpretation, implementation and/or enforcement of (i) provisions in Affected Benchmark-linked contracts such as fallback language or other related provisions (including, without limitation, in the case of fallbacks to ARRs, any economic, legal, operational or other impact resulting from the fundamental differences between the Affected Benchmarks and the various ARRs) or (ii) the Final Rule;
- require additional transition to or development of appropriate systems and analytics to effectively transition our risk management processes from Affected Benchmarks to those based on one or more ARRs in a timely manner, including by quantifying value and risk for various ARRs, which may prove challenging given the limited history of the proposed ARRs;
- cause us to incur additional costs in relation to any of the above factors.

See also the “Recent Developments” section in Part II, Item 7. MD&A.

ACCOUNTING AND TAX RISKS

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make significant assumptions, estimates and judgments that affect the financial statements.

Management must make significant assumptions and estimates and exercise significant judgment in selecting and applying accounting and reporting policies. In some cases, management must select a policy from two or more alternatives, any of which may be reasonable under the circumstances, which may result in reporting materially different results than would have been reported under a different alternative. The estimate that is consistently one of our most critical is the level of the allowance for credit losses. However, other estimates can be highly significant at discrete times or during periods of varying length, for example the valuation (or impairment) of our deferred tax assets. Estimates are made at specific points in time. As actual events unfold, estimates are adjusted accordingly. Due to the inherent nature of these estimates, it is possible that, at some time in the future, we may significantly increase the allowance for credit losses and/or sustain credit losses that are significantly higher than the provided allowance, or we may recognize a significant provision for impairment of assets, or we may make some other adjustment that will differ materially from the

estimates that we make today. Moreover, in some cases, especially concerning litigation and other contingency matters where critical information is inadequate, often we are unable to make estimates until fairly late in a lengthy process.

In addition, changes in accounting standards or interpretations could negatively impact our reported earnings and financial condition.

The accounting standard setters, including the FASB, the SEC and other regulatory agencies, periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. For additional information, refer to Note 2 to our consolidated financial statements contained in this Report. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, which would result in the recasting of our prior period financial statements.

We could be subject to changes in tax laws, regulations and interpretations or challenges to our income tax provision.

We compute our income tax provision based on enacted tax rates in the jurisdictions in which we operate. Any change in enacted tax laws, rules or regulatory or judicial interpretations, any adverse outcome in connection with tax audits in any jurisdiction or any change in the pronouncements relating to accounting for income taxes could adversely affect our effective tax rate, tax payments and results of operations.

Our internal controls and procedures may fail or be circumvented.

Maintaining and adapting our internal controls over financial reporting, disclosure controls and procedures and effective corporate governance policies and procedures (“controls and procedures”) is expensive and requires significant management attention. Moreover, as we continue to grow, our controls and procedures may become more complex and require additional resources to ensure they remain effective amid dynamic regulatory and other guidance. Failure to implement effective controls and procedures or circumvention of our controls and procedures could harm our business, results of operations and financial condition or cause us to fail to meet our public reporting obligations.

GEOGRAPHIC AND CLIMATE RISKS

We are subject to risks of operating in various jurisdictions.

Our success is also influenced heavily by population growth, income levels, loans and deposits and on stability in real estate values in our markets. To a significant degree our banking business is exposed to economic, regulatory, natural disaster, and other risks that primarily impact the southeastern U.S. states where we do most of our traditional banking business. If that region of the U.S. did not grow or was to experience adversity not shared by other parts of the country, for example the risk of hurricanes in Florida and the Carolina coasts, we would likely experience adversity to a degree not shared by those competitors which have a broader or different regional footprint. If market and economic conditions deteriorate, this may lead to valuation adjustments on our loan portfolio and losses on defaulted loans and on the sale of other real estate owned. Additionally, such adverse economic conditions in our market areas, specifically decreases in real estate property values due to the nature of our loan portfolio, the majority of which is secured by real estate, could reduce our growth rate, affect the ability of our customers to repay their loans and generally affect our financial condition and results of operations. We are less able than larger institutions to spread the risks of unfavorable local economic conditions across a larger number of more diverse economies.

Natural disasters and weather-related events exacerbated by climate change could have a negative impact on our results of operations and financial condition.

We operate in markets in which natural disasters, including tornadoes, severe storms, fires, floods, hurricanes and earthquakes have occurred. Such natural disasters could significantly affect the local population and economies, the activities of many of our customers and clients, and our business, and could pose physical risks to our properties. Although our banking offices are geographically dispersed throughout portions of the southeastern United States and we maintain insurance coverage for such events, a significant natural disaster in or near one or more of our markets could have a material adverse effect on our financial condition, results of operations or liquidity.

The markets in which we operate also are exposed to the adverse impacts of climate change, as well as uncertainties related to the transition to a low-carbon economy. Climate change presents both immediate and long-term risks to us and our customers and clients, with the risks expected to increase over time.

Climate risks can arise from both physical risks (those risks related to the physical effects of climate change) and transition risks (risks related to regulatory, compliance, technological, stakeholder and legal changes from a transition to a low-carbon economy). The physical and transition risks can manifest themselves differently across our risk categories in the short, medium and long terms.

The physical risk from climate change could result from increased frequency and/or severity of adverse weather events. For example, adverse weather events could damage or destroy our properties or our counterparties' properties and other assets and disrupt operations, making it more difficult for counterparties to repay their obligations, whether due to reduced profitability, asset devaluations or otherwise. These events could also increase the volatility in financial markets and increase our counterparty exposures and other financial risks, which may result in lower revenues and higher cost of credit.

Transition risks may arise from changes in regulations or market preferences toward a low-carbon economy, which in turn could have negative impacts on asset values, results of operations or our reputation or that of our customers and clients. For example, our corporate credit exposures include industries that may experience reduced demand for carbon-intensive products due to the transition to a low-carbon economy. Moreover, banking regulators and others are increasingly focusing on the issue of climate risk at financial institutions, both directly and with respect to their clients. As an example, although not currently applicable to us, on December 16, 2021, the OCC requested feedback on draft principles designed to support the identification and management of climate-related financial risks at institutions with more than \$100 billion in total consolidated assets.

Even as regulators, such as the SEC, begin to propose or mandate additional disclosure of climate-related information by companies across sectors, there may continue to be a lack of information for more robust climate-related risk analyses. Third party exposures to climate-related risks and other data generally are limited in availability and variable in quality. Modeling capabilities to analyze climate-related risks and interconnections are improving but remain incomplete. Legislative or regulatory uncertainties and changes regarding climate-related risk management and disclosures are likely to result in higher regulatory, compliance, credit, reputational and other risks and costs (for additional information, see *Regulatory, Legislative and Legal Risks* above). In addition, we could face increased regulatory, reputational and legal scrutiny as a result of climate risk.

STOCK HOLDING AND GOVERNANCE RISKS

The inability of our subsidiaries to declare and pay dividends or other distributions to the Holding Company could adversely affect its liquidity and ability to declare and pay dividends.

While our Board, since 2013, has approved the payment of a quarterly cash dividend on our common stock, there can be no assurance whether or when we may pay dividends in the future. Future dividends, if any, will be declared and paid at the Board's discretion and will depend on a number of factors including, among others, asset quality, earnings performance, liquidity and capital requirements. Our principal source of funds used to pay cash dividends on our common and preferred stock is dividends that we receive from the Bank. As a South Carolina state-chartered bank, the Bank is subject to limitations on the amount of dividends that it is permitted to pay, as described under "Supervision and Regulation - Payment of Dividends" in Part I, Item 1 of this Report. The federal banking agencies have also issued policy statements which provide that bank holding companies and insured banks should generally only pay dividends out of current earnings. The Federal Reserve may also prevent the payment of a dividend by the Bank if it determines that the payment would be an unsafe and unsound banking practice. The Holding Company and the Bank must also maintain the CET1 capital conservation buffer of 2.5% to avoid becoming subject to restrictions on capital distributions, including dividends. If the Bank is not permitted to pay cash dividends to the Holding Company, it is unlikely that we would be able to continue to pay dividends on our common stock or to pay interest on our indebtedness.

Holders of our indebtedness and of depositary shares related to our Series I preferred stock have rights that are senior to those of our common shareholders.

At December 31, 2022, we had outstanding senior debentures, subordinated debentures, trust preferred securities and accompanying subordinated debentures and preferred stock totaling \$421 million. Payments of the principal and interest on the senior debentures, subordinated debentures and the subordinated debentures accompanying the trust preferred securities and dividends on the preferred stock are senior to payments with respect to shares of our common stock. We also conditionally guarantee payments of the principal and interest on the trust preferred securities. As a result, we must make payments on these debt instruments (including the related trust preferred securities) and preferred shares before any dividends can be paid on our common stock and, in the event of bankruptcy, dissolution or liquidation, the holders of the debt and preferred shares must be satisfied before any distributions can be made on our common stock. We have the right to defer distributions on the subordinated debentures related to the trust preferred securities (and the related guarantee of payments on the trust preferred securities) for up to five years, during which time no dividends may be paid on our common stock. If our financial condition deteriorates or if we do not receive required regulatory approvals, we may be required to defer distributions on the subordinated debentures related to the trust preferred securities (and the related guarantee of payments on the trust preferred securities).

We may from time to time issue additional senior or subordinated indebtedness or preferred stock that would have to be repaid before our shareholders would be entitled to receive any of our assets.

Our stock price can be volatile.

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price can fluctuate significantly in response to a variety of factors, some of which are unrelated to our financial performance, including, among other things:

- actual or anticipated variations in quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry;
- perceptions in the marketplace regarding us and/or our competitors;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- changes in government regulations; or
- geopolitical conditions such as acts or threats of terrorism, military conflicts, the effects (or perceived effects) of pandemics and trade relations.

General market fluctuations, including real or anticipated changes in the strength of the local economy; industry factors and general economic and political conditions and events, such as economic slowdowns or recessions; interest rate changes, oil price volatility or credit loss trends could also cause our stock price to decrease regardless of our operating results.

United's corporate organizational documents and the provisions of Georgia law to which we are subject contain certain provisions that could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition of United that you may favor.

United's amended and restated articles of incorporation, as amended (our "articles"), and bylaws, as amended (our "bylaws"), contain various provisions that could have an anti-takeover effect and may delay, discourage or prevent an attempted acquisition or change of control of United. These provisions include:

- a provision allowing the Board to consider the interests of our employees, customers, suppliers and creditors when considering an acquisition proposal;
- a provision that all amendments to the articles and bylaws must be approved by a majority of the outstanding shares of our capital stock entitled to vote;
- a provision requiring that any business combination involving United be approved by 75% of the outstanding shares of United's common stock excluding shares held by stockholders who are deemed to have an interest in the transaction unless the business combination is approved by 75% of United's directors;
- a provision restricting removal of directors except for cause and upon the approval of two-thirds of the outstanding shares of our capital stock entitled to vote;
- a provision that any special meeting of shareholders may be called only by the chairman, chief executive officer, president, chief financial officer, board of directors or the holders of 25% of the outstanding shares of United's capital stock entitled to vote; and
- a provision establishing certain advance notice procedures for matters to be considered at an annual meeting of shareholders.

Additionally, United's articles authorize the Board to issue shares of preferred stock without shareholder approval and upon such terms as the Board may determine. The issuance of our preferred stock, while providing desirable flexibility in connection with possible acquisitions, financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in us. In addition, certain provisions of Georgia law, including a provision which restricts certain business combinations between a Georgia corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control of United.

Our stockholders may suffer dilution if we raise capital through public or private equity financings to fund our operations, to increase our capital, or to expand.

If we raise funds by issuing equity securities or instruments that are convertible into equity securities, the percentage ownership of our current common stockholders will be reduced, the new equity securities may have rights and preferences superior to those of our common or outstanding preferred stock, and additional issuances could be at a sales price which is dilutive to current stockholders. We may issue or be required to issue additional shares of common stock, or securities convertible into, exchangeable for or representing rights to acquire shares of common stock in order to maintain capital at desired or regulatory-required levels. We could also issue additional equity securities directly as consideration in acquisitions of other financial institutions or other investments that we may make that would be dilutive to stockholders in terms of voting power and share-of-ownership, and could be dilutive financially or economically.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located at 125 Highway 515 East, Blairsville, Georgia and 2 West Washington Street, Suite 700, Greenville, South Carolina. We own our executive office in Blairsville, Georgia and lease our executive office in Greenville, South Carolina. As of December 31, 2022, we provided services or performed operational functions at 228 locations. We own or lease no single physical property that we consider to be materially important to our financial condition or results from operations. Our retail branches, loan and mortgage production offices and wealth management offices remain important to our ability to deliver financial services to a large portion of our clients. For many years, branch usage by clients has slowly declined, and for many years we have slowly consolidated branch locations in response to changing utilization patterns. We expect that long-term trend to continue. We consider our properties to be suitable and adequate for operating our banking business. Notes 7 and 14 to our consolidated financial statements include additional information regarding investments in premises and equipment and leased properties.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of operations, we are parties to various legal proceedings and periodic regulatory examinations and investigations. There are no material pending legal proceedings to which we or any of our properties are subject.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR UNITED'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock. United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI". At January 31, 2023, there were 8,993 record shareholders of United's common stock.

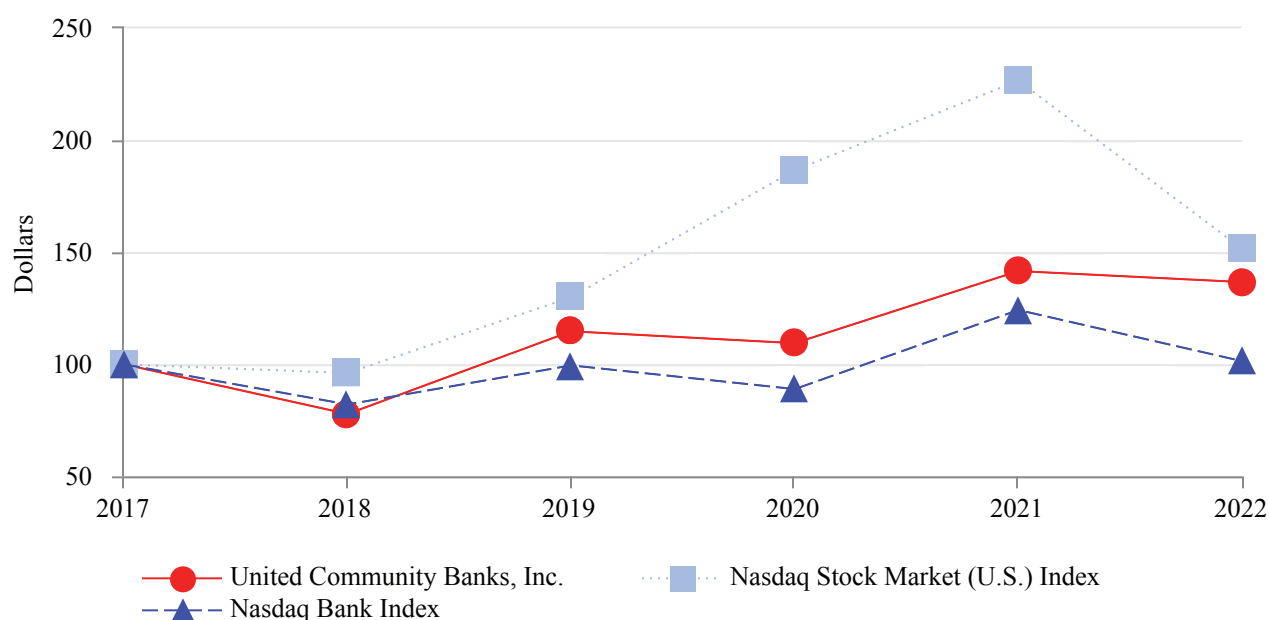
Dividends. Our Board declared quarterly cash dividends totaling \$0.86 and \$0.78 per share on our common stock in 2022 and 2021, respectively. We currently intend to continue to pay comparable quarterly cash dividends on our common stock, subject to approval by our Board, although we may elect not to pay dividends or to change the amount of such dividends. The payment of dividends is a decision of our Board based upon then-existing circumstances, including our rate of growth, profitability, financial condition, existing and anticipated capital requirements, the amount of funds legally available for the payment of cash dividends, regulatory constraints and such other factors as the Board determines relevant.

Additional information regarding dividends is included in this Report in Note 22 to our consolidated financial statements in Part II Item 8 Financial Statements and Supplementary Data, under the heading of "Supervision and Regulation" in Part I Item 1. Business and under the heading "Capital Resources and Dividends" in Part II, Item 7. MD&A.

Share Repurchases. We made no common stock repurchases during the fourth quarter of 2022. In November 2022, our Board re-authorized the existing common stock repurchase plan to allow the repurchase of up to \$50 million of our common stock. The program is scheduled to expire on the earlier of the repurchase of our common stock having an aggregate purchase price of \$50 million or December 31, 2023. Under the program, shares may be repurchased in open market transactions at prevailing market prices or in privately negotiated transactions, from time to time, or by other means in accordance with federal securities laws, and the program may be suspended or discontinued at any time without notice. The actual timing, number and value of shares repurchased under the program will be determined by management at its discretion and will depend on a number of factors, including the market price of our stock, general market and economic conditions, and applicable legal requirements. Repurchased shares will become treasury shares and may be utilized for general corporate purposes.

Performance Graph. Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our common stock against the cumulative total return on the Nasdaq Stock Market (U.S. Companies) Index and the Nasdaq Bank Stocks Index for the five-year period commencing December 31, 2017 and ending on December 31, 2022. *The following performance graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate the performance graphs by reference therein.*

FIVE YEAR CUMULATIVE TOTAL RETURNS*
COMPARISON OF UNITED COMMUNITY BANKS, INC.,
NASDAQ STOCK MARKET (U.S.) INDEX
AND NASDAQ BANK INDEX
As of December 31



	Cumulative Total Return*					
	2017	2018	2019	2020	2021	2022
United Community Banks, Inc.	\$ 100	\$ 78	\$ 115	\$ 109	\$ 142	\$ 137
Nasdaq Stock Market (U.S.) Index	100	96	130	187	227	152
Nasdaq Bank Index	100	82	100	89	124	101

* Assumes \$100 invested on December 31, 2017 in our common stock and above noted indexes. Total return includes reinvestment of dividends at the closing stock price of the common stock on the dividend payment date and the closing values of stock and indexes as of December 31 of each year.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes. The discussion of the components of our results of operations focuses on financial trends and events occurring between 2021 and 2022.

For additional information related to financial trends between 2021 and 2020 please see the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on February 25, 2022, which information under that caption is incorporated herein by this reference. Historical results of operations are not necessarily predictive of future results.

GAAP Reconciliation and Explanation

This Report contains financial information determined by methods other than in accordance with GAAP. Such non-GAAP financial information includes the following measures: "tangible book value per common share" and "tangible common equity to tangible assets." In addition, management presents non-GAAP operating performance measures, which exclude merger-related and other items that are not part of our core business operations. Operating performance measures include "noninterest expenses – operating," "net income – operating," "diluted net income per common share – operating," "return on common equity – operating," "return on tangible common equity – operating," "return on assets – operating" and "efficiency ratio – operating." Management has developed internal processes and procedures to accurately capture and account for merger-related and other charges and those charges are reviewed with the audit committee of our Board each quarter. Management uses these non-GAAP measures because it believes they may provide useful supplemental information for evaluating our operations and performance over periods of time, as well as in managing and evaluating our business and in discussions about our operations and performance. Management believes these non-GAAP measures may also provide users of our financial information with a meaningful measure for assessing our financial results and credit trends, as well as a comparison to financial results for prior periods. These non-GAAP measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP and are not necessarily comparable to other similarly titled measures used by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable measures as reported in accordance with GAAP are included in Table 1 of MD&A.

Overview

We offer a wide array of commercial and consumer banking services and investment advisory services, which as of December 31, 2022, was comprised of a 192 branch network located throughout Georgia, South Carolina, North Carolina, Tennessee and Florida. Our equipment finance and SBA/USDA lending businesses operate throughout the United States. We have grown organically as well as through strategic acquisitions. At December 31, 2022, we had consolidated total assets of \$24.0 billion and 2,843 full-time equivalent employees.

Recent Developments

Mergers and Acquisitions

In the past two years, we have continued to expand through acquisitions as follows:

- On January 1, 2022, we acquired Reliant, a bank which operated a 25-branch network primarily located in Middle Tennessee. In this acquisition, we acquired \$2.96 billion of assets and assumed \$2.66 billion of liabilities.
- On October 1, 2021, we acquired Aquesta, a bank which operated a network of branches primarily located in the Charlotte, North Carolina metropolitan area. We acquired total assets of \$756 million, including \$498 million in loans, and we assumed \$658 million in deposits as of the acquisition date.
- On July 6, 2021, we acquired FinTrust, an investment advisory firm headquartered in Greenville, South Carolina, with additional locations in Anderson, South Carolina, and Athens and Macon, Georgia. The firm provides wealth and investment management services to individuals and institutions within its markets, which expanded our Wealth Management division.

Subsequent to year-end, on January 3, 2023, we completed the acquisition of Progress, a bank headquartered in Huntsville, Alabama that operates 13 offices in Alabama and the Florida Panhandle. As of December 31, 2022, Progress reported total assets of \$1.76 billion, total loans of \$1.48 billion and total deposits of \$1.34 billion.

Also subsequent to year-end, on February 13, 2023, we announced an agreement to acquire First Miami, a bank headquartered in South Miami, Florida. First Miami operates 3 offices in the Miami metropolitan area and, as of December 31, 2022, had total assets of \$1.0 billion, total loans of \$594 million, and total deposits of \$867 million. In addition to traditional banking products, First Miami

offers private banking, trust and wealth management services with approximately \$312 million in assets under administration. The merger, which is subject to regulatory approval, the approval of First Miami shareholders, and other customary conditions, is expected to close in the third quarter of 2023.

The acquired entities' results are included in our consolidated results beginning on the respective acquisition dates. We continue to evaluate potential transactions as opportunities arise.

LIBOR and Other Benchmark Rates

As previously disclosed, to facilitate an orderly transition from Affected Benchmarks to ARR, we maintain an enterprise-wide program to identify, assess and monitor risks associated with the expected discontinuation or non-representativeness of Affected Benchmarks. This program includes active involvement of senior management and regular reports through our risk management structure. Our activities are focused on operational implementation of the transition to ARR, modification of financial contracts, internal and external communications, technology and operational system modifications and program strategy and governance. A significant majority of our derivative contracts and non-derivative contracts contain fallback provisions, fall within the scope of the Final Rule, or otherwise have an expected path that should allow for transition upon cessation of the Affected Benchmarks. Proactive efforts to transition Affected Benchmark-related arrangements in advance of cessation continue where applicable.

For more information on the expected replacement of LIBOR and other benchmark rates, see Part I, Item 1A. Risk Factors – Interest Rate and Yield Curve Risks of this Report.

Results of Operations

We reported net income of \$277 million and net income - operating (non-GAAP) of \$293 million in 2022. Net income - operating excludes merger related and other charges, which consists mostly of acquisition and branch closure costs. The following provides highlights of our financial results for 2022:

- We recorded a provision for credit losses of \$63.9 million compared to a release of provision expense of \$37.6 million for 2021. Provision expense for 2022 included \$18.3 million related to the establishment of the ACL for the acquired Reliant non-PCD loans and unfunded commitments. The negative provision in 2021 was mostly driven by a more favorable economic forecast as the effects of the COVID-19 pandemic subsided.
- Net interest revenue increased \$203 million, which reflects, in addition to organic loan growth, the impact of rising interest rates and the acquisitions of Reliant and Aquesta. During 2022, our net interest margin increased 31 basis points to 3.38% as the Federal Reserve increased the target federal funds rate by 425 basis points over the course of 2022, which allowed our loan yields to increase while we were able to slowly raise deposit rates and remain competitive. The widening net interest margin and the resulting increase in net interest revenue more than offset the \$101 million increase in the provision for credit losses noted above.
- Noninterest income for 2022 was down \$20.1 million, or 13%, compared to 2021, which substantially resulted from lower mortgage fees which were down \$25.9 million from 2021 reflecting the natural slowing of the mortgage origination business as a result of higher mortgage rates. The slowing of the mortgage origination business is reflected in the dollar amount of loans closed, which was \$1.53 billion in 2022 compared with \$2.43 billion in 2021. Our mortgage servicing business generally performs inversely to our origination business and provides a natural, albeit imperfect, hedge due to slowing prepayment of mortgages as rates rise. This resulted in less reduction in our mortgage servicing rights asset and a positive market value adjustment, which combined added \$9.92 million to mortgage fees, offsetting some of the decline in the origination business. Securities losses of \$3.87 million realized in 2022 also contributed to the decrease in noninterest income. Most other noninterest income sources were up from 2021 reflecting the acquisitions of FinTrust, Aquesta and Reliant as well as general business growth. See Tables 4 through 6 of MD&A for further detail on noninterest income.
- Noninterest expenses increased \$73.5 million, or 19%, compared to 2021, largely driven by the addition of FinTrust, Aquesta and Reliant operating expenses. Most notably, salaries and employee benefits increased \$34.8 million, primarily due to growth in our employee base from acquisitions, partially offset by higher deferred loan origination costs from high loan production. Merger-related and other charges were up \$5.41 million compared to 2021, which mostly reflects Reliant merger costs, including systems conversion. See Table 7 of MD&A for further detail on noninterest expense.

Critical Accounting Estimates

Our accounting and reporting policies are in accordance with GAAP and conform to general practices within the banking industry. Application of these principles requires management to make estimates, assumptions or judgments that affect the amounts reported in

the financial statements and the accompanying notes. These estimates are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates or judgments.

Estimates, assumptions or judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon future events. Carrying assets and liabilities at fair value results in more financial statement volatility. The fair values and the information used to record the valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third-party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal cash flow modeling techniques.

Certain policies inherently have a greater reliance on the use of estimates, assumptions or judgments and as such, have a greater possibility of producing results that could be materially different than originally reported. We have identified the determination of our ACL and fair value measurements to be the accounting areas that require the most subjective or complex judgments, estimates and assumptions, and where changes in those judgments, estimates and assumptions (based on new or additional information, changes in the economic climate and/or market interest rates, etc.) could have a significant effect on our financial statements. Therefore, we consider these policies, discussed below, to be critical accounting estimates and discuss them directly with the Audit Committee of our Board.

Our most significant accounting policies are presented in Note 1 to the accompanying consolidated financial statements. These policies, along with the disclosures presented in the other notes to the consolidated financial statements and in this MD&A, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined.

Allowance for Credit Losses

The ACL represents management's current estimate of credit losses for the remaining estimated life of financial instruments, with particular applicability on our balance sheet to loans and unfunded loan commitments. Estimating the amount of the ACL requires significant judgment and the use of estimates related to historical experience, current conditions, reasonable and supportable forecasts, and the value of collateral on collateral-dependent loans. The loan portfolio also represents the largest asset type on our consolidated balance sheet. Loan losses are charged against the allowance, while recoveries of amounts previously charged off are credited to the allowance. A provision for credit losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

There are many factors affecting the ACL; some are quantitative while others require qualitative judgment. Although management believes its process for determining the allowance adequately considers all the potential factors that could potentially result in credit losses, the process includes subjective elements and is susceptible to significant change. To the extent actual outcomes are worse than management estimates, additional provision for credit losses could be required that could adversely affect our earnings or financial position in future periods.

Additional information on the loan portfolio and ACL can be found in the sections of MD&A titled "Asset Quality and Risk Elements" and "Nonperforming Assets." Note 1 to the consolidated financial statements includes additional information on accounting policies related to the ACL.

Fair Value Measurements

At December 31, 2022, the percentage of our total assets measured at fair value on a recurring basis was 16%. See Note 15 "Fair Value Measurements" in the consolidated financial statements herein for additional disclosures regarding the fair value of our assets and liabilities, including a description of the fair value hierarchy.

Fair value is defined by GAAP "as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date." GAAP further defines an "orderly transaction" as "a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets. It is not a forced transaction (for example, a forced liquidation or distress sale)."

The fair values for AFS and HTM securities are generally based upon quoted market prices or observable market prices for similar instruments. Management utilizes a third-party pricing service to assist with determining the fair value of our securities portfolio. The pricing service uses observable inputs when available including benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids and offers. These values take into account recent market activity as well as other market

observable data such as interest rate, spread and prepayment information. When market observable data is not available, which generally occurs due to the lack of liquidity for certain securities, the valuation of the security is subjective and may involve substantial judgment by management.

We have elected the fair value option for the majority of our portfolio of mortgage loans held for sale in order to reduce certain timing differences and better match changes in fair values of the loans with changes in the value of derivative instruments used to economically hedge them. The fair value of mortgage loans held for sale is determined using quoted prices for a similar asset, adjusted for specific attributes of that loan, and as such is categorized as level 2.

We use derivatives primarily to manage our interest rate risk or to help our customers manage their interest rate risk. The fair values of derivative financial instruments are determined based on quoted market prices, dealer quotes and internal pricing models that are primarily sensitive to market observable data. However, we do evaluate the level of these observable inputs and there are some instances where we have determined that the inputs are not directly observable.

We recognize a servicing rights asset upon the sale of residential mortgage loans and SBA/USDA loans sold with servicing retained. Servicing right assets are carried at fair value. Given the nature of these SBA/USDA and residential mortgage servicing assets, the key valuation inputs are unobservable and we disclose them as a level 3 item.

As of December 31, 2022, we had level 3 assets, those valued using unobservable inputs, of \$55.5 million. The total level 3 assets consisted of \$36.6 million in residential mortgage servicing rights, \$11.5 million in derivative assets, \$5.19 million in servicing rights for SBA/USDA loans and \$2.21 million of AFS debt securities. We also had level 3 derivative liabilities totaling \$12.8 million.

From time to time, we may record assets at fair value on a nonrecurring basis, usually as a result of the write-downs of individual assets due to impairment. In particular, nonaccrual loans may be carried at the fair value of collateral if repayment is expected solely from the collateral. Although management believes its processes for determining the fair value of collateral-dependent loans are appropriate, the processes require management judgment and assumptions and the value of such assets at the time they are revalued or divested may be significantly different from management's determination of fair value.

For business combinations, we measure and record assets acquired and liabilities assumed at fair value at the date of acquisition, including identifiable intangible assets. Note 1 to the consolidated financial statements includes additional information on accounting policies and estimates related to acquisition activities.

UNITED COMMUNITY BANKS, INC.
Table 1 Selected Financial Information
For the Years Ended December 31,
(in thousands, except per share data)

	2022	2021	2020
INCOME SUMMARY			
Interest revenue	\$ 813,155	\$ 578,794	\$ 557,996
Interest expense	60,798	29,760	56,237
Net interest revenue	752,357	549,034	501,759
Provision for credit losses	63,913	(37,550)	80,434
Noninterest income	137,707	157,818	156,109
Total revenue	826,151	744,402	577,434
Noninterest expenses	470,149	396,639	367,989
Income before income tax expense	356,002	347,763	209,445
Income tax expense	78,530	77,962	45,356
Net income	277,472	269,801	164,089
Merger-related and other charges	19,375	13,970	7,018
Income tax benefit of merger-related and other charges	(4,246)	(3,174)	(1,340)
Net income - operating ^{(1)*}	\$ 292,601	\$ 280,597	\$ 169,767
PERFORMANCE MEASURES			
Per common share:			
Diluted net income - GAAP	\$ 2.52	\$ 2.97	\$ 1.91
Diluted net income - operating ^{(1)*}	2.66	3.09	1.98
Common stock cash dividends declared	0.86	0.78	0.72
Book value	24.38	23.63	21.90
Tangible book value ^{(3)*}	17.13	18.42	17.56
Key Performance Ratios:			
Return on common equity - GAAP ⁽²⁾	9.54 %	13.14 %	9.25 %
Return on common equity - operating ^{(1)(2)*}	10.07	13.68	9.58
Return on tangible common equity - operating ^{(1)(2)(3)*}	14.04	17.33	12.24
Return on assets - GAAP	1.13	1.37	1.04
Return on assets - operating ^{(1)*}	1.19	1.42	1.07
Net interest margin (FTE)	3.38	3.07	3.55
Efficiency ratio - GAAP	52.31	55.80	55.71
Efficiency ratio - operating ^{(1)*}	50.16	53.83	54.64
Equity to total assets	11.25	10.61	11.29
Tangible common equity to tangible assets ^{(3)*}	7.88	8.09	8.81
ASSET QUALITY			
Total NPAs	\$ 44,281	\$ 32,855	\$ 62,246
ACL - loans	159,357	102,532	137,010
Net charge-offs	9,654	38	18,316
ACL - loans to loans	1.04 %	0.87 %	1.20 %
Net charge-offs to average loans	0.07	—	0.17
NPAs to total assets	0.18	0.16	0.35
AT PERIOD END (\$ in millions)			
Loans	\$ 15,335	\$ 11,760	\$ 11,371
Investment securities	6,228	5,653	3,645
Total assets	24,009	20,947	17,794
Deposits	19,877	18,241	15,232
Shareholders' equity	2,701	2,222	2,008
Common shares outstanding (<i>thousands</i>)	106,223	89,350	86,675

⁽¹⁾ Excludes merger-related and other charges. ⁽²⁾ Net income less preferred stock dividends, divided by average realized common equity, which excludes AOCI.

⁽³⁾ Excludes effect of acquisition related intangibles and associated amortization.

* Represents a non-GAAP measure. See reconciliation of non-GAAP measures to related GAAP financial measures on the following page. For more information, see "GAAP Reconciliation and Explanation" in the MD&A section of this Report.

UNITED COMMUNITY BANKS, INC.
Table 1 (Continued) - Non-GAAP Performance Measures Reconciliation
Selected Financial Information
For the Years Ended December 31,
(in thousands, except per share data)

	2022	2021	2020
Noninterest expense reconciliation			
Noninterest expenses (GAAP)	\$ 470,149	\$ 396,639	\$ 367,989
Merger-related and other charges	(19,375)	(13,970)	(7,018)
Noninterest expenses - operating	<u>\$ 450,774</u>	<u>\$ 382,669</u>	<u>\$ 360,971</u>
Net income reconciliation			
Net income (GAAP)	\$ 277,472	\$ 269,801	\$ 164,089
Merger-related and other charges	19,375	13,970	7,018
Income tax benefit of merger-related and other charges	(4,246)	(3,174)	(1,340)
Net income - operating	<u>\$ 292,601</u>	<u>\$ 280,597</u>	<u>\$ 169,767</u>
Diluted income per common share reconciliation			
Diluted income per common share (GAAP)	\$ 2.52	\$ 2.97	\$ 1.91
Merger-related and other charges	0.14	0.12	0.07
Diluted income per common share - operating	<u>\$ 2.66</u>	<u>\$ 3.09</u>	<u>\$ 1.98</u>
Book value per common share reconciliation			
Book value per common share (GAAP)	\$ 24.38	\$ 23.63	\$ 21.90
Effect of goodwill and other intangibles	(7.25)	(5.21)	(4.34)
Tangible book value per common share	<u>\$ 17.13</u>	<u>\$ 18.42</u>	<u>\$ 17.56</u>
Return on tangible common equity reconciliation			
Return on common equity (GAAP)	9.54 %	13.14 %	9.25 %
Merger-related and other charges	0.53	0.54	0.33
Return on common equity - operating	10.07	13.68	9.58
Effect of goodwill and other intangibles	3.97	3.65	2.66
Return on tangible common equity - operating	<u>14.04 %</u>	<u>17.33 %</u>	<u>12.24 %</u>
Return on assets reconciliation			
Return on assets (GAAP)	1.13 %	1.37 %	1.04 %
Merger-related and other charges	0.06	0.05	0.03
Return on assets - operating	<u>1.19 %</u>	<u>1.42 %</u>	<u>1.07 %</u>
Efficiency ratio reconciliation			
Efficiency ratio (GAAP)	52.31 %	55.80 %	55.71 %
Merger-related and other charges	(2.15)	(1.97)	(1.07)
Efficiency ratio - operating	<u>50.16 %</u>	<u>53.83 %</u>	<u>54.64 %</u>
Tangible common equity to tangible assets reconciliation			
Equity to assets (GAAP)	11.25 %	10.61 %	11.29 %
Effect of goodwill and other intangibles	(2.97)	(2.06)	(1.94)
Effect of preferred equity	(0.40)	(0.46)	(0.54)
Tangible common equity to tangible assets	<u>7.88 %</u>	<u>8.09 %</u>	<u>8.81 %</u>

Net Interest Revenue

Net interest revenue, which is the difference between the interest earned on assets and the interest paid on deposits and borrowed funds, is the single largest component of revenue. Management seeks to optimize this revenue while balancing interest rate, credit, and liquidity risks. The banking industry uses two key ratios to measure relative profitability of net interest revenue, which are the net interest spread and the net interest margin. The net interest spread measures the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities. The net interest spread eliminates the effect of noninterest-earning assets as well as noninterest-bearing deposits and other noninterest-bearing funding sources and gives a direct perspective on the effect of market interest rate movements. The net interest margin is an indication of the profitability of a company's balance sheet and is defined as net interest revenue as a percentage of total average interest-earning assets, which includes the positive effect of funding a portion of interest-earning assets with noninterest-bearing deposits and shareholders' equity.

Net interest revenue for 2022 was \$752 million, compared to \$549 million for 2021. The net interest spread was 3.18% and 2.96% for 2022 and 2021, respectively, while the net interest margin was 3.38% and 3.07%, respectively. The following tables indicate the relationship between interest revenue and expense and the average amounts of assets and liabilities, which provide further insight into net interest spread and net interest margin for the periods indicated. The following discussion provides additional detail on the average balances and net interest revenue for the years ended December 31, 2022 and 2021.

For 2022, we reported a \$235 million, or 40%, increase in FTE interest revenue compared to 2021. The main driver of the increase was the impact of rising interest rates on our asset sensitive balance sheet resulting from the Federal Reserve's 425 basis point increase in the target federal funds rate. We were able to control the increase in interest rates on deposits while benefiting from increases in interest rates in our interest-earning assets, leading our net interest margin to expand by 31 basis points. Growth in average loans for the year ended December 31, 2022 of \$3.09 billion, or 27%, compared to 2021 also contributed to the increase in interest revenue. The acquisitions of Reliant and Aquesta contributed \$2.25 billion and \$320 million, respectively, to the increase in average loans. PPP loan forgiveness, which resulted in a \$368 million decrease in average loans for 2022 compared to 2021, partially offset net loan growth. Loan interest revenue included PPP-related interest income and accelerated recognition of deferred fees upon loan forgiveness and purchased loan accretion, which decreased \$40.3 million and \$10.3 million, respectively, in 2022 compared to 2021. These decreases in loan interest revenue were more than offset by the effect of rising interest rates and increased volume.

Controlling the increase in interest expense while maintaining liquidity was a key aspect of our 2022 margin expansion. In 2020 and 2021, we experienced significant deposit growth, which allowed us to grow our investment portfolio with the surplus liquidity. Much of this deposit growth appeared to be related to the pandemic, which we believed would eventually leave the bank as conditions returned to normal. As interest rates began to rise, our interest earning assets began to reprice faster than our cost of funds leading to the widening of our net interest margin. However, later in the year, we saw deposit balances begin to leave the bank as customers could achieve better returns in other investments. To address deposit balance attrition, we raised deposit pricing, which contributed to an increase in deposit interest expense of \$27.3 million in 2022 compared to 2021, and we relied more heavily on wholesale funding sources to meet our short-term funding needs. These factors caused our cost of funds to increase and slowed the margin expansion. The average balance of interest-bearing deposits increased \$2.35 billion for the year ended December 31, 2022 compared to 2021, mostly as a result of the acquisitions of Reliant and Aquesta.

As noted above, we began using wholesale funding sources to meet our short-term liquidity needs. The daily average balance of FHLB advances and short-term borrowings for 2022 were \$34.0 million and \$13.0 million, respectively. Our use of wholesale funding increased toward the end of 2022, with the year-end balances of FHLB advances and short-term borrowings rising to \$550 million and \$159 million, respectively. This shift in funding mix toward more expensive wholesale sources contributed to the 19 basis point increase in the average rate on interest-bearing liabilities from 2021 to 2022.

Table 2 - Average Consolidated Balance Sheets and Net Interest Margin Analysis

For the Years Ended December 31,

(in thousands, FTE)

	2022			2021			2020		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:									
Interest-earning assets:									
Loans, net of unearned income (FTE) (1)(2)	\$14,571,746	\$ 673,491	4.62 %	\$11,485,876	\$ 504,015	4.39 %	\$10,466,653	\$ 492,223	4.70 %
Taxable securities (3)	6,284,603	121,501	1.93	4,446,712	61,994	1.39	2,532,750	55,031	2.17
Tax-exempt securities (FTE) (1)(3)	496,327	13,865	2.79	382,915	12,059	3.15	219,668	9,458	4.31
Federal funds sold and other interest-earning assets	1,065,057	9,104	0.85	1,680,151	4,784	0.28	1,007,059	4,753	0.47
Total interest-earning assets (FTE)	22,417,733	817,961	3.65	17,995,654	582,852	3.24	14,226,130	561,465	3.95
Noninterest-earning assets:									
Allowance for credit losses	(135,144)			(121,586)			(106,812)		
Cash and due from banks	204,852			139,728			136,702		
Premises and equipment	288,044			230,276			217,751		
Other assets (3)	1,275,263			1,013,956			993,584		
Total assets	\$24,050,748			\$19,258,028			\$15,467,355		
Liabilities and Shareholders' Equity:									
Interest-bearing liabilities:									
Interest-bearing deposits:									
NOW and interest-bearing demand	\$ 4,486,263	17,312	0.39	\$ 3,610,601	5,468	0.15	\$ 2,759,383	7,735	0.28
Money market	4,900,667	18,274	0.37	3,972,358	5,380	0.14	3,023,928	13,165	0.44
Savings deposits	1,482,599	693	0.05	1,095,071	217	0.02	821,344	169	0.02
Time deposits	1,693,307	5,152	0.30	1,529,072	3,663	0.24	1,832,319	20,146	1.10
Brokered deposits	61,636	668	1.08	67,230	117	0.17	97,788	557	0.57
Total interest-bearing deposits	12,624,472	42,099	0.33	10,274,332	14,845	0.14	8,534,762	41,772	0.49
Federal funds purchased and other borrowings	13,004	507	3.90	44	—	—	1,220	3	0.25
FHLB advances	34,027	1,424	4.18	1,195	3	0.25	749	28	3.74
Long-term debt	323,102	16,768	5.19	276,492	14,912	5.39	274,069	14,434	5.27
Total borrowed funds	370,133	18,699	5.05	277,731	14,915	5.37	276,038	14,465	5.24
Total interest-bearing liabilities	12,994,605	60,798	0.47	10,552,063	29,760	0.28	8,810,800	56,237	0.64
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	7,967,321			6,276,094			4,600,152		
Other liabilities	377,221			322,566			235,120		
Total liabilities	21,339,147			17,150,723			13,646,072		
Shareholders' equity	2,711,601			2,107,305			1,821,283		
Total liabilities and shareholders' equity	\$24,050,748			\$19,258,028			\$15,467,355		
Net interest revenue (FTE)		\$ 757,163			\$ 553,092			\$ 505,228	
Net interest-rate spread (FTE)			3.18 %			2.96 %			3.31 %
Net interest margin (FTE) (4)			3.38 %			3.07 %			3.55 %

(1) Interest revenue on tax-exempt securities and loans has been increased to reflect comparable interest on taxable securities and loans. The rate used for each year was 26% reflecting the statutory federal rate and the federal tax adjusted state tax rate.

(2) Included in the average balance of loans outstanding are loans where the accrual of interest has been discontinued.

(3) Unrealized gains and losses, including those related to the transfer from AFS to HTM, have been reclassified to other assets. Pretax unrealized losses of \$277 million in 2022 and pretax unrealized gains of \$28.7 million and \$67.3 million in 2021 and 2020, respectively, are included in other assets for purposes of this presentation.

(4) Net interest margin is taxable equivalent net interest revenue divided by average interest-earning assets.

The following table shows the relative effect on net interest revenue resulting from changes in the average outstanding balances (volume) of interest-earning assets and interest-bearing liabilities and the rates we earned and paid on such assets and liabilities.

Table 3 - Change in Interest Revenue and Interest Expense
(in thousands, FTE)

	2022 Compared to 2021			2021 Compared to 2020		
	Increase (decrease) due to changes in		Total Change	Increase (decrease) due to changes in		Total Change
	Volume	Rate		Volume	Rate	
Interest-earning assets:						
Loans	\$ 141,433	\$ 28,043	\$ 169,476	\$ 46,031	\$ (34,239)	\$ 11,792
Taxable securities	30,742	28,765	59,507	31,477	(24,514)	6,963
Tax-exempt securities	3,280	(1,474)	1,806	5,642	(3,041)	2,601
Federal funds sold and other interest-earning assets	(2,293)	6,613	4,320	2,386	(2,355)	31
Total interest-earning assets	173,162	61,947	235,109	85,536	(64,149)	21,387
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW and interest-bearing demand	1,604	10,240	11,844	1,946	(4,213)	(2,267)
Money market	1,517	11,377	12,894	3,239	(11,024)	(7,785)
Savings deposits	98	378	476	54	(6)	48
Time deposits	423	1,066	1,489	(2,879)	(13,604)	(16,483)
Brokered deposits	(11)	562	551	(137)	(303)	(440)
Total interest-bearing deposits	3,631	23,623	27,254	2,223	(29,150)	(26,927)
Federal funds purchased and other short-term borrowings	507	—	507	(1)	(2)	(3)
FHLB advances	905	516	1,421	11	(36)	(25)
Long-term debt	2,437	(581)	1,856	128	350	478
Total borrowed funds	3,849	(65)	3,784	138	312	450
Total interest-bearing liabilities	7,480	23,558	31,038	2,361	(28,838)	(26,477)
Increase in net interest revenue	\$ 165,682	\$ 38,389	\$ 204,071	\$ 83,175	\$ (35,311)	\$ 47,864

Any variance attributable jointly to volume and rate changes is allocated to the volume and rate variance in proportion to the relationship of the absolute dollar amount of the change in each.

Provision for Credit Losses

The ACL represents management's estimate of life of loan credit losses in the loan portfolio and unfunded loan commitments. Management's estimate of credit losses under CECL is determined using a model that relies on reasonable and supportable forecasts and historical loss information to determine the balance of the ACL and resulting provision for credit losses. We recorded a provision for credit losses of \$63.9 million in 2022, compared to a release of provision expense of \$37.6 million in 2021. The amount of provision recorded in each period was the amount required such that the total ACL reflected the appropriate balance as determined by management reflecting expected life of loan losses.

The provision expense recorded during 2022 was primarily a result of a more negative economic forecast as of December 31, 2022 compared to that of the prior year, combined with higher net charge-offs recognized during the period. The 2022 provision expense included the initial provision for credit losses on Reliant's non-PCD loans and unfunded commitments of \$15.2 million and \$3.12 million, respectively.

The negative provision expense for 2021 was primarily a result of an improved economic forecast combined with low net charge-offs recognized during the period. The negative provision was partially offset by provision expense for the initial ACL recognized on Aquesta's non-PCD loans and unfunded commitments of \$2.98 million and \$287,000, respectively, during the fourth quarter of 2021.

Additional discussion on credit quality and the ACL is included in the "Asset Quality and Risk Elements" and "Critical Accounting Estimates" sections of this Report, as well as Note 1 to the consolidated financial statements.

Noninterest Income

The following table presents the components of noninterest income for the periods indicated.

Table 4 - Noninterest Income

For the Years Ended December 31,

(in thousands)

	2022	2021	2020	Change 2022-2021
Service charge and fees:				
Overdraft fees	\$ 10,822	\$ 10,137	\$ 10,800	7 %
ATM and debit card interchange fees	16,132	13,737	13,299	17
Other service charges and fees	11,209	9,994	8,302	12
Total service charges and fees	38,163	33,868	32,401	13
Mortgage loan gains and related fees	32,524	58,446	76,087	(44)
Wealth management fees	23,594	18,998	9,240	24
Gains from sales of other loans, net	10,730	11,267	5,420	(5)
Other lending and loan servicing fees	10,005	9,427	8,028	6
Securities (losses) gains, net	(3,872)	83	748	
Other noninterest income:				
Customer derivatives	2,180	3,198	6,392	(32)
Other investment gains	2,023	4,886	735	(59)
BOLI	6,603	3,552	5,080	86
Treasury management income	3,758	2,910	2,138	29
Other	11,999	11,183	9,840	7
Total other noninterest income	26,563	25,729	24,185	3
Total noninterest income	\$ 137,707	\$ 157,818	\$ 156,109	(13)

During 2022, total service charges and fees increased compared to 2021 primarily due to the addition of Reliant and Aquesta customers for the full year of 2022 in addition to increases in organic transaction volume. Growth in overdraft fees was partially moderated by the impact of updates to our consumer overdraft policy implemented in the fourth quarter of 2021. The policy updates included the addition of a fee forgiveness feature, an increase to the overdraft threshold and a lower daily fee item limit.

Mortgage loan gains and related fees consist primarily of fees earned on mortgage originations, gains on the sale of mortgages in the secondary market, mortgage derivative hedging gains and losses and fair value adjustments to our mortgage loans held for sale and our mortgage servicing asset. The change in mortgage income is strongly tied to the interest rate environment and industry conditions. We recognize the majority of income on mortgages when customers enter into mortgage rate lock commitments, making our mortgage rate lock volume a significant driver of mortgage gains in any given period.

The decrease in mortgage loan gains and related fees was primarily a result of tapering mortgage refinance and mortgage rate lock demand compared to 2021, as reflected in the following table. In addition, we held more of our mortgage production in portfolio in comparison to 2021, which contributed to the decrease in volume of loans sold. During 2022, we recorded \$6.35 million in positive fair value adjustments, including decay, to the mortgage servicing rights asset, which partially offset the decrease in mortgage loan gains. In comparison, we recorded a negative fair value adjustment, including decay, to the mortgage servicing rights asset of \$3.57 million during 2021.

Table 5 - Selected Mortgage Metrics

For the Years Ended December 31,

(dollars in thousands)

	2022	2021	Change
Mortgage rate locks	\$ 2,174,664	\$ 3,120,137	(30)%
# of mortgage rate locks	5,562	8,956	(38)
Mortgage loans sold	\$ 528,231	\$ 1,347,105	(61)
# of mortgage loans sold	2,086	5,535	(62)
Mortgage loans originated			
Purchases	\$ 1,193,713	\$ 1,386,046	(14)
Refinances	336,649	1,039,192	(68)
Total	<u>\$ 1,530,362</u>	<u>\$ 2,425,238</u>	(37)
# of mortgage loans originated	3,921	7,169	(45)

Our SBA/USDA lending strategy includes selling a portion of the loan production each quarter. The amount of loans sold depends on several variables including the current lending environment and balance sheet management activities. From time to time, we also sell certain equipment financing receivables based on market conditions. During 2022, we sold a higher volume of SBA and equipment financing receivables, although the gain on sale spread was lower than the prior year. The following table presents loans sold and corresponding gains recognized on SBA/USDA loans and other loans sold for the periods indicated.

Table 6 - Other Loan Sales

For the Years Ended December 31,

(in thousands)

	2022		2021	
	Loans Sold	Gain	Loans Sold	Gain
Guaranteed portion of SBA/USDA loans	\$ 104,813	\$ 8,090	\$ 90,903	\$ 8,843
Equipment financing receivables	89,850	2,640	59,097	2,424
Total	<u>\$ 194,663</u>	<u>\$ 10,730</u>	<u>\$ 150,000</u>	<u>\$ 11,267</u>

The increase in wealth management fees for 2022 compared to 2021 was largely due to the inclusion of FinTrust for the full year of 2022 compared with only six months of 2021. As of December 31, 2022, we had assets under management and assets under advisement totaling \$4.30 billion, compared to \$4.69 billion as of December 31, 2021.

The change in other noninterest income for 2022 compared to 2021 was primarily driven by the following factors:

- Other investment performance in 2022 yielded net lower positive fair value adjustments when compared to 2021. Unrealized losses in our deferred compensation plan assets in 2022 compared to unrealized gains in 2021 were the main driver of the decrease, partially offset by increased unrealized gains on equity securities and limited partnership investments.
- Lending and loan servicing fees for 2022 increased compared to 2021, mostly due to volume-driven fee income from our equipment finance business, partially offset by negative fair value adjustments to our SBA/USDA servicing asset.
- The increase in BOLI income in 2022 compared to 2021 reflects income earned on BOLI policies acquired with Reliant as well as death benefits recognized.
- Customer derivative income for 2022 decreased compared to 2021 due to rising interest rates negatively impacting the demand for customer derivative products. This was partially offset by improvements in the CVA on customer derivatives. The CVA improved due to rising interest rates, which lowered our overall credit exposure on customer derivative positions, and credit upgrades to underlying loans associated with the positions.

Noninterest Expenses

The following table presents the components of noninterest expenses for the periods indicated.

Table 7 - Noninterest Expenses

For the Years Ended December 31,

(in thousands)

	2022	2021	2020	Change 2022-2021
Salaries and employee benefits	\$ 276,205	\$ 241,443	\$ 224,060	14 %
Occupancy	36,247	28,619	25,791	27
Communications and equipment	38,234	29,829	27,149	28
Professional fees	20,166	20,589	18,032	(2)
Lending and loan servicing expense	9,350	10,859	10,993	(14)
Outside services - electronic banking	12,583	9,481	7,513	33
Postage, printing and supplies	8,749	7,110	6,779	23
Advertising and public relations	8,384	5,910	15,203	42
FDIC assessments and other regulatory charges	9,894	7,398	5,982	34
Amortization of intangibles	6,826	4,045	4,168	69
Other	24,136	17,386	15,301	39
Total excluding merger-related and other charges	450,774	382,669	360,971	18
Merger-related and other charges	19,375	13,970	7,018	39
Total noninterest expenses	<u>\$ 470,149</u>	<u>\$ 396,639</u>	<u>\$ 367,989</u>	19

Noninterest expenses for 2022 totaled \$470 million, up 19% from 2021. The addition of Reliant, FinTrust and Aquesta's operating expenses for the full year of 2022 contributed to the increase, particularly in salaries and benefits and occupancy costs.

Salaries and employee benefits for 2022 increased \$34.8 million compared to 2021. In addition to the growth in our employee base from acquisitions, the increase was also attributable to merit increases awarded during the second quarter of 2022 and a mid-year inflation-related salary adjustment for certain employees. These increases were partially offset by higher deferred loan origination costs resulting from increased loan production and lower deferred compensation plan expense driven by an unrealized loss on the investments in the plan. Full time equivalent headcount totaled 2,843 at December 31, 2022, up from 2,553 at December 31, 2021.

Occupancy costs increased 27% in 2022 compared to 2021, primarily due to acquisitions. We operated 192 branches at December 31, 2022, compared to 171 branches at December 31, 2021. Communications and equipment expense increased primarily due to incremental software contract costs. The increase in outside services - electronic banking reflects higher volume-based ATM network and internet banking costs.

Advertising and public relations expense increased compared to 2021 as a result of charitable contributions made to the United Community Bank Foundation, new marketing campaigns, promotions and sponsorships. In 2022, we made a \$650,000 contribution to the United Community Bank Foundation. FDIC assessments and other regulatory charges increased compared to 2021 as a result of the increase in our average total assets and an increase in our assessment rate. We expect FDIC assessment expense to continue to increase in 2023 as result of the FDIC's announced assessment rate increase of 2 basis points. Amortization of intangibles increased with the additional customer deposit and customer relationship intangibles recorded as a result of the acquisitions since mid-2021.

The increase in other expense in 2022 was primarily due to an increase in travel and meals expense, as well as increases in fraud losses. Merger-related and other charges for 2022 were primarily related to the acquisition of Reliant, including its system conversion during the second quarter of 2022. Merger-related and other charges for 2021 primarily consisted of merger costs related to the acquisitions of FinTrust and Aquesta.

Balance Sheet Review

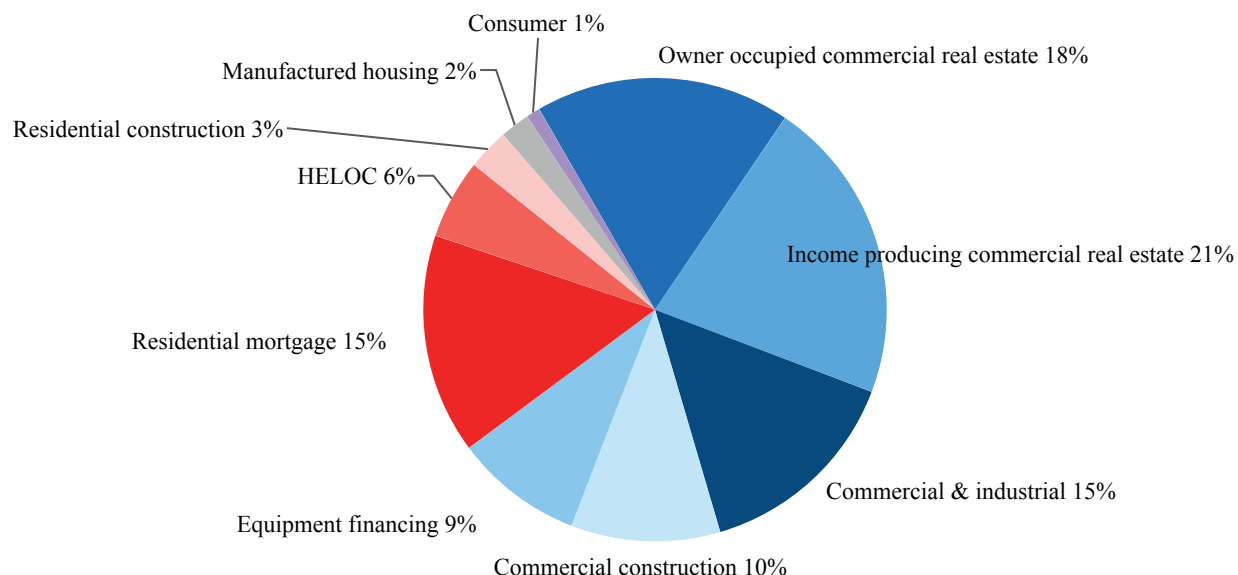
Total assets at December 31, 2022 were \$24.0 billion, an increase of \$3.06 billion, or 15%, from December 31, 2021. Total liabilities at December 31, 2022 were \$21.3 billion, an increase of \$2.58 billion, or 14% from December 31, 2021. Shareholders' equity totaled \$2.70 billion and \$2.22 billion at December 31, 2022 and 2021, respectively. The following discussion of the major components of our balance sheet highlights significant activity resulting in the change in our financial condition between December 31, 2021 and December 31, 2022.

Loans

Our loan portfolio is our largest category of interest-earning assets. At December 31, 2022, total loans were \$15.3 billion compared to \$11.8 billion at December 31, 2021, an increase of 30%. The net increase in loans was primarily attributable to organic growth and loans acquired in the Reliant transaction of \$2.32 billion. The following presents the composition of our loan portfolio as of the dates indicated.

Table 8 - Loan Portfolio Composition

As of December 31, 2022



The following table sets forth the maturity distribution of our loan portfolio, including the interest rate sensitivity for loans maturing after one year. Approximately 73% of all loans were secured by real estate at year-end 2022.

Table 9 - Loan Portfolio Maturity

As of December 31, 2022

(in thousands)

	Maturity				Total	Rate Structure for Loans Maturing Over One Year	
	One Year or Less	2 - 5 Years	6 - 15 Years	After 15 Years		Fixed Rate	Floating Rate
Owner occupied commercial real estate	\$ 161,113	\$ 996,796	\$ 1,405,669	\$ 171,088	\$ 2,734,666	\$ 1,896,491	\$ 677,062
Income producing commercial real estate	463,284	1,741,211	849,880	207,251	3,261,626	1,626,047	1,172,295
Commercial & industrial	550,655	1,072,736	547,379	81,552	2,252,322	701,353	1,000,314
Commercial construction	469,042	736,889	308,522	83,395	1,597,848	340,957	787,849
Equipment financing	53,053	1,047,279	273,919	—	1,374,251	1,321,198	—
Total commercial	1,697,147	5,594,911	3,385,369	543,286	11,220,713	5,886,046	3,637,520
Residential mortgage	63,217	22,527	157,094	2,112,223	2,355,061	876,227	1,415,617
HELOC	18,130	45,654	111,683	674,802	850,269	266	831,873
Residential construction	396,420	5,485	39,628	1,020	442,553	7,649	38,484
Manufactured housing	—	388	44,627	271,726	316,741	316,741	—
Consumer	27,780	102,160	16,995	2,355	149,290	118,492	3,018
Total loans	<u>\$ 2,202,694</u>	<u>\$ 5,771,125</u>	<u>\$ 3,755,396</u>	<u>\$ 3,605,412</u>	<u>\$15,334,627</u>	<u>\$ 7,205,421</u>	<u>\$ 5,926,512</u>

As of December 31, 2022, our 25 largest credit relationships consisted of loans and loan commitments ranging from \$35.5 million to \$60.0 million, with an aggregate total credit exposure of \$1.1 billion, including \$324 million in unfunded commitments and \$774 million in balances outstanding, excluding participations sold.

Asset Quality and Risk Elements

We manage asset quality and control credit risk through review and oversight of the loan portfolio as well as adherence to policies designed to promote sound underwriting and loan monitoring practices. Our credit administration function is responsible for monitoring asset quality and Board approved portfolio concentration limits, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures.

We conduct reviews of classified performing and non-performing loans, TDRs, past due loans and portfolio concentrations on a regular basis to identify risk migration and potential charges to the ACL. These items are discussed in a series of meetings attended by Credit Risk Management leadership and leadership from various lending groups. In addition to the reviews mentioned above, an independent loan review team reviews the portfolio to ensure consistent application of risk rating policies and procedures.

The ACL reflects management's assessment of the life of loan expected credit losses in the loan portfolio and unfunded loan commitments. This assessment involves uncertainty and judgment and is subject to change in future periods. The amount of any changes could be significant if the assessment of loan quality or collateral values changes substantially with respect to one or more loan relationships or portfolios or if there is a significant change in the reasonable and supportable forecast used to model our expected credit losses. The allocation of the ACL is based on reasonable and supportable forecasts, historical data, subjective judgment and estimates and therefore, may not be predictive of the specific amounts or loan categories in which charge-offs may ultimately occur. In addition, bank regulatory authorities, as part of their periodic examination of the Bank, may require adjustments to the provision for credit losses in future periods if, in their opinion, the results of their review warrant such additions. See the Critical Accounting Estimates section for additional information on the ACL.

The ACL, which includes a portion related to unfunded commitments, totaled \$181 million at December 31, 2022 compared with \$114 million at December 31, 2021. At December 31, 2022, the ACL for loans was \$159 million, or 1.04% of total loans, compared with \$103 million, or 0.87%, of loans at December 31, 2021.

The increase in the ACL since December 31, 2021 reflects loan growth and a less favorable economic forecast as of December 31, 2022 compared to that of December 31, 2021. In addition, the acquisition of Reliant added \$31.1 million to the ACL as of the acquisition date. Of this amount, \$12.7 million was reclassified from the amortized cost basis of PCD loans with no impact to earnings, \$15.2 million was recorded as provision for credit losses on acquired non-PCD loan balances and \$3.12 million was recorded as provision for unfunded commitments on the acquired balance of unfunded commitments.

The following table summarizes the allocation of the ACL for each of the past three years.

Table 10 - Allocation of ACL

As of December 31,

(in thousands)

	2022		2021		2020	
	ACL	% of loans in each category to total loans	ACL	% of loans in each category to total loans	ACL	% of loans in each category to total loans
Owner occupied commercial real estate	\$ 19,834	18	\$ 14,282	20	\$ 20,673	18
Income producing commercial real estate	32,082	21	24,156	22	41,737	22
Commercial & industrial	23,504	15	16,592	16	22,019	22
Commercial construction	20,120	10	9,956	9	10,952	9
Equipment financing	23,395	9	16,290	9	16,820	8
Total commercial	118,935	73	81,276	76	112,201	79
Residential mortgage	20,809	15	12,390	14	15,341	11
HELOC	8,707	6	6,568	6	8,417	6
Residential construction	2,049	3	1,847	3	764	3
Manufactured housing	8,098	2	—	—	—	—
Consumer	759	1	451	1	287	1
Total ACL - loans	159,357	100	102,532	100	137,010	100
ACL - unfunded commitments	21,163		10,992		10,558	
Total ACL	\$ 180,520		\$ 113,524		\$ 147,568	
ACL- loans as a percentage of total loans	1.04 %		0.87 %		1.20 %	

The following table summarizes net charge-offs to average loans for each of the past three years.

Table 11 - Net Charge-offs

Years Ended December 31,

(in thousands)

	2022			2021			2020		
	Average Loans	Net Charge- Offs (Recoveries)	Net Charge- Offs to Average Loans	Average Loans	Net Charge- Offs (Recoveries)	Net Charge- Offs to Average Loans	Average Loans	Net Charge- Offs (Recoveries)	Net Charge- Offs to Average Loans
Owner occupied commercial real estate	\$ 2,662,600	\$ (1,761)	(0.07)%	\$ 2,159,153	\$ 316	0.01 %	\$ 1,867,935	\$ (2,495)	(0.13)%
Income producing commercial real estate	3,283,107	(343)	(0.01)	2,571,923	(229)	(0.01)	2,283,157	4,884	0.21
Commercial & industrial	2,271,279	6,460	0.28	2,242,764	(2,499)	(0.11)	2,297,522	9,336	0.41
Commercial construction	1,502,093	(584)	(0.04)	958,791	(747)	(0.08)	967,030	(319)	(0.03)
Equipment financing	1,217,993	3,953	0.32	971,355	3,105	0.32	794,042	6,760	0.85
Residential mortgage	2,007,843	(247)	(0.01)	1,462,421	(220)	(0.02)	1,197,511	(57)	—
HELOC	802,674	(618)	(0.08)	675,873	(405)	(0.06)	680,775	(456)	(0.07)
Residential construction	394,413	(231)	(0.06)	301,591	(147)	(0.05)	243,133	(63)	(0.03)
Manufactured housing	285,556	765	0.27	—	—	—	—	—	—
Consumer	144,188	2,260	1.57	142,005	864	0.61	135,548	726	0.54
	<u>\$14,571,746</u>	<u>\$ 9,654</u>	0.07	<u>\$11,485,876</u>	<u>\$ 38</u>	—	<u>\$10,466,653</u>	<u>\$ 18,316</u>	0.17

Nonperforming Assets

The following table presents NPAs, which consist of nonaccrual loans and OREO and repossessed assets, for the periods indicated.

Table 12 - NPAs

As of December 31,
(in thousands)

	2022	2021	2020
Nonaccrual loans held for investment	\$ 44,232	\$ 32,812	\$ 61,599
OREO and repossessed assets	49	43	647
Total NPAs	<u>\$ 44,281</u>	<u>\$ 32,855</u>	<u>\$ 62,246</u>
Nonaccrual loans to total loans	0.29 %	0.28 %	0.54 %
NPAs to total assets	0.18	0.16	0.35
ACL - loans to nonaccrual loans coverage ratio	3.60	3.12	2.22

The increase in NPAs since December 31, 2021 was primarily due to the addition of the manufactured housing portfolio from Reliant, an overall increase in equipment financing nonaccrual loans and the migration of two large commercial and industrial relationships to nonaccrual status.

At December 31, 2022 and 2021, we had \$41.2 million and \$52.4 million, respectively, in loans with terms that have been modified in a TDR. Included therein were \$14.5 million and \$11.5 million, respectively, of TDRs that were nonaccrual loans. The remaining TDRs with aggregate balances of \$26.7 million and \$40.9 million, respectively, were performing according to their modified terms and were therefore not considered to be NPAs.

Investment Securities

The composition of our investment securities portfolio reflects our investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of revenue. The investment securities portfolio also provides a balance to interest rate risk in other categories of the balance sheet, while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits and borrowings. During the first half of 2022, we continued to deploy liquidity generated through strong deposit growth by purchasing additional investment securities. However, in the second half of 2022, we slowed our securities purchases as we began to experience some deposit attrition, which absorbed much of our surplus liquidity. During 2022, United transferred AFS debt securities to HTM with a fair value on the transfer date of \$1.29 billion, which included unrealized losses recorded in AOCI totaling \$87.4 million. Transfer date unrealized losses are amortized and reclassified out of AOCI as a yield adjustment, which is offset by discount accretion of the transferred HTM securities. Amortization of transfer date unrealized losses and discount accretion are recognized over the remaining life of the securities. The table below presents a summary of our investment securities balances as of the dates indicated.

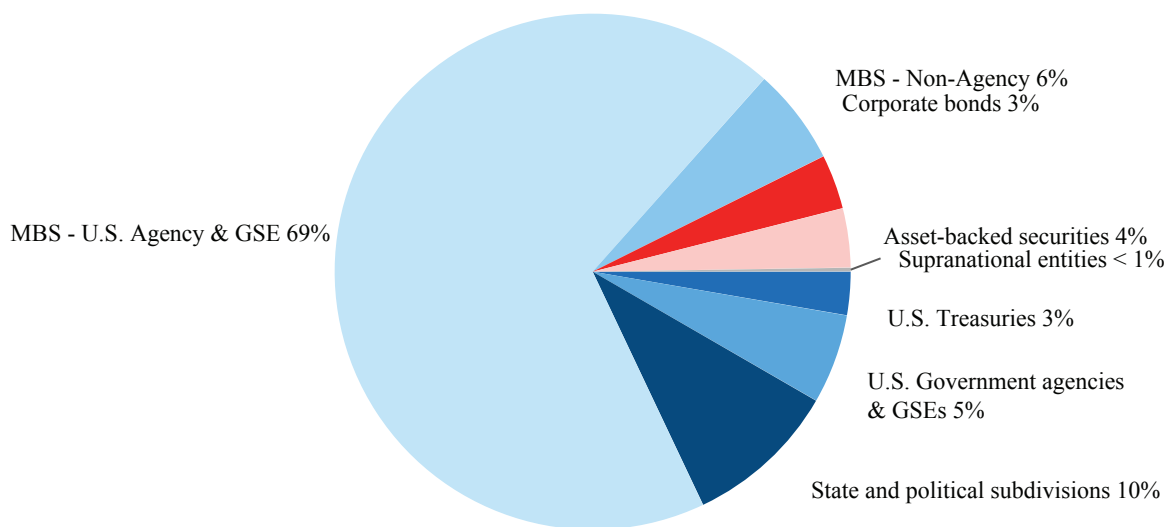
Table 13 - Investment Securities

As of December 31,
(in thousands)

	2022		2021		2022 - 2021
	Carrying Value	% of portfolio	Carrying Value	% of portfolio	\$ Change
AFS	\$ 3,614,333	58 %	\$ 4,496,824	80 %	\$ (882,491)
HTM	2,613,648	42	1,156,098	20	1,457,550
Total investment securities	<u>\$ 6,227,981</u>		<u>\$ 5,652,922</u>		<u>\$ 575,059</u>
Investment securities as a % of total assets	26 %		27 %		

Table 14 - Investment Securities Portfolio Composition

As of December 31,



Mortgage-backed securities, which include both U.S. government sponsored agency and non-agency securities, make up the largest portion of our investment securities portfolio. As we have grown our portfolio, we have continued to purchase mortgage-backed securities in order to obtain a favorable yield with low risk. These securities rely on the underlying pools of mortgage loans to provide a cash flow of principal and interest. The actual maturities of these securities will differ from the contractual maturities because the loans underlying the securities can prepay. Decreases in interest rates will generally cause an acceleration of prepayment levels. In a declining or prolonged low interest rate environment, we may not be able to reinvest the proceeds from these prepayments in assets that have comparable yields. In a rising rate environment, the opposite may occur. Prepayments tend to slow and the weighted average life extends. This is referred to as extension risk, which can lead to lower levels of liquidity due to the delay of cash receipts, and can result in the holding of a below market yielding asset for a longer period of time.

As shown in the chart above, 77% of our investment securities portfolio is comprised of U.S. government or government sponsored agency securities. In addition, as of December 31, 2022, our state and political subdivision securities were all rated A or better. As a reflection of the high credit quality of the portfolio, at December 31, 2022 and 2021, no ACL for HTM or AFS debt securities was recorded. See Note 5 to the consolidated financial statements for further discussion of the investment portfolio and related fair value and maturity information. Unrealized losses on fixed income securities at December 31, 2022 primarily reflected the effect of changes in interest rates.

Goodwill and Other Intangible Assets

Goodwill represents the premium paid for acquired companies above the fair value of the assets acquired and liabilities assumed, including separately identifiable intangible assets. Management evaluates goodwill for impairment annually, or more frequently if a triggering event indicates there may be impairment. Upon the occurrence of a triggering event, a qualitative assessment is performed to determine whether it is more likely than not that the fair value of the entity is less than its carrying amount. When it is more likely than not that impairment has occurred, management is required to perform a quantitative analysis and, if necessary, adjust the carrying amount of goodwill by recording a goodwill impairment loss. No such triggering events occurred during 2022 and our annual assessment provided no indication that a goodwill impairment was required.

We also have core deposit and customer relationship intangible assets, representing the value of acquired deposit and customer relationships, respectively, which are amortizing intangible assets. Amortizing intangible assets are required to be tested for impairment only when events or circumstances indicate that impairment may exist.

In connection with the acquisition of Reliant, we recorded goodwill and a core deposit intangible of \$299 million and \$14.5 million, respectively.

Deposits

Customer deposits are the primary source of funding for our earning assets. Our high level of service, as evidenced by our strong customer satisfaction scores, has been instrumental in attracting and retaining customer deposit accounts. The increase in deposits since December 31, 2021 was primarily driven by the deposits assumed in the Reliant transaction, which had a balance of \$2.50 billion as of the acquisition date. More recently, we have experienced some deposit balance attrition, mostly in noninterest-bearing demand accounts, as rising interest rates have given customers more attractive returns for excess liquidity outside of standard deposit products. As of December 31, 2022 and 2021, we had \$8.31 billion and \$7.97 billion, respectively, in uninsured deposits. The following table sets forth the deposit composition for the periods indicated.

Table 15 - Deposits

As of December 31,
(in thousands)

	2022		2021	
	Balance	Customer Deposit Composition	Balance	Customer Deposit Composition
Noninterest-bearing demand	\$ 7,643,081	39 %	\$ 6,956,981	38 %
NOW and interest-bearing demand	4,350,878	22	4,252,209	24
Money market and savings	5,967,017	30	5,399,133	30
Time	1,781,482	9	1,442,498	8
Total customer deposits	19,742,458	100 %	18,050,821	100 %
Brokered deposits	134,049		190,358	
Total deposits	<u>\$ 19,876,507</u>		<u>\$ 18,241,179</u>	

The following table sets forth the scheduled maturities of time deposits greater than \$250,000.

Table 16 - Maturities of Time Deposits Greater than \$250,000

As of December 31, 2022
(in thousands)

Three months or less	\$ 73,349
Over three through six months	43,905
Over six months through twelve months	154,620
Over one year	161,507
Total	<u>\$ 433,381</u>

Liquidity Management

Liquidity is defined as the ability to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining the ability to meet the daily cash flow requirements of customers, both depositors and borrowers. The primary objective is to ensure that sufficient funding is available, at a reasonable cost, to meet ongoing operational cash needs and to take advantage of revenue producing opportunities as they arise. While the desired level of liquidity will vary depending upon a variety of factors, our primary goal is to maintain a sufficient level of liquidity in all expected economic environments. To assist in determining the adequacy of our liquidity, we perform a variety of liquidity stress tests. We maintain an unencumbered liquid asset reserve to help ensure our ability to meet our obligations under normal conditions for at least a 12-month period and under severely adverse liquidity conditions for a minimum of 30 days.

An important part of the Bank's liquidity resides in the asset portion of the balance sheet, which provides liquidity primarily through loan interest and principal repayments and the maturities and sales of securities, as well as the ability to use these assets as collateral for borrowings on a secured basis.

The Bank's main source of liquidity is customer interest-bearing and noninterest-bearing deposit accounts, which we are able to attract at any time by competing more aggressively on pricing. Liquidity is also available from wholesale funding sources consisting primarily of Federal funds purchased, securities sold under agreements to repurchase, FHLB advances and brokered deposits. These

sources of liquidity are generally short-term in nature and are used as necessary to fund asset growth and meet other short-term liquidity needs. At December 31, 2022, we had sufficient qualifying collateral to support additional FHLB advances of \$999 million and Federal Reserve discount window borrowing capacity of \$2.46 billion. We also had unpledged investment securities of \$3.70 billion at December 31, 2022 that could be used as collateral for additional borrowings.

In the second half of 2022, we began to experience balance attrition in our deposit accounts as rising interest rates gave customers other alternatives for achieving higher returns on their cash deposits outside of the banking system. Our experience with deposit attrition was not unique to us but was part of a trend throughout the banking industry and was not unexpected as the entire banking industry had experienced abnormally high deposit growth over the past two years, partly resulting from the COVID-19 pandemic. As a result of the higher-than-normal deposit growth, there has been an expectation that some of the built-up balances would leave the banking system as conditions changed. Much of the surplus liquidity that built up in the two years leading up to mid-2022 was invested in our investment securities portfolio, which had grown significantly over that time period and created a large source of stored liquidity. In response to deposit balance attrition, we have suspended investment securities purchases and allowed cash flows from maturing securities to meet a portion of our funding needs. We also began using short-term borrowings to supplement our near-term funding requirements. Although it is difficult to predict the timing and extent of the deposit balance attrition, we have significant sources of liquidity through secured borrowings and other unsecured funding sources as noted above, and we have been adjusting our deposit pricing to remain competitive within our markets in an effort to slow the balance attrition.

In addition, because the Holding Company is a separate entity and apart from the Bank, it must provide for its own liquidity. The Holding Company is responsible for the payment of dividends declared for its common and preferred shareholders, and interest and principal on any outstanding debt or trust preferred securities. The Holding Company currently has internal capital resources to meet these obligations. While the Holding Company has access to the capital markets and maintains a line of credit as a contingent funding source, the ultimate sources of its liquidity are subsidiary service fees and dividends from the Bank, which are limited by applicable law and regulations. In 2022 and 2021, the Bank paid dividends of \$133 million and \$217 million, respectively, to the Holding Company. Holding Company liquidity is managed to a minimum of 15-months of positive cash flow after considering all of its liquidity needs over this period.

Significant uses and sources of cash during the year ended December 31, 2022 are summarized below. See the consolidated statement of cash flows in this Report for further detail.

- Net cash provided by operating activities of \$607 million reflects net income of \$277 million adjusted for non-cash transactions, gains on sales of securities and other loans and changes in other assets and liabilities. Significant non-cash transactions for the period included provision for credit losses of \$63.9 million, depreciation, amortization and accretion of \$46.7 million and deferred income tax expense of \$10.9 million.
- Net cash used in investing activities of \$2.02 billion consisted primarily of \$1.99 billion of purchases of AFS and HTM debt securities and a \$1.23 billion net increase in loans, offset by \$1.23 billion proceeds from securities sales, maturities and calls.
- Net cash used in financing activities of \$259 million consisted primarily of a net decrease in deposits of \$867 million and \$93.8 million in common and preferred stock dividends, partially offset by net proceeds from FHLB advances and other short-term borrowings of \$709 million.

In the opinion of management, our liquidity position at December 31, 2022 was sufficient to meet our expected cash requirements.

The following table presents the amortized cost of securities by contractual maturity of investment securities and weighted average yields on a FTE basis. The composition and maturity / repricing distribution of the securities portfolio is subject to change depending on rate sensitivity, capital and liquidity needs. Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations.

Table 17 - Contractual Maturity of AFS and HTM Debt Securities

As of December 31, 2022

(in thousands)

	Maturity By Years									
	1 or Less		1 to 5		6 to 10		Over 10		Total	
	Balance	WA Yield	Balance	WA Yield	Balance	WA Yield	Balance	WA Yield	Balance	WA Yield
AFS										
U.S. Treasuries	\$ 49,983	2.26 %	\$ 99,049	0.86 %	\$ 14,940	1.32 %	\$ —	— %	\$ 163,972	1.33 %
U.S. Government agencies & GSEs	174	1.45	38,495	1.52	76,287	2.20	151,391	3.60	266,347	2.90
State and political subdivisions	—	—	45,271	3.35	163,617	2.89	120,835	1.90	329,723	2.59
Residential MBS, Agency & GSE	—	4.13	6,605	2.81	29,795	2.63	1,573,042	2.94	1,609,442	2.93
Residential MBS, Non-agency	—	—	—	—	—	—	374,535	4.50	374,535	4.50
Commercial MBS, Agency & GSE	29,988	2.14	112,741	2.60	250,609	1.62	326,944	2.81	720,282	2.33
Commercial MBS, Non-agency	14,963	7.23	1,500	6.77	—	—	15,161	4.32	31,624	5.81
Corporate bonds	2,583	0.60	151,352	1.66	81,450	2.55	796	8.70	236,181	1.98
Asset-backed securities	—	—	82,083	0.60	—	—	157,137	5.83	239,220	4.04
Total AFS securities	<u>\$ 97,691</u>	2.94	<u>\$ 537,096</u>	1.71	<u>\$ 616,698</u>	2.19	<u>\$ 2,719,841</u>	3.31	<u>\$ 3,971,326</u>	2.91
HTM										
U.S. Treasuries	\$ —	— %	\$ —	— %	\$ 19,834	1.40 %	\$ —	— %	\$ 19,834	1.40 %
U.S. Government agencies & GSEs	—	—	—	—	73,246	1.62	26,433	2.79	99,679	1.93
State and political subdivisions	1,200	4.54	18,698	3.44	26,024	1.83	250,023	2.55	295,945	2.55
Residential MBS, Agency & GSE	10	3.95	2,237	3.06	16,338	2.44	1,469,443	1.92	1,488,028	1.92
Commercial MBS, Agency & GSE	—	—	45,433	2.25	168,058	1.44	481,671	2.24	695,162	2.05
Supranational entities	—	—	—	—	15,000	1.80	—	—	15,000	1.80
Total HTM securities	<u>\$ 1,210</u>	4.54	<u>\$ 66,368</u>	2.61	<u>\$ 318,500</u>	1.58	<u>\$ 2,227,570</u>	2.07	<u>\$ 2,613,648</u>	2.02

At December 31, 2022, the effective duration of the investment portfolio was 4.7 years, compared to 4.0 years at December 31, 2021.

Contractual Obligations and Other Commitments

The following discussion provides an overview of United's significant contractual obligations and other commitments.

Long-term Debt

At December 31, 2022 and 2021, we had long-term debt outstanding of \$325 million and \$247 million, respectively, which included senior debentures, subordinated debentures, and trust preferred securities. The following tables provides long-term debt outstanding by maturity in five year increments. During 2022, as part of the Reliant acquisition, we assumed subordinated debt and trust preferred securities with an acquisition date fair value totaling \$76.7 million. Additional information regarding these debt instruments is provided in Note 13 to the consolidated financial statements.

Table 18 - Long-term Debt by Maturity Category

As of December 31, 2022

(in thousands)

Next 5 years	\$	35,000
6 - 10 years		263,093
11 - 15 years		31,239
		<u>329,332</u>
Less discount		<u>(4,669)</u>
Total long-term debt	\$	<u><u>324,663</u></u>

Operating Lease Obligations

We are party to operating lease agreements for many of our branch locations, ATMs, loan production offices and operation centers. For qualifying leases with a term exceeding one year we record a lease liability and ROU asset on our balance sheet. As of December 31, 2022, the lease liability and ROU asset totaled \$41.7 million and \$40.0 million, respectively, compared to \$31.1 million and \$29.4 million, respectively, at December 31, 2021. During 2022, we obtained \$23.9 million in ROU assets in exchange for operating lease liabilities of approximately the same amount, \$14.3 million of which were acquired in the Reliant transaction. Leases assumed were for retail branch locations and office spaces.

As of December 31, 2022, the remaining terms of our leases ranged from a few months to 11 years. Certain of our leases contain options to renew the lease at the end of the current term. Unless we have determined we are reasonably likely to renew the lease, these options have been excluded from the calculation of our lease liability and ROU asset. Additional information regarding operating leases is provided in Note 14 to the consolidated financial statements.

Capital Expenditures

During 2022, we purchased \$42.7 million of fixed assets, which excludes fixed assets acquired in the Reliant acquisition. As of December 31, 2022 and 2021, we had \$34.7 million and \$10.1 million in construction in progress. Most notably, construction in progress includes costs related to the construction of the Bank's new Greenville, South Carolina headquarters building, which is expected to be completed in 2024. As of December 31, 2022, we estimate the total cost of the headquarters project will be approximately \$73 million, \$40 million of which has yet to be incurred.

Off-Balance Sheet Arrangements

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of customers. These financial instruments included commitments to extend credit and letters of credit, which totaled \$4.73 billion at December 31, 2022.

A commitment to extend credit is an agreement to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Letters of credit and financial guarantees are conditional commitments issued to guarantee a customer's performance to a third party and have essentially the same credit risk as extending loan facilities to customers. Those commitments are primarily issued to local businesses.

The exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit, letters of credit and financial guarantees is represented by the contractual amount of these instruments. We use the same credit underwriting procedures for making commitments, letters of credit and financial guarantees as we use for underwriting on-balance sheet instruments. Management evaluates each customer's creditworthiness on a case-by-case basis and the amount of the collateral, if deemed necessary, is based on the credit evaluation. Collateral held varies, but may include unimproved and improved real estate, certificates of deposit, personal property or other acceptable collateral.

All of these instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The total amount of these instruments does not necessarily represent future cash requirements because a significant portion of these instruments expire without being used. We believe that we have adequate sources of liquidity to fund commitments that are drawn upon by borrowers.

In addition, we hold investments in certain limited partnerships for tax credit and CRA purposes. As of December 31, 2022, for certain of these investments, we had committed to fund an additional \$6.29 million related to future capital calls that has not been reflected in the consolidated balance sheet. As of December 31, 2022, we also had \$17.4 million in commitments for future capital calls to fintech fund limited partnerships that have not been reflected in the consolidated balance sheet.

We are not involved in off-balance sheet contractual relationships, other than those disclosed in this Report, that could result in liquidity needs or other commitments, or that could significantly affect earnings. See Note 23 to the consolidated financial statements for additional information on off-balance sheet arrangements.

Capital Resources and Dividends

The maintenance and management of capital levels is one of management's significant priorities. Shareholders' equity at December 31, 2022 was \$2.70 billion, an increase of \$478 million from December 31, 2021. The increase was primarily a result of net income of \$277 million and the issuance of \$596 million of common stock in connection with the Reliant acquisition. These increases were partially offset by dividends on common and preferred stock of \$99.3 million and other comprehensive loss of \$303 million mostly driven by unrealized holding losses on AFS debt securities resulting from rising interest rates.

Under the risk-based capital guidelines of Basel III, assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of the collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with the category. The resulting weighted values from each of the risk categories are added together, and generally this sum is our total RWAs. RWAs for purposes of our capital ratios are calculated under these guidelines.

CET1 capital consists of common shareholders' equity, excluding AOCI, intangible assets (goodwill, deposit-based intangibles and certain other intangibles, including certain servicing assets), net of associated deferred tax liabilities, and disallowed deferred tax assets. Tier 1 capital consists of CET1 plus non-cumulative perpetual preferred stock. Tier 2 capital includes the allowable portion of the ACL up to 1.25% of RWA as well as qualifying subordinated debt and trust preferred securities. Tier 1 capital plus Tier 2 capital is referred to as Total risk-based capital.

We have outstanding junior subordinated debentures related to trust preferred securities totaling \$34.3 million at December 31, 2022, of which \$33.0 million (excluding common securities) qualified as Tier 2 capital. Further information on trust preferred securities is provided in Note 13 to the consolidated financial statements.

The following table outlines the minimum ratios required for capital adequacy purposes, as well as the thresholds for a categorization of "well-capitalized".

Table 19 - Capital Ratios

As of December 31,

	Minimum Capital	Well-Capitalized	Minimum Capital Plus Capital Conservation Buffer	United Community Banks, Inc. (consolidated)		United Community Bank	
				2022	2021	2022	2021
Risk-based ratios:							
CET1 capital	4.5 %	6.5 %	7.0 %	12.26 %	12.46 %	12.83 %	12.87 %
Tier 1 capital	6.0	8.0	8.5	12.81	13.17	12.83	12.87
Total capital	8.0	10.0	10.5	14.79	14.65	13.70	13.46
Leverage ratio	4.0	5.0	N/A	9.69	8.75	9.69	8.53

Additional information related to capital ratios, as calculated under regulatory guidelines, is provided in Note 22 to the consolidated financial statements. As of December 31, 2022 and 2021, both United and the Bank were characterized as "well-capitalized".

Effect of Inflation and Changing Prices

A bank's asset and liability structure is substantially different from that of an industrial firm, because primarily all assets and liabilities of a bank are monetary in nature, with relatively little investment in fixed assets or inventories. Inflation has an important effect on the growth of total assets and the resulting need to increase equity capital at higher than nominal rates in order to maintain an appropriate equity to assets ratio.

Our management believes the effect of inflation on financial results depends on our ability to react to changes in interest rates and, by such reaction, reduce the inflationary effect on performance. We have an asset/liability management program to monitor and manage our interest rate sensitivity position. In addition, periodic reviews of banking services and products are conducted to adjust pricing in view of current and expected costs.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity Management

The absolute level and volatility of interest rates can have a significant effect on profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest revenue to changing interest rates, consistent with our overall financial goals. Based on economic conditions, asset quality and various other considerations, management establishes tolerance ranges for interest rate sensitivity and manages within these ranges.

Net interest revenue and the fair value of financial instruments are influenced by changes in the level of interest rates. We limit our exposure to fluctuations in interest rates through policies established by our ALCO and approved by the Board. ALCO meets periodically and has responsibility for formulating and recommending asset/liability management policies to the Board, formulating and implementing strategies to improve balance sheet positioning and/or earnings, and reviewing interest rate sensitivity.

One of the tools management uses to estimate and manage the sensitivity of net interest revenue to changes in interest rates is an asset/liability simulation model. Resulting estimates are based upon several assumptions for each scenario, including loan and deposit repricing characteristics and the rate of prepayments. ALCO periodically reviews the assumptions for reasonableness based on historical data and future expectations; however, actual net interest revenue may differ from model results. The primary objective of the simulation model is to measure the potential change in net interest revenue over time using multiple interest rate scenarios. The base scenario assumes rates remain flat and is the scenario to which all others are compared in order to measure the change in net interest revenue. Policy limits are based on immediate rate shock scenarios, as well as gradually rising and falling rate scenarios, which are all compared to the base scenario. Other scenarios analyzed may include delayed rate shocks, yield curve steepening or flattening, or other variations in rate movements. While the primary policy scenarios focus on a 12-month time frame, longer time horizons are also modeled.

Our policy is based on the 12-month impact on net interest revenue of interest rate shocks and ramps that increase from 100 to 400 basis points or decrease 100 to 200 basis points from the base scenario. In the shock scenarios, rates immediately change the full amount at the scenario onset. In the ramp scenarios, rates change by 25 basis points per month. Our policy limits the projected change in net interest revenue over the first 12 months to an 8% decrease for each 100 basis point change in the increasing and decreasing rate ramp and shock scenarios. The following table presents our interest sensitivity position at the dates indicated.

Table 20 - Interest Sensitivity

Change in Rates	Increase (Decrease) in Net Interest Revenue from Base Scenario at December 31,			
	2022		2021	
	Shock	Ramp	Shock	Ramp
200 basis point increase	6.97 %	4.33 %	8.02 %	4.76 %
100 basis point increase	3.53	2.85	3.87	3.07
100 basis point decrease	(3.78)	(3.12)	(4.45)	(3.80)
200 basis point decrease	(8.39)	(5.07)	(5.54)	(4.51)

Interest rate sensitivity is a function of the repricing characteristics of the portfolio of assets and liabilities. These repricing characteristics are the time frames within which the interest-earning assets and interest-bearing liabilities are subject to change in interest rates either at replacement, repricing or maturity. Interest rate sensitivity management focuses on the maturity structure of assets and liabilities and their repricing characteristics during periods of changes in market interest rates. Effective interest rate sensitivity management seeks to ensure that both assets and liabilities respond to changes in interest rates on a net basis within an acceptable timeframe, thereby minimizing the potentially adverse effect of interest rate changes on net interest revenue.

We have discretion in the extent and timing of deposit repricing depending upon the competitive pressures in the markets in which we operate. Changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. The interest rate spread between an asset and its supporting liability can vary significantly even when the timing of repricing for both the asset and the liability remains the same, due to the two instruments repricing according to different indices. This is commonly referred to as basis risk.

Derivative financial instruments are used to manage interest rate sensitivity. These contracts generally consist of interest rate swaps under which we pay a variable rate (or fixed rate, as the case may be) and receive a fixed rate (or variable rate, as the case may be). In addition, investment securities and wholesale funding strategies are used to manage interest rate risk.

Derivative financial instruments that are designated as accounting hedges are classified as either cash flow or fair value hedges. The change in fair value of cash flow hedges is recognized in other comprehensive income. Fair value hedges recognize in earnings both the effect of the change in the fair value of the derivative financial instrument and the offsetting effect of the change in fair value of the hedged asset or liability associated with the particular risk of that asset or liability being hedged. We have other derivative financial instruments that are not designated as accounting hedges, but are used for interest rate risk management purposes and as effective economic hedges. Derivative financial instruments that are not accounted for as accounting hedges are marked to market through earnings.

Our policy requires all non-customer derivative financial instruments be used only for asset/liability management through the hedging of specific transactions, positions or risks, and not for trading or speculative purposes. Management believes that the risk associated with using derivative financial instruments to mitigate interest rate risk sensitivity is appropriately monitored and controlled and will not have any material adverse effect on financial condition or results of operations. In order to mitigate potential credit risk, from time to time we may require the counterparties to derivative contracts to pledge cash and/or securities as collateral to cover the net exposure.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the registrant and report of independent registered public accounting firm are included herein on the pages that follow.



MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of United Community Banks, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and affected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the internal control over financial reporting as of December 31, 2022. In making this assessment, we used the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management also conducted an assessment of requirements pertaining to Section 112 of the Federal Deposit Insurance Corporation Improvement Act. This section relates to management's evaluation of internal control over financial reporting, including controls over the preparation of financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and in compliance with laws and regulations. Our evaluation included a review of the documentation of controls, evaluations of the design of the internal control system and tests of the effectiveness of internal controls.

Based on our assessment, management concluded that as of December 31, 2022, United Community Banks, Inc.'s internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ H. Lynn Harton

H. Lynn Harton

President and Chief Executive Officer

/s/ Jefferson L. Harralson

Jefferson L. Harralson

Executive Vice President and
Chief Financial Officer



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of United Community Banks, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of United Community Banks, Inc. (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of income, of comprehensive income (loss), of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2022 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Controls Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management's assessment and our audit of United Community Banks, Inc.'s internal control over financial reporting also included controls over the preparation of financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) to comply with the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses - Loans Qualitative Factors

As described in Notes 1 and 6 to the consolidated financial statements, the allowance for credit losses – loans and leases (collectively referred to as “loans”) represents management's estimate of expected credit losses for the remaining estimated life of loans and leases. As of December 31, 2022, the allowance for credit losses - loans was \$159 million. Management determines the allowance for credit losses - loans using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Expected credit losses were estimated using a regression model for each segment based on historical data from peer banks which incorporates a third party vendor's economic forecast to predict the change in credit losses. The allowance for credit losses - loans is calculated using a discounted cash flow methodology at the loan level, with loss rates, prepayment assumptions, and curtailment assumptions driven by each loan's collateral type. As of December 31, 2022, management applied qualitative factors to the model output for commercial construction, HELOC, residential mortgage and equipment finance portfolios to reflect management's approximation of long-term loss rates.

The principal considerations for our determination that performing procedures relating to the allowance for credit losses - loans qualitative factors is a critical audit matter are (i) the significant judgment by management when estimating expected credit losses, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the qualitative factors applied to the model output for commercial construction, HELOC, residential mortgage and equipment finance portfolios and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's allowance for credit losses - loans qualitative factors estimation process, including controls over the qualitative factors applied to the model output for commercial construction, HELOC, residential mortgage and equipment finance portfolios. These procedures also included, among others, (i) testing management's process for

determining the allowance for credit losses - loans qualitative factors, (ii) evaluating the appropriateness of management's methodology, (iii) testing the completeness and accuracy of the data used by management, and (iv) evaluating the reasonableness of the qualitative factors applied to the model output for commercial construction, HELOC, residential mortgage and equipment finance portfolios. Professionals with specialized skill and knowledge were used to assist in testing management's process for determining the allowance for credit losses - loans qualitative factors, evaluating the appropriateness of management's methodology, and evaluating the reasonableness of the qualitative factors applied to the model output.

Initial Valuation of Acquired Loans – Reliant Bancorp, Inc.

As described in Notes 1 and 3 to the consolidated financial statements, during 2022 the Company completed the acquisition of Reliant Bancorp, Inc. The acquisition included a fair value of acquired loans balance of \$2.321 billion. Purchased loans were recorded at fair value on the date of acquisition. Fair values for acquired loans are generally based on a discounted cash flow methodology that considers credit loss expectations, market interest rates and other market factors such as liquidity from the perspective of a market participant. The probability of default, loss given default and prepayment assumptions are the key factors driving credit losses which were embedded into the estimated cash flows. These assumptions are informed by internal data on loan characteristics, historical loss experience, and current and forecasted economic conditions. The interest and liquidity component of the estimate was determined by discounting interest and principal cash flows through the expected life of each loan. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity.

The principal considerations for our determination that performing procedures relating to the initial valuation of acquired loans in the acquisition of Reliant Bancorp, Inc. is a critical audit matter are (i) the significant judgment by management to estimate the fair value of the acquired loans, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the discount rate, probability of default, loss given default and prepayment significant assumptions used by management, and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's initial valuation of the acquired loans, including controls over the discount rate, probability of default, loss given default and prepayment significant assumptions used in the discounted cash flow methodology. These procedures also included, among others, (i) testing the completeness and accuracy of data provided by management and (ii) the involvement of professionals with specialized skill and knowledge to assist with (a) developing independent ranges of fair value for a sample of acquired loan portfolios and (b) comparing the independent ranges to management's estimate to evaluate the reasonableness of management's estimate. Developing the independent ranges of fair value involved independently developing the discount rate, probability of default and loss given default assumptions using contractual loan terms and external market data.

/s/ PricewaterhouseCoopers LLP
Atlanta, Georgia
February 24, 2023

We have served as the Company's auditor since 2013.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2022 and 2021
(in thousands, except share data)

	2022	2021
ASSETS		
Cash and due from banks	\$ 195,771	\$ 144,244
Interest-bearing deposits in banks	316,082	2,147,266
Federal funds and other short-term investments	135,000	27,000
Cash and cash equivalents	646,853	2,318,510
Debt securities available-for-sale	3,614,333	4,496,824
Debt securities held-to-maturity (fair value \$2,191,073 and \$1,148,804, respectively)	2,613,648	1,156,098
Loans held for sale at fair value	13,600	44,109
Loans and leases held for investment	15,334,627	11,760,346
Less allowance for credit losses - loans and leases	(159,357)	(102,532)
Loans and leases, net	15,175,270	11,657,814
Premises and equipment, net	298,456	245,296
Bank owned life insurance	299,297	217,713
Accrued interest receivable	72,807	42,999
Net deferred tax asset	129,313	41,322
Derivative financial instruments	50,636	42,480
Goodwill and other intangible assets, net	779,248	472,407
Other assets	315,423	211,199
Total assets	\$ 24,008,884	\$ 20,946,771
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 7,643,081	\$ 6,956,981
Interest-bearing deposits	12,233,426	11,284,198
Total deposits	19,876,507	18,241,179
Short-term borrowings	158,933	—
Federal Home Loan Bank advances	550,000	—
Long-term debt	324,663	247,360
Derivative financial instruments	99,543	25,145
Accrued expenses and other liabilities	298,564	210,842
Total liabilities	21,308,210	18,724,526
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$1 par value: 10,000,000 shares authorized; Series I, \$25,000 per share liquidation preference; 4,000 shares issued and outstanding	96,422	96,422
Common stock, \$1 par value; 200,000,000 shares authorized, respectively; 106,222,758 and 89,349,826 shares issued and outstanding, respectively	106,223	89,350
Common stock issuable; 607,128 and 595,705 shares, respectively	12,307	11,288
Capital surplus	2,306,366	1,721,007
Retained earnings	508,844	330,654
Accumulated other comprehensive loss	(329,488)	(26,476)
Total shareholders' equity	2,700,674	2,222,245
Total liabilities and shareholders' equity	\$ 24,008,884	\$ 20,946,771

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Income
For the Years Ended December 31, 2022, 2021 and 2020
(in thousands, except per share data)

	2022	2021	2020
Interest revenue:			
Loans, including fees	\$ 673,402	\$ 505,734	\$ 494,212
Investment securities:			
Taxable	121,501	61,994	55,031
Tax exempt	10,323	8,978	7,043
Deposits in banks and short-term investments	7,929	2,088	1,710
Total interest revenue	813,155	578,794	557,996
Interest expense:			
Deposits	42,099	14,845	41,772
Short-term borrowings	507	—	3
Federal Home Loan Bank advances	1,424	3	28
Long-term debt	16,768	14,912	14,434
Total interest expense	60,798	29,760	56,237
Net interest revenue	752,357	549,034	501,759
Provision for credit losses	63,913	(37,550)	80,434
Net interest revenue after provision for credit losses	688,444	586,584	421,325
Noninterest income:			
Service charges and fees	38,163	33,868	32,401
Mortgage loan gains and related fees	32,524	58,446	76,087
Wealth management fees	23,594	18,998	9,240
Gains from other loan sales, net	10,730	11,267	5,420
Other lending and loan servicing fees	10,005	9,427	8,028
Securities (losses) gains, net	(3,872)	83	748
Other	26,563	25,729	24,185
Total noninterest income	137,707	157,818	156,109
Total revenue	826,151	744,402	577,434
Noninterest expenses:			
Salaries and employee benefits	276,205	241,443	224,060
Occupancy	36,247	28,619	25,791
Communications and equipment	38,234	29,829	27,149
Professional fees	20,166	20,589	18,032
Lending and loan servicing expense	9,350	10,859	10,993
Outside services - electronic banking	12,583	9,481	7,513
Postage, printing and supplies	8,749	7,110	6,779
Advertising and public relations	8,384	5,910	15,203
FDIC assessments and other regulatory charges	9,894	7,398	5,982
Amortization of intangibles	6,826	4,045	4,168
Merger-related and other charges	19,375	13,970	7,018
Other	24,136	17,386	15,301
Total noninterest expenses	470,149	396,639	367,989
Income before income taxes	356,002	347,763	209,445
Income tax expense	78,530	77,962	45,356
Net income	\$ 277,472	\$ 269,801	\$ 164,089
Net income available to common shareholders	\$ 269,135	\$ 261,269	\$ 159,269
Income per common share:			
Basic	\$ 2.52	\$ 2.97	\$ 1.91
Diluted	2.52	2.97	1.91
Weighted average common shares outstanding:			
Basic	106,661	87,940	83,184
Diluted	106,778	88,097	83,248

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2022, 2021 and 2020
(in thousands, except per share data)

	2022			2021			2020		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$ 356,002	\$ (78,530)	\$ 277,472	\$ 347,763	\$ (77,962)	\$ 269,801	\$ 209,445	\$ (45,356)	\$ 164,089
Other comprehensive (loss) income:									
Unrealized gains (losses) on available-for-sale securities:									
Unrealized holding (losses) gains	(428,605)	101,344	(327,261)	(92,231)	23,294	(68,937)	39,385	(9,514)	29,871
Reclassification of securities from available-for-sale to held-to-maturity	87,444	(20,770)	66,674	—	—	—	—	—	—
Realized (gains) losses included in net income	3,872	(1,026)	2,846	(83)	(46)	(129)	(748)	191	(557)
Net unrealized (losses) gains	(337,289)	79,548	(257,741)	(92,314)	23,248	(69,066)	38,637	(9,323)	29,314
Unrealized losses on held-to-maturity securities transferred from available-for-sale:									
Reclassification of unrealized losses	(87,444)	20,770	(66,674)	—	—	—	—	—	—
Amortization of unrealized losses	9,049	(2,167)	6,882	—	—	—	723	(173)	550
Net activity	(78,395)	18,603	(59,792)	—	—	—	723	(173)	550
Derivative instruments designated as cash flow hedges:									
Unrealized holding gains (losses) on derivatives	12,721	(3,249)	9,472	3,837	(979)	2,858	(149)	38	(111)
Losses on derivative instruments realized in net income	269	(69)	200	608	(156)	452	359	(91)	268
Net cash flow hedge activity	12,990	(3,318)	9,672	4,445	(1,135)	3,310	210	(53)	157
Defined benefit pension plan activity:									
Net actuarial gain (loss) on defined benefit pension plans	5,833	(1,490)	4,343	1,066	(273)	793	(1,804)	461	(1,343)
Amortization of defined benefit pension plan net periodic pension cost components	680	(174)	506	1,044	(267)	777	857	(219)	638
Net defined benefit pension plan activity	6,513	(1,664)	4,849	2,110	(540)	1,570	(947)	242	(705)
Total other comprehensive (loss) income	(396,181)	93,169	(303,012)	(85,759)	21,573	(64,186)	38,623	(9,307)	29,316
Comprehensive (loss) income	\$ (40,179)	\$ 14,639	\$ (25,540)	\$ 262,004	\$ (56,389)	\$ 205,615	\$ 248,068	\$ (54,663)	\$ 193,405

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2022, 2021 and 2020
(in thousands except share data)

	Shares of Common Stock	Preferred Stock	Common Stock	Common Stock Issuable	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
December 31, 2019	79,013,729	\$ —	\$ 79,014	\$ 11,491	\$ 1,496,641	\$ 40,152	\$ 8,394	\$ 1,635,692
Net income						164,089		164,089
Other comprehensive income							29,316	29,316
Issuance of preferred stock		96,422						96,422
Common stock issued for acquisitions	8,130,633		8,131		155,458			163,589
Purchases of common stock	(826,482)		(827)		(19,955)			(20,782)
Preferred stock dividends						(3,533)		(3,533)
Common stock dividends (\$0.72 per share)						(60,310)		(60,310)
Impact of equity-based compensation awards	202,437		202	1,120	4,764			6,086
Impact of other equity plans	154,962		155	(1,756)	2,091			490
Adoption of new accounting standard						(3,529)		(3,529)
December 31, 2020	86,675,279	96,422	86,675	10,855	1,638,999	136,869	37,710	2,007,530
Net income						269,801		269,801
Other comprehensive loss							(64,186)	(64,186)
Common stock issued for acquisitions	2,863,734		2,864		92,661			95,525
Purchases of common stock	(492,744)		(493)		(14,608)			(15,101)
Preferred stock dividends						(6,876)		(6,876)
Common stock dividends (\$0.78 per share)						(69,140)		(69,140)
Impact of equity-based compensation awards	224,706		225	1,061	2,406			3,692
Impact of other equity plans	78,851		79	(628)	1,549			1,000
December 31, 2021	89,349,826	96,422	89,350	11,288	1,721,007	330,654	(26,476)	2,222,245
Net income						277,472		277,472
Other comprehensive loss							(303,012)	(303,012)
Common stock issued for acquisitions	16,571,545		16,571		579,805			596,376
Preferred stock dividends						(6,875)		(6,875)
Common stock dividends (\$0.86 per share)						(92,407)		(92,407)
Impact of equity-based compensation awards	233,489		234	2,046	4,661			6,941
Impact of other equity plans	67,898		68	(1,027)	893			(66)
December 31, 2022	<u>106,222,758</u>	<u>\$ 96,422</u>	<u>\$ 106,223</u>	<u>\$ 12,307</u>	<u>\$ 2,306,366</u>	<u>\$ 508,844</u>	<u>\$ (329,488)</u>	<u>\$ 2,700,674</u>

See accompanying notes to consolidated financial statements

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022, 2021 and 2020
(in thousands)

	2022	2021	2020
Operating activities:			
Net income	\$ 277,472	\$ 269,801	\$ 164,089
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion, net	46,700	(2,063)	(8,586)
Provision for credit losses	63,913	(37,550)	80,434
Stock-based compensation	8,705	6,554	7,887
Deferred income tax expense	10,918	20,787	2,668
Securities losses (gains), net	3,872	(83)	(748)
Gains from other loan sales, net	(10,730)	(11,267)	(5,420)
Changes in assets and liabilities:			
(Increase) decrease in other assets	(14,694)	53,416	(20,139)
Increase (decrease) in other liabilities	76,614	(1,599)	(14,783)
Decrease (increase) in loans held for sale	144,537	61,324	(46,721)
Net cash provided by operating activities	607,307	359,320	158,681
Investing activities:			
Debt securities held-to-maturity:			
Proceeds from maturities and calls	205,140	68,319	57,981
Purchases	(326,494)	(806,405)	(157,465)
Debt securities available-for-sale:			
Proceeds from sales	318,457	288,986	40,625
Proceeds from maturities and calls	706,285	974,721	834,725
Purchases	(1,667,466)	(2,587,420)	(1,456,311)
Net (increase) decrease in loans	(1,228,675)	178,234	(1,069,089)
Equity investments, outflows	(68,185)	(15,595)	(15,885)
Equity investments, inflows	31,535	8,481	401
Net cash received in acquisitions	35,243	103,065	195,699
Purchases of premises and equipment	(42,704)	(26,483)	(18,462)
Proceeds from sales of premises and equipment	9,743	4,247	903
Proceeds from sale of other real estate owned and repossessed assets	3,751	3,290	1,074
Other investing outflows	—	(610)	—
Other investing inflows	3,189	767	5,241
Net cash used in investing activities	(2,020,181)	(1,806,403)	(1,580,563)
Financing activities:			
Net (decrease) increase in deposits	(866,929)	2,353,451	2,534,471
Net increase in short-term borrowings	158,933	—	—
Proceeds from Federal Home Loan Bank advances	790,000	10,000	5,000
Repayment of Federal Home Loan Bank advances	(240,000)	(34,509)	(134,121)
Repayment of long-term debt	—	(80,632)	—
Proceeds from issuance of long-term debt, net of issuance costs	—	—	98,552
Repurchase of common stock	—	(15,101)	(20,782)
Proceeds from issuance of Series I preferred stock, net of issuance costs	—	—	96,422
Cash dividends on common stock	(86,883)	(66,914)	(58,912)
Cash dividends on preferred stock	(6,875)	(6,876)	(3,533)
Other financing inflows	1,125	737	1,317
Other financing outflows	(8,154)	(3,182)	(3,119)
Net cash (used in) provided by financing activities	(258,783)	2,156,974	2,515,295
Net change in cash and cash equivalents	(1,671,657)	709,891	1,093,413
Cash and cash equivalents at beginning of year	2,318,510	1,608,619	515,206
Cash and cash equivalents at end of year	\$ 646,853	\$ 2,318,510	\$ 1,608,619

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

See the Glossary of Defined Terms at the beginning of this Report for terms used herein. The accounting principles followed by United and the methods of applying these principles conform with GAAP and with general practices within the banking industry. The following is a description of the significant policies.

Organization and Basis of Presentation

The Holding Company is a bank holding company under the BHC Act and, as of July 1, 2021, a financial holding company under the GLB Act. Financial holding company status allows for engagement in a broader range of financial activities. Prior to that the Holding Company was a bank holding company. The Holding Company's principal business is conducted by its wholly-owned commercial bank subsidiary, United Community Bank. United is subject to regulation under the BHC Act. The consolidated financial statements include the accounts of the Holding Company, the Bank and other wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Effective July 1, 2021, the Bank moved its headquarters from Blairsville, Georgia to Greenville, South Carolina and became a South Carolina state-chartered bank subject to examination and reporting requirements of the SCBFI. Prior to that date, the Bank was a Georgia state-chartered bank subject to examination and reporting requirements of the GADBF. The Bank serves both rural and metropolitan markets in Georgia, South Carolina, North Carolina, Tennessee and Florida and provides a full range of banking services. The Bank is insured by and subject to the regulation of the FDIC.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the balance sheet and revenue and expenses for the years then ended. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change are the determination of the ACL, the valuation of acquired loans, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of goodwill and separately identifiable intangible assets associated with mergers and acquisitions, and the valuation of deferred tax assets.

Operating Segments

Operating segments are components of a business about which separate financial information is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. Public companies are required to report certain financial information about operating segments in interim and annual financial statements. United's community banking operations are divided among geographic regions and local community banks within those regions. Those regions and banks have similar economic characteristics and products and are therefore considered to be one operating segment.

Cash and Cash Equivalents

Cash equivalents include amounts due from banks, interest-bearing deposits in banks, federal funds sold, commercial paper, reverse repurchase agreements and short-term investments and are carried at cost. Federal funds are generally sold for one-day periods, interest-bearing deposits in banks are available on demand and commercial paper investments and reverse repurchase agreements mature within a period of less than 90 days.

Investments

Debt Securities: Debt securities are classified as HTM and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as AFS when they may be sold before maturity. AFS securities are carried at fair value, with unrealized holding gains and losses reported in OCI, net of tax.

Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are generally amortized or accreted on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from AFS to HTM are included in the balance of AOCI in the consolidated balance sheets. These unrealized holding gains or losses are amortized/accreted into income over the remaining life of the security as an

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

adjustment to the yield in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

The CECL framework requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. The following discussion provides a description of the methodology applied to calculate the ACL under CECL.

ACL - HTM Debt Securities: Management measures current expected credit losses on HTM debt securities on a collective basis by major security type. The estimate of current expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the HTM portfolio into the following major security types: U.S. Treasuries, U.S. Government agencies and GSEs, state and political subdivisions, residential mortgage-backed, agency and GSEs, commercial mortgage-backed, agency and GSEs and supranational entities. Accrued interest receivable on HTM debt is excluded from the estimate of credit losses.

All of the residential and commercial mortgage-backed securities held by United as HTM are issued by U.S. Government agencies and GSEs. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The state and political subdivision securities are highly rated by major rating agencies.

ACL - AFS Debt Securities: For AFS debt securities in an unrealized loss position, United first assesses whether it intends to sell, or whether it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, United evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an ACL is recognized in other comprehensive income. Accrued interest receivable on AFS debt securities is excluded from the estimate of credit losses.

Changes in the ACL are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the ACL when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Equity investments: Equity investments are included in other assets on the consolidated balance sheets. Those with readily determinable fair values are carried at fair value with changes in fair value recognized in other noninterest income. Those without readily determinable fair values include, among others, FHLB stock, which is held to meet FHLB requirements related to outstanding advances and accounted for using the cost method of accounting. As conditions warrant, management reviews investments for impairment and adjusts the carrying value of the investment if it is deemed to be impaired.

Loans Held for Sale

United has elected the fair value option for the majority of newly originated mortgage loans held for sale in order to reduce certain timing differences and match changes in fair values of the loans with changes in the fair value of derivative instruments used to economically hedge them. In connection with the Reliant acquisition, United acquired certain mortgage loans held for sale for which the fair value option was not elected; these loans are carried at the lower of aggregate cost or fair value.

Loans and Leases

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income over the life of the loan.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Equipment Financing Lease Receivables: Equipment financing lease receivables, which are classified as sales-type or direct financing leases, are recorded as the sum of the future minimum lease payments, initial deferred costs and, if applicable, estimated or contractual residual values less unearned income and security deposits. For lease receivables with a residual value, the determination of such value is derived from a variety of sources including equipment valuation services, appraisals, and publicly available market data on recent sales transactions on similar equipment. The length of time until contract termination, the cyclical nature of equipment values and the limited marketplace for re-sale of certain leased assets are important variables considered in making this determination. Interest income, which is included in loan interest revenue in the consolidated statements of income, is recognized as earned using the effective interest method. Direct fees and costs associated with the origination of leases are deferred and included as a component of equipment financing receivables. Net deferred fees or costs are recognized as an adjustment to interest income over the contractual life of the lease using the effective interest method. These lease agreements may include options to renew and for the lessee to purchase the leased equipment at the end of the lease term. United excludes sales tax from consideration in these lease contracts.

PCD Loans: In acquisitions, United may acquire loans, some of which have experienced more than insignificant credit deterioration since origination. In those cases, United will consider internal loan grades, delinquency status and other relevant factors in assessing whether purchased loans are PCD. PCD loans are recorded at their fair value at the acquisition date. An initial ACL is determined using the same methodology as other loans held for investment and recognized as an adjustment to the acquisition price of the asset; thus, the sum of the loan's purchase price and ACL becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent to initial recognition, PCD loans are subject to the same interest income recognition and impairment model as non-PCD loans, with changes to the ACL recorded through provision expense.

Nonaccrual Loans: The accrual of interest is generally discontinued when a loan becomes 90 days past due or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectable in the normal course of business. A loan may continue to accrue interest after 90 days if it is well collateralized and in the process of collection. Past due status is based on contractual terms of the loan.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest payments are reflected as a reduction of the carrying amount of the loan and interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance and future payments are reasonably assured.

TDRs: A loan for which the terms have been modified resulting in a more than insignificant concession, and for which the borrower is experiencing financial difficulties, is generally considered to be a TDR. Modified terms that result in a TDR include one or a combination of the following: a reduction of the stated interest rate of the loan, an extension of the amortization period that would not otherwise be considered in the current market for new debt with similar risk characteristics; a restructuring of the borrower's debt into an "A/B note structure" in which the A note would fall within the borrower's ability to pay and the remainder would be included in the B note; a mandated bankruptcy restructuring; or interest-only payment terms greater than 90 days where the borrower is unable to amortize the loan.

Collateral dependent TDRs that subsequently default or are placed on nonaccrual are charged down to the fair value of the collateral consistent with United's policy for nonaccrual loans.

Concentration of Credit Risk: Most of United's business activity is with customers located within the markets where it has banking operations. Therefore, United's exposure to credit risk is significantly affected by changes in the economy within its markets. Approximately 73% of United's loan portfolio is secured by real estate and is therefore susceptible to changes in real estate valuations.

ACL- Loans

The CECL framework requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. The following discussion provides a description of the methodology applied to calculate the ACL under CECL.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the ACL when management believes the uncollectibility of a loan balance is confirmed. Accrued interest receivable is excluded from the estimate of credit losses.

Management determines the ACL balance using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit behaviors along with model judgments provide the basis for the estimation of expected credit losses. Adjustments to modeled loss estimates may be made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in economic conditions, property values, or other relevant factors. For the majority of loans and leases the ACL is calculated using a discounted cash flow methodology applied at a loan level with a one-year reasonable and supportable forecast period and a two-year straight-line reversion period.

The ACL-loans is measured on a collective basis when similar risk characteristics exist. United has identified the following portfolio segments and calculates the ACL for each using a discounted cash flow methodology at the loan level, with loss rates, prepayment assumptions and curtailment assumptions driven by each loan's collateral type:

Owner occupied commercial real estate - Loans in this category are susceptible to business failure and general economic conditions.

Income producing commercial real estate - Common risks for this loan category are declines in general economic conditions, declines in real estate value, declines in occupancy rates, and lack of suitable alternative use for the property.

Commercial & industrial - Risks to this loan category include the inability to monitor the condition of the collateral, which often consists of inventory, accounts receivable and other non-real estate assets. Equipment and inventory obsolescence can also pose a risk. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to service debt.

Commercial construction - Risks common to commercial construction loans are cost overruns, changes in market demand for property, inadequate long-term financing arrangements and declines in real estate values.

Equipment financing - Risks associated with equipment financing are similar to those described for commercial and industrial loans, including general economic conditions, as well as appropriate lien priority on equipment, equipment obsolescence and the general mobility of the collateral.

Residential mortgage - Residential mortgage loans are susceptible to weakening general economic conditions, increases in unemployment rates and declining real estate values.

HELOC - Risks common to home equity lines of credit are general economic conditions, including an increase in unemployment rates, and declining real estate values that reduce or eliminate the borrower's home equity.

Residential construction - Residential construction loans are susceptible to the same risks as residential mortgage loans. Changes in market demand for property lead to longer marketing times resulting in higher carrying costs and declining values.

Manufactured housing - Risks associated with manufactured housing are similar to those described for residential mortgage loans, including general economic conditions and unemployment rates, as well as appropriate lien priority and the general mobility of the collateral.

Consumer - Risks common to consumer direct loans include unemployment and changes in local economic conditions as well as the inability to monitor collateral consisting of personal property.

When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

When the discounted cash flow method is used to determine the ACL, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments. The ACL on a TDR is measured using the same method as all other loans held for investment, except that the original interest rate is used to discount the expected cash flows, not the rate specified within the restructuring.

Determining the Contractual Term: Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a TDR will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by United.

ACL - Off-Balance Sheet Credit Exposures

Management estimates expected credit losses on commitments to extend credit over the contractual period during which United is exposed to credit risk on the underlying commitments. The ACL on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The ACL is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight line method over the estimated useful lives of the related assets. Costs incurred for maintenance and repairs are expensed as incurred. The range of estimated useful lives for buildings and improvements is 10 to 40 years, for land improvements, 10 years, and for furniture and equipment, 3 to 10 years. United periodically reviews the carrying value of premises and equipment for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Foreclosed Properties (OREO)

Foreclosed property is initially recorded at fair value, less cost to sell. If the fair value, less cost to sell at the time of foreclosure is less than the loan balance, the deficiency is recorded as a loan charge-off against the ACL. If the fair value, less cost to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to operating expenses. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property.

Goodwill and Other Intangible Assets

Goodwill is an asset representing the future economic benefits from other assets acquired that are not individually identified and separately recognized. Goodwill is measured as the excess of the consideration transferred, net of the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill is not amortized, but instead is tested for impairment annually or more frequently if events or circumstances exist that indicate a goodwill impairment test should be performed.

Other intangible assets, which are initially recorded at fair value, consist of core deposit and customer list intangibles resulting from acquisitions. Core deposit intangible assets are amortized over their estimated useful lives using the sum-of-the-years-digits method. Customer list intangibles are amortized over their estimated useful lives using the straight-line method.

Management evaluates other intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from United, the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets and United does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Servicing Rights

United records a separate servicing asset for SBA loans, USDA loans, and residential mortgage loans when the loan is sold but servicing is retained. This asset represents the right to service the loans and receive a fee in compensation. Servicing assets are

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

initially recorded at their fair value as a component of the sale proceeds. The fair value of the servicing assets is based on an analysis of discounted cash flows that incorporates estimates of (1) market servicing costs, (2) market-based prepayment rates, and (3) market profit margins. Servicing assets are included in other assets.

United has elected to subsequently measure the servicing assets for government guaranteed loans and residential mortgage loans at fair value. The rate of prepayment of loans serviced is the most significant estimate involved in the measurement process. Estimates of prepayment rates are based on market expectations of future prepayment rates, industry trends, and other considerations. Actual prepayment rates will differ from those projected by management due to changes in a variety of economic factors, including prevailing interest rates and the availability of alternative financing sources to borrowers. If actual prepayments of the loans being serviced were to occur more quickly than projected, the carrying value of servicing assets might have to be written down through a charge to earnings in the current period. If actual prepayments of the loans being serviced were to occur more slowly than had been projected, the carrying value of servicing assets could increase, and servicing income would exceed previously projected amounts.

United accounts for the servicing liabilities associated with sold equipment financing loans using the amortization method. Servicing liabilities are included in accrued expenses and other liabilities.

BOLI

United has purchased life insurance policies on certain key executives and members of management. United has also received life insurance policies on members of acquired bank management teams and board members through acquisitions of other banks. BOLI is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other changes or other amounts due that are probable at settlement.

Operating Leases

United records a ROU asset, included in other assets, and a related lease liability, included in other liabilities, for eligible operating leases for which it is the lessee, which include leases for land, buildings, and equipment. At lease commencement, United records the ROU asset and related lease liability based on the present value of lease payments over the lease term. Absent a readily determinable interest rate in the lease agreement, United utilizes the Bank's incremental borrowing rate for secured borrowings as the discount rate used in the present value calculation. Payments related to these leases consist primarily of base rent and, in the case of building leases, additional operating costs associated with the leased property such as common area maintenance and utilities. In most cases, these operating costs vary over the term of the lease, and therefore are classified as variable lease costs, which are recognized as incurred in the consolidated statement of income. In addition, certain operating leases include costs such as property taxes and insurance, which are recognized as incurred in the consolidated statement of income. Many of United's operating leases contain renewal options, which are included in the measurement of the ROU asset and lease liability to the extent they are reasonably certain to be exercised. United also subleases and leases certain real estate properties to third parties under operating leases. United does not recognize a lease liability or ROU asset on the consolidated balance sheet related to short-term leases with a term of less than one year. Lease payments for short-term leases are recognized as expense over the lease term. Operating lease costs, variable lease costs and short-term lease costs are included in occupancy expense and communications and equipment expense in the consolidated statement of income.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued**VIEs**

United holds investments in certain legal entities that are considered VIEs. VIEs are legal entities in which equity investors do not have sufficient equity at risk for the entity to independently finance its activities, or as a group, the holders of the equity investment at risk lack the power through voting or similar rights to direct the activities of the entity that most significantly impact its economic performance, or do not have the obligation to absorb the expected losses of the entity or the right to receive expected residual returns of the entity. Consolidation of a VIE is required if a reporting entity is the primary beneficiary of the VIE.

Investments in VIEs are evaluated to determine if United is the primary beneficiary. This evaluation gives appropriate consideration to the design of the entity and the variability that the entity was designed to create and pass along, the relative power of each party, and to United's obligation to absorb losses or receive residual returns of the entity. United has variable interests in certain entities that are not required to be consolidated, including LIHTC, renewable energy and other partnership interests. Refer to Note 23, Commitments and Contingencies, for additional disclosures regarding United's VIEs.

With the exception of LIHTC partnerships, investments in entities for which United has the ability to exercise significant influence, but not control, over operating and financing decisions are accounted for using the equity method of accounting. Equity method investments are included in other assets in the consolidated balance sheets at cost, adjusted to reflect United's portion of income, loss, or dividends of the investee. United records its portion of income or loss in other noninterest income in the consolidated statements of income. These investments are periodically evaluated for impairment.

LIHTC investments are accounted for using the proportional amortization method of accounting for qualified affordable housing investments, which results in the amortization being reported as a component of income tax expense. Obligations related to unfunded commitments for LIHTC and renewable energy investments are reported in other liabilities. Investment tax credits related to renewable energy are accounted for using the deferral method.

Revenue from Contracts with Customers

In addition to lending and related activities, United offers various services to customers that generate revenue, certain of which are governed by ASC Topic 606 *Revenue from Contracts with Customers*. United's services that fall within the scope of this topic are presented within noninterest income and include service charges and fees, wealth management fees, and other transaction-based fees. Revenue is recognized when the transactions occur or as services are performed over primarily monthly or quarterly periods. Payment is typically received in the period the transactions occur. Fees may be fixed or, where applicable, based on a percentage of transaction size.

Income Taxes

DTAs and DTLs are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not. DTAs and DTLs are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect of a change in tax rates on DTAs and DTLs is recognized in income tax expense during the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of assets and liabilities results in DTAs, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the DTA when it is more likely than not that some or all of the DTA will not be realized. In assessing the realizability of the DTAs, management considers the scheduled reversals of DTLs, projected future taxable earnings and prudent and feasible tax planning strategies. Management weighs both the positive and negative evidence, giving more weight to evidence that can be objectively verified.

The income tax benefit or expense is the total of the current year income tax due or refundable and the change in DTAs and DTLs.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

United recognizes interest and / or penalties related to income tax matters in income tax expense.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

Derivative Instruments and Hedging Activities

United's interest rate risk management strategy incorporates the use of derivative instruments to minimize fluctuations in net income that are caused by interest rate volatility. The objective is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that net interest revenue and certain interest sensitive components of noninterest revenue are not, on a material basis, adversely affected by movements in interest rates. United views this strategy as a prudent management of interest rate risk, such that net income is not exposed to undue risk presented by changes in interest rates. In carrying out this part of its interest rate risk management strategy, management uses derivatives, primarily interest rate swaps and caps. Interest rate swaps generally involve the exchange of fixed- and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date.

United originates certain residential mortgage loans with the intention of selling these loans. Between the time United enters into an interest-rate lock commitment to originate a residential mortgage loan that is to be held for sale and the time the loan is funded and eventually sold, the Company is subject to the risk of variability in market prices. United enters into forward sale agreements to mitigate risk and to protect the expected gain on the eventual loan sale. The commitments to originate residential mortgage loans and forward loan sales commitments are freestanding derivative instruments which are entered into as part of an economic hedging strategy to manage exposure related to mortgage loans held for sale.

To accommodate customers, United enters into interest rate swaps, caps or collars with certain commercial loan customers, with offsetting positions to dealers under a back-to-back swap/cap/collar program. In addition, United occasionally enters into credit risk participation agreements with counterparty banks to accept a portion of the credit risk related to interest rate swaps. This allows customers to execute an interest rate swap with one bank while allowing for the distribution of the credit risk among participating members. Credit risk participation agreements arise when United contracts with other financial institutions, as a guarantor, to share credit risk associated with certain interest rate swaps. These agreements provide for reimbursement of losses resulting from a third party default on the underlying swap. These transactions are typically executed in conjunction with a participation in a loan with the same customer. Collateral used to support the credit risk for the underlying lending relationship is also available to offset the risk of the credit risk participation.

United classifies its derivative financial instruments as either (1) a hedge of an exposure to changes in the fair value of a recorded asset or liability ("fair value hedge"), (2) a hedge of an exposure to changes in the cash flows of a recognized asset, liability or forecasted transaction ("cash flow hedge"), or (3) derivatives not designated as accounting hedges. Changes in the fair value of derivatives not designated as hedges are recognized in current period earnings. United has master netting agreements with the derivatives dealers with which it does business, but reflects gross assets and liabilities at fair value on the consolidated balance sheets.

United assesses hedge effectiveness at inception and over the life of the hedge. Management documents, at inception, its analysis of actual and expected hedge effectiveness. This analysis includes techniques such as regression analysis and hypothetical derivatives to demonstrate that the hedge is expected to be highly effective in offsetting corresponding changes in the fair value or cash flows of the hedged item. At least quarterly thereafter, the terms of the hedging instrument and the hedged item are assessed to determine whether a material change has occurred relating to the hedge relationship. If it is determined that a change has occurred, a quantitative analysis as described will occur to determine whether the hedge is expected to be highly effective in offsetting future corresponding changes in the fair value or cash flows of the hedged item. For a qualifying fair value hedge, the changes in the value of derivatives are recognized in current period earnings along with the corresponding changes in the fair value of the designated hedged item attributable to the risk being hedged. For a qualifying cash flow hedge, the changes in the fair value of the derivatives that have been highly effective are recognized in other comprehensive income until the related cash flows from the hedged item are recognized in earnings.

For fair value hedges and cash flow hedges, ineffectiveness is recognized in the same income statement line as interest accruals on the hedged item to the extent that changes in the value of the derivative instruments do not perfectly offset changes in the value of the hedged items. If the hedge ceases to be highly effective, United discontinues hedge accounting and recognizes the changes in fair value in current period earnings. If a derivative that qualifies as a fair value or cash flow hedge is terminated or the designation removed, the realized or then unrealized gain or loss is recognized into income over the life of the hedged item (fair value hedge) or over the time when the hedged item was forecasted to impact earnings (cash flow hedge). Immediate recognition in earnings is required upon sale or extinguishment of the hedged item (fair value hedge) or if it is probable that the hedged cash flows will not occur (cash flow hedge).

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued

By using derivative instruments, United is exposed to credit and market risk. If the counterparty fails to perform, credit risk is represented by the fair value gain in a derivative. When the fair value of a derivative contract is positive, this situation generally indicates that the counterparty is obligated to pay United, and, therefore, creates a repayment risk for United. When the fair value of a derivative contract is negative, United is obligated to pay the counterparty and, therefore, has no repayment risk. United minimizes the credit risk in non-customer derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by management. United also requires non-customer counterparties to pledge cash as collateral to cover the net exposure. All new non-customer derivatives that can be cleared are cleared through a central clearinghouse, which reduces counterparty exposure.

Derivative activities are monitored by the ALCO as part its oversight of asset/liability and treasury functions. The ALCO is responsible for implementing various hedging strategies that are developed through its analysis of data from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the overall interest-rate risk management process.

Acquisition Activities

United accounts for business combinations under the acquisition method of accounting. Assets acquired and liabilities assumed are measured and recorded at fair value at the date of acquisition, including identifiable intangible assets. If the fair value of net assets purchased exceeds the fair value of consideration paid, a bargain purchase gain is recognized at the date of acquisition. Conversely, if the consideration paid exceeds the fair value of the net assets acquired, goodwill is recognized at the acquisition date. Fair values are subject to refinement for a period not to exceed one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

Fair values for acquired loans are generally based on a discounted cash flow methodology that considers credit loss expectations, market interest rates and other market factors such as liquidity from the perspective of a market participant. Loans are grouped together according to similar characteristics and are generally treated in the aggregate when applying various valuation techniques. The probability of default, loss given default and prepayment assumptions are the key factors driving credit losses which are embedded into the estimated cash flows. These assumptions are informed by internal data on loan characteristics, historical loss experience, and current and forecasted economic conditions. The interest and liquidity component of the estimate is determined by discounting interest and principal cash flows through the expected life of each loan. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity. The discount rate does not include a factor for credit losses as that has been included as a reduction to the estimated cash flows. For additional information about the accounting for purchased loans see PCD Loans under the Loans and Leases section of this footnote.

All identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Deposit liabilities and the related depositor relationship intangible assets may be exchanged in observable exchange transactions. As a result, the depositor relationship intangible asset is considered identifiable, because the separability criterion has been met.

Earnings Per Common Share

Basic earnings per common share is net income available to common shareholders divided by the weighted average number of shares of common stock outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Additionally, shares issuable to participants in United's deferred compensation plan are considered to be participating securities for purposes of calculating basic earnings per share. Accordingly, net income available to common shareholders is calculated pursuant to the two-class method, whereby net income after subtracting preferred stock dividends is allocated between common shareholders and participating securities. Diluted earnings per common share includes the dilutive effect of additional potential shares of common stock issuable under stock options, unvested restricted stock units without nonforfeitable rights to dividends, warrants and securities convertible into common stock.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the financial statements.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, continued**Dividend Restrictions**

Banking regulations require maintaining certain capital levels and may limit dividends paid by the Bank to the Holding Company or by the Holding Company to shareholders. As a South Carolina state-chartered bank, the Bank is permitted to pay a dividend of up to 100% of its current year earnings without requesting approval of the SCBFI, provided certain conditions are met. Prior to July 1, 2021, as a Georgia state-chartered bank, the Board could declare dividends from the Bank to the Holding Company out of retained earnings of up to fifty percent of the Bank's net income from the previous year without notifying or seeking approval from the GADBF, provided certain conditions were met.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions as more fully disclosed in Note 15. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Stock-Based Compensation

United uses the fair value method of recognizing expense for stock-based compensation based on the fair value of option and restricted stock unit awards at the date of grant. United accounts for forfeitures as they occur.

(2) Accounting Standards Updates and Recently Adopted Standards**Recently Adopted Standards**

In July 2021, the FASB issued ASU No. 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*. The update amends the lease classification requirements for lessors to align them with practice under the former lease accounting standard. Specifically, lessors should classify a lease with variable lease payments that do not depend on a reference index or rate as an operating lease if certain criteria are met. United adopted this update as of January 1, 2022, with no material impact on the consolidated financial statements.

In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. Topic 848, which provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting, originally included a sunset date of December 31, 2022. This update defers the sunset date to December 31, 2024, to better align with the revised LIBOR cessation date of June 30, 2023. After the sunset date, entities will no longer be permitted to apply the relief in Topic 848. United adopted this update immediately, with no material impact on the consolidated financial statements.

Accounting Standards Updates Not Yet Adopted as of December 31, 2022

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from contracts with Customers*. The update requires that an acquiring entity apply the guidance from *Revenue from Contracts with Customers (Topic 606)* to recognize and measure contract assets and contract liabilities in a business combination, rather than fair value. Adoption of this update as of January 1, 2023 did not have a material impact on the consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method*. The update expands the current last-of-layer method to a portfolio layer method which allows multiple hedged layers of a single closed portfolio and non-prepayable financial assets. In addition, the update specifies that eligible hedging instruments may include spot-starting or forward-starting swaps and that the number of hedged layers corresponds with the number of hedges designated. Finally, the update provides additional guidance on the accounting for and disclosure of hedge basis adjustments. Adoption of this update as of January 1, 2023 did not have a material impact on the consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The update eliminates the previous accounting guidance for TDRs by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The update also requires that an entity disclose current-period gross charge-offs by year of origination. Adoption of this update as of January 1, 2023 did not have a material impact on the consolidated financial statements. The disclosure provisions of this update will be reflected in United's first quarter 2023 Form 10Q.

Notes to Consolidated Financial Statements

(2) Accounting Standards Updates and Recently Adopted Standards, continued

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820) - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The update clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account and, therefore, is not considered in measuring fair value. For public entities, this guidance is effective for fiscal years beginning after December 15, 2023. United does not expect the new guidance to have a material impact on the consolidated financial statements.

(3) Acquisitions

The following note details acquisitions accounted for as business combinations during the periods covered by this Report. Accordingly, assets acquired and liabilities assumed are presented at fair value as of the acquisition date. The determination of fair value requires management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. Goodwill is established when the fair value of consideration paid exceeds the fair value of the identifiable assets acquired and liabilities assumed. Fair values are considered preliminary for a period not to exceed one year after the acquisition date and are subject to refinement as information relative to closing date fair values becomes available.

Notes to Consolidated Financial Statements

(3) Acquisitions, continued

Reliant

On January 1, 2022, United acquired all of the outstanding common stock of Reliant in a stock transaction. Reliant operated a 25-branch network primarily located in Middle Tennessee, which facilitated United's growth into those markets. United's operating results for the year ended December 31, 2022 include the operating results of the acquired business for the period subsequent to the acquisition date of January 1, 2022. The following table presents purchased assets and assumed liabilities recorded at their acquisition date fair values and consideration transferred as well as supplementary information related to the acquired loan portfolio at the acquisition date (*in thousands*).

Reliant	
Fair Value Recorded by United	
	January 1, 2022
Assets	
Cash and cash equivalents	\$ 62,867
Debt securities	249,107
Loans held for sale	116,406
Loans held for investment	2,320,737
Premises and equipment	35,631
BOLI	78,170
Accrued interest receivable	12,027
Net deferred tax asset	5,793
Core deposit intangible	14,500
Other assets	59,768
Total assets acquired	2,955,006
Liabilities	
Deposits	2,504,823
Short-term borrowings	27,000
Long-term debt	76,730
Other liabilities	48,620
Total liabilities assumed	2,657,173
Total identifiable net assets	297,833
Consideration transferred	
Cash	624
Common stock issued (16,571,545 shares)	595,581
Options converted	795
Total fair value of consideration transferred	597,000
Goodwill	\$ 299,167
Supplementary Information on Acquired Loans	
	January 1, 2022
PCD loans:	
Par value	\$ 258,462
ACL at acquisition	(12,737)
Non-credit discount	(3,294)
Purchase price	\$ 242,431
Non-PCD loans:	
Fair value	\$ 2,078,306
Gross contractual amounts receivable	2,355,205
Estimate of contractual cash flows not expected to be collected	25,990

Goodwill represents the intangible value of Reliant's business and reputation within the markets it served and is not expected to be deductible for income tax purposes. The Reliant core deposit intangible will be amortized over its expected useful life of 10 years using the sum-of-the-years-digits method.

Notes to Consolidated Financial Statements

(3) Acquisitions, continued

Aquesta

On October 1, 2021, United completed the acquisition of Aquesta, a bank headquartered in Cornelius, North Carolina, which operated a network of branches primarily located in the Charlotte metropolitan area. United's operating results for the year ended December 31, 2021 include the operating results of the acquired business for the period subsequent to the acquisition date.

The following table presents purchased assets and assumed liabilities recorded at their acquisition date fair values and consideration transferred as well as supplementary information related to the acquired loan portfolio at the acquisition date (*in thousands*).

Aquesta	
Fair Value Recorded by United	
	October 1, 2021
Assets	
Cash and cash equivalents	\$ 153,091
Debt securities	60,762
Loans	498,312
Premises and equipment	18,112
BOLI	12,540
Accrued interest receivable	1,419
Net deferred tax asset	2,129
Core deposit intangible	2,030
Other assets	7,553
Total assets acquired	755,948
Liabilities	
Deposits	657,724
FHLB advances	24,509
Other liabilities	12,084
Total liabilities assumed	694,317
Total identifiable net assets	61,631
Consideration transferred	
Cash	40,542
Common stock issued (2,731,435 shares)	89,646
Option and warrant equity instruments converted	1,478
Total fair value of consideration transferred	131,666
Goodwill	\$ 70,035
Supplementary Information on Acquired Loans	
	October 1, 2021
PCD loans:	
Par value	\$ 75,579
ACL at acquisition	(3,544)
Non-credit discount	(692)
Purchase price	\$ 71,343
Non-PCD loans:	
Fair value	\$ 426,969
Gross contractual amounts receivable	482,737
Estimate of contractual cash flows not expected to be collected	3,399

Goodwill represents the intangible value of Aquesta's business and reputation within the markets it served and is not expected to be deductible for income tax purposes. The Aquesta core deposit intangible will be amortized over its expected useful life of 10 years using the sum-of-the-years-digits method.

Notes to Consolidated Financial Statements

(3) Acquisitions, continued

FinTrust

On July 6, 2021, United completed the acquisition of FinTrust, an investment advisory firm headquartered in Greenville, South Carolina, with additional locations in Anderson, South Carolina, and Athens and Macon, Georgia. The firm provides wealth and investment management services to individuals and institutions within its markets. United's operating results for the year ended December 31, 2021 include FinTrust's operating results for the period subsequent to the acquisition date.

FinTrust shareholders received \$21.7 million in total consideration, which consisted of \$4.40 million (132,299 shares) of United common stock, \$9.62 million in cash paid at closing, \$4.40 million in cash payable due on the first anniversary of the acquisition date and \$3.30 million of contingent consideration. The first anniversary payment of \$4.40 million was paid in 2022. The contingent consideration represents an earn-out payment due to the sellers of FinTrust on the second anniversary of the acquisition date. The earn-out payment is subject to the achievement of defined target revenue ratios during the two-year period following the acquisition date, which are expected to be fully achieved.

At acquisition, United recognized \$22.8 million of assets and \$1.10 million of liabilities. Assets recorded as a result of the acquisition included goodwill of \$14.2 million and a customer relationship intangible of \$7.53 million. Goodwill reflects the value of FinTrust's broad array of products and services, which enhances United's existing wealth management business. Goodwill is expected to be deductible for tax purposes. United is amortizing the related customer relationship intangible using the straight-line method over 15 years, which represents the expected useful life of the asset. In addition, United recognized right-of-use assets and operating lease liabilities totaling \$822,000 for FinTrust's leased locations.

Pro forma information - unaudited

The following table discloses the impact of the mergers with Reliant in 2022 and Aquesta and FinTrust in 2021 since the respective acquisition dates through December 31 of the year of acquisition. The table also presents certain pro forma information as if Reliant had been acquired on January 1, 2021, Aquesta and FinTrust had been acquired on January 1, 2020 and Three Shores had been acquired January 1, 2019. These results combine the historical results of the acquired entities with United's consolidated statements of income and, while adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not necessarily indicative of what would have occurred had the acquisitions taken place in earlier years.

For purposes of pro forma information, merger-related costs incurred in the year of acquisition are excluded from the actual acquisition year results and included in the pro forma acquisition year results. As a result, merger-related costs related to the acquisition of Reliant of \$15.7 million are reflected in 2021 pro forma information and merger related costs related to the acquisitions of Aquesta and FinTrust of \$9.00 million and \$518,000, respectively, are reflected in 2020 pro forma information. Merger-related costs related to the acquisition of Three Shores of \$5.04 million were previously reported in 2019 pro forma information, which is not presented in the following table.

The following table presents the actual results and pro forma information for the periods indicated (*in thousands*).

	<i>(Unaudited)</i> Year Ended December 31,	
	Revenue	Net Income
2022		
Actual Reliant results included in statement of income since acquisition date	\$ 100,529	\$ 48,926
Supplemental consolidated pro forma as if Reliant had been acquired January 1, 2021	842,182	301,308
2021		
Actual Aquesta results included in statement of income since acquisition date	\$ 2,122	\$ (282)
Actual FinTrust results included in statement of income since acquisition date	4,326	(26)
Supplemental consolidated pro forma as if Reliant had been acquired January 1, 2021 and Aquesta and FinTrust had been acquired January 1, 2020	909,353	295,864
2020		
Actual Three Shores results included in statement of income since acquisition date	\$ 24,541	\$ 6,800
Supplemental consolidated pro forma as if Aquesta and FinTrust had been acquired January 1, 2020 and Three Shores had been acquired January 1, 2019	622,848	164,284

Notes to Consolidated Financial Statements

(4) Supplemental Cash Flow Information

The supplemental schedule of cash and noncash activities for the periods indicated is as follows (*in thousands*). See Note 14, Operating Leases, for information regarding noncash transactions related to ROU assets and lease liabilities.

	2022	2021	2020
Cash paid during the period for:			
Interest	\$ 58,713	\$ 32,000	\$ 59,967
Income taxes	50,499	55,754	36,536
Significant non-cash investing and financing transactions:			
Transfers of AFS securities to HTM securities	1,288,982	—	—
Acquisitions:			
Assets acquired	3,254,173	848,806	2,174,723
Liabilities assumed	2,657,173	695,420	1,987,026
Net assets acquired	597,000	153,386	187,697
Value of common stock issued	595,581	94,046	163,589
Other non-cash consideration ⁽¹⁾	795	9,178	—

⁽¹⁾ See Note 3, Acquisitions, for further detail.

(5) Investments

During 2022, United transferred AFS debt securities to HTM with a fair value on the transfer date of \$1.29 billion, which included unrealized losses recorded in AOCI totaling \$87.4 million. Transfer date unrealized losses are amortized and reclassified out of AOCI as a yield adjustment, which is offset by discount accretion of the transferred HTM securities. Amortization of transfer date unrealized losses and discount accretion are recognized over the remaining life of the securities.

The cost basis, unrealized gains and losses, and fair value of HTM debt securities as of the dates indicated are as follows (*in thousands*):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>As of December 31, 2022</u>				
U.S. Treasuries	\$ 19,834	\$ —	\$ 2,417	\$ 17,417
U.S. Government agencies & GSEs	99,679	—	18,169	81,510
State and political subdivisions	295,945	56	64,340	231,661
Residential MBS, Agency & GSE	1,488,028	35	223,566	1,264,497
Commercial MBS, Agency & GSE	695,162	—	111,586	583,576
Supranational entities	15,000	—	2,588	12,412
Total	<u>\$ 2,613,648</u>	<u>\$ 91</u>	<u>\$ 422,666</u>	<u>\$ 2,191,073</u>
<u>As of December 31, 2021</u>				
U.S. Treasuries	\$ 19,803	\$ 20	\$ —	\$ 19,823
U.S. Government agencies & GSEs	70,180	—	1,121	69,059
State and political subdivisions	257,688	4,341	4,080	257,949
Residential MBS, Agency & GSE	381,641	2,021	3,687	379,975
Commercial MBS, Agency & GSE	411,786	4,106	8,915	406,977
Supranational entities	15,000	21	—	15,021
Total	<u>\$ 1,156,098</u>	<u>\$ 10,509</u>	<u>\$ 17,803</u>	<u>\$ 1,148,804</u>

Notes to Consolidated Financial Statements

(5) Investments, continued

The cost basis, unrealized gains and losses, and fair value of AFS debt securities as of the dates indicated are as follows (*in thousands*):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>As of December 31, 2022</u>				
U.S. Treasuries	\$ 163,972	\$ —	\$ 14,620	\$ 149,352
U.S. Government agencies & GSEs	266,347	463	16,694	250,116
State and political subdivisions	329,723	151	26,126	303,748
Residential MBS, Agency & GSE	1,609,442	13	160,636	1,448,819
Residential MBS, Non-agency	374,535	—	27,873	346,662
Commercial MBS, Agency & GSE	720,282	471	79,407	641,346
Commercial MBS, Non-agency	31,624	—	1,058	30,566
Corporate bonds	236,181	34	23,763	212,452
Asset-backed securities	239,220	—	7,948	231,272
Total	<u>\$ 3,971,326</u>	<u>\$ 1,132</u>	<u>\$ 358,125</u>	<u>\$ 3,614,333</u>
<u>As of December 31, 2021</u>				
U.S. Treasuries	\$ 218,027	\$ 1,661	\$ 2,168	\$ 217,520
U.S. Government agencies & GSEs	189,855	605	3,428	187,032
State and political subdivisions	263,269	15,237	2,662	275,844
Residential MBS, Agency & GSE	2,079,700	9,785	28,521	2,060,964
Residential MBS, Non-agency	81,925	2,249	4	84,170
Commercial MBS, Agency & GSE	870,563	2,974	16,156	857,381
Commercial MBS, Non-agency	15,202	1,268	—	16,470
Corporate bonds	194,164	814	1,812	193,166
Asset-backed securities	603,824	2,000	1,547	604,277
Total	<u>\$ 4,516,529</u>	<u>\$ 36,593</u>	<u>\$ 56,298</u>	<u>\$ 4,496,824</u>

At December 31, 2022 and 2021, securities with a carrying value of \$2.53 billion and \$1.46 billion, respectively, were pledged primarily to secure deposits. At year-end 2022 and 2021, there were no holdings of debt obligations of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The following summarizes HTM debt securities in an unrealized loss position as of the dates indicated (*in thousands*):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<u>As of December 31, 2022</u>						
U.S. Treasuries	\$ 17,417	\$ 2,417	\$ —	\$ —	\$ 17,417	\$ 2,417
U.S. Government agencies & GSEs	10,687	1,813	70,823	16,356	81,510	18,169
State and political subdivisions	104,243	20,639	117,115	43,701	221,358	64,340
Residential MBS, Agency & GSE	296,673	38,289	965,785	185,277	1,262,458	223,566
Commercial MBS, Agency & GSE	176,848	24,497	406,728	87,089	583,576	111,586
Supranational entities	12,412	2,588	—	—	12,412	2,588
Total unrealized loss position	<u>\$ 618,280</u>	<u>\$ 90,243</u>	<u>\$ 1,560,451</u>	<u>\$ 332,423</u>	<u>\$ 2,178,731</u>	<u>\$ 422,666</u>
<u>As of December 31, 2021</u>						
U.S. Government agencies & GSEs	\$ 64,658	\$ 888	\$ 4,401	\$ 233	\$ 69,059	\$ 1,121
State and political subdivisions	131,128	3,590	9,006	490	140,134	4,080
Residential MBS, Agency & GSE	289,132	3,687	—	—	289,132	3,687
Commercial MBS, Agency & GSE	314,049	8,540	10,384	375	324,433	8,915
Total unrealized loss position	<u>\$ 798,967</u>	<u>\$ 16,705</u>	<u>\$ 23,791</u>	<u>\$ 1,098</u>	<u>\$ 822,758</u>	<u>\$ 17,803</u>

Notes to Consolidated Financial Statements

(5) Investments, continued

The following summarizes AFS debt securities in an unrealized loss position as of the dates indicated (*in thousands*):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<u>As of December 31, 2022</u>						
U.S. Treasuries	\$ 49,259	\$ 724	\$ 100,093	\$ 13,896	\$ 149,352	\$ 14,620
U.S. Government agencies & GSEs	93,015	2,124	108,093	14,570	201,108	16,694
State and political subdivisions	207,749	9,906	62,606	16,220	270,355	26,126
Residential MBS, Agency & GSE	1,049,648	102,852	392,288	57,784	1,441,936	160,636
Residential MBS, Non-agency	338,399	27,095	8,263	778	346,662	27,873
Commercial MBS, Agency & GSE	288,787	17,304	332,088	62,103	620,875	79,407
Commercial MBS, Non-agency	30,566	1,058	—	—	30,566	1,058
Corporate bonds	83,010	7,776	127,603	15,987	210,613	23,763
Asset-backed securities	97,705	2,664	133,567	5,284	231,272	7,948
Total unrealized loss position	<u>\$ 2,238,138</u>	<u>\$ 171,503</u>	<u>\$ 1,264,601</u>	<u>\$ 186,622</u>	<u>\$ 3,502,739</u>	<u>\$ 358,125</u>
<u>As of December 31, 2021</u>						
U.S. Treasuries	\$ 111,606	\$ 2,168	\$ —	\$ —	\$ 111,606	\$ 2,168
U.S. Government agencies & GSEs	132,893	2,591	20,093	837	152,986	3,428
State and political subdivisions	69,302	2,581	3,148	81	72,450	2,662
Residential MBS, Agency & GSE	1,534,744	25,799	74,481	2,722	1,609,225	28,521
Residential MBS, Non-agency	12,608	4	—	—	12,608	4
Commercial MBS, Agency & GSE	582,235	13,098	66,014	3,058	648,249	16,156
Corporate bonds	149,246	1,811	16	1	149,262	1,812
Asset-backed securities	195,164	1,546	571	1	195,735	1,547
Total unrealized loss position	<u>\$ 2,787,798</u>	<u>\$ 49,598</u>	<u>\$ 164,323</u>	<u>\$ 6,700</u>	<u>\$ 2,952,121</u>	<u>\$ 56,298</u>

At December 31, 2022, there were 740 AFS debt securities and 315 HTM debt securities that were in an unrealized loss position. Management does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of its amortized cost basis. Unrealized losses at December 31, 2022 and 2021 were primarily attributable to changes in interest rates.

At December 31, 2022 and 2021, calculated credit losses and, thus, the related ACL on HTM debt securities were de minimis due to the high credit quality of the portfolio, which included securities issued or guaranteed by the U.S. Treasury, U.S. Government agencies, GSEs, high credit quality municipalities and supranational entities. As a result, no ACL was recorded on the HTM portfolio at December 31, 2022 and 2021. In addition, based on the assessment performed as of December 31, 2022 and 2021, there was no ACL required related to the AFS portfolio. See Note 1 for additional details on the ACL as it relates to the securities portfolio.

The following table presents accrued interest receivable for the periods indicated on HTM and AFS debt securities (*in thousands*), which was excluded from the estimate of credit losses.

	Accrued Interest Receivable	
	December 31,	
	2022	2021
HTM	\$ 7,234	\$ 3,596
AFS	15,281	9,868

Notes to Consolidated Financial Statements

(5) Investments, continued

The amortized cost and fair value of AFS and HTM debt securities at December 31, 2022, by contractual maturity, are presented in the following table (*in thousands*). Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations.

	AFS		HTM	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year:				
U.S. Treasuries	\$ 49,983	\$ 49,259	\$ —	\$ —
U.S. Government agencies & GSEs	174	173	—	—
State and political subdivisions	—	—	1,200	1,197
Corporate bonds	2,583	2,532	—	—
	<u>52,740</u>	<u>51,964</u>	<u>1,200</u>	<u>1,197</u>
1 to 5 years:				
U.S. Treasuries	99,049	87,052	—	—
U.S. Government agencies & GSEs	38,495	34,603	—	—
State and political subdivisions	45,271	43,744	18,698	17,914
Corporate bonds	151,352	138,056	—	—
	<u>334,167</u>	<u>303,455</u>	<u>18,698</u>	<u>17,914</u>
5 to 10 years:				
U.S. Treasuries	14,940	\$ 13,041	\$ 19,834	\$ 17,417
U.S. Government agencies & GSEs	76,287	67,958	73,246	60,665
State and political subdivisions	163,617	151,845	26,024	22,028
Corporate bonds	81,450	71,043	—	—
Supranational entities	—	—	15,000	12,412
	<u>336,294</u>	<u>303,887</u>	<u>134,104</u>	<u>112,522</u>
More than 10 years:				
U.S. Government agencies & GSEs	151,391	147,382	26,433	20,845
State and political subdivisions	120,835	108,159	250,023	190,522
Corporate bonds	796	821	—	—
	<u>273,022</u>	<u>256,362</u>	<u>276,456</u>	<u>211,367</u>
Debt securities not due at a single maturity:				
Asset-backed securities	239,220	231,272	—	—
Residential MBS	1,983,977	1,795,481	1,488,028	1,264,497
Commercial MBS	751,906	671,912	695,162	583,576
Total	<u>\$ 3,971,326</u>	<u>\$ 3,614,333</u>	<u>\$ 2,613,648</u>	<u>\$ 2,191,073</u>

Realized gains and losses are derived using the specific identification method for determining the cost of the securities sold. The following summarizes securities sales activities for the years ended December 31 (*in thousands*):

	2022	2021	2020
Proceeds from sales	<u>\$ 318,457</u>	<u>\$ 288,986</u>	<u>\$ 40,625</u>
Gross gains on sales	\$ 1,009	\$ 2,346	\$ 748
Gross losses on sales	(4,881)	(2,263)	—
Net gains (losses) on sales of securities	<u>\$ (3,872)</u>	<u>\$ 83</u>	<u>\$ 748</u>
Income tax expense (benefit) attributable to sales	<u>\$ (1,026)</u>	<u>\$ (46)</u>	<u>\$ 191</u>

Notes to Consolidated Financial Statements

(5) Investments, continued

Equity Investments

The table below reflects the carrying value of certain equity investments, which are included in other assets on the consolidated balance sheet, as of December 31 (*in thousands*).

	December 31,	
	2022	2021
FHLB Stock	\$ 33,828	\$ 9,225
Equity securities with readily determinable fair values	13,637	1,302

(6) Loans and Leases and Allowance for Credit Losses

Major classifications of the loan and lease portfolio (collectively referred to as the “loan portfolio” or “loans”) are summarized as of the dates indicated as follows (*in thousands*):

	December 31,	
	2022	2021
Owner occupied commercial real estate	\$ 2,734,666	\$ 2,321,685
Income producing commercial real estate	3,261,626	2,600,858
Commercial & industrial	2,252,322	1,910,162
Commercial construction	1,597,848	1,014,830
Equipment financing	1,374,251	1,083,021
Total commercial	11,220,713	8,930,556
Residential mortgage	2,355,061	1,637,885
HELOC	850,269	694,034
Residential construction	442,553	359,815
Manufactured housing	316,741	—
Consumer	149,290	138,056
Total loans	15,334,627	11,760,346
Less ACL - loans	(159,357)	(102,532)
Loans, net	<u>\$ 15,175,270</u>	<u>\$ 11,657,814</u>

At December 31, 2022 and 2021, \$2.04 million and \$1.01 million, respectively, in overdrawn deposit accounts were reclassified as consumer loans.

Accrued interest receivable related to loans totaled \$52.0 million and \$28.5 million at December 31, 2022 and 2021, respectively, and was reported in accrued interest receivable on the consolidated balance sheets.

At December 31, 2022, the loan portfolio was subject to blanket pledges on certain qualifying loan types with the FHLB to secure advances outstanding and contingent funding sources.

The following table presents loans held for investment that were sold in the periods presented (*in thousands*). The gains and losses on these loan sales were included in noninterest income on the consolidated statements of income.

	Loans Sold		
	2022	2021	2020
Guaranteed portion of SBA/USDA loans	\$ 104,813	\$ 90,903	\$ 48,385
Equipment financing receivables	89,850	59,097	27,018
Total	<u>\$ 194,663</u>	<u>\$ 150,000</u>	<u>\$ 75,403</u>

Notes to Consolidated Financial Statements

(6) Loans and Leases and Allowance for Credit Losses, continued

At December 31, 2022 and 2021, equipment financing assets included leases of \$46.0 million and \$37.7 million, respectively. The components of the net investment in leases, which included both sales-type and direct financing, are presented below (*in thousands*).

	December 31,	
	2022	2021
Minimum future lease payments receivable	\$ 49,723	\$ 39,962
Estimated residual value of leased equipment	2,804	3,216
Initial direct costs	767	669
Security deposits	(429)	(687)
Unearned income	(6,877)	(5,432)
Net investment in leases	<u>\$ 45,988</u>	<u>\$ 37,728</u>

Minimum future lease payments expected to be received from equipment financing lease contracts as of December 31, 2022 were as follows (*in thousands*):

Year	
2023	\$ 17,531
2024	13,356
2025	9,882
2026	6,184
2027	2,636
Thereafter	134
Total	<u>\$ 49,723</u>

Notes to Consolidated Financial Statements

(6) Loans and Leases and Allowance for Credit Losses, continued

Nonaccrual and Past Due Loans

The following table presents the amortized cost basis in loans by aging category and accrual status as of December 31, 2022 and 2021 (*in thousands*).

	Accruing						
		Loans Past Due					
	Current Loans	30 - 59 Days	60 - 89 Days	> 90 Days	Nonaccrual Loans	Total Loans	
As of December 31, 2022							
Owner occupied commercial real estate	\$ 2,731,574	\$ 1,522	\$ 1,047	\$ —	\$ 523	\$ 2,734,666	
Income producing commercial real estate	3,257,232	468	41	—	3,885	3,261,626	
Commercial & industrial	2,234,284	3,288	274	6	14,470	2,252,322	
Commercial construction	1,597,268	447	—	—	133	1,597,848	
Equipment financing	1,362,622	4,285	1,906	—	5,438	1,374,251	
Total commercial	11,182,980	10,010	3,268	6	24,449	11,220,713	
Residential mortgage	2,342,196	1,939	7	—	10,919	2,355,061	
HELOC	844,888	2,709	784	—	1,888	850,269	
Residential construction	441,673	20	455	—	405	442,553	
Manufactured housing	302,386	6,913	924	—	6,518	316,741	
Consumer	148,943	237	48	9	53	149,290	
Total loans	\$ 15,263,066	\$ 21,828	\$ 5,486	\$ 15	\$ 44,232	\$ 15,334,627	
As of December 31, 2021							
Owner occupied commercial real estate	\$ 2,318,944	\$ 27	\$ —	\$ —	\$ 2,714	\$ 2,321,685	
Income producing commercial real estate	2,593,124	146	—	—	7,588	2,600,858	
Commercial & industrial	1,903,730	584	419	—	5,429	1,910,162	
Commercial construction	1,014,211	—	276	—	343	1,014,830	
Equipment financing	1,079,180	1,415	685	—	1,741	1,083,021	
Total commercial	8,909,189	2,172	1,380	—	17,815	8,930,556	
Residential mortgage	1,622,754	1,583	235	—	13,313	1,637,885	
HELOC	691,814	920	88	—	1,212	694,034	
Residential construction	358,741	654	—	—	420	359,815	
Consumer	137,564	421	19	—	52	138,056	
Total loans	\$ 11,720,062	\$ 5,750	\$ 1,722	\$ —	\$ 32,812	\$ 11,760,346	

Notes to Consolidated Financial Statements

(6) Loans and Leases and Allowance for Credit Losses, continued

The following table presents nonaccrual loans by loan class for the periods indicated (*in thousands*).

	Nonaccrual loans					
	December 31, 2022			December 31, 2021		
	With no allowance	With an allowance	Total	With no allowance	With an allowance	Total
Owner occupied commercial real estate	\$ 276	\$ 247	\$ 523	\$ 2,141	\$ 573	\$ 2,714
Income producing commercial real estate	3,798	87	3,885	6,873	715	7,588
Commercial & industrial	13,917	553	14,470	3,715	1,714	5,429
Commercial construction	69	64	133	—	343	343
Equipment financing	85	5,353	5,438	—	1,741	1,741
Total commercial	18,145	6,304	24,449	12,729	5,086	17,815
Residential mortgage	2,159	8,760	10,919	3,126	10,187	13,313
HELOC	430	1,458	1,888	219	993	1,212
Residential construction	311	94	405	280	140	420
Manufactured housing	—	6,518	6,518	—	—	—
Consumer	3	50	53	6	46	52
Total	\$ 21,048	\$ 23,184	\$ 44,232	\$ 16,360	\$ 16,452	\$ 32,812

Risk Ratings

United categorizes commercial loans, with the exception of equipment financing receivables, into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current industry and economic trends, among other factors. United analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continual basis. United uses the following definitions for its risk ratings:

Pass. Loans in this category are considered to have a low probability of default and do not meet the criteria of the risk categories below.

Special Mention. Loans in this category are presently protected from apparent loss, however weaknesses exist that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. These loans require more than the ordinary amount of supervision. Collateral values generally afford adequate coverage, but may not be immediately marketable.

Substandard. These loans are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged. Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. There is the distinct possibility that United will sustain some loss if deficiencies are not corrected. If possible, immediate corrective action is taken.

Doubtful. Specific weaknesses characterized as Substandard that are severe enough to make collection in full highly questionable and improbable. There is no reliable secondary source of full repayment.

Loss. Loans categorized as Loss have the same characteristics as Doubtful; however probability of loss is certain. Loans classified as Loss are charged off.

Equipment Financing Receivables and Consumer Purpose Loans. United applies a pass / fail grading system to all equipment financing receivables and consumer purpose loans. Under this system, loans that are on nonaccrual status, become past due 90 days or are in bankruptcy are classified as “fail” and all other loans are classified as “pass”. For reporting purposes, loans classified as “fail” are reported as “substandard” and all other loans are reported as “pass”.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Loans and Leases and Allowance for Credit Losses, continued

The following tables present the risk category of term loans by vintage year, which is the year of origination or most recent renewal, as of the date indicated (*in thousands*).

	Term Loans						Revolvers	Revolvers converted to term loans	Total
As of December 31, 2022	2022	2021	2020	2019	2018	Prior			
Pass									
Owner occupied commercial real estate	\$ 669,451	\$ 671,395	\$ 611,900	\$ 204,990	\$ 127,738	\$ 253,890	\$ 114,975	\$ 5,779	\$ 2,660,118
Income producing commercial real estate	812,804	753,936	733,946	248,259	171,108	255,485	50,026	9,953	3,035,517
Commercial & industrial	535,594	388,851	186,292	134,789	119,547	71,503	670,161	15,880	2,122,617
Commercial construction	732,147	391,963	256,087	78,778	11,977	19,973	70,819	1,433	1,563,177
Equipment financing	714,044	374,030	162,463	93,690	22,753	1,214	—	—	1,368,194
Total commercial	3,464,040	2,580,175	1,950,688	760,506	453,123	602,065	905,981	33,045	10,749,623
Residential mortgage	894,960	742,821	329,762	91,300	55,785	223,846	8	3,133	2,341,615
HELOC	—	—	—	—	—	—	824,153	23,948	848,101
Residential construction	344,443	82,289	4,478	1,742	1,545	7,549	—	31	442,077
Manufactured housing	78,097	54,976	48,908	34,836	31,060	61,148	—	—	309,025
Consumer	71,899	29,322	15,406	3,987	1,837	588	25,963	126	149,128
	4,853,439	3,489,583	2,349,242	892,371	543,350	895,196	1,756,105	60,283	14,839,569
Special Mention									
Owner occupied commercial real estate	4,236	8,036	4,641	10,299	1,232	11,596	3,875	279	44,194
Income producing commercial real estate	41,423	1,137	44,802	32,821	21,647	50	805	—	142,685
Commercial & industrial	1,695	21,745	2,686	1,047	1,244	167	10,449	309	39,342
Commercial construction	850	33	1,640	13,237	4,891	28	—	—	20,679
Equipment financing	—	—	—	—	—	—	—	—	—
Total commercial	48,204	30,951	53,769	57,404	29,014	11,841	15,129	588	246,900
Residential mortgage	—	—	—	—	—	—	—	—	—
HELOC	—	—	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—	—	—
Manufactured housing	—	—	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—	—	—
	48,204	30,951	53,769	57,404	29,014	11,841	15,129	588	246,900
Substandard									
Owner occupied commercial real estate	9,835	77	2,873	4,490	1,204	8,055	209	3,611	30,354
Income producing commercial real estate	52,384	1,357	1,867	4,180	13,209	10,365	—	62	83,424
Commercial & industrial	10,431	19,477	3,880	4,557	11,019	1,189	39,333	477	90,363
Commercial construction	133	—	45	2	3,876	9,693	—	243	13,992
Equipment financing	1,625	2,160	1,303	705	236	28	—	—	6,057
Total commercial	74,408	23,071	9,968	13,934	29,544	29,330	39,542	4,393	224,190
Residential mortgage	1,195	964	1,364	1,836	2,589	5,296	—	202	13,446
HELOC	—	—	—	—	—	—	93	2,075	2,168
Residential construction	32	268	—	20	3	153	—	—	476
Manufactured housing	1,130	1,267	1,427	990	1,188	1,714	—	—	7,716
Consumer	20	77	34	1	25	4	1	—	162
	76,785	25,647	12,793	16,781	33,349	36,497	39,636	6,670	248,158
Total	\$ 4,978,428	\$ 3,546,181	\$ 2,415,804	\$ 966,556	\$ 605,713	\$ 943,534	\$ 1,810,870	\$ 67,541	\$15,334,627

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Loans and Leases and Allowance for Credit Losses, continued

	Term Loans						Revolvers	Revolvers converted to term loans	Total
As of December 31, 2021	2021	2020	2019	2018	2017	Prior			
Pass									
Owner occupied commercial real estate	\$ 643,151	\$ 674,124	\$ 278,702	\$ 153,233	\$ 139,584	\$ 267,460	\$ 68,354	\$ 17,150	\$ 2,241,758
Income producing commercial real estate	668,322	678,487	333,911	221,218	165,563	219,459	41,157	11,830	2,339,947
Commercial & industrial	638,567	270,150	178,944	136,281	50,567	72,904	514,750	4,361	1,866,524
Commercial construction	378,695	303,154	149,740	40,625	22,983	13,206	12,628	1,673	922,704
Equipment financing	563,618	271,913	167,904	63,254	13,145	903	—	—	1,080,737
Total commercial	2,892,353	2,197,828	1,109,201	614,611	391,842	573,932	636,889	35,014	8,451,670
Residential mortgage	781,007	370,092	108,091	64,346	71,552	221,131	9	3,915	1,620,143
HELOC	—	—	—	—	—	—	676,545	14,994	691,539
Residential construction	325,111	16,301	2,802	2,278	3,144	9,352	—	33	359,021
Consumer	57,530	29,218	10,757	5,137	1,439	1,355	32,312	111	137,859
	4,056,001	2,613,439	1,230,851	686,372	467,977	805,770	1,345,755	54,067	11,260,232
Special Mention									
Owner occupied commercial real estate	7,772	2,979	16,639	4,374	6,007	2,641	248	286	40,946
Income producing commercial real estate	64,139	27,875	21,875	22,292	18,415	21,880	—	—	176,476
Commercial & industrial	1,037	1,831	2,740	597	273	303	2,242	—	9,023
Commercial construction	14,283	16,237	13,149	22,479	11,766	52	—	—	77,966
Equipment financing	—	—	—	—	—	—	—	—	—
Total commercial	87,231	48,922	54,403	49,742	36,461	24,876	2,490	286	304,411
Residential mortgage	—	—	—	—	—	—	—	—	—
HELOC	—	—	—	—	—	—	—	—	—
Residential construction	—	—	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—	—	—
	87,231	48,922	54,403	49,742	36,461	24,876	2,490	286	304,411
Substandard									
Owner occupied commercial real estate	11,987	1,049	4,216	3,712	5,829	11,088	—	1,100	38,981
Income producing commercial real estate	15,485	12,618	3,779	29,212	6,726	16,531	—	84	84,435
Commercial & industrial	2,741	1,615	5,284	12,685	1,232	5,863	4,326	869	34,615
Commercial construction	3,464	157	272	11	9,750	255	—	251	14,160
Equipment financing	428	590	676	503	84	3	—	—	2,284
Total commercial	34,105	16,029	14,227	46,123	23,621	33,740	4,326	2,304	174,475
Residential mortgage	3,339	1,585	2,813	3,229	1,205	4,744	—	827	17,742
HELOC	—	—	—	—	—	—	329	2,166	2,495
Residential construction	407	—	30	51	—	306	—	—	794
Consumer	37	16	22	26	22	50	3	21	197
	37,888	17,630	17,092	49,429	24,848	38,840	4,658	5,318	195,703
Total	\$ 4,181,120	\$ 2,679,991	\$ 1,302,346	\$ 785,543	\$ 529,286	\$ 869,486	\$ 1,352,903	\$ 59,671	\$11,760,346

Notes to Consolidated Financial Statements

(6) Loans and Leases and Allowance for Credit Losses, continued

Troubled Debt Restructurings and Other Modifications

As of December 31, 2022 and 2021, United had TDRs totaling \$41.2 million and \$52.4 million, respectively. Loans modified under the terms of a TDR during the years ended December 31 are presented in the table below. In addition, the following table presents loans modified under the terms of a TDR that defaulted (became 90 days or more delinquent) during the years ended December 31 that were initially restructured within one year prior to default (*dollars in thousands*):

Year Ended December 31, 2022	New TDRs					TDRs Modified Within the Year That Have Subsequently Defaulted	
	Number of Contracts	Post-Modification Outstanding Recorded Investment by Type of Modification			Total	Number of Contracts	Recorded Investment
		Rate Reduction	Structure	Other			
Owner occupied commercial real estate	1	\$ —	\$ 112	\$ —	\$ 112	—	\$ —
Income producing commercial real estate	—	—	—	—	—	—	—
Commercial & industrial	6	—	1,118	9,400	10,518	1	394
Commercial construction	—	—	—	—	—	—	—
Equipment financing	60	—	8,165	—	8,165	13	735
Total commercial	67	—	9,395	9,400	18,795	14	1,129
Residential mortgage	9	—	982	—	982	4	509
HELOC	7	—	1,242	6	1,248	—	—
Residential construction	—	—	—	—	—	—	—
Manufactured housing	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total	83	\$ —	\$ 11,619	\$ 9,406	\$ 21,025	18	\$ 1,638
Year Ended December 31, 2021							
Owner occupied commercial real estate	2	\$ —	\$ 731	\$ —	\$ 731	1	\$ 99
Income producing commercial real estate	3	—	—	1,697	1,697	—	—
Commercial & industrial	8	—	597	103	700	2	76
Commercial construction	1	—	309	—	309	—	—
Equipment financing	62	—	4,689	—	4,689	15	375
Total commercial	76	—	6,326	1,800	8,126	18	550
Residential mortgage	16	—	1,528	57	1,585	4	593
HELOC	—	—	—	—	—	2	92
Residential construction	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total	92	\$ —	\$ 7,854	\$ 1,857	\$ 9,711	24	\$ 1,235
Year Ended December 31, 2020							
Owner occupied commercial real estate	8	\$ —	\$ 833	\$ 1,536	\$ 2,369	—	\$ —
Income producing commercial real estate	7	—	4,856	6,699	11,555	1	5,998
Commercial & industrial	4	—	586	15	601	3	819
Commercial construction	7	—	832	70	902	—	—
Equipment financing	172	—	5,821	—	5,821	22	944
Total commercial	198	—	12,928	8,320	21,248	26	7,761
Residential mortgage	40	—	4,359	3	4,362	2	145
HELOC	4	—	164	—	164	1	60
Residential construction	3	—	123	—	123	—	—
Consumer	7	—	11	24	35	1	3
Total	252	\$ —	\$ 17,585	\$ 8,347	\$ 25,932	30	\$ 7,969

Notes to Consolidated Financial Statements

(6) Loans and Leases and Allowance for Credit Losses, continued

Allowance for Credit Losses

The following table presents the balance and activity in the ACL by portfolio segment for the periods indicated (*in thousands*):

Year Ended December 31, 2022	Beginning Balance	Initial ACL-PCD loans ⁽¹⁾	Charge-Offs	Recoveries	Provision	Ending Balance
Owner occupied commercial real estate	\$ 14,282	\$ 266	\$ (6)	\$ 1,767	\$ 3,525	\$ 19,834
Income producing commercial real estate	24,156	4,366	(606)	949	3,217	32,082
Commercial & industrial	16,592	2,337	(10,284)	3,824	11,035	23,504
Commercial construction	9,956	2,857	(41)	625	6,723	20,120
Equipment financing	16,290	—	(6,980)	3,027	11,058	23,395
Residential mortgage	12,390	385	(55)	302	7,787	20,809
HELOC	6,568	60	(69)	687	1,461	8,707
Residential construction	1,847	1	—	231	(30)	2,049
Manufactured housing	—	2,438	(794)	29	6,425	8,098
Consumer	451	27	(3,460)	1,200	2,541	759
ACL - loans	102,532	12,737	(22,295)	12,641	53,742	159,357
ACL - unfunded commitments	10,992	—	—	—	10,171	21,163
Total ACL	\$ 113,524	\$ 12,737	\$ (22,295)	\$ 12,641	\$ 63,913	\$ 180,520

⁽¹⁾ Represents the initial ACL related to PCD loans acquired in the Reliant transaction.

Year Ended December 31, 2021	Beginning Balance	Initial ACL-PCD loans ⁽¹⁾	Charge-Offs	Recoveries	Provision	Ending Balance
Owner occupied commercial real estate	\$ 20,673	\$ 280	\$ (1,640)	\$ 1,324	\$ (6,355)	\$ 14,282
Income producing commercial real estate	41,737	982	(267)	496	(18,792)	24,156
Commercial & industrial	22,019	312	(4,776)	7,275	(8,238)	16,592
Commercial construction	10,952	1,969	(334)	1,081	(3,712)	9,956
Equipment financing	16,820	—	(5,724)	2,619	2,575	16,290
Residential mortgage	15,341	—	(344)	564	(3,171)	12,390
HELOC	8,417	1	(112)	517	(2,255)	6,568
Residential construction	764	—	(10)	157	936	1,847
Consumer	287	—	(2,066)	1,202	1,028	451
ACL - loans	137,010	3,544	(15,273)	15,235	(37,984)	102,532
ACL - unfunded commitments	10,558	—	—	—	434	10,992
Total ACL	\$ 147,568	\$ 3,544	\$ (15,273)	\$ 15,235	\$ (37,550)	\$ 113,524

⁽¹⁾ Represents the initial ACL related to PCD loans acquired in the Aquesta transaction.

Year Ended December 31, 2020	Dec. 31, 2019	Adoption of CECL	Jan. 1, 2020	Initial ACL-PCD loans ⁽¹⁾	Charge-Offs	Recoveries	Provision	Ending Balance
Owner occupied commercial real estate	\$ 11,404	\$ (1,616)	\$ 9,788	\$ 1,779	\$ (70)	\$ 2,565	\$ 6,611	\$ 20,673
Income producing commercial real estate	12,306	(30)	12,276	1,208	(8,430)	3,546	33,137	41,737
Commercial & industrial	5,266	4,012	9,278	7,680	(10,707)	1,371	14,397	22,019
Commercial construction	9,668	(2,583)	7,085	74	(726)	1,045	3,474	10,952
Equipment financing	7,384	5,871	13,255	—	(8,764)	2,004	10,325	16,820
Residential mortgage	8,081	1,569	9,650	195	(398)	455	5,439	15,341
HELOC	4,575	1,919	6,494	209	(221)	677	1,258	8,417
Residential construction	2,504	(1,771)	733	—	(93)	156	(32)	764
Consumer	901	(491)	410	7	(2,985)	2,259	596	287
ACL - loans	62,089	6,880	68,969	11,152	(32,394)	14,078	75,205	137,010
ACL - unfunded commitments	3,458	1,871	5,329	—	—	—	5,229	10,558
Total ACL	\$ 65,547	\$ 8,751	\$ 74,298	\$ 11,152	\$ (32,394)	\$ 14,078	\$ 80,434	\$ 147,568

⁽¹⁾ Represents the initial ACL related to PCD loans acquired in the Three Shores transaction.

At December 31, 2022, 2021 and 2020, United used a one-year reasonable and supportable forecast period. Expected credit losses were estimated using a regression model for each segment based on historical data from peer banks combined with a third party vendor's economic forecast to predict the change in credit losses. These estimates were then combined with a starting value that was based on United's recent default experience to produce an expected default rate, with the results subject to a floor. In the case of residential construction, at December 31, 2022, the expected default rate was adjusted by a model overlay based on expectations of future performance. At December 31, 2022, the third party vendor's forecast, which was representative of a baseline scenario, worsened compared to December 31, 2021, including the unemployment rate which has a significant impact on our models and contributed to increased provision expense in 2022. At December 31, 2022, United applied qualitative factors to

Notes to Consolidated Financial Statements

(6) Loans and Leases and Allowance for Credit Losses, continued

the model output for commercial construction, HELOC, residential mortgage and equipment finance portfolios to reflect management's approximation of long-term losses.

For periods beyond the reasonable and supportable forecast period of one year, United reverted to historical credit loss information on a straight line basis over two years. For most collateral types, United reverted to through-the-cycle average default rates using peer data from 2000 to 2017. For loans secured by residential mortgages and manufactured housing, the peer data was adjusted for changes in lending practices designed to mitigate the magnitude of losses observed during the mortgage crisis.

(7) Premises and Equipment

Premises and equipment are summarized as follows as of the dates indicated (*in thousands*):

	December 31,	
	2022	2021
Land and land improvements	\$ 101,187	\$ 95,029
Buildings and improvements	210,018	189,339
Furniture and equipment	115,569	100,205
Construction in progress	34,669	10,088
	461,443	394,661
Less accumulated depreciation	(162,987)	(149,365)
Premises and equipment, net	<u>\$ 298,456</u>	<u>\$ 245,296</u>

Depreciation expense was \$17.0 million, \$15.7 million and \$15.6 million for 2022, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

(8) Derivatives and Hedging Activities

The table below presents the fair value of derivative financial instruments as of the dates indicated as well as their classification on the consolidated balance sheets (*in thousands*):

	December 31, 2022			December 31, 2021		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:						
Cash flow hedge of subordinated debt	\$ 100,000	\$ 16,191	\$ —	\$ 100,000	\$ 6,389	\$ —
Cash flow hedge of trust preferred securities	20,000	—	—	20,000	—	—
Fair value hedge of brokered CDs	—	—	—	10,000	—	—
Total	120,000	16,191	—	130,000	6,389	—
Derivatives not designated as hedging instruments:						
Customer derivative positions	1,097,578	341	86,358	1,206,145	28,656	10,663
Dealer offsets to customer derivative positions	1,097,578	22,393	274	1,230,885	974	9,232
Risk participations	88,586	15	1	69,385	16	7
Mortgage banking - loan commitment	19,685	394	—	110,897	3,450	—
Mortgage banking - forward sales commitment	49,750	198	71	201,419	67	202
Bifurcated embedded derivatives	51,935	11,104	—	51,935	2,928	—
Dealer offsets to bifurcated embedded derivatives	51,935	—	12,839	51,935	—	5,041
Total	2,457,047	34,445	99,543	2,922,601	36,091	25,145
Total derivatives	<u>\$ 2,577,047</u>	<u>\$ 50,636</u>	<u>\$ 99,543</u>	<u>\$ 3,052,601</u>	<u>\$ 42,480</u>	<u>\$ 25,145</u>
Total gross derivative instruments		\$ 50,636	\$ 99,543		\$ 42,480	\$ 25,145
Less: Amounts subject to master netting agreements		(346)	(346)		(694)	(694)
Less: Cash collateral received/pledged		(38,386)	(13,089)		(6,620)	(14,148)
Net amount		<u>\$ 11,904</u>	<u>\$ 86,108</u>		<u>\$ 35,166</u>	<u>\$ 10,303</u>

United clears certain derivatives centrally through the CME. CME rules legally characterize variation margin payments for centrally cleared derivatives as settlements of the derivatives' exposure rather than as collateral. As a result, the variation margin payment and the related derivative instruments are considered a single unit of account for accounting purposes. Variation margin, as determined by the CME, is settled daily. As a result, derivative contracts that clear through the CME have an estimated fair value of zero.

Hedging Derivatives**Cash Flow Hedges of Interest Rate Risk**

United enters into cash flow hedges to mitigate exposure to the variability of future cash flows or other forecasted transactions. At December 31, 2022 and 2021, United utilized interest rate caps and swaps to hedge the variability of cash flows due to changes in interest rates on certain of its variable-rate subordinated debt and trust preferred securities. United considers these derivatives to be highly effective at achieving offsetting changes in cash flows attributable to changes in interest rates. Therefore, changes in the fair value of these derivative instruments are recognized in OCI. Gains and losses related to changes in fair value are reclassified into earnings in the periods the hedged forecasted transactions occur. Losses representing amortization of the premium recorded on cash flow hedges, which is a component excluded from the assessment of effectiveness, are recognized in earnings on a straight-line basis in the same financial statement line as the hedged item over the term of the hedge. Over the next twelve months, United expects to reclassify \$4.51 million of gains from AOCI into earnings related to these agreements.

Notes to Consolidated Financial Statements

(8) Derivatives and Hedging Activities, continued

Fair Value Hedges of Interest Rate Risk

United is exposed to changes in the fair value of certain of its fixed-rate obligations due to changes in interest rates. United uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in interest rates. For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. United includes the gain or loss on the hedged items in the same income statement line item as the offsetting loss or gain on the related derivatives.

At December 31, 2021, United had an interest rate swap that was designated as a fair value hedge of fixed-rate brokered time deposits. During the first quarter of 2022, the hedged brokered deposit and the associated swap matured. The swap involved the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreement. As of December 31, 2021, the carrying amount of the hedged fixed-rate brokered time deposit and the positive cumulative fair value hedging adjustment included in the carrying amount of the hedged liability were \$10.0 million and \$28,000, respectively.

The table below presents the effect of derivatives in hedging relationships on the consolidated statements of income (*in thousands*).

	Year Ended December 31,		
	2022	2021	2020
Total interest expense presented in the consolidated statements of income	\$ (60,798)	\$ (29,760)	\$ (56,237)
Effect of hedging relationships on interest expense:			
Net income recognized on fair value hedges	28	210	281
Net expense recognized on cash flow hedges ⁽¹⁾	(269)	(608)	(359)

⁽¹⁾ Includes \$472,000, \$472,000 and \$329,000 of premium amortization expense excluded from the assessment of hedge effectiveness for the years ended December 31, 2022, 2021 and 2020, respectively.

Derivatives Not Designated as Hedging Instruments

Customer derivative positions include swaps, caps, and collars between United and certain commercial loan customers with offsetting positions to dealers under a back-to-back program. In addition, United occasionally enters into credit risk participation agreements with counterparty banks to accept or transfer a portion of the credit risk related to interest rate swaps. The agreements, which are typically executed in conjunction with a participation in a loan with the same customer, allow customers to execute an interest rate swap with one bank while allowing for the distribution of the credit risk among participating members.

United also has three interest rate swap contracts that are economic hedges of market-linked brokered certificates of deposit, but are not designated as hedging instruments. The market-linked brokered certificates of deposit contain embedded derivatives that are bifurcated from the host instruments and marked to market through earnings. The fair value marks on the market linked swaps and the bifurcated embedded derivatives tend to move in opposite directions and therefore provide an economic hedge.

In addition, United originates certain residential mortgage loans with the intention of selling these loans. Between the time United enters into an interest-rate lock commitment to originate a residential mortgage loan that is to be held for sale and the time the loan is funded and eventually sold, United is subject to the risk of variability in market prices. United also enters into forward sale agreements to mitigate risk and to protect the expected gain on the eventual loan sale. The commitments to originate residential mortgage loans and forward loan sales commitments are freestanding derivative instruments. Fair value adjustments on these derivative instruments are recorded within mortgage loan gains and related fees in the consolidated statements of income.

Notes to Consolidated Financial Statements

(8) Derivatives and Hedging Activities, continued

The table below presents the gains and losses recognized in income on derivatives not designated as hedging instruments for the periods indicated (*in thousands*).

	Income Statement Location	Year Ended December 31,		
		2022	2021	2020
Customer derivatives and dealer offsets	Other noninterest income	\$ 2,063	\$ 3,302	\$ 6,732
Bifurcated embedded derivatives and dealer offsets	Other noninterest income	90	433	(63)
Mortgage banking derivatives	Mortgage loan revenue	8,144	(1,805)	(7,873)
Risk participations	Other noninterest income	104	(90)	(340)
Total gains and losses		<u>\$ 10,401</u>	<u>\$ 1,840</u>	<u>\$ (1,544)</u>

Credit-risk-related Contingent Features

United manages its credit exposure on derivative transactions by entering into a bilateral credit support agreement with each non-customer counterparty. The credit support agreements require collateralization of exposures beyond specified minimum threshold amounts. The details of these agreements, including the minimum thresholds, vary by counterparty.

United's agreements with each of its derivative counterparties contain a provision where if either party defaults on any of its indebtedness, then it could also be declared in default on its derivative obligations. The agreements with derivative counterparties also include provisions that if not met, could result in United being declared in default. United has agreements with certain of its derivative counterparties that provide that if United fails to maintain its status as a well-capitalized institution or is subject to a prompt corrective action directive, the counterparty could terminate the derivative positions and United would be required to settle its obligations under the agreements. Derivatives that are centrally cleared do not have credit-risk-related features that require additional collateral if United's credit rating were downgraded.

(9) Goodwill and Other Intangible Assets

The carrying amount of goodwill and other intangible assets is summarized below as of the dates indicated (*in thousands*):

	December 31,	
	2022	2021
Core deposit intangible	\$ 46,900	\$ 38,192
Less: accumulated amortization	(26,112)	(25,870)
Net core deposit intangible	20,788	12,322
Customer relationship intangible	8,400	8,400
Less: accumulated amortization	(1,114)	(322)
Net customer relationship intangible	7,286	8,078
Total intangibles subject to amortization, net	28,074	20,400
Goodwill	751,174	452,007
Total goodwill and other intangible assets, net	<u>\$ 779,248</u>	<u>\$ 472,407</u>

In addition to the FinTrust customer relationship intangible discussed in Note 3, during 2021 United purchased the customer lists of two financial advisory firms for an aggregate purchase price of \$870,000. All consideration paid was allocated to a customer relationship intangible.

The following is a summary of changes in the carrying amounts of goodwill for the years indicated (*in thousands*):

	Goodwill ⁽¹⁾
December 31, 2020	<u>\$ 367,809</u>
Acquisition of FinTrust	14,163
Acquisition of Aquesta	70,035
December 31, 2021	<u>452,007</u>
Acquisition of Reliant	299,167
December 31, 2022	<u>\$ 751,174</u>

⁽¹⁾ Goodwill balances presented are shown net of accumulated impairment losses of \$306 million incurred prior to 2020.

Notes to Consolidated Financial Statements

(9) Goodwill and Other Intangible Assets, continued

The estimated aggregate amortization expense for future periods for finite lived intangibles is as follows (*in thousands*):

Year	
2023	\$ 5,903
2024	5,018
2025	4,051
2026	3,303
2027	2,555
Thereafter	7,244
Total	<u>\$ 28,074</u>

(10) Servicing Assets and Liabilities

Servicing Rights for SBA/USDA Loans

United accounts for servicing rights for SBA/USDA loans at fair value. The following table summarizes the changes in SBA/USDA servicing rights for the years indicated (*in thousands*).

	2022	2021	2020
Beginning of period	\$ 6,513	\$ 6,462	\$ 6,794
Acquired servicing rights	—	581	—
Originated servicing rights capitalized upon sale of loans	2,114	2,005	1,114
Disposals	(2,062)	(1,430)	(624)
Changes in fair value due to change in inputs or assumptions used in the valuation	(1,377)	(1,105)	(822)
End of period	<u>\$ 5,188</u>	<u>\$ 6,513</u>	<u>\$ 6,462</u>

The portfolio of SBA/USDA loans serviced for others, which is not included in the accompanying balance sheets, was \$426 million and \$428 million, respectively, at December 31, 2022 and 2021. The amount of contractually specified servicing fees earned by United on these servicing rights during the years ended December 31, 2022, 2021 and 2020 was \$4.05 million, \$3.90 million and \$3.77 million, respectively.

A summary of the key characteristics, inputs, and economic assumptions used in the discounted cash flow method utilized to estimate the fair value of the servicing asset for SBA/USDA loans and the sensitivity of the fair values to immediate adverse changes in those assumptions are shown in the table below as of the dates indicated (*dollars in thousands*):

	December 31,	
	2022	2021
Fair value of retained servicing assets	\$ 5,188	\$ 6,513
Prepayment rate assumption:		
Weighted average	16.4 %	16.3 %
Range	0.0% - 35.4%	3.2% - 31.3%
10% adverse change	\$ (201)	\$ (309)
20% adverse change	(387)	(591)
Discount rate:		
Weighted average	17.5 %	10.3 %
Range	11.9% - 25.0%	0.0% - 45.4%
100 bps adverse change	\$ (107)	\$ (166)
200 bps adverse change	(210)	(323)

The above sensitivities are hypothetical and changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Notes to Consolidated Financial Statements

(10) Servicing Assets and Liabilities, continued

Residential Mortgage Servicing Rights

United accounts for residential mortgage servicing rights at fair value. The following table summarizes the changes in residential mortgage servicing rights for the years indicated (*in thousands*).

	2022	2021	2020
Beginning of period	\$ 25,161	\$ 16,216	\$ 13,565
Originated servicing rights capitalized upon sale of loans	5,051	12,510	11,911
Disposals	(2,360)	(4,275)	(2,868)
Changes in fair value due to change in inputs or assumptions used in the valuation	8,707	710	(6,392)
End of period	<u>\$ 36,559</u>	<u>\$ 25,161</u>	<u>\$ 16,216</u>

The portfolio of residential mortgage loans serviced for others, which is not included in the consolidated balance sheets, was \$2.88 billion and \$2.82 billion, respectively, at December 31, 2022 and 2021. The amount of contractually specified servicing fees earned by United on these servicing rights during the years ended December 31, 2022, 2021 and 2020 was \$7.24 million, \$6.48 million and \$4.82 million, respectively.

A summary of the key characteristics, inputs, and economic assumptions used to estimate the fair value of the servicing asset for residential mortgage loans and the sensitivity of the fair values to immediate adverse changes in those assumptions are shown in the table below as of the dates indicated (*in thousands*):

		December 31,	
		2022	2021
Fair value of retained servicing assets	\$	36,559	\$ 25,161
Prepayment rate assumption:			
Weighted average		7.5 %	12.6 %
Range		7.0% - 31.2%	7.0% - 77.6%
10% adverse change	\$	(1,236)	\$ (1,229)
20% adverse change		(2,404)	(2,367)
Discount rate:			
Weighted average		9.5 %	9.5 %
Range		9.5% - 11.5%	9.5% - 10.5%
100 bps adverse change	\$	(1,488)	\$ (877)
200 bps adverse change		(2,865)	(1,693)

The above sensitivities are hypothetical and changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Servicing Liabilities for Equipment Financing Loans

United accounts for servicing liabilities associated with sold equipment finance loans using the amortization method. The portfolio of equipment financing loans serviced for others, which is not included in the accompanying balance sheets, was \$125.3 million and \$78.8 million at December 31, 2022 and 2021, respectively. The servicing liabilities related to these loans totaled \$1.12 million and \$675,000 at December 31, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements

(11) Time Deposits

At December 31, 2022, the contractual maturities of time deposits, including brokered time deposits, are summarized as follows (*in thousands*):

2023	\$ 1,251,483
2024	460,975
2025	36,811
2026	18,301
2027	14,364
Thereafter	50,630
Total time deposits	<u>\$ 1,832,564</u>

At December 31, 2022 and 2021, time deposits, excluding brokered time deposits, that met or exceeded the FDIC insurance limit of \$250,000 totaled \$454 million and \$269 million, respectively.

(12) Short-term Borrowings and Federal Home Loan Bank Advances

At December 31, 2022, short-term borrowings consisted of repurchase agreements, which are borrowings secured by investment securities. The following table presents the remaining contractual maturity of repurchase agreements by collateral pledged as of the date indicated (*in thousands*).

December 31, 2022	Remaining Contractual Maturity of the Agreements				Total
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 days	
U.S. Treasuries	\$ 158,933	\$ —	\$ —	\$ —	\$ 158,933
Total	<u>\$ 158,933</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 158,933</u>

United is obligated to promptly transfer additional securities if the market value of the securities falls below the repurchase agreement price. United manages this risk by maintaining an unpledged securities portfolio that it believes is sufficient to cover a decline in the market value of the securities sold under agreements to repurchase. At December 31, 2022, repurchase agreements were collateralized by securities with a carrying amount of \$163 million.

At December 31, 2022, United had FHLB advances totaling \$550 million with maturities in 2023 and interest rates ranging from 4.11% to 4.17%. The FHLB advances are collateralized by a blanket lien on owner occupied and income producing commercial real estate and residential mortgage loans.

Notes to Consolidated Financial Statements

(13) Long-term Debt

Long-term debt consisted of the following (*in thousands*):

	December 31,		Issue Date	Stated Maturity Date	Earliest Call Date	Interest Rate
	2022	2021				
2027 senior debentures	35,000	35,000	2015	2027	2025	5.500% through August 2025, 3-month LIBOR plus 3.71% thereafter ⁽¹⁾
2030 senior debentures	100,000	100,000	2020	2030	2025	5.00% through June 2025, 3-month SOFR plus 4.87% thereafter
Total senior debentures	135,000	135,000				
2028 subordinated debentures	100,000	100,000	2018	2028	2023	4.500% through January 2023, 3-month LIBOR plus 2.12% thereafter ⁽¹⁾
2029 subordinated debentures	60,000	—	2019	2029	2024	5.125% until December 2024, then 3-month SOFR + 3.765% thereafter
Total subordinated debentures	160,000	100,000				
Tidelands Statutory Trust I	8,248	8,248	2006	2036	*	3-month LIBOR plus 1.38% ⁽¹⁾
Four Oaks Statutory Trust I	12,372	12,372	2006	2036	*	3-month LIBOR plus 1.35% ⁽¹⁾
Community First Capital Trust I	3,093	—	2002	2032	*	Prime + 0.50%
Community First Capital Trust II	5,155	—	2005	2035	*	3-month LIBOR +1.50% ⁽¹⁾
Community First Capital Trust III	5,464	—	2007	2037	*	3-month LIBOR plus 3.00% ⁽¹⁾
Total trust preferred securities	34,332	20,620				
Less net discount	(4,669)	(8,260)				
Total long-term debt	<u>\$ 324,663</u>	<u>\$ 247,360</u>				

* Indicates currently redeemable

⁽¹⁾ Transitions to an alternative benchmark rate plus a comparable spread adjustment in the event that 3-month LIBOR is no longer published on a future adjustment date.

Interest is currently paid at least semiannually for all senior and subordinated debentures and trust preferred securities. All debt instruments reported above are obligations of the Holding Company.

During the first quarter of 2022, United assumed subordinated debentures and trust preferred securities with an acquisition date fair value totaling \$76.7 million as part of the Reliant acquisition. See Note 3 for further detail.

(14) Operating Leases

The following table presents the balances of the ROU asset and corresponding operating lease liability and supplemental lease information as of the dates indicated (*in thousands*).

	December 31,	
	2022	2021
ROU asset	\$ 40,003	\$ 29,421
Operating lease liability	41,688	31,072
Weighted average remaining lease term	5.1 years	5.4 years
Weighted average discount rate	1.8 %	1.6 %

During 2022, ROU assets obtained in exchange for an increase in the lease liability totaled \$23.9 million, including leases assumed as part of the Reliant transaction of \$14.3 million. During 2022, cash payments for amounts related to the lease liability totaled \$13.2 million. During 2021, ROU assets obtained in exchange for an increase in the lease liability totaled \$4.49 million, including leases assumed as part of the FinTrust and Aquesta transactions of \$2.87 million. During 2020, ROU assets obtained in exchange for an increase in the lease liability totaled \$17.4 million, including leases assumed as part of the Three Shores transaction of \$15.1 million.

Notes to Consolidated Financial Statements

(13) Operating Leases, continued

The table below presents the operating lease income and expense recognized for the periods indicated (*in thousands*).

	2022	2021	2020
Operating lease cost	\$ 12,161	\$ 8,186	\$ 6,449
Variable lease cost	1,583	1,066	757
Short-term lease cost	169	85	100
Total lease cost	<u>\$ 13,913</u>	<u>\$ 9,337</u>	<u>\$ 7,306</u>
Sublease income and rental income from owned properties under operating leases	\$ 1,372	\$ 976	\$ 1,022

As of December 31, 2022, future minimum lease payments under operating leases were as follows (*in thousands*):

Year	
2023	\$ 11,716
2024	8,660
2025	6,490
2026	5,665
2027	4,791
Thereafter	6,397
Total	<u>43,719</u>
Less discount	<u>(2,031)</u>
Present value of lease liability	<u>\$ 41,688</u>

(15) Fair Value Measurements

Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, United uses a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). United has processes in place to review the significant valuation inputs and to reassess how the instruments are classified in the valuation framework.

Fair Value Hierarchy

Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that United has the ability to access.

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. United's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Notes to Consolidated Financial Statements

(15) Fair Value Measurements, continued

The following is a description of the valuation methodologies used for assets and liabilities recorded at fair value.

Investment Securities

AFS debt securities and equity securities with readily determinable fair values are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds, corporate debt securities and asset-backed securities and are valued based on observable inputs that include: quoted market prices for similar assets, quoted market prices that are not in an active market or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the securities. Securities classified as Level 3 include those traded in less liquid markets and are valued based on estimates obtained from broker-dealers that are not directly observable.

Deferred Compensation Plan Assets and Liabilities

Included in other assets in the consolidated balance sheets are assets related to employee deferred compensation plans. The assets associated with these plans are invested in mutual funds and classified as Level 1. Deferred compensation liabilities, also classified as Level 1, are carried at the fair value of the obligation to the employee, which mirrors the fair value of the invested assets and is included in other liabilities in the consolidated balance sheet.

Mortgage Loans Held for Sale

United has elected the fair value option for newly originated mortgage loans held for sale in order to reduce certain timing differences and better match changes in fair values of the loans with changes in the value of derivative instruments used to economically hedge them. The fair value of mortgage loans held for sale is determined using quoted prices for a similar asset, adjusted for specific attributes of that loan and are classified as Level 2. In connection with the Reliant acquisition, United acquired certain mortgage loans held for sale for which the fair value option was not elected; these loans are carried at the lower of aggregate cost or fair value.

Derivative Financial Instruments

United uses derivatives to manage interest rate risk. The valuation of these instruments is typically determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. United also uses best effort and mandatory delivery forward loan sale commitments to hedge risk in its mortgage lending business.

United incorporates CVAs as necessary to appropriately reflect the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, United has considered the effect of netting and any applicable credit enhancements, such as collateral postings, thresholds and guarantees.

Management has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy. However, the CVAs associated with these derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. Generally, management's assessment of the significance of the CVAs has indicated that they are not a significant input to the overall valuation of the derivatives. In cases where management's assessment indicates that the CVA is a significant input, the related derivative is disclosed as a Level 3 value.

Other derivatives classified as Level 3 include structured derivatives for which broker quotes, used as a key valuation input, were not observable. Risk participation agreements are classified as Level 3 instruments due to the incorporation of significant Level 3 inputs used to evaluate the probability of funding and the likelihood of customer default. Interest rate lock commitments, which relate to mortgage loan commitments, are categorized as Level 3 instruments as the fair value of these instruments is based on unobservable inputs for commitments that United does not expect to fund.

Notes to Consolidated Financial Statements

(15) Fair Value Measurements, continued

Servicing Rights for Residential Mortgage and SBA/USDA Loans

United recognizes servicing rights upon the sale of residential mortgage and SBA/USDA loans sold with servicing retained. Management has elected to carry these assets at fair value. Given the nature of the assets, the key valuation inputs are unobservable and management considers these Level 3 assets. For disclosure regarding the fair value of servicing rights, see Note 10.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents United's assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall (*in thousands*):

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets:				
AFS debt securities:				
U.S. Treasuries	\$ 149,352	\$ —	\$ —	\$ 149,352
U.S. Government agencies & GSEs	—	250,116	—	250,116
State and political subdivisions	—	303,748	—	303,748
Residential MBS	—	1,795,481	—	1,795,481
Commercial MBS	—	671,912	—	671,912
Corporate bonds	—	210,240	2,212	212,452
Asset-backed securities	—	231,272	—	231,272
Equity securities with readily determinable fair values	12,278	1,359	—	13,637
Mortgage loans held for sale	—	11,794	—	11,794
Deferred compensation plan assets	11,436	—	—	11,436
Servicing rights for SBA/USDA loans	—	—	5,188	5,188
Residential mortgage servicing rights	—	—	36,559	36,559
Derivative financial instruments	—	39,123	11,513	50,636
Total assets	\$ 173,066	\$ 3,515,045	\$ 55,472	\$ 3,743,583
Liabilities:				
Deferred compensation plan liability	\$ 11,460	\$ —	\$ —	\$ 11,460
Derivative financial instruments	—	86,703	12,840	99,543
Total liabilities	\$ 11,460	\$ 86,703	\$ 12,840	\$ 111,003

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets:				
AFS debt securities:				
U.S. Treasuries	\$ 217,520	\$ —	\$ —	\$ 217,520
U.S. Government agencies & GSEs	—	187,032	—	187,032
State and political subdivisions	—	275,844	—	275,844
Residential MBS	—	2,145,134	—	2,145,134
Commercial MBS	—	873,851	—	873,851
Corporate bonds	—	190,771	2,395	193,166
Asset-backed securities	—	604,277	—	604,277
Equity securities with readily determinable fair values	—	1,302	—	1,302
Mortgage loans held for sale	—	44,109	—	44,109
Deferred compensation plan assets	11,769	—	—	11,769
Servicing rights for SBA/USDA loans	—	—	6,513	6,513
Residential mortgage servicing rights	—	—	25,161	25,161
Derivative financial instruments	—	35,722	6,758	42,480
Total assets	\$ 229,289	\$ 4,358,042	\$ 40,827	\$ 4,628,158
Liabilities:				
Deferred compensation plan liability	\$ 11,795	\$ —	\$ —	\$ 11,795
Derivative financial instruments	—	20,097	5,048	25,145
Total liabilities	\$ 11,795	\$ 20,097	\$ 5,048	\$ 36,940

Notes to Consolidated Financial Statements

(15) Fair Value Measurements, continued

For disclosure regarding the fair value of servicing rights, see Note 10. The following table shows a reconciliation of the beginning and ending balances for all other assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs that are classified as Level 3 values (*in thousands*):

	Derivative Asset	Derivative Liability	Corporate Bonds
December 31, 2019	\$ 7,238	\$ 8,559	\$ 998
Transfers into Level 3 ⁽¹⁾	583	—	—
Additions	368	—	1,750
Sales and settlements	—	—	(1,000)
Fair value adjustments included in OCI	—	—	2
Fair value adjustments included in earnings	2,590	(6,151)	—
December 31, 2020	10,779	2,408	1,750
Transfers into Level 3 ⁽¹⁾	74	—	—
Additions	261	170	500
Fair value adjustments included in OCI	—	—	145
Fair value adjustments included in earnings	(4,356)	2,470	—
December 31, 2021	6,758	5,048	2,395
Transfers from Level 3 ⁽¹⁾	(290)	—	—
Additions	12	99	—
Sales and settlements	—	(1)	—
Fair value adjustments included in OCI	—	—	(183)
Fair value adjustments included in earnings	5,033	7,694	—
December 31, 2022	\$ 11,513	\$ 12,840	\$ 2,212

⁽¹⁾ Certain derivative assets were transferred between Level 2 and Level 3 of the fair value hierarchy due to a change in the assessment of significance of the CVA.

The following table presents quantitative information about recurring Level 3 fair value measurements, excluding servicing rights which are detailed in Note 10:

Level 3 Assets and Liabilities	Valuation Technique	Significant Unobservable Inputs	December 31,			
			2022		2021	
			Range	Weighted Average	Range	Weighted Average
Derivative assets - mortgage	Internal model	Pull through rate	26.5% - 100%	90.7%	45.9% - 100%	87.2%
Derivative assets - customer derivative positions	Internal model	Estimated loss rate	N/A	N/A	33.4 - 44	36
Derivative assets & liabilities - other	Dealer priced	Dealer priced	N/A	N/A	N/A	N/A
Corporate bonds	Discounted cash flow	Discount rate	6.1 - 6.4	6.3	3.6 - 3.8	3.6

Fair Value Option

United generally records mortgage loans held for sale at fair value under the fair value option. Interest income on these loans is calculated based on the note rate of the loan and is recorded in interest revenue. In connection with the Reliant acquisition, United acquired mortgage loans held for sale accounted for under the lower of cost or fair value method. These loans are separately disclosed under the heading “Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis” within this footnote. The following tables present the fair value and outstanding principal balance of loans accounted for under the fair value option, as well as the gain or loss recognized from the change in fair value for the periods indicated (*in thousands*).

Mortgage Loans Held for Sale			
December 31,			
	2022	2021	
Outstanding principal balance	\$ 11,473	\$ 42,581	
Fair value	11,794	44,109	

Notes to Consolidated Financial Statements

(15) Fair Value Measurements, continued

Location	Amount of Gain (Loss) Recognized on Mortgage Loans Held for Sale		
	2022	2021	2020
Mortgage loan gains and other related fees	\$ (1,207)	\$ (4,159)	\$ 3,815

Changes in fair value were mostly offset by hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

United may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the application of lower of amortized cost or fair value accounting or write-downs of individual assets due to impairment.

The following table presents the fair value hierarchy and carrying value of all assets that were still held as of December 31, 2022 and 2021, for which a nonrecurring fair value adjustment was recorded during the periods presented (*in thousands*).

December 31, 2022	Level 1	Level 2	Level 3	Total
Loans held for investment	\$ —	\$ —	\$ 7,808	\$ 7,808
Mortgage loans held for sale	—	—	1,806	1,806
December 31, 2021				
Loans held for investment	\$ —	\$ —	\$ 2,536	\$ 2,536

Mortgage loans held for sale that were acquired from Reliant were subject to a nonrecurring fair value adjustment resulting from the application of the lower of the amortized cost or fair value accounting. As of December 31, 2022, these loans were classified as nonrecurring Level 3 because the valuation of these loans was based on indicative bids provided by a broker, not corroborated by market transactions.

Loans held for investment that are reported above as being measured at fair value on a nonrecurring basis are generally impaired loans that have either been partially charged off or have been assigned a specific reserve. Nonaccrual loans that are collateral dependent are generally written down to net realizable value, which reflects fair values less the estimated costs to sell. Specific reserves that are established based on appraised value of collateral are considered nonrecurring fair value adjustments as well. When the fair value of the collateral is based on an observable market price or a current appraised value, United records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value is further impaired below the appraised value and there is no observable market price, United records the impaired loan as nonrecurring Level 3.

Assets and Liabilities Not Measured at Fair Value

For financial instruments that have quoted market prices, those quotes are used to determine fair value. Financial instruments that have no defined maturity, have a remaining maturity of 180 days or less, or reprice frequently to a market rate are assumed to have a fair value that approximates reported book value, after taking into consideration any applicable credit risk. If no market quotes are available, financial instruments are valued by discounting the expected cash flows using an estimated current market interest rate for the financial instrument. For off-balance sheet derivative instruments, fair value is estimated as the amount that United would receive or pay to terminate the contracts at the reporting date, taking into account the current unrealized gains or losses on open contracts.

Cash and cash equivalents and repurchase agreements have short maturities and therefore the carrying value approximates fair value. Due to the short-term settlement of accrued interest receivable and payable, the carrying amount closely approximates fair value.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect the premium or discount on any particular financial instrument that could result from the sale of United's entire holdings. All estimates are inherently subjective in nature. Changes in assumptions could significantly affect the estimates.

Notes to Consolidated Financial Statements

(15) Fair Value Measurements, continued

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include the mortgage banking operation, wealth management network, deferred income taxes, premises and equipment and goodwill. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Off-balance sheet instruments (commitments to extend credit and standby letters of credit) for which draws can be reasonably predicted are generally short-term and at variable rates. Therefore, both the carrying amount and the estimated fair value associated with these instruments are immaterial.

The carrying amount and fair values for other financial instruments that are not measured at fair value on a recurring basis in United's consolidated balance sheets are as follows (*in thousands*):

December 31, 2022	Carrying Amount	Fair Value Level			
		Level 1	Level 2	Level 3	Total
Assets:					
HTM debt securities	\$ 2,613,648	\$ 17,417	\$ 2,173,656	\$ —	\$ 2,191,073
Loans, net	15,175,270	—	—	14,609,239	14,609,239
Liabilities:					
Deposits	19,876,507	—	19,863,380	—	19,863,380
Federal Home Loan Bank advances	550,000	—	—	549,913	549,913
Long-term debt	324,663	—	—	313,380	313,380
December 31, 2021					
Assets:					
HTM debt securities	\$ 1,156,098	\$ —	\$ 1,148,804	\$ —	\$ 1,148,804
Loans, net	11,657,814	—	—	11,607,821	11,607,821
Liabilities:					
Deposits	18,241,179	—	18,239,934	—	18,239,934
Long-term debt	247,360	—	—	267,064	267,064

(16) Common and Preferred Stock

Common Stock

In November of 2022, United's Board re-authorized its common stock repurchase program to permit the repurchase of up to \$50 million of its common stock. The program is scheduled to expire on the earlier of United's repurchase of its common stock having an aggregate purchase price of \$50 million or December 31, 2023. Under the program, shares may be repurchased in open market transactions or in privately negotiated transactions, from time to time, subject to market conditions. During 2022, no shares were repurchased under the program. During 2021 and 2020, 492,744 and 826,482 shares were repurchased under the program, respectively. As of December 31, 2022, United had remaining authorization to repurchase up to \$50.0 million of outstanding common stock under the program.

United sponsors a DRIP that allows participants who already own United's common stock to purchase additional shares directly from the Company. The DRIP also allows participants to automatically reinvest their quarterly dividends in additional shares of common stock without a commission. In 2022, 2021 and 2020, 8,941, 10,081 and 38,107 shares, respectively, were issued under the DRIP.

Preferred Stock

During 2020, United issued \$100 million, or 4,000 shares, of Series I perpetual non-cumulative preferred stock ("Preferred Stock") with a dividend rate of 6.875% per annum for net proceeds of \$96.4 million and corresponding depositary shares each representing a 1/1,000th interest in one share of Preferred Stock. If declared, dividends are payable quarterly in arrears. The Preferred Stock has no stated maturity and redemption is solely at the option of United in whole, but not in part, upon the occurrence of a regulatory capital treatment event, as defined. In addition, the Preferred Stock may be redeemed on or after

Notes to Consolidated Financial Statements

(16) Common and Preferred Stock, continued

September 15, 2025 at a cash redemption price equal to \$25,000 per share (equivalent to \$25 per depositary share) plus any declared and unpaid dividends. As of December 31, 2022 and 2021, the Preferred Stock had a carrying amount of \$96.4 million.

(17) Equity Compensation Plans

United has an equity compensation plan that allows for grants of various stock-based compensation. The general terms of the plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain options and restricted stock unit awards provide for accelerated vesting if there is a change in control of United or certain other conditions are met (as defined in the plan document). As of December 31, 2022, 2.79 million additional awards could be granted under the plan.

Restricted stock units and options outstanding and activity for the years ended December 31 consisted of the following:

	Restricted Stock Units			Options			
	Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (000's)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs.)	Aggregate Intrinsic Value (000's)
December 31, 2019	808,424	\$ 27.94		1,500	\$ 27.95		
Granted	446,512	19.15		—	—		
Vested / Exercised	(324,697)	26.42		—	—		
Expired	—			(1,500)	27.95		
Cancelled	(36,808)	25.73		—	—		
December 31, 2020	893,431	23.75		—	—		
Granted	302,701	30.34		62,743	8.30		
Vested / Exercised	(330,598)	26.13		(27,283)	8.20		
Cancelled	(57,060)	25.15		—	—		
December 31, 2021	808,474	25.15		35,460	8.38		
Granted	343,526	32.92		48,239	20.88		
Vested / Exercised	(340,691)	25.74	\$ 12,169	(43,361)	19.02		\$ 743
Cancelled	(32,623)	26.12		—	—		
December 31, 2022	778,686	28.28	26,320	40,338	11.88	2.11	884
Vested / Exercisable							
at December 31, 2022	—	—		40,338	11.88	2.11	884

Options granted in 2022 and 2021 were related to the Reliant and Aquesta acquisitions, respectively, with the weighted average exercise price of the acquired institution's fully vested converted options determined pursuant to the purchase agreement. The value of the options was determined using a Black-Scholes model and was included in each acquisition's purchase price. No compensation expense relating to options was included in earnings for 2022, 2021 or 2020.

Compensation expense for restricted stock units without market conditions is based on the market value of United's common stock on the date of grant. United recognizes the impact of forfeitures as they occur. The value of restricted stock unit awards is amortized into expense over the service period.

In addition to time-based restricted stock unit awards, the Board has also approved PSUs, which vest based on achieving certain performance and market targets relative to a bank peer group. Achievement of the base-level performance and market targets for all applicable periods will result in the issuance of 133,716 shares, which are included in the outstanding balance as of December 31, 2022 in the table above. Additional shares may be issued if more stringent performance and market hurdles are met. The grant date per share fair market value of PSUs is estimated using the Monte Carlo Simulation valuation model.

Compensation expense recognized in the consolidated statements of income for employee restricted stock unit awards in 2022, 2021 and 2020 was \$8.17 million, \$6.07 million and \$7.40 million, respectively, which was recognized in salaries and employee benefits expense. In addition, in 2022, 2021 and 2020, \$540,000, \$489,000 and \$484,000, respectively, was recognized in other operating expenses for restricted stock unit awards granted to members of the Board. Deferred income tax benefits related to stock-based compensation expense of \$2.22 million, \$1.67 million and \$2.01 million were included in the determination of income tax expense in 2022, 2021 and 2020, respectively. As of December 31, 2022, there was \$17.2 million of unrecognized

Notes to Consolidated Financial Statements

(17) Equity Compensation Plans, continued

compensation cost related to restricted stock units granted under the plan. The cost is expected to be recognized over a weighted-average period of 2.7 years.

(18) Reclassifications Out of AOCI

The following presents the details regarding amounts reclassified out of AOCI (*in thousands*). Amounts shown above in parentheses reduce earnings.

Details about AOCI Components	Amounts Reclassified from AOCI For the Years Ended December 31,			Affected Line Item in the Statement Where Net Income is Presented
	2022	2021	2020	
Realized gains (losses) on AFS securities:				
	\$ (3,872)	\$ 83	\$ 748	Securities gains (losses), net
	1,026	46	(191)	Income tax (expense) benefit
	<u>\$ (2,846)</u>	<u>\$ 129</u>	<u>\$ 557</u>	Net of tax
Amortization of unrealized losses on HTM securities transferred from AFS:				
	\$ (9,049)	\$ —	\$ (723)	Investment securities interest revenue
	2,167	—	173	Income tax benefit
	<u>\$ (6,882)</u>	<u>\$ —</u>	<u>\$ (550)</u>	Net of tax
Losses on derivative instruments accounted for as cash flow hedges:				
Interest rate contracts	\$ (269)	\$ (608)	\$ (359)	Long-term debt interest expense
	69	156	91	Income tax benefit
	<u>\$ (200)</u>	<u>\$ (452)</u>	<u>\$ (268)</u>	Net of tax
Amortization of defined benefit pension plan net periodic pension cost components:				
Prior service cost	\$ (313)	\$ (469)	\$ (531)	Salaries and employee benefits expense
Actuarial losses	(367)	(575)	(326)	Other expense
	(680)	(1,044)	(857)	Total before tax
	174	267	219	Income tax benefit
	<u>\$ (506)</u>	<u>\$ (777)</u>	<u>\$ (638)</u>	Net of tax
Total reclassifications for the period	<u>\$ (10,434)</u>	<u>\$ (1,100)</u>	<u>\$ (899)</u>	Net of tax

Notes to Consolidated Financial Statements

(19) Earnings Per Share

The following table sets forth the computation of basic and diluted net income per common share for the years indicated (*in thousands, except per share data*):

	Year Ended December 31,		
	2022	2021	2020
Net income	\$ 277,472	\$ 269,801	\$ 164,089
Earnings allocated to participating securities	(1,462)	(1,657)	(1,287)
Dividends on preferred stock	(6,875)	(6,875)	(3,533)
Net income available to common stockholders	<u>\$ 269,135</u>	<u>\$ 261,269</u>	<u>\$ 159,269</u>
Net income per common share:			
Basic	\$ 2.52	\$ 2.97	\$ 1.91
Diluted	2.52	2.97	1.91
Weighted average common shares:			
Basic	106,661	87,940	83,184
Effect of dilutive securities:			
Stock options	39	9	—
Restricted stock units	78	148	64
Diluted	<u>106,778</u>	<u>88,097</u>	<u>83,248</u>

At December 31, 2022, 2021 and 2020, United had no potentially dilutive instruments outstanding that were not included in the above analysis.

(20) Income Taxes

Income tax expense is as follows for the years indicated (*in thousands*):

	Year Ended December 31,		
	2022	2021	2020
Current	\$ 67,612	\$ 57,175	\$ 42,688
Deferred	10,918	20,787	2,668
Total income tax expense	<u>\$ 78,530</u>	<u>\$ 77,962</u>	<u>\$ 45,356</u>

The differences between the provision for income taxes and the amount computed by applying the statutory federal income tax rate of 21% in 2022, 2021 and 2020 to income before income taxes are as follows for the years indicated (*in thousands*):

	Year Ended December 31,		
	2022	2021	2020
Income tax expense on pretax income at statutory rates	\$ 74,760	\$ 73,030	\$ 43,983
Add (deduct):			
State taxes, net of federal benefit	7,096	9,188	5,928
BOLI earnings	(1,379)	(745)	(1,052)
Adjustment to reserve for uncertain tax positions	430	153	(1,212)
Tax-exempt interest revenue	(3,015)	(2,520)	(2,169)
Equity compensation	(1,313)	(891)	(174)
Transaction costs	296	117	217
Tax credit investments	(694)	(598)	(930)
BOLI surrender	1,746	—	—
Other	603	228	765
Total income tax expense	<u>\$ 78,530</u>	<u>\$ 77,962</u>	<u>\$ 45,356</u>

Notes to Consolidated Financial Statements

(20) Income Taxes, continued

The following summarizes the sources and expected tax consequences of future taxable deductions (revenue) which comprise the net DTA as of the dates indicated (*in thousands*):

	December 31,	
	2022	2021
DTAs:		
ACL	\$ 38,409	\$ 24,349
Net operating loss carryforwards	15,170	16,656
Deferred compensation	11,181	11,011
Loan purchase accounting adjustments	5,223	4,227
Nonqualified share based compensation	1,253	1,374
Accrued expenses	10,369	7,936
Unamortized pension actuarial losses and prior service cost	—	1,442
Unrealized losses on AFS securities	103,960	5,808
Derivatives	86	—
Deferred gains on SBA/USDA loan sales	1,683	2,217
Lease liability	10,105	7,501
Other	2,884	2,780
Total DTAs	200,323	85,301
DTLs:		
Unrealized gains on cash flow hedges	4,507	1,189
Acquired intangible assets	4,707	2,412
Premises and equipment	9,314	5,179
Loan origination costs	8,855	6,466
True tax leases	8,748	5,984
Servicing assets	9,243	6,779
Derivatives	—	1,309
ROU asset	9,807	7,102
Securities purchase accounting adjustments	4,150	2,644
BOLI surrender	1,746	—
Trust preferred securities debt issuance	1,606	1,673
Uncertain tax positions	1,891	1,945
Other	5,514	386
Total DTLs	70,088	43,068
Less valuation allowance	922	911
Net DTA	\$ 129,313	\$ 41,322

The change in the net DTA in 2022 includes an increase of \$5.74 million due to current year merger and acquisition activity.

At December 31, 2022, United had:

- \$19.1 million of state net operating loss carryforwards subject to annual limitation under IRC Section 382 that begin to expire in 2026, if not previously utilized.
- \$24.4 million of state net operating loss carryforwards that begin to expire in 2025, if not previously utilized.
- \$52.4 million in federal net operating loss carryforwards subject to annual limitation under IRC Section 382 that begin to expire in 2027, if not previously utilized.
- \$3.24 million of state tax credits that begin to expire in 2023, if not previously utilized.

Management assesses the valuation allowance recorded against DTAs at each reporting period. The determination of whether a valuation allowance for DTAs is appropriate is subject to considerable judgment and requires an evaluation of all the positive and negative evidence. ASC 740 requires that companies assess whether a valuation allowance should be established against their DTAs based on the consideration of all available evidence using a “more likely than not” standard.

Notes to Consolidated Financial Statements

(20) Income Taxes, continued

At December 31, 2022 and 2021, based on the assessment of all the positive and negative evidence, management concluded that it is more likely than not that nearly all of the net DTA will be realized based upon future taxable income. The valuation allowance of \$922,000 and \$911,000, respectively, was related to specific state income tax credits that have short carryforward periods and certain acquired state net operating losses, both of which are expected to expire unused.

The valuation allowance could fluctuate in future periods based on the assessment of the positive and negative evidence. Management's conclusion at December 31, 2022 that it was more likely than not that the net DTA of \$129.3 million will be realized is based on management's estimate of future taxable income. Management's estimate of future taxable income is based on internal forecasts which consider historical performance, various internal estimates and assumptions, as well as certain external data all of which management believes to be reasonable although inherently subject to significant judgment. If actual results differ significantly from the current estimates of future taxable income, even if caused by adverse macro-economic conditions, the valuation allowance may need to be increased for some or all of the net DTA.

A reconciliation of the beginning and ending unrecognized tax benefit related to uncertain tax positions is as follows for the years indicated (*in thousands*):

	2022	2021	2020
Balance at beginning of year	\$ 2,356	\$ 2,163	\$ 3,370
Additions based on tax positions related to the current year	962	634	421
Decreases resulting from a lapse in the applicable statute of limitations	(470)	(441)	(1,628)
Balance at end of year	<u>\$ 2,848</u>	<u>\$ 2,356</u>	<u>\$ 2,163</u>

Approximately \$2.25 million of the unrecognized tax benefit at December 31, 2022 would increase income from continuing operations, and thus affect United's effective tax rate, if ultimately recognized into income.

It is United's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in their respective federal or state income taxes accounts. There were no penalties and interest related to income taxes recorded in the income statement in 2022, 2021 or 2020. No amounts were accrued for interest and penalties on the balance sheet at December 31, 2022 or 2021.

United and its subsidiaries file a consolidated U.S. federal income tax return, as well as various state returns in the states where it operates. United's federal and state income tax returns are no longer subject to examination by taxing authorities for years before 2019.

(21) Benefit Plans**Defined Contribution Benefit Plans****401(k) Plan**

United offers a defined contribution safe harbor 401(k) plan (the "401(k) Plan") that covers substantially all employees meeting certain minimum service requirements. The 401(k) Plan allows employees to make pre-tax contributions to the 401(k) Plan and United matches 100% of employee contributions up to 5% of eligible compensation. Employees begin to receive matching contributions after completing 90 days of service. Under safe harbor provisions, United is required to provide a matching contribution and participants are immediately 100% vested in safe harbor matching contributions.

United's 401(k) Plan is administered in accordance with applicable laws and regulations. Compensation expense related to the 401(k) Plan totaled \$9.60 million, \$7.31 million and \$6.16 million in 2022, 2021 and 2020, respectively.

Deferred Compensation Plan

United also sponsors a non-qualified deferred compensation plan for its executive officers, certain other key employees and members of the Board and its community banks' advisory boards of directors. The deferred compensation plan provides for the pre-tax deferral of compensation, fees and other specified benefits. Specifically, the deferred compensation plan permits each employee participant to elect to defer a portion of base salary, bonus or vested restricted stock units and permits each eligible director participant to elect to defer all or a portion of director's fees. Further, the deferred compensation plan allows for additional contributions by an employee, with matching contributions by United, for amounts that exceed the allowable amounts under the 401(k) Plan.

Notes to Consolidated Financial Statements

(21) Benefit Plans, continued

During 2022, 2021 and 2020, United recognized \$104,000, \$73,000 and \$49,000, respectively, in matching contributions for this provision of the deferred compensation plan. The Board may also elect to make a discretionary contribution to any or all participants. No discretionary contributions were made in 2022, 2021 or 2020.

In addition to common stock related to elected deferrals of vested restricted stock units, United offers its common stock as an investment option for cash contributions to the deferred compensation plan. The common stock component is accounted for as an equity instrument and is reflected in the consolidated balance sheets as common stock issuable. The deferred compensation plan does not allow for diversification once an election is made to invest in United stock and settlement must be accomplished in shares at the time the deferral period is completed. At December 31, 2022 and 2021, United had 607,128 shares and 595,705 shares, respectively, of its common stock that were issuable under the deferred compensation plan.

Defined Benefit Pension Plan

United has an unfunded noncontributory defined benefit pension plan, or the Modified Retirement Plan, that covers certain executive officers and other key employees. The Modified Retirement Plan provides a fixed annual retirement benefit to plan participants.

Weighted-average assumptions used to determine the pension benefit obligation of the Modified Retirement Plan at year end and net periodic pension cost are shown in the table below:

	2022	2021
Discount rate for disclosures	5.15 %	2.90 %
Discount rate for net periodic benefit cost	2.90 %	2.55 %
Measurement date	12/31/2022	12/31/2021

Discount rates are determined in consultation with the third-party actuary and are set by matching the projected benefit cash flow to a notional yield curve developed by reference to high-quality fixed income investments. The discount rates are determined as the rate which would provide the same present value as the plan cash flows discounted to the measurement date using the full series of spot rates along the notional yield curve as of the measurement date.

United recognizes the unfunded status of the Modified Retirement Plan as a liability in the consolidated balance sheets. Information about changes in obligations and plan assets follows (*in thousands*):

	2022	2021
Accumulated benefit obligation:		
Accumulated benefit obligation - beginning of year	\$ 26,261	\$ 27,099
Service cost	626	659
Interest cost	744	676
Actuarial gains	(5,833)	(1,066)
Benefits paid	(1,124)	(1,107)
Accumulated benefit obligation - end of year	20,674	26,261
Change in plan assets, at fair value:		
Beginning plan assets	—	—
Actual return	—	—
Employer contribution	1,124	1,107
Benefits paid	(1,124)	(1,107)
Plan assets - end of year	—	—
Funded status - end of year (plan assets less benefit obligations)	<u>\$ (20,674)</u>	<u>\$ (26,261)</u>

Notes to Consolidated Financial Statements

(21) Benefit Plans, continued

Components of net periodic benefit cost and other amounts recognized in other comprehensive income related to the Modified Retirement Plan are as follows (*in thousands*):

	2022	2021	2020
Service cost	\$ 626	\$ 659	\$ 588
Interest cost	744	676	795
Amortization of prior service cost	313	469	531
Amortization of net actuarial losses	367	576	326
Net periodic benefit cost	<u>\$ 2,050</u>	<u>\$ 2,380</u>	<u>\$ 2,240</u>

The following table summarizes the estimated future benefit payments expected to be paid from the Modified Retirement Plan for the periods indicated (*in thousands*).

2023	\$ 1,192
2024	1,186
2025	1,199
2026	1,220
2027	1,510
2028-2032	8,644

Other United sponsored benefit plans

United's Employee Stock Purchase Program ("ESPP"), which was terminated during 2021, allowed eligible employees to purchase shares of common stock at a discount (10%), with no commission charges. During 2021 and 2020, United issued 6,676 shares and 34,423 shares, respectively, through the ESPP.

(22) Regulatory Matters**Capital Requirements**

United and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on United. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, United and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures (as defined) established by regulation to ensure capital adequacy require United and the Bank to maintain minimum amounts and ratios of total capital, Tier 1 capital, and CET1 to RWAs, and of Tier 1 capital to average assets.

United and the Bank are also subject to a "capital conservation buffer," which is designed to absorb losses during periods of economic stress. Banking organizations with a ratio of CET1 to RWAs above the minimum but below the conservation buffer (or below the combined capital conservation buffer and counter-cyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and discretionary bonus compensation based on the amount of the shortfall.

As of December 31, 2022, United and the Bank were categorized as well-capitalized under the regulatory framework for prompt corrective action in effect at such time. To be categorized as well-capitalized, United and the Bank must have exceeded the well-capitalized guideline ratios in effect at such time, as set forth in the table below, and have met certain other requirements. Management believes that United and the Bank exceeded all well-capitalized requirements at December 31, 2022, and there have been no conditions or events since year-end that would change the status of well-capitalized.

United has adopted relief provided by federal banking regulatory agencies for the delay of the adverse capital impact of CECL. This optional two-year delay, which ended December 31, 2021, is followed by an optional three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. Under the transition provision, the amount of aggregate capital benefit is phased out by 25% each year with the full impact of adoption completely recognized by 2025.

Notes to Consolidated Financial Statements

(22) Regulatory Matters, continued

Regulatory capital ratios at December 31, 2022 and 2021, along with the minimum amounts required for capital adequacy purposes and to be well-capitalized under prompt corrective action provisions in effect at such times are presented below for United and the Bank (*dollars in thousands*):

	Basel III Guidelines		United Community Banks, Inc. (consolidated)		United Community Bank	
	Minimum ⁽¹⁾	Well Capitalized	2022	2021	2022	2021
Risk-based ratios:						
CET1 capital	4.5 %	6.5 %	12.26 %	12.46 %	12.83 %	12.87 %
Tier 1 capital	6.0	8.0	12.81	13.17	12.83	12.87
Total capital	8.0	10.0	14.79	14.65	13.70	13.46
Tier 1 leverage ratio	4.0	5.0	9.69	8.75	9.69	8.53
CET1 capital			\$ 2,164,211	\$ 1,688,176	\$ 2,255,337	\$ 1,738,557
Tier 1 capital			2,260,633	1,784,598	2,255,337	1,738,557
Total capital			2,610,216	1,984,376	2,408,895	1,818,335
RWAs			17,648,573	13,548,534	17,583,347	13,512,405
Average total assets			23,322,018	20,402,842	23,285,253	20,377,319

⁽¹⁾ As of December 31, 2022 and 2021, the additional capital conservation buffer in effect was 2.50%.

Cash, Dividend, Loan and Other Restrictions

Federal and state banking regulations place certain restrictions on dividends paid by the Bank to the Holding Company. During 2022 and 2021, the Bank paid dividends to the Holding Company of \$133 million and \$217 million, respectively.

The Federal Reserve Act requires that extensions of credit by the Bank to certain affiliates, including the Holding Company, be secured by specific collateral, that the extension of credit to any one affiliate be limited to 10% of capital and surplus (as defined), and that extensions of credit to all such affiliates be limited to 20% of capital and surplus.

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets. The contract amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit written is represented by the contractual amount of these instruments. United uses the same credit policies in making commitments and conditional obligations as it uses for underwriting on-balance sheet instruments. In most cases, collateral or other security is required to support financial instruments with credit risk.

(23) Commitments and Contingencies

The following table summarizes, as of the dates indicated, the contract amount of certain off-balance sheet instruments (*in thousands*):

	December 31,	
	2022	2021
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 4,683,790	\$ 3,591,975
Letters of credit	46,896	29,312

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn on, the total commitment amounts do not necessarily represent future cash requirements.

Notes to Consolidated Financial Statements

(23) Commitments and Contingencies, continued

Letters of credit are conditional commitments issued by United and could result in the commitment being drawn on when the underlying transaction is consummated between the customer and the third party or upon the non-performance of the customer. Those guarantees are primarily issued to local businesses and government agencies. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. In most cases, the Bank holds real estate, certificates of deposit, and other acceptable collateral as security supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments varies.

United maintains an ACL for these unfunded commitments, which is included in other liabilities in the consolidated balance sheets. The ACL for unfunded loan commitments is determined as part of the quarterly ACL analysis. See Note 1 for further detail.

United, in the normal course of business, is subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. Although it is not possible to predict the outcome of these lawsuits, or the range of any possible loss, management, after consultation with legal counsel, does not anticipate that the ultimate aggregate liability, if any, arising from these lawsuits will have a material adverse effect on financial position or results of operations.

Tax Credit and Certain Equity Investments

United invests in certain LIHTC partnerships throughout its market area as a means of supporting local communities, as well as in entities that promote renewable energy sources. United receives tax credits related to these investments. For certain of the investments, United provides financing during the construction and development phase of the related projects and/or permanent financing upon completion of the project. United has concluded that these partnerships are VIEs of which it is not the primary beneficiary because it does not have the power to direct the activities that most significantly impact the VIEs' financial performance and, therefore, is not required to consolidate these VIEs. United's maximum potential exposure to losses relative to investments in these VIEs is generally limited to the sum of the outstanding balance, future funding commitments and any related loans to the entity. Loans to these entities are underwritten in substantially the same manner as other loans and are generally secured.

United also has investments in and future funding commitments related to fintech fund limited partnerships, other community development entities and certain other equity method investments. United has concluded that these partnerships are VIEs of which it is not the primary beneficiary because it does not have the power to direct the activities that most significantly impact the VIEs' financial performance and, therefore, is not required to consolidate these VIEs. The risk exposure relating to such commitments is generally limited to the amount of investments and future funding commitments made.

The following table summarizes, as of the dates indicated, tax credit and certain equity method investments (*in thousands*):

		December 31,	
	Balance Sheet Location	2022	2021
Investments in LIHTC:			
Carrying amount	Other assets	\$ 50,054	\$ 40,243
Amount of future funding commitments included in carrying amount	Other liabilities	18,090	14,846
Renewable energy investments:			
Carrying amount	Other assets	19,617	—
Amount of future funding commitments included in carrying amount	Other liabilities	18,781	—
Fintech funds and certain other equity method investments:			
Carrying amount	Other assets	27,569	12,439
Amount of future funding commitments included in carrying amount	Other liabilities	470	1,410
Amount of future funding commitments not included in carrying amount	N/A	23,690	15,831

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(24) Condensed Financial Statements of United Community Banks, Inc. (Holding Company Only)

Balance Sheets
As of December 31, 2022 and 2021
(in thousands)

	2022	2021
<u>Assets</u>		
Cash and cash equivalents	\$ 322,353	\$ 298,316
Investment in Bank	2,661,884	2,150,683
Investment in other subsidiaries	37,325	23,194
Other assets	76,898	46,432
Total assets	<u>\$ 3,098,460</u>	<u>\$ 2,518,625</u>
<u>Liabilities and Shareholders' Equity</u>		
Long-term debt	\$ 334,663	\$ 247,360
Other liabilities	63,123	49,020
Total liabilities	397,786	296,380
Shareholders' equity	2,700,674	2,222,245
Total liabilities and shareholders' equity	<u>\$ 3,098,460</u>	<u>\$ 2,518,625</u>

Statements of Income
For the Years Ended December 31, 2022, 2021 and 2020
(in thousands)

	2022	2021	2020
Dividends from Bank	\$ 132,688	\$ 217,000	\$ 150,000
Dividends from other subsidiaries	2,788	—	—
Shared service fees from subsidiaries	16,335	12,402	13,020
Other	566	3,167	1,436
Total income	<u>152,377</u>	<u>232,569</u>	<u>164,456</u>
Interest expense	17,250	14,324	13,994
Other expense	18,058	16,417	16,473
Total expenses	<u>35,308</u>	<u>30,741</u>	<u>30,467</u>
Income tax benefit	3,251	6,908	2,681
Income before equity in undistributed earnings of subsidiaries	120,320	208,736	136,670
Equity in undistributed earnings of subsidiaries	157,152	61,065	27,419
Net income	<u>\$ 277,472</u>	<u>\$ 269,801</u>	<u>\$ 164,089</u>

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(24) Condensed Financial Statements of United Community Banks, Inc. (Holding Company Only), continued

Statements of Cash Flows
For the Years Ended December 31, 2022, 2021 and 2020
(in thousands)

	2022	2021	2020
Operating activities:			
Net income	\$ 277,472	\$ 269,801	\$ 164,089
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of the subsidiaries	(157,152)	(61,065)	(27,419)
Stock-based compensation	8,705	6,554	7,887
Change in assets and liabilities:			
Other assets	6,094	(7,800)	(3,662)
Other liabilities	7,736	6,353	5,261
Net cash provided by operating activities	142,855	213,843	146,156
Investing activities:			
Net cash (paid) received for acquisition	(47)	(47,785)	3,397
Purchases of debt securities available-for-sale and equity securities with readily determinable fair values	(19,060)	(1,500)	(2,750)
Proceeds from sales and maturities of debt securities available-for-sale and equity securities with readily determinable fair values	4,473	1,253	—
Other investing inflows	19	860	—
Other investing outflows	(3,676)	(630)	—
Net cash (used in) provided by investing activities	(18,291)	(47,802)	647
Financing activities:			
Repayment of long-term debt	—	(65,632)	—
Proceeds from issuance of long-term debt, net of issuance costs	—	—	98,552
Proceeds from issuance of preferred stock, net of issuance costs	—	—	96,422
Cash paid for shares withheld to cover payroll taxes related to equity instruments	(3,494)	(3,182)	(3,119)
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	301	506	1,317
Proceeds from exercise of stock options and warrants	824	231	—
Repurchase of common stock	—	(15,101)	(20,782)
Cash dividends on preferred stock	(6,875)	(6,876)	(3,533)
Cash dividends on common stock	(86,883)	(66,914)	(58,912)
Other financing outflows	(4,400)	—	—
Net cash (used in) provided by financing activities	(100,527)	(156,968)	109,945
Net change in cash	24,037	9,073	256,748
Cash at beginning of year	298,316	289,243	32,495
Cash at end of year	\$ 322,353	\$ 298,316	\$ 289,243

Notes to Consolidated Financial Statements

(25) Subsequent Events**Acquisition of Progress**

Subsequent to year-end, on January 3, 2023, United completed the acquisition of Progress Financial Corporation and its wholly-owned subsidiary, Progress Bank & Trust, collectively referred to as “Progress”. Progress is headquartered in Huntsville, Alabama and operates 13 branches in Alabama and the Florida Panhandle, which facilitates United’s growth into those markets. As of December 31, 2022, Progress reported total assets of \$1.76 billion, total loans of \$1.48 billion and total deposits of \$1.34 billion.

Progress shareholders received \$307 million in total consideration, of which \$296 million was United common stock (8.77 million shares), \$447,000 was cash and \$10.0 million was converted stock options. The acquisition will be accounted for as a business combination. Due to the timing of the acquisition, United is currently in the process of completing the purchase accounting and has not made all of the remaining required disclosures, such as the fair value of assets acquired and supplemental pro forma information, which will be disclosed in subsequent filings.

Announced Acquisition of First Miami

On February 13, 2023, United announced an agreement to acquire First Miami Bancorp, Inc. and its wholly-owned subsidiary, First National Bank of South Miami, collectively referred to as “First Miami”. First Miami is headquartered in South Miami, Florida, and operates 3 offices in the Miami metropolitan area. As of December 31, 2022, First Miami had total assets of \$1.0 billion, total loans of \$594 million, and total deposits of \$867 million. In addition to traditional banking products, First Miami offers private banking, trust and wealth management with approximately \$312 million in assets under administration. The merger, which is subject to regulatory approval, the approval of First Miami shareholders, and other customary conditions, is expected to close in the third quarter of 2023.

Dividends Declared

On February 22, 2023, the Board approved a regular quarterly cash dividend of \$0.23 per common share and a preferred stock dividend of \$429.6875 per preferred share (equivalent to \$0.4296875 per depositary share, or 1/1000 interest per share). The common stock dividend is payable April 5, 2023, to common shareholders of record on March 15, 2023. The preferred stock dividend is payable March 15, 2023, to preferred shareholders of record on February 28, 2023.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures (as such term is defined in Exchange Act Rule 13a-15(e)) as of December 31, 2022. Based on that evaluation, our principal executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

No changes were made to our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fourth quarter of 2022 that materially affected, or are reasonably likely to materially affect, United's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2022 is included in Part II, Item 8 of this Report under the heading "Management's Report on Internal Control Over Financial Reporting."

Our independent auditors have issued an audit report on management's assessment of internal controls over financial reporting. This report is included in Part II, Item 8 of this Report under the heading "Report of Independent Registered Public Accounting Firm."

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

(a) *Information Regarding Directors and Executive Officers.* Information required by this Item 10 regarding our directors and director nominees contained under the caption “Director Nominees for Election” under the heading “Proposal 1: Election of Directors” in the 2023 Proxy Statement is incorporated herein by reference. Information required by this Item 10 regarding our executive officers contained under the heading “Executive Officers” in the 2023 Proxy Statement is incorporated herein by reference.

(b) *Compliance with Section 16(a) of the Exchange Act.* If applicable, information required by this Item 10 regarding compliance with Section 16(a) of the Exchange Act contained under the caption “Delinquent Section 16(a) Reports” under the heading “Security Ownership” in the 2023 Proxy Statement is incorporated herein by reference.

(c) *Code of Business Conduct and Ethics.* We have adopted a Corporate Code of Ethics (“Code”). This Code is posted on the “Corporate Governance” section of our Internet website at www.ucbi.com. If we choose to no longer post such Code, we will provide a free copy to any person upon written request to Corporate Secretary, United Community Banks, Inc., 2 West Washington Street, Suite 700, Greenville, South Carolina 29601. We intend to provide any required disclosure of any amendment to or waiver from such Code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on our Internet website located at www.ucbi.com promptly following the amendment or waiver. We may elect to disclose any such amendment or waiver in a Current Report on Form 8-K filed with the SEC either in addition to or in lieu of the website disclosure. The information contained on or connected to our Internet website is not incorporated by reference into this Report and should not be considered part of this or any other report that we file with or furnish to the SEC.

(d) *Procedures for Shareholders to Recommend Director Nominees.* There have been no material changes to the procedures by which security holders may recommend nominees to our Board.

(e) *Audit Committee Information.* Information required by this Item 10 regarding our Audit Committee and our audit committee financial experts is contained under the captions “Board Committees” and “Audit Committee Financial Expert,” in each case under the heading “Corporate Governance” in the 2023 Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item 11 regarding director and executive officer compensation, the Compensation Committee Report, the risks arising from our compensation policies and practices for employees, pay ratio disclosure, and compensation committee interlocks and insider participation contained under the headers “Director Compensation” and “Executive Compensation” in the 2023 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information contained under the heading “Security Ownership” and under the caption “Equity Compensation Plan Information” under the heading “Executive Compensation” in the 2023 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item 13 regarding certain relationships and related transactions contained under the heading “Transactions With Management and Others” in the 2023 Proxy Statement is incorporated herein by reference. Information required by this Item 13 regarding director independence contained under the caption “Director Independence” under the heading “Corporate Governance” in the 2023 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by Item 14 regarding fees we paid to our principal accountant and the pre-approval policies and procedures established by the Audit Committee of our Board contained under the heading “Fees Paid to Auditors” in the 2023 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements.

The following consolidated financial statements are located in Item 8 of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets - December 31, 2022 and 2021

Consolidated Statements of Income - Years ended December 31, 2022, 2021, and 2020

Consolidated Statements of Comprehensive Income - Years ended December 31, 2022, 2021, and 2020

Consolidated Statements of Changes in Shareholders' Equity - Years ended December 31, 2022, 2021, and 2020

Consolidated Statements of Cash Flows - Years ended December 31, 2022, 2021, and 2020

Notes to Consolidated Financial Statements

2. Financial Statement Schedules.

Schedules to the consolidated financial statements are omitted, as the required information is not applicable.

3. Exhibits.

The exhibits required to be filed with this Report by Item 601 of Regulation S-K are set forth in the Exhibit Index below:

EXHIBIT INDEX

Exhibit No.	Exhibit
<u>2.1</u>	<u>Agreement and Plan of Merger and Reorganization, dated as of May 26, 2021, by and between United Community Banks, Inc. and Aquesta Financial Holdings, Inc. (incorporated by reference from Annex A to the proxy statement/prospectus contained in United Community Banks, Inc.'s Registration Statement on Form S-4 filed with the SEC on July 29, 2021).</u>
<u>2.2</u>	<u>Agreement and Plan of Merger, dated as of July 14, 2021, by and between United Community Banks, Inc. and Reliant Bancorp, Inc. (incorporated herein by reference to Annex A to the proxy statement/prospectus filed by United Community Banks, Inc. with the SEC pursuant to Rule 424(b)(3) on October 22, 2021).</u>
<u>2.3</u>	<u>Agreement and Plan of Merger by and between United Community Banks, Inc. and Progress Financial Corporation dated as of May 3, 2022 (incorporated herein by reference to Exhibit 2.1 to United Community Banks, Inc.'s Current Report on Form 8-K dated May 3, 2022 and filed with the SEC on May 4, 2022).</u>
<u>3.1</u>	<u>Restated Articles of Incorporation of United Community Banks, Inc., as amended through August 13, 2021 (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2021, filed with the SEC on November 5, 2021).</u>
<u>3.2</u>	<u>Amended and Restated Bylaws of United Community Banks, Inc., as amended (incorporated herein by reference to Exhibit 3.2 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2015, filed with the SEC on May 11, 2015).</u>
<u>4.1</u>	<u>Description of Registrant's Common Stock, \$1.00 par value (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Annual Report on Form 10-K, File No. 001-35095, filed with the SEC on February 27, 2020).</u>
<u>4.2</u>	<u>Indenture, dated August 14, 2015, by and between United Community Banks, Inc. and The Bank of New York Mellon Trust Company, N.A., Trustee (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on August 14, 2015).</u>
<u>4.3</u>	<u>First Supplemental Indenture to the Indenture, dated August 14, 2015, by and between United Community Banks, Inc. and The Bank of New York Mellon Trust Company, N.A., Trustee (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on August 14, 2015).</u>

- 4.4 Indenture, dated January 18, 2018, by and between United and The Bank of New York Mellon, N.A., Trustee (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on January 23, 2018).
- 4.5 First Supplemental Indenture to the Indenture, dated January 18, 2018, by and between United and The Bank of New York Mellon, N.A., Trustee (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on January 23, 2018).
- 4.6 Deposit Agreement, dated as of June 10, 2020, between the Company and Continental Stock Transfer & Trust Company, as depositary (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on June 10, 2020).
- 4.7 Form of Depositary Receipt (included as part of Exhibit 4.6)
- 4.8 Description of Registrant's Depositary Shares and underlying Series I Preferred Stock (incorporated herein by reference to Exhibit 4.11 to United Community Banks, Inc.'s Annual Report on Form 10-K, File No. 001-35095, filed with the SEC on February 25, 2021).
- 4.9 Indenture, dated as of June 17, 2020, by and between United Community Banks, Inc. and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on June 17, 2020).
- 4.10 First Supplemental Indenture, dated as of June 17, 2020, by and between United Community Banks, Inc. and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 001-35095, filed with the SEC on June 17, 2020).
- 4.11 Form of 5.000% Fixed-to-Floating Senior Notes due 2030 (attached as Exhibit A to Exhibit 4.10 hereto)
- Pursuant to Item 601(b)(4)(iii)(A), other instruments that define the rights of holders of the long-term indebtedness of United Community Banks, Inc. and its subsidiaries that does not exceed 10% of United's consolidated assets have not been filed; however, United agrees to furnish a copy of any such agreement to the SEC upon request.
- 10.1 United Community Banks, Inc.'s 2022 Omnibus Equity Plan (incorporated herein by reference to Appendix 1 to United Community Banks, Inc.'s Schedule 14A Proxy Statement, File No. 001-35095, filed with the SEC on April 6, 2022).#
- 10.2 Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (incorporated herein by reference to Exhibit 10.2 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2022, File No. 001-35095, filed with the SEC on August 5, 2022).#
- 10.3 Form of Performance-Based Restricted Stock Unit Award for Key Employees (for awards granted after 2022).#**
- 10.4 Form of Time-Based Restricted Stock Unit Award for Key Employees (for awards granted after 2022).#**
- 10.5 Form of Time-Based Restricted Stock Unit Award for Key Employees (for awards granted during or before 2022) (incorporated herein by reference to Exhibit 10.26 to United Community Banks, Inc.'s Annual Report on Form 10-K, File No. 001-35095, filed with the SEC on February 25, 2021).#
- 10.6 Form of Performance-Based Restricted Stock Unit Award for Key Employees (for awards granted during or before 2022) (incorporated herein by reference to Exhibit 10.27 to United Community Banks, Inc.'s Annual Report on Form 10-K, File No. 001-35095, filed with the SEC on February 25, 2021).#
- 10.7 United Community Banks, Inc.'s Modified Retirement Plan (as amended and restated effective as of January 1, 2016) (incorporated herein by reference to Exhibit 10.15 to United Community Banks, Inc.'s Annual Report on Form 10-K File No. 001-35095, filed with the SEC on February 27, 2020).#
- 10.8 First Amendment dated as of April 1, 2018 to United Community Banks, Inc.'s Modified Retirement Plan (as amended and restated effective as of January 1, 2016) (incorporated herein by reference to Exhibit 10.16 to United Community Banks, Inc.'s Annual Report on Form 10-K File No. 001-35095, filed with the SEC on February 27, 2020).#
- 10.9 United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of January 1, 2017 (incorporated herein by reference to Exhibit 10.17 to United Community Banks, Inc.'s Annual Report on Form 10-K File No. 001-35095, filed with the SEC on February 27, 2020).#
- 10.10 Amendment No. 1 to United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of April 1, 2018 (incorporated herein by reference to Exhibit 10.18 to United Community Banks, Inc.'s Annual Report on Form 10-K File No. 001-35095, filed with the SEC on February 27, 2020).#

<u>10.11</u>	<u>Amendment No. 2 to United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of January 1, 2019 (incorporated herein by reference to Exhibit 10.19 to United Community Banks, Inc.'s Annual Report on Form 10-K File No. 001-35095, filed with the SEC on February 27, 2020).</u> [#]
<u>10.12</u>	<u>United Community Banks, Inc.'s Management Annual Incentive Plan, effective as of January 1, 2007 (incorporated herein by reference to Exhibit 10.5 to United Community Banks, Inc.'s Current Report on Form 8-K, File No. 000-21656, filed with the SEC on May 1, 2007).</u> [#]
<u>10.13</u>	<u>Credit Agreement, dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank, as amended, Amendment No. 1 dated as of June 30, 2015, Amendment No. 2 dated as of June 30, 2016 and Amendment No. 3 dated as of June 30, 2017 (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2017, File No. 001-35095, filed with the SEC on August 4, 2017).</u>
<u>10.14</u>	<u>Amendment No. 4 dated as of August 7, 2018 to Credit Agreement, dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank (incorporated herein by reference to Exhibit 10.30 to United Community Banks, Inc.'s Annual Report on Form 10-K File No. 001-35095, filed with the SEC on February 27, 2020).</u>
<u>10.15</u>	<u>Amendment No. 5 dated as of February 18, 2020 to Credit Agreement, dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank (incorporated herein by reference to Exhibit 10.31 to United Community Banks, Inc.'s Annual Report on Form 10-K File No. 001-35095, filed with the SEC on February 27, 2020).</u>
<u>10.16</u>	<u>Amendment No. 6 dated as of June 27, 2021 to Credit Agreement, dated as of January 7, 2014, between United Community Banks, Inc. and Synovus Bank. (incorporated herein by reference to Exhibit 10.29 to United Community Banks, Inc.'s Annual Report on Form 10-K File No. 001-35095, filed with the SEC on February 25, 2022).</u>
<u>21</u>	<u>Subsidiaries of United Community Banks, Inc.</u> ^{**}
<u>23</u>	<u>Consent of Independent Registered Public Accounting Firm</u> ^{**}
<u>24</u>	<u>Power of Attorney of certain officers and directors of United (included on signature page hereto)</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer under Exchange Act Rule 13a-14(a)</u> ^{**}
<u>31.2</u>	<u>Certification of Chief Financial Officer under Exchange Act Rule 13a-14(a)</u> ^{**}
<u>32</u>	<u>Certifications of CEO and CFO pursuant to 18 U.S.C. Section 1350 (furnished only)</u> ^{**}
101.INS ^{**}	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH ^{**}	Inline XBRL Taxonomy Extension Schema Document
101.CAL ^{**}	Inline XBRL Taxonomy Calculation Linkbase Document
101.LAB ^{**}	Inline XBRL Taxonomy Label Linkbase Document
101.PRE ^{**}	Inline XBRL Presentation Linkbase Document
101.DEF ^{**}	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

[#] Management contract or compensatory plan or arrangement.

^{**} Indicates filed or furnished herewith.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, United has duly caused this annual report on Form 10-K, to be signed on its behalf by the undersigned, thereunto duly authorized, on the 24th day of February, 2023.

UNITED COMMUNITY BANKS, INC. (Registrant)

/s/ H. Lynn Harton

H. Lynn Harton

President and Chief Executive Officer

(Principal Executive Officer)

/s/ Jefferson L. Harralson

Jefferson L. Harralson

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

/s/ Alan H. Kumler

Alan H. Kumler

Senior Vice President, Chief Accounting Officer

(Principal Accounting Officer)

POWER OF ATTORNEY AND SIGNATURES

Know all men by these presents, that each person whose signature appears below constitutes and appoints H. Lynn Harton and Thomas A. Richlovsky, or either of them, as attorney-in-fact, with each having the power of substitution, for him in any and all capacities, to sign any amendments to this annual report on Form 10-K and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report on Form 10-K has been signed below by the following persons on behalf of United and in the capacities set forth and on the 22nd day of February, 2023.

/s/ H. Lynn Harton

H. Lynn Harton
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

/s/ Jefferson L. Harralson

Jefferson L. Harralson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Alan H. Kumler

Alan H. Kumler
Senior Vice President, Chief Accounting Officer
(Principal Accounting Officer)

/s/ Thomas A. Richlovsky

Thomas A. Richlovsky
Lead Independent Director

/s/ Jennifer M. Bazante

Jennifer M. Bazante
Director

/s/ George Bell

George Bell
Director

/s/ Robert Blalock

Robert Blalock
Director

/s/ James P. Clements

James P. Clements
Director

/s/ Kenneth L. Daniels

Kenneth L. Daniels
Director

/s/ Lance F. Drummond

Lance F. Drummond
Director

/s/ Jennifer Mann

Jennifer Mann
Director

/s/ David C. Shaver

David C. Shaver
Director

/s/ Tim Wallis

Tim Wallis
Director

/s/ David H. Wilkins

David H. Wilkins
Director

