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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2017

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ___________ to ___________

Commission file number 001-35095

UNITED COMMUNITY BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia	**58-1807304**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
125 Highway 515 East **Blairsville, Georgia**	**30512**
Address of Principal Executive Offices	**(Zip Code)**

(706) 781-2265
(Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES [X] NO [ ]

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

Large accelerated filer [X] **Accelerated filer [ ]**

Non-accelerated filer [ ] (Do not check if a smaller reporting company) **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 is a shell company (as defined in Rule 12b-2 of the Act).

YES [ ] NO [X]

Common stock, par value $1 per share 70,974,809 shares outstanding as of April 30, 2017.

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Part I – Financial Information

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Income *(Unaudited)*

(in thousands, except per share data)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Interest revenue:		
Loans, including fees	$ 72,727	$ 63,976
Investment securities, including tax exempt of $279 and $166	17,712	15,788
Deposits in banks and short-term investments	519	957
Total interest revenue	90,958	80,721
Interest expense:		
Deposits:		
NOW	597	485
Money market	1,426	1,108
Savings	27	29
Time	1,008	642
Total deposit interest expense	3,058	2,264
Short-term borrowings	40	87
Federal Home Loan Bank advances	1,430	733
Long-term debt	2,876	2,685
Total interest expense	7,404	5,769
Net interest revenue	83,554	74,952
Provision for (release of) credit losses	800	(200)
Net interest revenue after provision for credit losses	82,754	75,152
Fee revenue:		
Service charges and fees	10,604	10,126
Mortgage loan and other related fees	4,424	3,289
Brokerage fees	1,410	1,053
Gains from sales of government guaranteed loans	1,959	1,237
Securities (losses) gains, net	(2)	379
Other	3,679	2,522
Total fee revenue	22,074	18,606
Total revenue	104,828	93,758
Operating expenses:		
Salaries and employee benefits	36,691	33,062
Communications and equipment	4,918	4,290
Occupancy	4,949	4,723
Advertising and public relations	1,061	864
Postage, printing and supplies	1,370	1,280
Professional fees	3,044	2,700
FDIC assessments and other regulatory charges	1,283	1,524
Amortization of intangibles	973	1,010
Merger-related and other charges	2,054	2,653
Other	6,483	5,779
Total operating expenses	62,826	57,885
Net income before income taxes	42,002	35,873
Income tax expense	18,478	13,578
Net income	23,524	22,295
Preferred stock dividends	-	21
Net income available to common shareholders	$ 23,524	$ 22,274
Earnings per common share:		
Basic	$ .33	$ .31
Diluted	.33	.31
Weighted average common shares outstanding:		
Basic	71,700	72,162
Diluted	71,708	72,166

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Comprehensive Income *(Unaudited)*

(in thousands)	Three Months Ended March 31, 2017			2016		
	Before-tax Amount	**Tax (Expense) Benefit**	**Net of Tax Amount**	**Before-tax Amount**	**Tax (Expense) Benefit**	**Net of Tax Amount**
Net income	$ 42,002	$ (18,478)	$ 23,524	$ 35,873	$ (13,578)	$ 22,295
Other comprehensive income:						
Unrealized gains on available-for-sale securities:						
Unrealized holding gains arising during period	6,508	(2,464)	4,044	11,697	(4,455)	7,242
Reclassification adjustment for losses (gains) included in net income	2	(1)	1	(379)	141	(238)
Net unrealized gains	6,510	(2,465)	4,045	11,318	(4,314)	7,004
Amortization of losses included in net income on available-for-sale securities transferred to held-to-maturity	310	(116)	194	464	(181)	283
Amortization of losses included in net income on terminated derivative financial instruments that were previously accounted for as cash flow hedges	413	(161)	252	500	(195)	305
Reclassification of disproportionate tax effect related to terminated cash flow hedges	-	3,400	3,400	-	-	-
Net cash flow hedge activity	413	3,239	3,652	500	(195)	305
Net actuarial loss on defined benefit pension plan	(800)	312	(488)	-	-	-
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan	200	(79)	121	167	(65)	102
Net defined benefit pension plan activity	(600)	233	(367)	167	(65)	102
Total other comprehensive income	6,633	891	7,524	12,449	(4,755)	7,694
Comprehensive income	$ 48,635	$ (17,587)	$ 31,048	$ 48,322	$ (18,333)	$ 29,989

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.
Consolidated Balance Sheet *(Unaudited)*

(in thousands, except share and per share data)	March 31, 2017	December 31, 2016
ASSETS		
Cash and due from banks	$ 90,151	$ 99,489
Interest-bearing deposits in banks	140,822	117,859
Cash and cash equivalents	230,973	217,348
Securities available for sale	2,436,591	2,432,438
Securities held to maturity (fair value $333,032 and $333,170)	329,992	329,843
Mortgage loans held for sale (includes $15,845 and $27,891 at fair value)	16,491	29,878
Loans, net of unearned income	6,964,990	6,920,636
Less allowance for loan losses	(60,543)	(61,422)
Loans, net	6,904,447	6,859,214
Premises and equipment, net	189,437	189,938
Bank owned life insurance	154,150	143,543
Accrued interest receivable	27,020	28,018
Net deferred tax asset	139,383	154,336
Derivative financial instruments	22,131	23,688
Goodwill and other intangible assets	155,250	156,222
Other assets	125,938	144,189
Total assets	$ 10,731,803	$ 10,708,655
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand	$ 2,752,361	$ 2,637,004
NOW	1,968,493	1,989,763
Money market	1,831,145	1,846,440
Savings	574,805	549,713
Time	1,261,232	1,287,142
Brokered	364,056	327,496
Total deposits	8,752,092	8,637,558
Short-term borrowings	-	5,000
Federal Home Loan Bank advances	569,138	709,209
Long-term debt	175,238	175,078
Derivative financial instruments	26,425	27,648
Accrued expenses and other liabilities	107,367	78,427
Total liabilities	9,630,260	9,632,920
Shareholders' equity:		
Preferred stock, $1 par value; 10,000,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock, $1 par value; 150,000,000 shares authorized; 70,972,753 and 70,899,114 shares issued and outstanding	70,973	70,899
Common stock, non-voting, $1 par value; 26,000,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock issuable; 546,511 and 519,874 shares	7,959	7,327
Capital surplus	1,275,954	1,275,849
Accumulated deficit	(234,384)	(251,857)
Accumulated other comprehensive loss	(18,959)	(26,483)
Total shareholders' equity	1,101,543	1,075,735
Total liabilities and shareholders' equity	$ 10,731,803	$ 10,708,655

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Changes in Shareholders' Equity *(Unaudited)*
For the Three Months Ended March 31,

(in thousands, except share and per share data)	Preferred Stock Series H	Common Stock	Non-Voting Common Stock	Common Stock Issuable	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2015	$ 9,992	$ 66,198	$ 5,286	$ 6,779	$ 1,286,361	$ (330,879)	$ (25,452)	$ 1,018,285
Net income						22,295		22,295
Other comprehensive income							7,694	7,694
Redemption of Series H preferred stock (9,992 shares)	(9,992)							(9,992)
Common stock issued to dividend reinvestment plan and employee benefit plans (5,154 shares)		5			79			84
Amortization of stock option and restricted stock awards					918			918
Vesting of restricted stock, net of shares surrendered to cover payroll taxes (26,385 shares issued, 62,422 shares deferred)		27		912	(1,422)			(483)
Deferred compensation plan, net, including dividend equivalents				116				116
Shares issued from deferred compensation plan (28,761 shares)		29		(1,107)	1,078			-
Common stock dividends ($.07 per share)						(5,041)		(5,041)
Tax on restricted stock vesting					(130)			(130)
Preferred stock dividends: Series H						(21)		(21)
Balance, March 31, 2016	$ -	$ 66,259	$ 5,286	$ 6,700	$ 1,286,884	$ (313,646)	$ (17,758)	$ 1,033,725
Balance, December 31, 2016	$ -	$ 70,899	$ -	$ 7,327	$ 1,275,849	$ (251,857)	$ (26,483)	$ 1,075,735
Net income						23,524		23,524
Other comprehensive income							7,524	7,524
Common stock issued to dividend reinvestment plan and employee benefit plans (4,239 shares)		4			106			110
Amortization of stock option and restricted stock awards					1,321			1,321
Vesting of restricted stock, net of shares surrendered to cover payroll taxes (37,121 shares issued, 58,553 shares deferred)		38		883	(1,551)			(630)
Deferred compensation plan, net, including dividend equivalents				117				117
Shares issued from deferred compensation plan, net of shares surrendered to cover payroll taxes (32,279 shares)		32		(368)	229			(107)
Common stock dividends ($.09 per share)						(6,488)		(6,488)
Cumulative effect of change in accounting principle (see Note 1)						437		437
Balance, March 31, 2017	$ -	$ 70,973	$ -	$ 7,959	$ 1,275,954	$ (234,384)	$ (18,959)	$ 1,101,543

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC.
Consolidated Statement of Cash Flows *(Unaudited)*

(in thousands)	Three Months Ended March 31, 2017	2016
Operating activities:		
Net income	$ 23,524	$ 22,295
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	6,394	7,087
(Release of) provision for credit losses	800	(200)
Stock based compensation	1,321	918
Deferred income tax expense	19,059	13,553
Securities losses (gains), net	2	(379)
Gains from sales of government guaranteed loans	(1,959)	(1,237)
Net losses (gains) and write downs on sales of other real estate owned	373	(214)
Changes in assets and liabilities:		
Other assets and accrued interest receivable	4,784	(34,039)
Accrued expenses and other liabilities	(5,115)	(2,566)
Mortgage loans held for sale	13,387	(2,347)
Net cash provided by operating activities	62,570	2,871
Investing activities:		
Investment securities held to maturity:		
Proceeds from maturities and calls of securities held to maturity	13,351	14,207
Purchases of securities held to maturity	(13,433)	(1,000)
Investment securities available for sale:		
Proceeds from sales of securities available for sale	24,197	61,305
Proceeds from maturities and calls of securities available for sale	137,312	82,029
Purchases of securities available for sale	(147,614)	(246,666)
Net increase in loans	(15,873)	(101,828)
Purchase of bank owned life insurance	(10,000)	-
Proceeds from sales of premises and equipment	5	29
Purchases of premises and equipment	(3,404)	(5,104)
Proceeds from sale of other real estate	3,077	1,524
Net cash used in investing activities	(12,382)	(195,504)
Financing activities:		
Net change in deposits	114,828	87,204
Net change in short-term borrowings	(5,000)	(16,640)
Proceeds from FHLB advances	1,510,000	1,715,000
Repayments of FHLB advances	(1,650,000)	(1,635,000)
Retirement of preferred stock	-	(9,992)
Proceeds from issuance of common stock for dividend reinvestment and employee benefit plans	110	84
Cash paid for shares withheld to cover payroll taxes upon vesting of restricted stock	(737)	(483)
Cash dividends on common stock	(5,764)	(5,041)
Cash dividends on preferred stock	-	(46)
Net cash (used in) provided by financing activities	(36,563)	135,086
Net change in cash and cash equivalents	13,625	(57,547)
Cash and cash equivalents at beginning of period	217,348	240,363
Cash and cash equivalents at end of period	$ 230,973	$ 182,816
Supplemental disclosures of cash flow information:		
Interest paid	$ 8,089	$ 7,407
Income taxes paid	680	2,013
Significant non-cash investing and financing transactions:		
Unsettled security purchases	14,000	-
Unsettled government guaranteed loan purchases	14,674	18,068
Unsettled government guaranteed loan sales	16,115	6,774
Transfers of loans to foreclosed properties	561	1,590

See accompanying notes to consolidated financial statements.

Note 1 – Accounting Policies

The accounting and financial reporting policies of United Community Banks, Inc. ("United") and its subsidiaries conform to accounting principles generally accepted in the United States ("GAAP") and reporting guidelines of banking regulatory authorities and regulators. The accompanying interim consolidated financial statements have not been audited. All material intercompany balances and transactions have been eliminated. A more detailed description of United's accounting policies is included in its Annual Report on Form 10-K for the year ended December 31, 2016.

Effective January 1, 2017, management elected to subsequently measure residential servicing rights at fair value. The cumulative effect adjustment of this election to retained earnings, net of income tax effect, was $437,000.

In management's opinion, all accounting adjustments necessary to accurately reflect the financial position and results of operations on the accompanying financial statements have been made. These adjustments are normal and recurring accruals considered necessary for a fair and accurate statement. The results for interim periods are not necessarily indicative of results for the full year or any other interim periods.

Certain 2016 amounts have been reclassified to conform to the 2017 presentation. As discussed in the Form 10-K for the year ended December 31, 2016, certain loan balances previously shown as retail loans were reclassified to several commercial categories to better align the reporting with the business purpose or underlying credit risk of the loans, rather than the collateral type. The reclassifications moved residential mortgages and home equity lines from the residential mortgage and home equity lines of credit categories to the owner-occupied and income-producing commercial real estate categories. Although these loans were secured by one-to-four family residential properties, their purpose was commercial since they included residential home rental property and business purpose loans secured by the borrower's primary residence. In addition, residential construction loans were reclassified to the commercial construction category. These reclassified loans are to builders and developers of residential properties. Reclassifying these balances better aligned the loan categories with the management of credit risk. As of and for the three months ended March 31, 2016, historic charge-offs and recoveries on these same loans have been reclassified, as well as the corresponding allowance for loan loss balances, average impaired loan balances, and new troubled debt restructurings.

Note 2 –Accounting Standards Updates and Recently Adopted Standards

Accounting Standards Updates

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This ASU provides guidance on the recognition of revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and will be applied retrospectively either to each prior reporting period or with a cumulative effect recognized at the date of initial application. Because the guidance does not apply to revenue associated with financial instruments, including loans and securities, United does not expect the new revenue recognition guidance to have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This update requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. For public entities, this update is effective for fiscal years beginning after December 15, 2018, with modified retrospective application to prior periods presented. Upon adoption, United expects to report higher assets and liabilities as a result of including leases on the consolidated balance sheet. At December 31, 2016, future minimum lease payments amounted to $29.1 million. United does not expect the new guidance to have a material impact on the consolidated statement of income or the consolidated statement of shareholders' equity.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new guidance replaces the incurred loss impairment methodology in current GAAP with an expected credit loss methodology and requires consideration of a broader range of information to determine credit loss estimates. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Purchased credit impaired loans will receive an allowance account at the acquisition date that represents a component of the purchase price allocation. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses, with such allowance limited to the amount by which fair value is below amortized cost. Application of this update will primarily be on a modified retrospective approach, although the guidance for debt securities for which an other-than-temporary impairment has been recognized before the effective date and for loans previously covered by ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality* will be applied on a prospective basis. For public entities, this update is effective for fiscal years beginning after December 15, 2019. Upon adoption, United expects that the allowance for credit losses will be higher given the change to estimated losses for the estimated life of the financial asset, however the Company is still in the process of determining the magnitude of the increase. Management has begun developing a project plan to ensure it is prepared for implementation by the effective date.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires that an employer disaggregate the service cost component from the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost and allow only the service cost component to be eligible for capitalization. For public entities, this update is effective for fiscal years beginning after December 15, 2017, with retrospective presentation of the service cost and other components and prospective application for any capitalization of service cost. The adoption of this update is not expected to have a material impact on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. This update shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. For securities held at a discount, the discount will continue to be amortized to maturity. For public entities, this update is effective for fiscal years beginning after December 15, 2018, with modified retrospective application. The adoption of this update is not expected to have a material impact on the consolidated financial statements.

Recently Adopted Standards

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This update simplified several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. United adopted this standard effective January 1, 2017, with no material impact on the consolidated financial statements, although management expects more volatility in the effective tax rate as excess tax benefits and deficiencies on stock compensation transactions flow through income tax expense rather than capital surplus. United prospectively adopted the amendment requiring that excess tax benefits and deficiencies be recognized as income tax expense or benefit in the income statement and as an operating activity in the statement of cash flows. In addition, United elected to account for forfeitures as they occur, rather than estimate the number of awards expected to vest. United retrospectively implemented the clarification that cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity.

Note 3 – Balance Sheet Offsetting and Repurchase Agreements Accounted for as Secured Borrowings

United enters into reverse repurchase agreements in order to invest short-term funds. In addition, United enters into repurchase agreements and reverse repurchase agreements with the same counterparty in transactions commonly referred to as collateral swaps that are subject to master netting agreements under which the balances are netted in the balance sheet in accordance with ASC 210-20, *Offsetting*.

The following table presents a summary of amounts outstanding under reverse repurchase agreements and derivative financial instruments including those entered into in connection with the same counterparty under master netting agreements as of the dates indicated *(in thousands)*.

March 31, 2017	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Asset Balance	Gross Amounts not Offset in the Balance Sheet: Financial Instruments	Gross Amounts not Offset in the Balance Sheet: Collateral Received	Net Amount
Repurchase agreements / reverse repurchase agreements	$ 200,000	$ (200,000)	$ -	$ -	$ -	$ -
Derivatives	22,131	-	22,131	(2,777)	(2,369)	16,985
Total	$ 222,131	$ (200,000)	$ 22,131	$ (2,777)	$ (2,369)	$ 16,985
Weighted average interest rate of reverse repurchase agreements	1.79%					

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Liability Balance	Gross Amounts not Offset in the Balance Sheet: Financial Instruments	Gross Amounts not Offset in the Balance Sheet: Collateral Pledged	Net Amount
Repurchase agreements / reverse repurchase agreements	$ 200,000	$ (200,000)	$ -	$ -	$ -	$ -
Derivatives	26,425	-	26,425	(2,777)	(18,853)	4,795
Total	$ 226,425	$ (200,000)	$ 26,425	$ (2,777)	$ (18,853)	$ 4,795
Weighted average interest rate of repurchase agreements	.95%					

December 31, 2016	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Asset Balance	Gross Amounts not Offset in the Balance Sheet: Financial Instruments	Gross Amounts not Offset in the Balance Sheet: Collateral Received	Net Amount
Repurchase agreements / reverse repurchase agreements	$ 150,000	$ (150,000)	$ -	$ -	$ -	$ -
Derivatives	23,688	-	23,688	(3,485)	(3,366)	16,837
Total	$ 173,688	$ (150,000)	$ 23,688	$ (3,485)	$ (3,366)	$ 16,837
Weighted average interest rate of reverse repurchase agreements	1.78%					

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Liability Balance	Gross Amounts not Offset in the Balance Sheet: Financial Instruments	Gross Amounts not Offset in the Balance Sheet: Collateral Pledged	Net Amount
Repurchase agreements / reverse repurchase agreements	$ 150,000	$ (150,000)	$ -	$ -	$ -	$ -
Derivatives	27,648	-	27,648	(3,485)	(18,505)	5,658
Total	$ 177,648	$ (150,000)	$ 27,648	$ (3,485)	$ (18,505)	$ 5,658
Weighted average interest rate of repurchase agreements	.88%					

At March 31, 2017, United recognized the right to reclaim cash collateral of $18.9 million and the obligation to return cash collateral of $2.37 million. At December 31, 2016, United recognized the right to reclaim cash collateral of $18.5 million and the obligation to return cash collateral of $3.37 million. The right to reclaim cash collateral and the obligation to return cash collateral were included in the consolidated balance sheet in other assets and other liabilities, respectively.

The following table presents additional detail regarding repurchase agreements accounted for as secured borrowings and the securities underlying these agreements as of the dates indicated *(in thousands)*.

	Remaining Contractual Maturity of the Agreements				
As of March 31, 2017	**Overnight and Continuous**	**Up to 30 Days**	**30 to 90 Days**	**91 to 110 days**	**Total**
Mortgage-backed securities	$ -	$ -	$ 100,000	$ 100,000	$ 200,000
Total	$ -	$ -	$ 100,000	$ 100,000	$ 200,000
Gross amount of recognized liabilities for repurchase agreements in offsetting disclosure					$ 200,000
Amounts related to agreements not included in offsetting disclosure					$ -

	Remaining Contractual Maturity of the Agreements				
As of December 31, 2016	**Overnight and Continuous**	**Up to 30 Days**	**30 to 90 Days**	**91 to 110 days**	**Total**
Mortgage-backed securities	$ -	$ -	$ 50,000	$ 100,000	$ 150,000
Total	$ -	$ -	$ 50,000	$ 100,000	$ 150,000
Gross amount of recognized liabilities for repurchase agreements in offsetting disclosure					$ 150,000
Amounts related to agreements not included in offsetting disclosure					$ -

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.

Note 4 – Securities

The amortized cost basis, unrealized gains and losses and fair value of securities held-to-maturity as of the dates indicated are as follows *(in thousands)*.

As of March 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions	$ 56,625	$ 2,230	$ 221	$ 58,634
Mortgage-backed securities (1)	273,367	3,775	2,744	274,398
Total	$ 329,992	$ 6,005	$ 2,965	$ 333,032
As of December 31, 2016				
State and political subdivisions	$ 57,134	$ 2,197	$ 249	$ 59,082
Mortgage-backed securities (1)	272,709	4,035	2,656	274,088
Total	$ 329,843	$ 6,232	$ 2,905	$ 333,170

(1) All are residential type mortgage-backed securities or U.S. government agency commercial mortgage backed securities.

The cost basis, unrealized gains and losses, and fair value of securities available-for-sale as of the dates indicated are presented below *(in thousands).*

As of March 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasuries	$ 170,328	$ 75	$ 476	$ 169,927
U.S. Government agencies	25,580	279	30	25,829
State and political subdivisions	83,761	174	211	83,724
Mortgage-backed securities [1]	1,383,498	9,291	12,429	1,380,360
Corporate bonds	306,405	1,296	1,170	306,531
Asset-backed securities	467,153	2,783	898	469,038
Other	1,182	-	-	1,182
Total	$ 2,437,907	$ 13,898	$ 15,214	$ 2,436,591
As of December 31, 2016				
U.S. Treasuries	$ 170,360	$ 20	$ 764	$ 169,616
U.S. Government agencies	21,053	6	239	20,820
State and political subdivisions	74,555	176	554	74,177
Mortgage-backed securities [1]	1,397,435	8,924	14,677	1,391,682
Corporate bonds	306,824	591	2,023	305,392
Asset-backed securities	468,742	2,798	1,971	469,569
Other	1,182	-	-	1,182
Total	$ 2,440,151	$ 12,515	$ 20,228	$ 2,432,438

(1) All are residential type mortgage-backed securities or U.S. government agency commercial mortgage backed securities.

Securities with a carrying value of $1.40 billion and $1.45 billion were pledged to secure public deposits, derivatives and other secured borrowings at March 31, 2017 and December 31, 2016, respectively.

The following table summarizes held-to-maturity securities in an unrealized loss position as of the dates indicated (*in thousands).*

	Less than 12 Months		12 Months or More		Total	
As of March 31, 2017	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	$ 16,426	$ 221	$ -	$ -	$ 16,426	$ 221
Mortgage-backed securities	146,280	2,744	-	-	146,280	2,744
Total unrealized loss position	$ 162,706	$ 2,965	$ -	$ -	$ 162,706	$ 2,965
As of December 31, 2016						
State and political subdivisions	$ 18,359	$ 249	$ -	$ -	$ 18,359	$ 249
Mortgage-backed securities	118,164	2,656	-	-	118,164	2,656
Total unrealized loss position	$ 136,523	$ 2,905	$ -	$ -	$ 136,523	$ 2,905

The following table summarizes available-for-sale securities in an unrealized loss position as of the dates indicated *(in thousands).*

	Less than 12 Months		12 Months or More		Total	
As of March 31, 2017	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasuries	$ 145,454	$ 476	$ -	$ -	$ 145,454	$ 476
U.S. Government agencies	1,796	30	-	-	1,796	30
State and political subdivisions	49,383	210	1,136	1	50,519	211
Mortgage-backed securities	742,558	11,704	47,837	725	790,395	12,429
Corporate bonds	50,485	793	15,623	377	66,108	1,170
Asset-backed securities	107,914	468	51,065	430	158,979	898
Total unrealized loss position	$1,097,590	$ 13,681	$115,661	$ 1,533	$1,213,251	$ 15,214
As of December 31, 2016						
U.S. Treasuries	$ 145,229	$ 764	$ -	$ -	$ 145,229	$ 764
U.S. Government agencies	19,685	239	-	-	19,685	239
State and political subdivisions	61,782	554	-	-	61,782	554
Mortgage-backed securities	810,686	13,952	26,279	725	836,965	14,677
Corporate bonds	228,504	1,597	15,574	426	244,078	2,023
Asset-backed securities	54,477	540	115,338	1,431	169,815	1,971
Total unrealized loss position	$1,320,363	$ 17,646	$157,191	$ 2,582	$1,477,554	$ 20,228

At March 31, 2017, there were 150 available-for-sale securities and 43 held-to-maturity securities that were in an unrealized loss position. United does not intend to sell nor believes it will be required to sell securities in an unrealized loss position prior to the recovery of their amortized cost basis. Unrealized losses at March 31, 2017 were primarily attributable to changes in interest rates and spread relationships.

Management evaluates securities for other-than-temporary impairment on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, among other factors. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. No impairment charges were recognized during the three months ended March 31, 2017 or 2016.

Realized gains and losses are derived using the specific identification method for determining the cost of securities sold. The following table summarizes available-for-sale securities sales activity for the three months ended March 31, 2017 and 2016 *(in thousands).*

	Three Months Ended March 31,	
	2017	2016
Proceeds from sales	$ 24,197	$ 61,305
Gross gains on sales	$ 98	$ 673
Gross losses on sales	(100)	(294)
Net (losses) gains on sales of securities	$ (2)	$ 379
Income tax (benefit) expense attributable to sales	$ (1)	$ 141

The amortized cost and fair value of held-to-maturity and available-for-sale securities at March 31, 2017, by contractual maturity, are presented in the following table *(in thousands)*.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
US Treasuries:				
1 to 5 years	$ 140,425	$ 140,267	$ -	$ -
5 to 10 years	29,903	29,660	-	-
	170,328	169,927	-	-
US Government agencies:				
1 to 5 years	2,114	2,121	-	-
5 to 10 years	17,868	17,972	-	-
More than 10 years	5,598	5,736	-	-
	25,580	25,829	-	-
State and political subdivisions:				
Within 1 year	535	537	5,239	5,280
1 to 5 years	30,558	30,591	15,754	16,423
5 to 10 years	23,538	23,457	18,535	20,054
More than 10 years	29,130	29,139	17,097	16,877
	83,761	83,724	56,625	58,634
Corporate bonds:				
1 to 5 years	258,929	259,852	-	-
5 to 10 years	46,476	46,004	-	-
More than 10 years	1,000	675	-	-
	306,405	306,531	-	-
Asset-backed securities:				
1 to 5 years	19,392	19,740	-	-
5 to 10 years	336,844	338,349	-	-
More than 10 years	110,917	110,949	-	-
	467,153	469,038	-	-
Other:				
More than 10 years	1,182	1,182	-	-
	1,182	1,182	-	-
Total securities other than mortgage-backed securities:				
Within 1 year	535	537	5,239	5,280
1 to 5 years	451,418	452,571	15,754	16,423
5 to 10 years	454,629	455,442	18,535	20,054
More than 10 years	147,827	147,681	17,097	16,877
Mortgage-backed securities	1,383,498	1,380,360	273,367	274,398
	$ 2,437,907	$ 2,436,591	$ 329,992	$ 333,032

Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations.

Note 5 – Loans and Allowance for Credit Losses

Major classifications of loans are summarized as of the dates indicated as follows *(in thousands)*.

	March 31, 2017	December 31, 2016
Owner occupied commercial real estate	$ 1,633,450	$ 1,650,360
Income producing commercial real estate	1,296,700	1,281,541
Commercial & industrial	1,079,837	1,069,715
Commercial construction	666,861	633,921
Total commercial	4,676,848	4,635,537
Residential mortgage	859,796	856,725
Home equity lines of credit	659,041	655,410
Residential construction	196,643	190,043
Consumer installment	112,461	123,567
Indirect auto	460,201	459,354
Total loans	6,964,990	6,920,636
Less allowance for loan losses	(60,543)	(61,422)
Loans, net	$ 6,904,447	$ 6,859,214

At March 31, 2017 and December 31, 2016, loans totaling $3.62 billion and $3.33 billion, respectively, were pledged as collateral to secure Federal Home Loan Bank advances and other contingent funding sources.

At March 31, 2017, the carrying value and outstanding balance of purchased credit impaired ("PCI") loans accounted for under ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, were $57.8 million and $80.8 million, respectively. At December 31, 2016, the carrying value and outstanding balance of PCI loans were $62.8 million and $87.9 million, respectively. The following table presents changes in the value of the accretable yield for PCI loans for the periods indicated *(in thousands)*:

	Three Months Ended March 31,	
	2017	2016
Balance at beginning of period	$ 7,981	$ 4,279
Accretion	(1,690)	(1,315)
Reclassification from nonaccretable difference	889	646
Changes in expected cash flows that do not affect nonaccretable difference	582	534
Balance at end of period	$ 7,762	$ 4,144

In addition to the accretable yield on PCI loans, the fair value adjustments on purchased loans outside the scope of ASC 310-30 are also accreted to interest revenue over the life of the loans. At March 31, 2017 and December 31, 2016, the remaining accretable fair value marks on loans acquired through a business combination and not accounted for under ASC 310-30 were $6.34 million and $7.14 million, respectively. In addition, indirect auto loans purchased at a premium outside of a business combination have a remaining premium of $11.2 million and $11.4 million, respectively, as of March 31, 2017 and December 31, 2016. During the three months ended March 31, 2017 and 2016, United purchased indirect auto loans of $39.8 million and $67.3 million, respectively.

The allowance for loan losses represents management's estimate of probable incurred losses in the loan portfolio as of the end of the period. The allowance for unfunded commitments is included in other liabilities in the consolidated balance sheet. Combined, the allowance for loan losses and allowance for unfunded commitments are referred to as the allowance for credit losses.

The following table presents the balance and activity in the allowance for credit losses by portfolio segment for the periods indicated *(in thousands)*.

Three Months Ended March 31, 2017	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance
Owner occupied commercial real estate	$ 16,446	$ (25)	$ 237	$ (989)	$ 15,669
Income producing commercial real estate	8,843	(897)	27	905	8,878
Commercial & industrial	3,810	(216)	368	(237)	3,725
Commercial construction	13,405	(202)	572	(985)	12,790
Residential mortgage	8,545	(542)	12	1,056	9,071
Home equity lines of credit	4,599	(471)	49	353	4,530
Residential construction	3,264	-	9	(6)	3,267
Consumer installment	708	(442)	207	136	609
Indirect auto	1,802	(420)	55	567	2,004
Total allowance for loan losses	61,422	(3,215)	1,536	800	60,543
Allowance for unfunded commitments	2,002	-	-	-	2,002
Total allowance for credit losses	$ 63,424	$ (3,215)	$ 1,536	$ 800	$ 62,545

Three Months Ended March 31, 2016	Beginning Balance	Charge-Offs	Recoveries	(Release) Provision	Ending Balance
Owner occupied commercial real estate	$ 18,016	$ (599)	$ 121	$ 452	$ 17,990
Income producing commercial real estate	11,548	(277)	103	(2,412)	8,962
Commercial & industrial	4,433	(572)	289	(1,001)	3,149
Commercial construction	9,553	(287)	120	3,827	13,213
Residential mortgage	12,719	(96)	11	(2,434)	10,200
Home equity lines of credit	5,956	(723)	91	607	5,931
Residential construction	4,002	(59)	43	778	4,764
Consumer installment	828	(307)	206	46	773
Indirect auto	1,393	(233)	31	137	1,328
Total allowance for loan losses	68,448	(3,153)	1,015	-	66,310
Allowance for unfunded commitments	2,542	-	-	(200)	2,342
Total allowance for credit losses	$ 70,990	$ (3,153)	$ 1,015	$ (200)	$ 68,652

The following table represents the recorded investment in loans by portfolio segment and the balance of the allowance for loan losses assigned to each segment based on the method of evaluating the loans for impairment as of the dates indicated *(in thousands)*.

	Allowance for Loan Losses							
	March 31, 2017				December 31, 2016			
	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance
Owner occupied commercial real estate	$ 1,607	$ 14,062	$ -	$ 15,669	$ 1,746	$ 14,700	$ -	$ 16,446
Income producing commercial real estate	907	7,971	-	8,878	885	7,919	39	8,843
Commercial & industrial	54	3,671	-	3,725	58	3,752	-	3,810
Commercial construction	171	12,613	6	12,790	168	13,218	19	13,405
Residential mortgage	875	8,196	-	9,071	517	7,997	31	8,545
Home equity lines of credit	2	4,528	-	4,530	2	4,597	-	4,599
Residential construction	66	3,200	1	3,267	64	3,198	2	3,264
Consumer installment	11	598	-	609	12	696	-	708
Indirect auto	-	2,004	-	2,004	-	1,802	-	1,802
Total allowance for loan losses	3,693	56,843	7	60,543	3,452	57,879	91	61,422
Allowance for unfunded commitments	-	2,002	-	2,002	-	2,002	-	2,002
Total allowance for credit losses	$ 3,693	$ 58,845	$ 7	$ 62,545	$ 3,452	$ 59,881	$ 91	$ 63,424

	Loans Outstanding							
	March 31, 2017				December 31, 2016			
	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance	Individually evaluated for impairment	Collectively evaluated for impairment	PCI	Ending Balance
Owner occupied commercial real estate	$ 29,699	$ 1,586,060	$ 17,691	$ 1,633,450	$ 31,421	$ 1,600,355	$ 18,584	$ 1,650,360
Income producing commercial real estate	28,265	1,245,324	23,111	1,296,700	30,459	1,225,763	25,319	1,281,541
Commercial & industrial	1,959	1,077,118	760	1,079,837	1,915	1,066,764	1,036	1,069,715
Commercial construction	4,907	654,284	7,670	666,861	5,050	620,543	8,328	633,921
Residential mortgage	13,549	840,373	5,874	859,796	13,706	836,624	6,395	856,725
Home equity lines of credit	63	657,015	1,963	659,041	63	653,337	2,010	655,410
Residential construction	1,602	194,498	543	196,643	1,594	187,516	933	190,043
Consumer installment	278	112,035	148	112,461	290	123,118	159	123,567
Indirect auto	1,055	459,146	-	460,201	1,165	458,189	-	459,354
Total loans	$ 81,377	$ 6,825,853	$ 57,760	$ 6,964,990	$ 85,663	$ 6,772,209	$ 62,764	$ 6,920,636

Management considers all non-PCI relationships that are on nonaccrual with a balance of $500,000 or greater and all troubled debt restructurings ("TDRs") to be impaired. In addition, management reviews all accruing substandard loans greater than $2 million to determine if the loan is impaired. A loan is considered impaired when, based on current events and circumstances, it is probable that all amounts due according to the original contractual terms of the loan will not be collected. All TDRs are considered impaired regardless of accrual status. Impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A specific reserve is established for impaired loans for the amount of calculated impairment. Interest payments received on impaired nonaccrual loans are applied as a reduction of the recorded investment in the loan. For impaired loans not on nonaccrual status, interest is accrued according to the terms of the loan agreement. Loans are evaluated for impairment quarterly and specific reserves are established in the allowance for loan losses for any measured impairment.

Each quarter, management prepares an analysis of the allowance for credit losses to determine the appropriate balance that measures and quantifies the amount of probable incurred losses in the loan portfolio and unfunded loan commitments. The allowance is comprised of specific reserves on individually impaired loans, which are determined as described above, and general reserves which are determined based on historical loss experience as adjusted for current trends and economic conditions multiplied by a loss emergence period factor.

Management calculates the loss emergence period for each pool of loans based on the weighted average length of time between the date a loan first exceeds 30 days past due and the date the loan is charged off.

On junior lien home equity loans, management has limited ability to monitor the delinquency status of the first lien unless the first lien is also held by United. As a result, management applies the weighted average historical loss factor for this category and appropriately adjusts it to reflect the increased risk of loss from these credits.

Management carefully reviews the resulting loss factors for each category of the loan portfolio and evaluates whether qualitative adjustments are necessary to take into consideration recent credit trends such as increases or decreases in past due, nonaccrual, criticized and classified loans, and other macro environmental factors such as changes in unemployment rates, lease vacancy rates and trends in property values and absorption rates.

Management believes that its method of determining the balance of the allowance for credit losses provides a reasonable and reliable basis for measuring and reporting losses that are incurred in the loan portfolio as of the reporting date.

When a loan officer determines that a loan is uncollectible, he or she is responsible for recommending that the loan be placed on nonaccrual status, evaluating the loan for impairment, and, if necessary, fully or partially charging off the loan. Full or partial charge-offs may also be recommended by the Collections Department, the Special Assets Department, the Loss Mitigation Department and the Foreclosure/OREO Department. Nonaccrual real estate loans are generally charged down to fair value less costs to sell at the time they are placed on nonaccrual status.

Commercial and consumer asset quality committees meet monthly to review charge-offs that have occurred during the previous month. Participants include the Chief Credit Officer, Senior Risk Officers and Senior Credit Officers.

Generally, closed-end retail loans (installment and residential mortgage loans) past due 90 cumulative days are written down to their collateral value less estimated selling costs. Open-end (revolving) unsecured retail loans which are past due 90 cumulative days from their contractual due date are generally charged-off.

The following table presents loans individually evaluated for impairment by class of loans as of the dates indicated *(in thousands)*.

	March 31, 2017			December 31, 2016		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded:						
Owner occupied commercial real estate	$ 7,335	$ 6,839	$ -	$ 9,171	$ 8,477	$ -
Income producing commercial real estate	15,168	15,168	-	16,864	16,864	-
Commercial & industrial	740	653	-	421	334	-
Commercial construction	845	740	-	845	841	-
Total commercial	24,088	23,400	-	27,301	26,516	-
Residential mortgage	630	622	-	630	628	-
Home equity lines of credit	-	-	-	-	-	-
Residential construction	-	-	-	-	-	-
Consumer installment	-	-	-	-	-	-
Indirect auto	1,055	1,055	-	1,165	1,165	-
Total with no related allowance recorded	25,773	25,077	-	29,096	28,309	-
With an allowance recorded:						
Owner occupied commercial real estate	23,493	22,860	1,607	23,574	22,944	1,746
Income producing commercial real estate	13,187	13,097	907	13,681	13,595	885
Commercial & industrial	1,406	1,306	54	1,679	1,581	58
Commercial construction	4,596	4,167	171	4,739	4,209	168
Total commercial	42,682	41,430	2,739	43,673	42,329	2,857
Residential mortgage	13,428	12,927	875	13,565	13,078	517
Home equity lines of credit	63	63	2	63	63	2
Residential construction	1,957	1,602	66	1,947	1,594	64
Consumer installment	280	278	11	293	290	12
Indirect auto	-	-	-	-	-	-
Total with an allowance recorded	58,410	56,300	3,693	59,541	57,354	3,452
Total	$ 84,183	$ 81,377	$ 3,693	$ 88,637	$ 85,663	$ 3,452

As of March 31, 2017 and December 31, 2016, $3.16 million and $2.90 million, respectively, of specific reserves were allocated to customers whose loan terms have been modified in TDRs. United committed to lend additional amounts totaling up to $77,000 and $95,000 as of March 31, 2017 and December 31, 2016, respectively, to customers with outstanding loans that are classified as TDRs.

The modification of the TDR terms included one or a combination of the following: a reduction of the stated interest rate of the loan or 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" where 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. Modified PCI loans are not accounted for as TDRs because they are not separated from the pools, and as such are not classified as impaired loans.

Loans modified under the terms of a TDR during the three months ended March 31, 2017 and 2016 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 periods presented and were initially restructured within one year prior to default *(dollars in thousands)*.

	New TDRs						TDRs Modified Within the Previous Twelve Months That Have Subsequently Defaulted during the Three Months Ended March 31,	
		Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment by Type of Modification					
Three Months Ended March 31, 2017	Number of Contracts		Rate Reduction	Structure	Other	Total	Number of Contracts	Recorded Investment
Owner occupied commercial real estate	-	$ -	$ -	$ -	$ -	$ -	-	$ -
Income producing commercial real estate	-	-	-	-	-	-	-	-
Commercial & industrial	1	25	-	25	-	25	-	-
Commercial construction	-	-	-	-	-	-	-	-
Total commercial	1	25	-	25	-	25	-	-
Residential mortgage	7	353	-	353	-	353	2	655
Home equity lines of credit	-	-	-	-	-	-	-	-
Residential construction	1	40	40	-	-	40	-	-
Consumer installment	1	6	-	6	-	6	-	-
Indirect auto	-	-	-	-	-	-	-	-
Total loans	10	$ 424	$ 40	$ 384	$ -	$ 424	2	$ 655
Three Months Ended March 31, 2016								
Owner occupied commercial real estate	3	$ 649	$ -	$ 649	$ -	$ 649	1	$ 247
Income producing commercial real estate	-	-	-	-	-	-	-	-
Commercial & industrial	1	197	-	197	-	197	-	-
Commercial construction	1	66	-	-	66	66	-	-
Total commercial	5	912	-	846	66	912	1	247
Residential mortgage	7	799	414	349	-	763	-	-
Home equity lines of credit	-	-	-	-	-	-	-	-
Residential construction	-	-	-	-	-	-	-	-
Consumer installment	1	20	-	20	-	20	-	-
Indirect auto	-	-	-	-	-	-	-	-
Total loans	13	$ 1,731	$ 414	$ 1,215	$ 66	$ 1,695	1	$ 247

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

The average balances of impaired loans and income recognized on impaired loans while they were considered impaired are presented below for the periods indicated *(in thousands)*.

	2017			2016		
Three Months Ended March 31,	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received	Average Balance	Interest Revenue Recognized During Impairment	Cash Basis Interest Revenue Received
Owner occupied commercial real estate	$ 29,858	$ 345	$ 336	$ 33,696	$ 448	$ 466
Income producing commercial real estate	28,410	351	345	27,402	315	334
Commercial & industrial	1,939	27	28	2,385	30	26
Commercial construction	5,001	53	53	5,492	70	70
Total commercial	65,208	776	762	68,975	863	896
Residential mortgage	13,608	138	143	15,334	157	152
Home equity lines of credit	63	1	1	63	1	1
Residential construction	1,619	23	23	1,418	20	17
Consumer installment	287	5	6	341	6	7
Indirect auto	1,122	14	14	784	11	11
Total	$ 81,907	$ 957	$ 949	$ 86,915	$ 1,058	$ 1,084

Nonaccrual loans include both homogeneous loans that are collectively evaluated for impairment and individually evaluated impaired loans. United's policy is to place loans on nonaccrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in full or when the loan becomes 90 days past due and is not well secured and in the process of collection. When a loan is classified on nonaccrual status, interest previously accrued but not collected is reversed against current interest revenue. Principal and interest payments received on a nonaccrual loan are applied to reduce the loan's recorded investment.

PCI loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. However, these loans are considered to be performing, even though they may be contractually past due, as any non-payment of contractual principal or interest is considered in the periodic re-estimation of expected cash flows and is included in the resulting recognition of current period loan loss provision or future period yield adjustments. The accrual of interest is discontinued on PCI loans if management can no longer reliably estimate future cash flows on the loan. No PCI loans were classified as nonaccrual at March 31, 2017 or December 31, 2016 as the carrying value of the respective loan or pool of loans cash flows were considered estimable and probable of collection. Therefore, interest revenue, through accretion of the difference between the carrying value of the loans and the expected cash flows, is being recognized on all PCI loans.

The gross additional interest revenue that would have been earned if the loans classified as nonaccrual had performed in accordance with the original terms was approximately $277,000 and $254,000 for the three months ended March 31, 2017 and 2016, respectively.

The following table presents the recorded investment in nonaccrual loans by loan class as of the dates indicated *(in thousands)*.

	March 31, 2017	December 31, 2016
Owner occupied commercial real estate	$ 6,135	$ 7,373
Income producing commercial real estate	1,540	1,324
Commercial & industrial	929	966
Commercial construction	1,069	1,538
Total commercial	9,673	11,201
Residential mortgage	6,455	6,368
Home equity lines of credit	1,848	1,831
Residential construction	417	776
Consumer installment	102	88
Indirect auto	1,317	1,275
Total	$ 19,812	$ 21,539

Excluding PCI loans, substantially all loans more than 90 days past due were on nonaccrual status at March 31, 2017 and December 31, 2016. The following table presents the aging of the recorded investment in past due loans by class of loans as of the dates indicated *(in thousands)*.

	Loans Past Due				Loans Not		
As of March 31, 2017	**30 - 59 Days**	**60 - 89 Days**	**> 90 Days**	**Total**	**Past Due**	**PCI Loans**	**Total**
Owner occupied commercial real estate	1,947	1,472	3,866	7,285	1,608,474	17,691	1,633,450
Income producing commercial real estate	1,894	165	413	2,472	1,271,117	23,111	1,296,700
Commercial & industrial	1,928	1,045	72	3,045	1,076,032	760	1,079,837
Commercial construction	795	833	153	1,781	657,410	7,670	666,861
Total commercial	6,564	3,515	4,504	14,583	4,613,033	49,232	4,676,848
Residential mortgage	3,955	2,861	1,872	8,688	845,234	5,874	859,796
Home equity lines of credit	1,182	76	429	1,687	655,391	1,963	659,041
Residential construction	541	22	120	683	195,417	543	196,643
Consumer installment	421	149	43	613	111,700	148	112,461
Indirect auto	535	346	929	1,810	458,391	-	460,201
Total loans	13,198	6,969	7,897	28,064	6,879,166	57,760	6,964,990

	Loans Past Due				Loans Not		
As of December 31, 2016	**30 - 59 Days**	**60 - 89 Days**	**> 90 Days**	**Total**	**Past Due**	**PCI Loans**	**Total**
Owner occupied commercial real estate	$ 2,195	$ 1,664	$ 3,386	$ 7,245	$ 1,624,531	$ 18,584	$ 1,650,360
Income producing commercial real estate	1,373	355	330	2,058	1,254,164	25,319	1,281,541
Commercial & industrial	943	241	178	1,362	1,067,317	1,036	1,069,715
Commercial construction	452	14	292	758	624,835	8,328	633,921
Total commercial	4,963	2,274	4,186	11,423	4,570,847	53,267	4,635,537
Residential mortgage	7,221	1,799	1,700	10,720	839,610	6,395	856,725
Home equity lines of credit	1,996	101	957	3,054	650,346	2,010	655,410
Residential construction	950	759	51	1,760	187,350	933	190,043
Consumer installment	633	117	35	785	122,623	159	123,567
Indirect auto	1,109	301	909	2,319	457,035	-	459,354
Total loans	$ 16,872	$ 5,351	$ 7,838	$ 30,061	$ 6,827,811	$ 62,764	$ 6,920,636

Risk Ratings

United categorizes commercial loans 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:

Watch. 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.

Consumer Purpose Loans. United applies a pass / fail grading system to all consumer purpose loans. Under the pass / fail grading system, consumer purpose loans that become past due 90 days or are in bankruptcy are classified as "fail" and all other loans are classified as "pass". For reporting purposes, consumer purpose loans classified as "fail" are reported in the substandard column and all other consumer purpose loans are reported in the "pass" column.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans.

Based on the most recent analysis performed, the risk category of loans by class of loans as of the dates indicated is as follows *(in thousands)*.

As of March 31, 2017	Pass	Watch	Substandard	Doubtful / Loss	Total
Owner occupied commercial real estate	$ 1,557,667	$ 22,799	$ 35,293	$ -	$ 1,615,759
Income producing commercial real estate	1,236,410	13,793	23,386	-	1,273,589
Commercial & industrial	1,064,945	3,155	10,977	-	1,079,077
Commercial construction	647,400	5,746	6,045	-	659,191
Total commercial	4,506,422	45,493	75,701	-	4,627,616
Residential mortgage	833,846	-	20,076	-	853,922
Home equity lines of credit	650,500	-	6,578	-	657,078
Residential construction	193,850	-	2,250	-	196,100
Consumer installment	111,610	-	703	-	112,313
Indirect auto	457,596	-	2,605	-	460,201
Total loans, excluding PCI loans	$ 6,753,824	$ 45,493	$ 107,913	$ -	$ 6,907,230
Owner occupied commercial real estate	$ 1,956	$ 3,357	$ 12,378	$ -	$ 17,691
Income producing commercial real estate	11,874	8,940	2,297	-	23,111
Commercial & industrial	269	167	324	-	760
Commercial construction	3,126	956	3,588	-	7,670
Total commercial	17,225	13,420	18,587	-	49,232
Residential mortgage	4,863	-	1,011	-	5,874
Home equity lines of credit	904	-	1,059	-	1,963
Residential construction	518	-	25	-	543
Consumer installment	92	-	56	-	148
Indirect auto	-	-	-	-	-
Total PCI loans	$ 23,602	$ 13,420	$ 20,738	$ -	$ 57,760
As of December 31, 2016					
Owner occupied commercial real estate	$ 1,577,301	$ 18,029	$ 36,446	$ -	$ 1,631,776
Income producing commercial real estate	1,220,626	8,502	27,094	-	1,256,222
Commercial & industrial	1,055,282	4,188	9,209	-	1,068,679
Commercial construction	612,900	6,166	6,527	-	625,593
Total commercial	4,466,109	36,885	79,276	-	4,582,270
Residential mortgage	829,844	-	20,486	-	850,330
Home equity lines of credit	647,425	-	5,975	-	653,400
Residential construction	185,643	-	3,467	-	189,110
Consumer installment	122,736	-	672	-	123,408
Indirect auto	456,717	-	2,637	-	459,354
Total loans, excluding PCI loans	$ 6,708,474	$ 36,885	$ 112,513	$ -	$ 6,857,872
Owner occupied commercial real estate	$ 2,044	$ 3,444	$ 13,096	$ -	$ 18,584
Income producing commercial real estate	13,236	8,474	3,609	-	25,319
Commercial & industrial	216	160	660	-	1,036
Commercial construction	3,212	1,265	3,851	-	8,328
Total commercial	18,708	13,343	21,216	-	53,267
Residential mortgage	5,189	-	1,206	-	6,395
Home equity lines of credit	1,094	-	916	-	2,010
Residential construction	898	-	35	-	933
Consumer installment	159	-	-	-	159
Indirect auto	-	-	-	-	-
Total PCI loans	$ 26,048	$ 13,343	$ 23,373	$ -	$ 62,764

Note 6 – Reclassifications Out of Accumulated Other Comprehensive Income

The following table presents the details regarding amounts reclassified out of accumulated other comprehensive income for the periods indicated *(in thousands)*.

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income For the three months ended March 31, 2017	2016	Affected Line Item in the Statement Where Net Income is Presented
Realized (losses) gains on available-for-sale securities:			
	$ (2)	$ 379	Securities (losses) gains, net
	1	(141)	Income tax benefit (expense)
	$ (1)	$ 238	Net of tax
Amortization of losses included in net income on available-for-sale securities transferred to held to maturity:			
	$ (310)	$ (464)	Investment securities interest revenue
	116	181	Income tax benefit
	$ (194)	$ (283)	Net of tax
Amortization of losses included in net income on derivative financial instruments accounted for as cash flow hedges:			
Amortization of losses on de-designated positions	$ -	$ (7)	Deposits in banks and short-term investments interest revenue
Amortization of losses on de-designated positions	(149)	(191)	Money market deposit interest expense
Amortization of losses on de-designated positions	(264)	(302)	Federal Home Loan Bank advances interest expense
	(413)	(500)	Total before tax
	161	195	Income tax benefit
	$ (252)	$ (305)	Net of tax
Reclassification of disproportionate tax effect related to terminated cash flow hedges:			
	$ (3,400)	$ -	Income tax expense
Amortization of prior service cost and actuarial losses included in net periodic pension cost for defined benefit pension plan:			
Prior service cost	$ (140)	$ (125)	Salaries and employee benefits expense
Actuarial losses	(60)	(42)	Salaries and employee benefits expense
	(200)	(167)	Total before tax
	79	65	Income tax benefit
	$ (121)	$ (102)	Net of tax
Total reclassifications for the period	$ (3,968)	$ (452)	Net of tax

Amounts shown above in parentheses reduce earnings.

Note 7 – Earnings Per Share

United is required to report on the face of the consolidated statement of income, earnings per common share with and without the dilutive effects of potential common stock issuances from instruments such as options, convertible securities and warrants. Basic earnings per common share is based on the weighted average number of common shares outstanding during the period while the effects of potential common shares outstanding during the period are included in diluted earnings per common share.

During the three months ended March 31, 2016, United accrued dividends of $21,000 on its Series H preferred stock. The Series H preferred stock was redeemed in the first quarter of 2016; accordingly, United did not accrue any dividends for the first quarter of 2017.

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated *(in thousands, except per share data).*

	Three Months Ended March 31, 2017	2016
Net income available to common shareholders	$ 23,524	$ 22,274
Weighted average shares outstanding:		
Basic	71,700	72,162
Effect of dilutive securities		
Stock options	8	4
Diluted	71,708	72,166
Net income per common share:		
Basic	$ .33	$ .31
Diluted	$ .33	$ .31

At March 31, 2017, United had the following potentially dilutive stock options and warrants outstanding: a warrant to purchase 219,909 shares of common stock at $61.40 per share; 64,942 shares of common stock issuable upon exercise of stock options granted to employees with a weighted average exercise price of $28.34; and 575,835 shares of common stock issuable upon the vesting of restricted stock unit awards.

At March 31, 2016, United had the following potentially dilutive stock options and warrants outstanding: a warrant to purchase 219,909 shares of common stock at $61.40 per share; 235,771 shares of common stock issuable upon exercise of stock options granted to employees with a weighted average exercise price of $89.61; and 597,240 shares of common stock issuable upon the vesting of restricted stock unit awards.

Note 8 – Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

United is exposed to certain risks arising from both its business operations and economic conditions. United principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. United manages interest rate risk primarily by managing the amount, sources, and duration of its investment securities portfolio and wholesale funding and through the use of derivative financial instruments. Specifically, United enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Derivative financial instruments are used to manage differences in the amount, timing, and duration of known or expected cash receipts and known or expected cash payments principally related to loans, investment securities, wholesale borrowings and deposits.

In conjunction with the FASB's fair value measurement guidance, United made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a gross basis.

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 sheet *(in thousands)*.

Derivatives designated as hedging instruments under ASC 815

		Fair Value	
Interest Rate Products	**Balance Sheet Location**	**March 31, 2017**	**December 31, 2016**
Fair value hedge of corporate bonds	Derivative assets	$ 370	$ 265
		$ 370	$ 265
Fair value hedge of brokered CD's	Derivative liabilities	$ 1,936	$ 1,980
		$ 1,936	$ 1,980

Derivatives not designated as hedging instruments under ASC 815

		Fair Value	
Interest Rate Products	**Balance Sheet Location**	**March 31, 2017**	**December 31, 2016**
Customer derivative positions	Derivative assets	$ 3,283	$ 5,266
Dealer offsets to customer derivative positions	Derivative assets	5,825	3,869
Mortgage banking - loan commitment	Derivative assets	1,915	1,552
Mortgage banking - forward sales commitment	Derivative assets	4	534
Bifurcated embedded derivatives	Derivative assets	10,734	10,225
Offsetting positions for de-designated hedges	Derivative assets	-	1,977
		$ 21,761	$ 23,423
Customer derivative positions	Derivative liabilities	$ 5,825	$ 3,897
Dealer offsets to customer derivative positions	Derivative liabilities	3,345	5,328
Risk participations	Derivative liabilities	22	26
Mortgage banking - forward sales commitment	Derivative liabilities	320	96
Dealer offsets to bifurcated embedded derivatives	Derivative liabilities	14,622	14,341
De-designated hedges	Derivative liabilities	355	1,980
		$ 24,489	$ 25,668

Customer derivative positions are between United and certain commercial loan customers with offsetting positions to dealers under a back-to-back swap/cap program. United also has three interest rate swap contracts that are not designated as hedging instruments but are economic hedges of market-linked brokered certificates of deposit. The market-linked brokered certificates of deposit contain embedded derivatives that are bifurcated from the host instruments and are 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 with changes in 90-day LIBOR and therefore provide an economic hedge.

To accommodate customers, 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.

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 enters into forward sale agreements to mitigate risk and to protect the expected gain on the eventual loan sale. Most of this hedging activity is executed on a matched basis, with a loan sale commitment hedging a specific loan. The commitments to originate residential mortgage loans and forward loan sales commitments are freestanding derivative instruments. Beginning late in the third quarter of 2016 for newly originated mortgage loans, United began to account for the underlying loans at fair value pursuant to the fair value option, and these loans are not reflected in the table above. Fair value adjustments on these derivative instruments are recorded within mortgage loan and other related fee income in the consolidated statement of income.

Cash Flow Hedges of Interest Rate Risk

At March 31, 2017 and December 31, 2016 United did not have any active cash flow hedges. Changes in balance sheet composition and interest rate risk position made cash flow hedges no longer necessary as protection against rising interest rates. The loss remaining in other comprehensive income on the de-designated swaps is being amortized into earnings over the original term of the swaps as the forecasted transactions that the swaps were originally designated to hedge are still expected to occur. United expects that $625,000 will be reclassified as an increase to interest expense over the next twelve months related to these cash flow hedges.

The table below presents the effect of cash flow hedges on the consolidated statement of income for the periods indicated *(in thousands)*.

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)		Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)			Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)		
	2017	2016	Location	2017	2016	Location	2017	2016
Three Months Ended March 31,								
Interest rate swaps	$ -	$ -	Interest expense	$ (413)	$ (500)	Interest expense	$ -	$ -

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. Interest rate swaps designated as fair value hedges of brokered deposits involve the receipt of fixed-rate amounts from a counterparty in exchange for United making variable rate payments over the life of the agreements without the exchange of the underlying notional amount. Interest rate swaps designated as fair value hedges of fixed-rate investments involve the receipt of variable-rate payments from a counterparty in exchange for United making fixed-rate payments over the life of the instrument without the exchange of the underlying notional amount. At March 31, 2017, United had four interest rate swaps with a notional amount of $40.7 million that were designated as fair value hedges of interest rate risk and were pay-variable / receive-fixed swaps hedging the changes in the fair value of fixed-rate brokered time deposits resulting from changes in interest rates. Also at March 31, 2017, United had one interest rate swap with a notional value of $30 million that was designated as a pay-fixed / receive-variable fair value hedge of changes in the fair value of a fixed-rate corporate bond. At December 31, 2016, United had one interest rate swap with an aggregate notional amount of $12.8 million that was designated as a fair value hedge of interest rate risk and was pay-variable / receive-fixed, hedging the changes in the fair value of fixed-rate brokered time deposits resulting from changes in interest rates. Also at December 31, 2016, United had one interest rate swap with a notional value of $30 million that was designated as a pay-fixed / receive-variable fair value hedge of changes in the fair value of a fixed-rate corporate bond.

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. During the three months ended March 31, 2017 and 2016, United recognized net losses of $125,000 and net gains of $638,000, respectively, related to ineffectiveness in the fair value hedging relationships. The ineffectiveness gains were almost entirely offset by the write-off of unamortized prepaid broker fees that were incurred as part of the original brokered certificates of deposit. The 2016 ineffectiveness gains mostly resulted from called hedging transactions where United was short the call option in the swap and long the call option on the hedged items (brokered certificates of deposit). Since the instruments were called at par, the difference between the carrying amount of the swap (fair value) and the carrying amount of the hedged item (fair value) on the call date created the ineffectiveness gains. United also recognized net reductions of interest expense of $32,000 and $790,000, respectively, for the three months ended March 31, 2017 and 2016 related to fair value hedges of brokered time deposits, which includes net settlements on the derivatives. United recognized reductions of interest revenue on securities during the three months ended March 31, 2017 and 2016 of $93,000 and $129,000, respectively, related to fair value hedges of corporate bonds.

The table below presents the effect of derivatives in fair value hedging relationships on the consolidated statement of income for the periods indicated *(in thousands)*.

	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative		Amount of Gain (Loss) Recognized in Income on Hedged Item	
		2017	2016	2017	2016
Three Months Ended March 31,					
Fair value hedges of brokered CDs	Interest expense	$ (274)	$ 2,551	$ 189	$ (1,800)
Fair value hedges of corporate bonds	Interest revenue	106	(1,614)	(146)	1,501
		$ (168)	$ 937	$ 43	$ (299)

In certain cases, the estate of deceased brokered certificate of deposit holders may put the certificate of deposit back to United at par upon the death of the holder. When these estate puts occur, a gain or loss is recognized for the difference between the fair value and the par amount of the deposits put back. The change in the fair value of brokered time deposits that are being hedged in fair value hedging relationships reported in the table above includes gains and losses from estate puts and such gains and losses are included in the amount of reported ineffectiveness gains or losses.

Derivatives Not Designated as Hedging Instruments under ASC 815

The table below presents the gains and losses recognized in income on derivatives not designated as hedging instruments under ASC 815 for the periods indicated *(in thousands)*.

	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
		2017	2016
Three Months Ended March 31,			
Customer derivatives and dealer offsets	Other fee revenue	$ 475	$ 755
Bifurcated embedded derivatives and dealer offsets	Other fee revenue	63	(296)
Mortgage banking derivatives	Mortgage loan revenue	124	-
Risk participations	Other fee revenue	4	-
		$ 666	$ 459

Credit-Risk-Related Contingent Features

United manages its credit exposure on derivatives transactions by entering into a bilateral credit support agreement with each 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. As of March 31, 2017, collateral totaling $18.9 million was pledged toward derivatives in a liability position.

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 derivatives 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 contain a provision where 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.

Note 9 – Stock-Based Compensation

United has an equity compensation plan that allows for grants of incentive stock options, nonqualified stock options, restricted stock and restricted stock unit awards (also referred to as "nonvested stock" awards), stock awards, performance share awards or stock appreciation rights. Options granted under the plan can have an exercise price no less than the fair market value of the underlying stock at the date of grant. The general terms of the plan include a vesting period (usually four years) with an exercisable period not to exceed ten years. Certain options, restricted stock and restricted stock unit awards provide for accelerated vesting if there is a change in control (as defined in the plan). Through March 31, 2017, incentive stock options, nonqualified stock options, restricted stock and restricted stock unit awards, base salary stock grants and performance share awards have been granted under the plan. As of March 31, 2017, 2.18 million additional awards remained available for grant under the plan.

The following table shows stock option activity for the first three months of 2017.

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinisic Value ($000)
Outstanding at December 31, 2016	72,665	$ 34.34		
Expired	(7,723)	84.78		
Outstanding at March 31, 2017	64,942	28.34	3.6	$ 343
Exercisable at March 31, 2017	58,692	29.61	3.2	273

The fair value of each option is estimated on the date of grant using the Black-Scholes model. No stock options were granted during the three months ended March 31, 2017 and 2016.

United's stock option exercise patterns were significantly impacted by the past economic downturn, which rendered most of United's outstanding options worthless to the grantee. Therefore, historical exercise patterns do not provide a reasonable basis for determining the expected life of new option grants. United therefore uses the formula provided in ASC 718-10-S99 to determine the expected life of options.

United recognized $7,000 in compensation expense related to stock options during each of the three months ended March 31, 2017 and 2016. The amount of compensation expense was determined based on the fair value of the options at the time of grant, multiplied by the number of options granted that were expected to vest, which was then amortized over the vesting period. No options were exercised during the first three months of 2017 or 2016.

The table below presents restricted stock units activity for the first three months of 2017.

Restricted Stock Unit Awards	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2016	690,970	$ 18.60
Granted	6,391	28.70
Vested	(117,609)	16.77
Cancelled	(3,917)	19.44
Outstanding at March 31, 2017	575,835	19.08

Compensation expense for restricted stock units is based on the fair value of restricted stock unit awards at the time of grant, which is equal to the 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 vesting period. For the three months ended March 31, 2017 and 2016, compensation expense of $1.26 million and $898,000, respectively, was recognized related to restricted stock unit awards. In addition, for the three months ended March 31, 2017 and 2016, $52,000 and $12,000, respectively, was recognized in other operating expense for restricted stock unit awards granted to members of United's board of directors. The total intrinsic value of outstanding restricted stock unit awards was $15.9 million at March 31, 2017.

As of March 31, 2017, there was $8.59 million of unrecognized expense related to non-vested stock options and restricted stock unit awards granted under the plan. That cost is expected to be recognized over a weighted-average period of 2.65 years. The aggregate grant date fair value of options and restricted stock unit awards that vested during the three months ended March 31, 2017 was $3.39 million.

Note 10 – Common and Preferred Stock Issued / Common Stock Issuable

United sponsors a Dividend Reinvestment and Share Purchase Plan ("DRIP") that allows participants who already own United's common stock to purchase additional shares directly from United. The DRIP also allows participants to automatically reinvest their quarterly dividends in additional shares of common stock without a commission. In the three months ended March 31, 2017 and 2016, 904 shares and 736 shares, respectively, were issued through the DRIP.

In addition, United has an Employee Stock Purchase Program ("ESPP") that allows eligible employees to purchase shares of common stock at a 10% discount, with no commission charges. During the first three months of 2017 and 2016, United issued 3,335 shares and 4,418 shares, respectively, through the ESPP.

United offers its common stock as an investment option in its deferred compensation plan. United also allows for the deferral of restricted stock unit awards. The common stock component of the deferred compensation plan is accounted for as an equity instrument and is reflected in the consolidated financial statements as common stock issuable. The deferred compensation plan does not allow for diversification once an election is made to invest in United's common stock and settlement must be accomplished in shares at the time the deferral period is completed. At March 31, 2017 and December 31, 2016, 546,511 and 519,874 shares of common stock, respectively, were issuable under the deferred compensation plan.

On March 22, 2016, United announced that its Board of Directors had authorized a program to repurchase up to $50 million of United's outstanding common stock through December 31, 2017. Under the program, the shares may be repurchased periodically in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws. The actual timing, number and value of shares repurchased under the program depends on a number of factors, including the market price of United's common stock, general market and economic conditions, and applicable legal requirements. During the first three months of 2017, United did not repurchase any shares under the program. As of March 31, 2017, $36.3 million of United's outstanding common stock may be repurchased under the program.

Note 11 – Income Taxes

The income tax provision for the three months ended March 31, 2017 and 2016 was $18.5 million and $13.6 million, respectively, which represents an effective tax rate of 44.0% and 37.9%, respectively, for each period. Upon reversal of United's former full deferred tax valuation allowance in 2013, certain disproportionate tax effects were retained in accumulated other comprehensive income (loss). During the first quarter of 2017, with the maturity and termination of certain dedesignated cash flow hedges, the disproportionate tax effect associated with these hedges was reversed and recorded as a tax expense of $3.40 million, which was the primary reason for the increase in the effective tax rate compared to the first quarter of 2016.

At March 31, 2017 and December 31, 2016, United maintained a valuation allowance on its net deferred tax asset of $3.99 million and $3.88 million, respectively. Management assesses the valuation allowance recorded against its net deferred tax asset at each reporting period. The determination of whether a valuation allowance for its net deferred tax asset is appropriate is subject to considerable judgment and requires an evaluation of all the positive and negative evidence.

United evaluated the need for a valuation allowance at March 31, 2017. Based on the assessment of all the positive and negative evidence, management concluded that it is more likely than not that nearly all of its net deferred tax asset will be realized based upon future taxable income. The remaining valuation allowance of $3.99 million is related to specific state income tax credits that have short carryforward periods and 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 March 31, 2017 that it was more likely than not that the net deferred tax asset of $139 million will be realized is based upon management's estimate of future taxable income. Management's estimate of future taxable income is based on internal forecasts that 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 its net deferred tax asset. Such an increase to the net deferred tax asset valuation allowance could have a material adverse effect on United's financial condition and results of operations.

United is subject to income taxation in the United States and various state jurisdictions. United's federal and state income tax returns are filed on a consolidated basis. Currently, no years for which United filed a federal income tax return are under examination by the IRS, and there are no state tax examinations currently in progress. United is no longer subject to income tax examinations from state and local income tax authorities for years before 2013. Although it is not possible to know the ultimate outcome of future examinations, management believes that the liability recorded for uncertain tax positions is appropriate. At March 31, 2017 and December 31, 2016, unrecognized income tax benefits totaled $4.00 million and $3.89 million, respectively.

Note 12 – Assets and Liabilities Measured at Fair Value

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.

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

Securities Available-for-Sale

Investment securities available-for-sale 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, United States Department of Treasury ("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 asset-backed securities in less liquid markets. Securities classified as Level 3 are valued based on estimates obtained from broker-dealers and are not directly observable.

Deferred Compensation Plan Assets and Liabilities

Included in other assets in the consolidated balance sheet 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

Beginning in the third quarter of 2016, United elected the fair value option for newly originated mortgage loans held for sale. United elected the fair value option for its 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 (Level 2).

Loans

United does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if repayment of the loan is dependent upon the sale of the underlying collateral.

Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with ASC 820, *Fair Value Measures and Disclosures*, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. 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 of the collateral is further impaired below the appraised value and there is no observable market price, United records the impaired loan as nonrecurring Level 3.

Derivative Financial Instruments

United uses interest rate swaps and interest rate floors to manage its 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.

To comply with the provisions of ASC 820, United incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and 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, mutual puts, and guarantees.

Although management has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of March 31, 2017, management had assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. Derivatives classified as Level 3 included structured derivatives for which broker quotes, used as a key valuation input, were not observable consistent with a Level 2 disclosure. The fair value of risk participations incorporates Level 3 inputs to evaluate the likelihood of customer default. The fair value of interest rate lock commitments, which is related to mortgage loan commitments, is categorized as Level 3 based on unobservable inputs for commitments that United does not expect to fund.

Servicing Rights for SBA/USDA Loans

United recognizes servicing rights upon the sale of SBA/USDA loans sold with servicing retained. Management has elected to carry this asset at fair value. Given the nature of the asset, the key valuation inputs are unobservable and management classifies this asset as Level 3.

Residential Mortgage Servicing Rights

United recognizes servicing rights upon the sale of residential mortgage loans sold with servicing retained. Effective January 1, 2017, management has elected to carry this asset at fair value. Given the nature of the asset, the key valuation inputs are unobservable and management classifies this asset as Level 3. The cumulative effect adjustment of this election to retained earnings, net of income tax effect, was $437,000.

Pension Plan Assets

For information on the fair value of pension plan assets, see Note 18 in the Annual Report on Form 10-K for the year ended December 31, 2016.

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 as of the dates indicated, aggregated by the level in the fair value hierarchy within which those measurements fall *(in thousands)*.

March 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Securities available for sale:				
U.S. Treasuries	$ 169,927	$ -	$ -	$ 169,927
U.S. Agencies	-	25,829	-	25,829
State and political subdivisions	-	83,724	-	83,724
Mortgage-backed securities	-	1,380,360	-	1,380,360
Corporate bonds	-	305,856	675	306,531
Asset-backed securities	-	469,038	-	469,038
Other	-	1,182	-	1,182
Mortgage loans held for sale	-	15,845	-	15,845
Deferred compensation plan assets	4,900	-	-	4,900
Servicing rights for government guaranteed loans	-	-	5,997	5,997
Residential mortgage servicing rights	-	-	5,971	5,971
Derivative financial instruments	-	9,482	12,649	22,131
Total assets	$ 174,827	$ 2,291,316	$ 25,292	$ 2,491,435
Liabilities:				
Deferred compensation plan liability	$ 4,900	$ -	$ -	$ 4,900
Derivative financial instruments	-	9,845	16,580	26,425
Total liabilities	$ 4,900	$ 9,845	$ 16,580	$ 31,325

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Securities available for sale				
U.S. Treasuries	$ 169,616	$ -	$ -	$ 169,616
U.S. Agencies	-	20,820	-	20,820
State and political subdivisions	-	74,177	-	74,177
Mortgage-backed securities	-	1,391,682	-	1,391,682
Corporate bonds	-	304,717	675	305,392
Asset-backed securities	-	469,569	-	469,569
Other	-	1,182	-	1,182
Mortgage loans held for sale	-	27,891	-	27,891
Deferred compensation plan assets	4,161	-	-	4,161
Servicing rights for government guaranteed loans	-	-	5,752	5,752
Derivative financial instruments	-	11,911	11,777	23,688
Total assets	$ 173,777	$ 2,301,949	$ 18,204	$ 2,493,930
Liabilities:				
Deferred compensation plan liability	$ 4,161	$ -	$ -	$ 4,161
Derivative financial instruments	-	11,301	16,347	27,648
Total liabilities	$ 4,161	$ 11,301	$ 16,347	$ 31,809

The following table shows a reconciliation of the beginning and ending balances for the periods indicated for assets 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	Servicing rights for government guaranteed loans	Residential mortgage servicing rights	Securities Available-for-Sale
Three Months Ended March 31, 2017					
Balance at beginning of period	$ 11,777	$ 16,347	$ 5,752	$ -	$ 675
Transfer from amortization method to fair value	-	-	-	5,070	-
Additions	-	-	553	866	-
Sales and settlements	(384)	(550)	(263)	(40)	-
Amounts included in earnings - fair value adjustments	1,256	783	(45)	75	-
Balance at end of period	$ 12,649	$ 16,580	$ 5,997	$ 5,971	$ 675
Three Months Ended March 31, 2016					
Balance at beginning of period	$ 9,418	$ 15,794	$ 3,712	$ -	$ 750
Additions	-	-	299	-	-
Sales and settlements	-	-	(98)	-	-
Other comprehensive income	-	-	-	-	(100)
Amounts included in earnings - fair value adjustments	(5,503)	(5,643)	(15)	-	-
Balance at end of period	$ 3,915	$ 10,151	$ 3,898	$ -	$ 650

The following table presents quantitative information about Level 3 fair value measurements for fair value on a recurring basis as of the dates indicated *(in thousands).*

Level 3 Assets and Liabilities	Fair Value March 31, 2017	Fair Value December 31, 2016	Valuation Technique	Unobservable Inputs	Weighted Average March 31, 2017	Weighted Average December 31, 2016
Servicing rights for government guaranteed loans	$ 5,997	$ 5,752	Discounted cash flow	Discount rate Prepayment rate	11.6% 7.43%	11.0% 7.12%
Residential mortgage servicing rights	5,971	-	Discounted cash flow	Discount rate Prepayment rate	10.0% 9.40%	N/A N/A
Corporate bonds	675	675	Indicative bid provided by a broker	Multiple factors, including but not limited to, current operations, financial condition, cash flows, and recently executed financing transactions related to the company	N/A	N/A
Derivative assets - mortgage	1,915	1,552	Internal model	Pull through rate	80%	80%
Derivative assets - other	10,734	10,225	Dealer priced	Dealer priced	N/A	N/A
Derivative liabilities - risk participations	22	26	Internal model	Probable exposure rate Probability of default rate	0.35% 1.80%	0.35% 1.80%
Derivative liabilities - other	16,558	16,321	Dealer priced	Dealer priced	N/A	N/A

Fair Value Option

At March 31, 2017, mortgage loans held for sale for which the fair value option was elected had an aggregate fair value and outstanding principal balance of $15.8 million and $15.3 million, respectively. At December 31, 2016, mortgage loans held for sale for which the fair value option was elected had an aggregate fair value and outstanding principal balance of $27.9 million and $27.6 million, respectively. Interest income on these loans is calculated based on the note rate of the loan and is recorded in interest revenue. During the first quarter of 2017, net gains resulting from changes in fair value of these loans of $252,000 were recorded in mortgage loan and other related fees. These 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. During the first quarter of 2016, no such gains were recorded.

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 the lower of the 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 March 31, 2017 and December 31, 2016, for which a nonrecurring fair value adjustment was recorded during the year-to-date periods presented *(in thousands)*.

March 31, 2017	Level 1	Level 2	Level 3	Total
Loans	$ -	$ -	$ 3,749	$ 3,749
December 31, 2016				
Loans	$ -	$ -	$ 7,179	$ 7,179

Loans 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 specific reserves assigned to them. Nonaccrual impaired loans that are collateral dependent are generally written down to 80% of appraised value which considers the estimated costs to sell. Specific reserves are established for impaired loans based on appraised value of collateral or discounted cash flows, although only those specific reserves based on the fair value of collateral are considered nonrecurring fair value adjustments.

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.

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, brokerage 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 in maturity and are priced at variable rates. Therefore, the estimated fair value associated with these instruments is immaterial.

The carrying amount and fair values as of the dates indicated for other financial instruments that are not measured at fair value on a recurring basis are as follows *(in thousands)*.

	Carrying	Fair Value Level			
March 31, 2017	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:					
Securities held to maturity	$ 329,992	$ -	$ 333,032	$ -	$ 333,032
Loans, net	6,904,447	-	-	6,851,143	6,851,143
Mortgage loans held for sale	646	-	656	-	656
Liabilities:					
Deposits	8,752,092	-	8,752,884	-	8,752,884
Federal Home Loan Bank advances	569,138	-	569,054	-	569,054
Long-term debt	175,238	-	-	175,786	175,786
December 31, 2016					
Assets:					
Securities held to maturity	$ 329,843	$ -	$ 333,170	$ -	$ 333,170
Loans, net	6,859,214	-	-	6,824,229	6,824,229
Mortgage loans held for sale	1,987	-	2,018	-	2,018
Residential mortgage servicing rights	4,372	-	-	5,175	5,175
Liabilities:					
Deposits	8,637,558	-	8,635,811	-	8,635,811
Federal Home Loan Bank advances	709,209	-	709,174	-	709,174
Long-term debt	175,078	-	-	175,750	175,750

Note 13 – Commitments and Contingencies

United is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its 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 balance sheet. The contract amounts of these instruments reflect the extent of involvement United 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.

The following table summarizes the contractual amount of off-balance sheet instruments as of the dates indicated *(in thousands)*.

	March 31, 2017	December 31, 2016
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 1,605,663	$ 1,542,186
Letters of credit	28,499	26,862

United's wholly-owned bank subsidiary, United Community Bank (the "Bank"), holds minor investments in certain limited partnerships for Community Reinvestment Act purposes. As of March 31, 2017, the Bank had invested $3.58 million in these limited partnerships and had committed to fund an additional $923,000 related to future capital calls.

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 United's financial position or results of operations.

Note 14 – Subsequent Events

On April 20, 2017, United announced that it had reached a definitive merger agreement to acquire HCSB Financial Corporation ("HCSB") and its wholly-owned bank subsidiary, Horry County State Bank. As of December 31, 2016, HCSB had total assets of $376 million, loans of $215 million and deposits of $313 million. Horry County State Bank, which currently operates eight branches in the Myrtle Beach-Conway-North Myrtle Beach area of South Carolina, will merge into and operate under the brand of United Community Bank, United's wholly-owned bank subsidiary.

Under the terms of the merger agreement, which has been unanimously approved by the Boards of Directors of both companies, HCSB shareholders will receive .0050 shares of United common stock for each share of HCSB common stock. Based on United's closing price of $26.70 per share on April 19, 2017, the aggregate deal value is approximately $66 million.

The merger, which is subject to regulatory approval, the approval of the shareholders of HCSB, and other customary conditions, is expected to close in the third quarter of 2017.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), about United and its subsidiaries. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, and 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", the negative thereof or comparable terminology. 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 the future performance, operations, products and services of United and its subsidiaries. We caution our shareholders and other readers not to place undue reliance on such statements.

Our businesses and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experiences may differ materially from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experiences to differ from those projected include, but are not limited to, the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2016 as well as the following factors:

- the condition of the general business and economic environment;
- the results of our internal credit stress tests may not accurately predict the impact on our financial condition if the economy were to deteriorate;
- our ability to maintain profitability;
- our ability to fully realize the balance of our net deferred tax asset, including net operating loss carryforwards;
- the impact of lower federal income tax rates on the carrying amount of our deferred tax asset;
- the risk that we may be required to increase the valuation allowance on our net deferred tax asset in future periods;
- the condition of the banking system and financial markets;
- our ability to raise capital;
- our ability to maintain liquidity or access other sources of funding;
- changes in the cost and availability of funding;
- the success of the local economies in which we operate;
- our lack of geographic diversification;
- our concentrations of residential and commercial construction and development loans and commercial real estate loans are subject to unique risks that could adversely affect our earnings;
- changes in prevailing interest rates may negatively affect our net income and the value of our assets and other interest rate risks;
- our accounting and reporting policies;
- if our allowance for loan losses is not sufficient to cover actual loan losses;
- losses due to fraudulent and negligent conduct of our loan customers, third party service providers or employees;
- risks related to our communications and information systems, including risks with respect to cybersecurity breaches;
- our reliance on third parties to provide key components of our business infrastructure and services required to operate our business;
- competition from financial institutions and other financial service providers;
- risks with respect to our ability to successfully expand and complete acquisitions and integrate businesses and operations that are acquired;
- if the conditions in the stock market, the public debt market and other capital markets deteriorate;
- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and related regulations;
- changes in laws and regulations or failures to comply with such laws and regulations;
- changes in regulatory capital and other requirements;
- the costs and effects of litigation, examinations, investigations, or similar matters, or adverse facts and developments related thereto;
- regulatory or judicial proceedings, board resolutions, informal memorandums of understanding or formal enforcement actions imposed by regulators that may occur;
- changes in tax laws, regulations and interpretations or challenges to our income tax provision; and
- our ability to maintain effective internal controls over financial reporting and disclosure controls and procedures.

Additional information with respect to factors that may cause actual results to differ materially from those contemplated by such forward-looking statements may also be included in other reports that United files with the Securities and Exchange Commission (the "SEC"). United cautions that the foregoing list of factors is not exclusive and not to place undue reliance on forward-looking statements. United does not intend to update any forward-looking statement, whether written or oral, relating to the matters discussed in this Form 10-Q. The financial statements and information contained herein have not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

Overview

The following discussion is intended to provide insight into the results of operations and financial condition of United Community Banks, Inc. ("United") and its subsidiaries and should be read in conjunction with United's consolidated financial statements and accompanying notes.

United is a bank holding company registered with the Board of Governors of the Federal Reserve under the Bank Holding Company Act of 1956 that was incorporated under the laws of the State of Georgia in 1987 and commenced operations in 1988. At March 31, 2017, United had total consolidated assets of $10.7 billion, total loans of $6.96 billion, total deposits of $8.75 billion, and shareholders' equity of $1.10 billion.

United conducts substantially all of its operations through its wholly-owned Georgia bank subsidiary, United Community Bank (the "Bank"), which as of March 31, 2017, operated at 134 locations throughout the Atlanta-Sandy Springs-Roswell, Georgia, and Gainesville, Georgia metropolitan statistical areas, upstate and coastal South Carolina, north and coastal Georgia, western North Carolina, and east Tennessee. Also, United has a commercial loan office in Charlotte, North Carolina.

On July 1, 2016, United completed its previously announced acquisition of Tidelands Bancshares, Inc. ("Tidelands") and its wholly-owned bank subsidiary, Tidelands Bank. Tidelands' results are included in United's consolidated results beginning on the acquisition date.

United reported net income of $23.5 million, or $.33 per diluted share, for the first quarter of 2017, compared to net income of $22.3 million, or $.31 per diluted share, for the first quarter of 2016.

Net interest revenue increased to $83.6 million for the first quarter of 2017, compared to $75.0 million for the first quarter of 2016, primarily due to higher loan volume, much of which resulted from United's acquisition of Tidelands. Net interest margin increased to 3.45% for the three months ended March 31, 2017 from 3.41% for the same period in 2016 mostly due to the effect of rising interest rates on United's floating rate loans and investment securities. Growth in the loan portfolio also led to a more favorable earning asset mix.

United's provision for credit losses was $800,000 for the first quarter of 2017, compared to a release of provision of $200,000 for the first quarter of 2016. Net charge-offs for the first quarter of 2017 were $1.68 million, compared to $2.14 million for the first quarter of 2016. Recoveries of previously charged-off amounts remained at elevated levels, with first quarter 2017 being the eighth consecutive quarter of recoveries greater than $1 million.

As of March 31, 2017, United's allowance for loan losses was $60.5 million, or .87% of loans, compared to $61.4 million, or .89% of loans, at December 31, 2016 reflecting continued asset quality improvement. Nonperforming assets of $24.9 million were .23% of total assets at March 31, 2017, down from .28% at December 31, 2016 primarily due to sales of foreclosed properties which United received through the Tidelands acquisition. During the first quarter of 2017, $3.17 million in loans were placed on nonaccrual compared with $4.77 million in the first quarter of 2016.

Fee revenue of $22.1 million for the first quarter of 2017 was up $3.47 million, or 19%, from the first quarter of 2016. Gains from the sales of SBA/USDA loans increased $722,000 in the first quarter of 2017 compared to the first quarter of 2016. Mortgage fees of $4.42 million for the first quarter of 2017 increased from $3.29 million in the first quarter of 2016. The increase was due to United's emphasis on growing its mortgage business by recruiting lenders in metropolitan markets and continued strong refinancing activity.

For the first quarter of 2017, operating expenses of $62.8 million were up $4.94 million from the first quarter of 2016, primarily due to the addition of Tidelands operating expenses since acquisition. Salaries and benefits expense increased $3.63 million from a year ago mostly due to the acquisition of Tidelands and investment in additional staff and new teams to expand the specialized lending area as well as higher incentive compensation in connection with increased lending activities and improvement in earnings performance.

Recent Developments

On April 20, 2017, United announced that it had reached a definitive merger agreement to acquire HCSB Financial Corporation ("HCSB") and its wholly-owned bank subsidiary, Horry County State Bank. As of December 31, 2016, HCSB had total assets of $376 million, loans of $215 million and deposits of $313 million. Horry County State Bank, which currently operates eight branches in the Myrtle Beach-Conway-North Myrtle Beach area of South Carolina, will merge into and operate under the brand of United Community Bank, United's wholly-owned bank subsidiary.

Under the terms of the merger agreement, which has been unanimously approved by the Boards of Directors of both companies, HCSB shareholders will receive .0050 shares of United common stock for each share of HCSB common stock. Based on United's closing price of $26.70 per share on April 19, 2017, the aggregate deal value is approximately $66 million.

The merger, which is subject to regulatory approval, the approval of the shareholders of HCSB, and other customary conditions, is expected to close in the third quarter of 2017.

Critical Accounting Policies

The accounting and reporting policies of United are in accordance with accounting principles generally accepted in the United States ("GAAP") and conform to general practices within the banking industry. The more critical accounting and reporting policies include United's accounting for the allowance for loan losses, fair value measurements, and income taxes which involve the use of estimates and require significant judgments to be made by management. Different assumptions in the application of these policies could result in material changes in United's consolidated financial position or consolidated results of operations. See "Asset Quality and Risk Elements" herein for additional discussion of United's accounting methodologies related to the allowance for loan losses.

GAAP Reconciliation and Explanation

This Form 10-Q 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," "average tangible equity to average assets," "tangible equity to assets," "average tangible common equity to average assets," "tangible common equity to assets" and "tangible common equity to risk-weighted assets." In addition, management presents non-GAAP operating performance measures, which exclude merger-related and other items that are not part of United's ongoing business operations. Operating performance measures include "expenses – operating," "net income – operating," "net income available to common shareholders – operating," "diluted net income per common share – operating," "return on common equity – operating," "return on tangible common equity – operating," "return on assets – operating," "dividend payout ratio – 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 United's Board of Directors each quarter. Management uses these non-GAAP measures because it believes they may provide useful supplemental information for evaluating United's operations and performance over periods of time, as well as in managing and evaluating United's business and in discussions about United's operations and performance. Management believes these non-GAAP measures may also provide users of United's financial information with a meaningful measure for assessing United's 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 the tables on page 41.

Results of Operations

United reported net income of $23.5 million for the first quarter of 2017. This compared to net income of $22.3 million for the same period in 2016. For the first quarter of 2017, diluted earnings per common share were $.33 compared to $.31 for the first quarter of 2016.

United reported operating net income of $28.2 million and $23.9 million, respectively, for the first quarter of 2017 and 2016. For the first quarter of 2017, operating net income excludes merger-related charges and the release from accumulated other comprehensive income of the disproportionate tax effect related to cash flow hedges, which, net of tax, totaled $1.30 million and $3.40 million, respectively. For the first quarter of 2016, operating net income excludes merger-related charges, which, net of tax, totaled $1.65 million.

UNITED COMMUNITY BANKS, INC.
Table 1 - Financial Highlights
Selected Financial Information

	2017	2016				First Quarter
(in thousands, except per share data)	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	2017-2016 Change
INCOME SUMMARY						
Interest revenue	$ 90,958	$ 87,778	$ 85,439	$ 81,082	$ 80,721	
Interest expense	7,404	6,853	6,450	6,164	5,769	
Net interest revenue	83,554	80,925	78,989	74,918	74,952	11 %
Provision for credit losses	800	-	(300)	(300)	(200)	
Fee revenue	22,074	25,233	26,361	23,497	18,606	19
Total revenue	104,828	106,158	105,650	98,715	93,758	12
Expenses	62,826	61,321	64,023	58,060	57,885	9
Income before income tax expense	42,002	44,837	41,627	40,655	35,873	17
Income tax expense	18,478	17,616	15,753	15,389	13,578	36
Net income	23,524	27,221	25,874	25,266	22,295	6
Preferred dividends	-	-	-	-	21	
Net income available to common shareholders	**$ 23,524**	**$ 27,221**	**$ 25,874**	**$ 25,266**	**$ 22,274**	**6**
Merger-related and other charges	2,054	1,141	3,152	1,176	2,653	
Income tax benefit of merger-related and other charges	(758)	(432)	(1,193)	(445)	(1,004)	
Impairment of deferred tax asset on canceled non-qualified stock options	-	976	-	-	-	
Release of disproportionate tax effects lodged in OCI	3,400	-	-	-	-	
Net income available to common shareholders - operating [(1)]	**$ 28,220**	**$ 28,906**	**$ 27,833**	**$ 25,997**	**$ 23,923**	**18**
PERFORMANCE MEASURES						
Per common share:						
Diluted net income - GAAP	$ .33	$ .38	$ .36	$ .35	$ .31	6
Diluted net income - operating [(1)]	.39	.40	.39	.36	.33	18
Cash dividends declared	.09	.08	.08	.07	.07	
Book value	15.40	15.06	15.12	14.80	14.35	7
Tangible book value [(3)]	13.30	12.95	13.00	12.84	12.40	7
Key performance ratios:						
Return on common equity - GAAP [(2)(4)]	8.54 %	9.89 %	9.61 %	9.54 %	8.57 %	
Return on common equity - operating [(1)(2)(4)]	10.25	10.51	10.34	9.81	9.20	
Return on tangible common equity - operating [(1)(2)(3)(4)]	12.10	12.47	12.45	11.56	10.91	
Return on assets - GAAP [(4)]	.89	1.03	1.00	1.04	.93	
Return on assets - operating [(1)(4)]	1.07	1.10	1.08	1.07	1.00	
Dividend payout ratio - GAAP	27.27	21.05	22.22	20.00	22.58	
Dividend payout ratio - operating [(1)]	23.08	20.00	20.51	19.44	21.21	
Net interest margin (fully taxable equivalent) [(4)]	3.45	3.34	3.34	3.35	3.41	
Efficiency ratio - GAAP	59.29	57.65	60.78	59.02	61.94	
Efficiency ratio - operating [(1)]	57.35	56.58	57.79	57.82	59.10	
Average equity to average assets	10.24	10.35	10.38	10.72	10.72	
Average tangible equity to average assets [(3)]	8.96	9.04	8.98	9.43	9.41	
Average tangible common equity to average assets [(3)]	8.96	9.04	8.98	9.43	9.32	
Tangible common equity to risk-weighted assets [(3)]	12.07	11.84	12.22	12.87	12.77	
ASSET QUALITY						
Nonperforming loans	$ 19,812	$ 21,539	$ 21,572	$ 21,348	$ 22,419	(12)
Foreclosed properties	5,060	7,949	9,187	6,176	5,163	(2)
Total nonperforming assets (NPAs)	24,872	29,488	30,759	27,524	27,582	(10)
Allowance for loan losses	60,543	61,422	62,961	64,253	66,310	(9)
Net charge-offs	1,679	1,539	1,359	1,730	2,138	(21)
Allowance for loan losses to loans	.87 %	.89 %	.94 %	1.02 %	1.09 %	
Net charge-offs to average loans [(4)]	.10	.09	.08	.11	.14	
NPAs to loans and foreclosed properties	.36	.43	.46	.44	.45	
NPAs to total assets	.23	.28	.30	.28	.28	
AVERAGE BALANCES *($ in millions)*						
Loans	$ 6,904	$ 6,814	$ 6,675	$ 6,151	$ 6,004	15
Investment securities	2,822	2,690	2,610	2,747	2,718	4
Earning assets	9,872	9,665	9,443	9,037	8,876	11
Total assets	10,677	10,484	10,281	9,809	9,634	11
Deposits	8,592	8,552	8,307	7,897	7,947	8
Shareholders' equity	1,093	1,085	1,067	1,051	1,033	6
Common shares - basic *(thousands)*	71,700	71,641	71,556	72,202	72,162	(1)
Common shares - diluted *(thousands)*	71,708	71,648	71,561	72,207	72,166	(1)
AT PERIOD END *($ in millions)*						
Loans	$ 6,965	$ 6,921	$ 6,725	$ 6,287	$ 6,106	14
Investment securities	2,767	2,762	2,560	2,677	2,757	-
Total assets	10,732	10,709	10,298	9,928	9,781	10
Deposits	8,752	8,638	8,442	7,857	7,960	10
Shareholders' equity	1,102	1,076	1,079	1,060	1,034	7
Common shares outstanding *(thousands)*	70,973	70,899	70,861	71,122	71,544	(1)

[(1)] Excludes merger-related charges, a first quarter 2017 release of disproportionate tax effects lodged in OCI and a fourth quarter 2016 deferred tax asset impairment charge related to cancelled non-qualified stock options. [(2)] Net income available to common shareholders, which is net of preferred stock dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss). [(3)] Excludes effect of acquisition related intangibles and associated amortization. [(4)] Annualized.

UNITED COMMUNITY BANKS, INC.
Table 1 (Continued) Non-GAAP Performance Measures Reconciliation
Selected Financial Information

	2017	2016			
(in thousands, except per share data)	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Expense reconciliation					
Expenses (GAAP)	$ 62,826	$ 61,321	$ 64,023	$ 58,060	$ 57,885
Merger-related and other charges	(2,054)	(1,141)	(3,152)	(1,176)	(2,653)
Expenses - operating	$ 60,772	$ 60,180	$ 60,871	$ 56,884	$ 55,232
Net income reconciliation					
Net income (GAAP)	$ 23,524	$ 27,221	$ 25,874	$ 25,266	$ 22,295
Merger-related and other charges	2,054	1,141	3,152	1,176	2,653
Income tax benefit of merger-related and other charges	(758)	(432)	(1,193)	(445)	(1,004)
Impairment of deferred tax asset on canceled non-qualified stock options	-	976	-	-	-
Release of disproportionate tax effects lodged in OCI	3,400	-	-	-	-
Net income - operating	$ 28,220	$ 28,906	$ 27,833	$ 25,997	$ 23,944
Net income available to common shareholders reconciliation					
Net income available to common shareholders (GAAP)	$ 23,524	$ 27,221	$ 25,874	$ 25,266	$ 22,274
Merger-related and other charges	2,054	1,141	3,152	1,176	2,653
Income tax benefit of merger-related and other charges	(758)	(432)	(1,193)	(445)	(1,004)
Impairment of deferred tax asset on canceled non-qualified stock options	-	976	-	-	-
Release of disproportionate tax effects lodged in OCI	3,400	-	-	-	-
Net income available to common shareholders - operating	$ 28,220	$ 28,906	$ 27,833	$ 25,997	$ 23,923
Diluted income per common share reconciliation					
Diluted income per common share (GAAP)	$ .33	$ .38	$ .36	$ .35	$ .31
Merger-related and other charges	.01	.01	.03	.01	.02
Impairment of deferred tax asset on canceled non-qualified stock options	-	.01	-	-	-
Release of disproportionate tax effects lodged in OCI	.05	-	-	-	-
Diluted income per common share - operating	$ .39	$ .40	$ .39	$ .36	$ .33
Book value per common share reconciliation					
Book value per common share (GAAP)	$ 15.40	$ 15.06	$ 15.12	$ 14.80	$ 14.35
Effect of goodwill and other intangibles	(2.10)	(2.11)	(2.12)	(1.96)	(1.95)
Tangible book value per common share	$ 13.30	$ 12.95	$ 13.00	$ 12.84	$ 12.40
Return on tangible common equity reconciliation					
Return on common equity (GAAP)	8.54 %	9.89 %	9.61 %	9.54 %	8.57 %
Merger-related and other charges	.47	.26	.73	.27	.63
Impairment of deferred tax asset on canceled non-qualified stock options	-	.36	-	-	-
Release of disproportionate tax effects lodged in OCI	1.24	-	-	-	-
Return on common equity - operating	10.25	10.51	10.34	9.81	9.20
Effect of goodwill and other intangibles	1.85	1.96	2.11	1.75	1.71
Return on tangible common equity - operating	12.10 %	12.47 %	12.45 %	11.56 %	10.91 %
Return on assets reconciliation					
Return on assets (GAAP)	.89 %	1.03 %	1.00 %	1.04 %	.93 %
Merger-related and other charges	.05	.03	.08	.03	.07
Impairment of deferred tax asset on canceled non-qualified stock options	-	.04	-	-	-
Release of disproportionate tax effects lodged in OCI	.13	-	-	-	-
Return on assets - operating	1.07 %	1.10 %	1.08 %	1.07 %	1.00 %
Dividend payout ratio reconciliation					
Dividend payout ratio (GAAP)	27.27 %	21.05 %	22.22 %	20.00 %	22.58 %
Merger-related and other charges	(.98)	(.54)	(1.71)	(.56)	(1.37)
Impairment of deferred tax asset on canceled non-qualified stock options	-	(.51)	-	-	-
Release of disproportionate tax effects lodged in OCI	(3.21)	-	-	-	-
Dividend payout ratio - operating	23.08 %	20.00 %	20.51 %	19.44 %	21.21 %
Efficiency ratio reconciliation					
Efficiency ratio (GAAP)	59.29 %	57.65 %	60.78 %	59.02 %	61.94 %
Merger-related and other charges	(1.94)	(1.07)	(2.99)	(1.20)	(2.84)
Efficiency ratio - operating	57.35 %	56.58 %	57.79 %	57.82 %	59.10 %
Average equity to assets reconciliation					
Equity to assets (GAAP)	10.24 %	10.35 %	10.38 %	10.72 %	10.72 %
Effect of goodwill and other intangibles	(1.28)	(1.31)	(1.40)	(1.29)	(1.31)
Tangible equity to assets	8.96	9.04	8.98	9.43	9.41
Effect of preferred equity	-	-	-	-	(.09)
Tangible common equity to assets	8.96 %	9.04 %	8.98 %	9.43 %	9.32 %
Tangible common equity to risk-weighted assets reconciliation					
Tier 1 capital ratio (Regulatory)	11.46 %	11.23 %	11.04 %	11.44 %	11.32 %
Effect of other comprehensive income	(.24)	(.34)	-	(.06)	(.25)
Effect of deferred tax limitation	1.13	1.26	1.50	1.63	1.85
Effect of trust preferred	(.25)	(.25)	(.26)	(.08)	(.08)
Basel III intangibles transition adjustment	(.03)	(.06)	(.06)	(.06)	(.07)
Tangible common equity to risk-weighted assets	12.07 %	11.84 %	12.22 %	12.87 %	12.77 %

Net Interest Revenue

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and borrowed funds) is the single largest component of total revenue. Management seeks to optimize this revenue while balancing interest rate, credit and liquidity risks. Net interest revenue for the first quarter of 2017 was $83.6 million. Taxable equivalent net interest revenue for the first quarter of 2017 was $83.9 million, which represents an increase of $8.67 million from the same period in 2016. The combination of the larger earning asset base from the acquisition of Tidelands and growth in the loan portfolio were responsible for the increase in net interest revenue.

Average loans increased $900 million, or 15%, from the first quarter of last year, while the yield on loans decreased two basis points, reflecting ongoing pricing pressure on new and renewed loans partially offset by the effect of rising interest rates on the floating rate loans in the portfolio.

Average interest-earning assets for the first quarter of 2017 increased $996 million, or 11%, from the first quarter of 2016, which was due primarily to the increase in loans, including the acquisition of Tidelands loans. Average investment securities for the first quarter of 2017 increased $103 million from a year ago, partially due to the Tidelands acquisition. The average yield on the taxable investment portfolio increased 19 basis points from a year ago, primarily due to the impact of higher short-term interest rates on the floating rate portion of the securities portfolio as well as accelerated discount accretion on called asset-backed securities and a higher reinvestment rate on maturing fixed rate investments.

Average interest-bearing liabilities of $6.82 billion for the first quarter of 2017 increased $577 million from the first quarter of 2016. Average non-interest-bearing deposits increased $397 million from the first quarter of 2016 to $2.64 billion for the first quarter of 2017. The average cost of interest-bearing liabilities for the first quarter of 2017 was .44% compared to .37% for the same period in 2016, reflecting higher average rates on money market deposits, NOW deposits and brokered time deposits.

The banking industry uses two ratios to measure relative profitability of net interest revenue. 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 interest rate spread eliminates the effect of non-interest-bearing deposits 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 percent of average total interest-earning assets, which includes the positive effect of funding a portion of interest-earning assets with non-interest-bearing deposits and stockholders’ equity.

For the first quarters of 2017 and 2016, the net interest spread was 3.30%, while the net interest margin was 3.45% and 3.41%, respectively. The increase in the net interest margin reflects the impact of higher short-term interest rates on floating-rate loans and securities, while deposit pricing increased slightly from the prior year. Additionally, United was able to improve its overall yield on interest-earning assets through growth in the loan portfolio, which had a positive impact on the composition of interest-earning assets, and higher yields on fixed rate investments.

The following tables show the relationship between interest revenue and expense, and the average amounts of interest-earning assets and interest-bearing liabilities for the periods indicated.

Table 2 - Average Consolidated Balance Sheets and Net Interest Analysis
For the Three Months Ended March 31,

	2017			2016		
(dollars in thousands, fully taxable equivalent (FTE))	**Average Balance**	**Interest**	**Avg. Rate**	**Average Balance**	**Interest**	**Avg. Rate**
Assets:						
Interest-earning assets:						
Loans, net of unearned income (FTE) [1][2]	$ 6,903,860	$72,741	4.27 %	$ 6,003,568	$64,044	4.29 %
Taxable securities [3]	2,779,625	17,433	2.51	2,688,564	15,622	2.32
Tax-exempt securities (FTE) [1][3]	42,180	457	4.33	29,744	272	3.66
Federal funds sold and other interest-earning assets	146,027	664	1.82	153,759	1,053	2.74
Total interest-earning assets (FTE)	9,871,692	91,295	3.74	8,875,635	80,991	3.67
Non-interest-earning assets:						
Allowance for loan losses	(61,668)			(68,473)		
Cash and due from banks	99,253			85,635		
Premises and equipment	190,096			180,090		
Other assets [3]	577,168			561,261		
Total assets	$10,676,541			$ 9,634,148		
Liabilities and Shareholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
NOW	$ 1,959,678	597	.12	$ 1,886,472	485	.10
Money market	2,065,449	1,426	.28	1,840,584	1,108	.24
Savings	560,634	27	.02	480,238	29	.02
Time	1,263,946	815	.26	1,259,689	817	.26
Brokered time deposits	98,340	193	.80	233,213	(175)	(.30)
Total interest-bearing deposits	5,948,047	3,058	.21	5,700,196	2,264	.16
Federal funds purchased and other borrowings	19,031	40	.85	34,906	87	1.00
Federal Home Loan Bank advances	681,117	1,430	.85	346,169	733	.85
Long-term debt	175,142	2,876	6.66	165,419	2,685	6.53
Total borrowed funds	875,290	4,346	2.01	546,494	3,505	2.58
Total interest-bearing liabilities	6,823,337	7,404	.44	6,246,690	5,769	.37
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	2,643,630			2,247,041		
Other liabilities	116,752			107,320		
Total liabilities	9,583,719			8,601,051		
Shareholders' equity	1,092,822			1,033,097		
Total liabilities and shareholders' equity	$ 10,676,541			$ 9,634,148		
Net interest revenue (FTE)		$83,891			$75,222	
Net interest-rate spread (FTE)			3.30 %			3.30 %
Net interest margin (FTE) [4]			3.45 %			3.41 %

[1] Interest revenue on tax-exempt securities and loans has been increased to reflect comparable interest on taxable securities and loans. The rate used was 39%, reflecting the statutory federal income tax rate and the federal tax adjusted state income tax rate.

[2] Included in the average balance of loans outstanding are loans where the accrual of interest has been discontinued and loans that are held for sale.

[3] Securities available for sale are shown at amortized cost. Pretax unrealized gains of $5.38 million in 2017 and pretax unrealized gains of $2.20 million in 2016 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 for changes in the average outstanding amounts (volume) of interest-earning assets and interest-bearing liabilities and the rates earned and paid on such assets and liabilities (rate). Variances resulting from a combination of changes in rate and volume are allocated in proportion to the absolute dollar amounts of the change in each category.

Table 3 - Change in Interest Revenue and Expense on a Taxable Equivalent Basis
(in thousands)

	Three Months Ended March 31, 2017 Compared to 2016 Increase (decrease) Due to Changes in		
	Volume	**Rate**	**Total**
Interest-earning assets:			
Loans (FTE)	$ 9,495	$ (798)	$ 8,697
Taxable securities	542	1,269	1,811
Tax-exempt securities (FTE)	128	57	185
Federal funds sold and other interest-earning assets	(51)	(338)	(389)
Total interest-earning assets (FTE)	10,114	190	10,304
Interest-bearing liabilities:			
NOW accounts	19	93	112
Money market accounts	144	174	318
Savings deposits	4	(6)	(2)
Time deposits	3	(5)	(2)
Brokered deposits	51	317	368
Total interest-bearing deposits	221	573	794
Federal funds purchased & other borrowings	(35)	(12)	(47)
Federal Home Loan Bank advances	703	(6)	697
Long-term debt	159	32	191
Total borrowed funds	827	14	841
Total interest-bearing liabilities	1,048	587	1,635
Increase in net interest revenue (FTE)	$ 9,066	$ (397)	$ 8,669

Provision for Credit Losses

The provision for credit losses is based on management's evaluation of probable incurred losses in the loan portfolio and corresponding analysis of the allowance for credit losses at quarter-end. Provision for credit losses was $800,000 for the first quarter of 2017, compared to a release of provision of $200,000 in the first quarter of 2016. The amount of provision recorded in each period was the amount required such that the total allowance for loan losses reflected the appropriate balance, in the estimation of management, sufficient to cover incurred losses in the loan portfolio. For the three months ended March 31, 2017, net loan charge-offs as an annualized percentage of average outstanding loans were .10% compared to .14% for the same period in 2016.

The allowance for unfunded commitments represents probable incurred losses on unfunded loan commitments that are expected to result in outstanding loan balances. The allowance for unfunded loan commitments was established through the provision for credit losses.

Additional discussion on credit quality and the allowance for loan losses is included in the "Asset Quality and Risk Elements" section of this report on page 49.

Fee Revenue

Fee revenue for the three months ended March 31, 2017 was $22.1 million, an increase of $3.47 million, or 19%, compared to the first quarter of 2016. The following table presents the components of fee revenue for the periods indicated.

Table 4 - Fee Revenue
(in thousands)

	Three Months Ended March 31,		Change	
	2017	2016	Amount	Percent
Overdraft fees	$ 3,397	$ 3,393	$ 4	-
ATM and debit card fees	5,388	4,973	415	8
Other service charges and fees	1,819	1,760	59	3
Service charges and fees	10,604	10,126	478	5
Mortgage loan and related fees	4,424	3,289	1,135	35
Brokerage fees	1,410	1,053	357	34
Gains on sales of government guaranteed loans	1,959	1,237	722	58
Customer derivatives	478	755	(277)	(37)
Securities (losses) gains, net	(2)	379	(381)	
Other	3,201	1,767	1,434	81
Total fee revenue	$22,074	$18,606	$ 3,468	19

Service charges and fees of $10.6 million for the first quarter of 2017 were up $478,000, or 5%, from the first quarter of 2016. ATM and debit card and other service charges and fees increased year over year based on increased deposit accounts driven primarily by the Tidelands acquisition.

Mortgage loan and related fees for the first quarter of 2017 were up $1.14 million, or 35%, from the same period in 2016. The increase reflects United's focus on growing the mortgage business by recruiting new mortgage lenders in key metropolitan markets and an increase in purchase and refinancing activity. In the first quarter of 2017, United closed 697 loans totaling $151 million compared with 650 loans totaling $147 million in the first quarter of 2016. United had $93.4 million in home purchase mortgage originations in the first quarter, compared with $81.0 million for the same period a year ago. The volume of home purchase mortgages in the first quarter of 2017 was 62% compared with 55% in the first quarter of 2016.

Brokerage fees in the first quarter of 2017 increased 34% compared to the first quarter of 2016, reflecting the addition of several new financial advisors since the first quarter of 2016.

In the first quarter of 2017, United realized $1.96 million in gains from the sales of the guaranteed portion of Small Business Administration ("SBA") and United States Department of Agriculture ("USDA") loans, compared to $1.24 million in the same period of 2016. United's SBA/USDA lending strategy includes selling a portion of the loan production each quarter. United retains the servicing rights on the sold loans and earns a fee for servicing the loans. In the first quarter of 2017, United sold the guaranteed portion of loans in the amount of $23.4 million, compared to $13.0 million for the same period a year ago. The year over year increase also reflects the maturation of United's SBA construction portfolio that continues to expand.

Customer derivative fees were down $277,000 from the first quarter of 2016 due to lower demand for this product in the current rate environment.

Other fee revenue was up $1.43 million for the first quarter of 2017 compared to the same period in 2016. The increase reflects volume driven increases in earnings on bank owned life insurance, increases in miscellaneous banking fees, decreases in losses attributable to hedge ineffectiveness, and increases in the value of equity investments held by United.

Operating Expenses

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

Table 5 - Operating Expenses
(in thousands)

	Three Months Ended March 31,		Change	
	2017	2016	Amount	Percent
Salaries and employee benefits	$36,691	$33,062	$ 3,629	11
Communications and equipment	4,918	4,290	628	15
Occupancy	4,949	4,723	226	5
Advertising and public relations	1,061	864	197	23
Postage, printing and supplies	1,370	1,280	90	7
Professional fees	3,044	2,700	344	13
FDIC assessments and other regulatory charges	1,283	1,524	(241)	(16)
Amortization of intangibles	973	1,010	(37)	(4)
Other	6,483	5,779	704	12
Total excluding merger-related and other charges	60,772	55,232	5,540	10
Merger-related and other charges	2,054	2,653	(599)	
Total operating expenses	$62,826	$57,885	$ 4,941	9

Operating expenses for the first quarter of 2017 totaled $62.8 million, up $4.94 million, or 9%, from the first quarter of 2016. The increase reflects the inclusion of the operating expenses of the Tidelands acquisition.

Salaries and employee benefits for the first quarter of 2017 were $36.7 million, up $3.63 million, or 11%, from the first quarter of 2016. The increase was due to a number of factors including investments in additional staff and new teams to expand specialized lending and other key areas and additional staff resulting from the Tidelands acquisition. Full time equivalent headcount totaled 1,915 at March 31, 2017, up from 1,876 at March 31, 2016, reflecting the addition of Tidelands personnel.

Communications and equipment and occupancy expenses increased primarily due to the Tidelands acquisition. Professional fees for the first quarter of 2017 of $3.04 million were up $344,000, or 13%, from the first quarter of 2016. The increase was due primarily to the cost of building volume and credit models to be used in United's stress testing submission.

Amortization of intangibles of $973,000 in the first quarter of 2017 decreased relative to the same period in 2016 due to the accelerated method used to amortize core deposit intangibles, which more than offset the additional amortization resulting from the Tidelands acquisition.

In the first quarter of 2017, merger-related and other charges of $2.05 million consisted primarily of severance, branch closure costs and technology equipment write offs. In the first quarter of 2016, merger-related charges of $2.65 million consisted primarily of severance, conversion costs, and legal and professional fees.

Other expense of $6.48 million for the first quarter of 2017 increased $704,000, or 12%, from the first quarter of 2016. The increase was primarily due to writedowns on foreclosed property and higher lending support costs resulting from higher production volume in the specialized lending areas.

Income Taxes

The income tax provision for the three months ended March 31, 2017 and 2016 was $18.5 million and $13.6 million, respectively, which represents an effective tax rate of 44.0% and 37.9%, respectively, for each period. Upon reversal of United's former full deferred tax valuation allowance in 2013, certain disproportionate tax effects were retained in accumulated other comprehensive income (loss). During the first quarter of 2017, with the maturity and termination of certain dedesignated cash flow hedges, the disproportionate tax effect associated with these hedges was reversed and recorded as a tax expense of $3.40 million, which was the primary reason for the increase in the effective tax rate compared to the first quarter of 2016.

At March 31, 2017 and December 31, 2016, United maintained a valuation allowance on its net deferred tax asset of $3.99 million and $3.88 million, respectively. Management assesses the valuation allowance recorded against its net deferred tax asset at each reporting period. The determination of whether a valuation allowance for its net deferred tax asset is appropriate is subject to considerable judgment and requires an evaluation of all the positive and negative evidence.

United evaluated the need for a valuation allowance at March 31, 2017. Based on the assessment of all the positive and negative evidence, management concluded that it is more likely than not that nearly all of its net deferred tax asset will be realized based upon future taxable income. The remaining valuation allowance of $3.99 million is related to specific state income tax credits that have short carryforward periods and 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 March 31, 2017 that it was more likely than not that United's net deferred tax asset of $139 million will be realized is based upon management's estimate of future taxable income. Management's estimate of future taxable income is based on internal forecasts that 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, the valuation allowance may need to be increased for some or all of its net deferred tax asset. Such an increase to the net deferred tax asset valuation allowance could have a material adverse effect on United's financial condition and results of operations.

United is subject to income taxation in the United States and various state jurisdictions. United's federal and state income tax returns are filed on a consolidated basis. Currently, no years for which United filed a federal income tax return are under examination by the IRS, and there are no state tax examinations currently in progress. United is no longer subject to income tax examinations from state and local income tax authorities for years before 2013. Although it is not possible to know the ultimate outcome of future examinations, management believes that the liability recorded for uncertain tax positions is appropriate.

Additional information regarding income taxes, including a reconciliation of the differences between the recorded income tax provision and the amount of income tax computed by applying the statutory federal income tax rate to income before income taxes, can be found in Note 17 to the consolidated financial statements filed with United's Annual Report on Form 10-K for the year ended December 31, 2016.

Balance Sheet Review

Total assets at March 31, 2017 and December 31, 2016 were $10.7 billion. Average total assets for the first quarter of 2017 were $10.7 billion, up from $9.63 billion in the first quarter of 2016.

The following table presents a summary of the loan portfolio.

Table 6 - Loans Outstanding
(in thousands)

	March 31, 2017	December 31, 2016
By Loan Type		
Owner occupied commercial real estate	$ 1,633,450	$ 1,650,360
Income producing commercial real estate	1,296,700	1,281,541
Commercial & industrial	1,079,837	1,069,715
Commercial construction	666,861	633,921
Total commercial	4,676,848	4,635,537
Residential mortgage	859,796	856,725
Home equity lines of credit	659,041	655,410
Residential construction	196,643	190,043
Consumer installment	112,461	123,567
Indirect auto	460,201	459,354
Total loans	$ 6,964,990	$ 6,920,636
As a percentage of total loans:		
Owner occupied commercial real estate	23 %	24 %
Income producing commercial real estate	19	19
Commercial & industrial	15	15
Commercial construction	10	9
Total commercial	67	67
Residential mortgage	12	12
Home equity lines of credit	9	9
Residential construction	3	3
Consumer installment	2	2
Indirect auto	7	7
Total	100 %	100 %
By Geographic Location		
North Georgia	$ 1,075,934	$ 1,096,974
Atlanta MSA	1,407,970	1,398,657
North Carolina	540,621	544,792
Coastal Georgia	591,117	581,138
Gainesville MSA	251,710	247,410
East Tennessee	483,573	503,843
South Carolina	1,243,139	1,233,185
Specialized Lending	910,725	855,283
Indirect Auto	460,201	459,354
Total loans	$ 6,964,990	$ 6,920,636

Substantially all of United's loans are to customers located in the immediate market areas of its community banks in Georgia, North Carolina, South Carolina and Tennessee, including customers who have a seasonal residence in United's market areas, except for specific specialized lending strategies such as SBA and franchise lending. More than 76% of the loans were secured by real estate. Total loans averaged $6.90 billion in the first quarter of 2017, compared with $6.00 billion in the first quarter of 2016, an increase of 15% which includes the acquisition of Tidelands. At March 31, 2017, total loans were $6.96 billion, an increase of $44.4 million from December 31, 2016.

United's home equity lines generally require the payment of interest only for a set period after origination. After this initial period, the outstanding balance begins amortizing and requires the payment of both principal and interest. At March 31, 2017 and December 31, 2016, the funded portion of home equity lines totaled $659 million and $655 million, respectively. Approximately 3% of the home equity lines at March 31, 2017 were amortizing. Of the $659 million in balances outstanding at March 31, 2017, $386 million, or 59%, were secured by first liens. At March 31, 2017, 56% of the total available home equity lines were drawn upon.

United monitors the performance of its home equity loans and lines secured by second liens similar to other consumer loans and utilizes assumptions specific to these loans in determining the necessary allowance. United also receives notification when the first lien holder is in the process of foreclosure and upon that notification, management reviews current valuations to determine if any charge-offs are warranted and whether it is in United's best interest to pay off the first lien creditor.

Asset Quality and Risk Elements

United manages asset quality and controls 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. United's credit administration function is responsible for monitoring asset quality and Board of Directors approved portfolio limits, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures among all lending units. Additional information on the credit administration function is included in Item 1 under the heading *Loan Review and Nonperforming Assets* in United's Annual Report on Form 10-K for the year ended December 31, 2016.

United classifies commercial performing loans as "substandard" when there is a well-defined weakness or weaknesses that jeopardizes the repayment by the borrower and there is a distinct possibility that United could sustain some loss if the deficiency is not corrected. United classifies consumer performing loans as "substandard" when the loan is in bankruptcy.

The table below presents performing classified loans for the last five quarters.

Table 7 - Performing Classified Loans
(in thousands)

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
By Category					
Owner occupied commercial real estate	$ 41,536	$ 42,169	$ 42,025	$ 37,489	$ 37,890
Income producing commercial real estate	24,143	29,379	31,627	34,816	37,594
Commercial & industrial	10,372	8,903	10,047	9,378	9,156
Commercial construction	8,564	8,840	8,788	6,277	5,209
Total commercial	84,615	89,291	92,487	87,960	89,849
Residential mortgage	14,632	15,324	18,303	20,297	20,080
Home equity	5,789	5,060	4,930	5,313	6,010
Residential construction	1,858	2,726	3,628	2,731	2,956
Consumer installment	657	584	662	681	662
Indirect auto	1,288	1,362	1,616	1,534	1,513
Total	$ 108,839	$ 114,347	$ 121,626	$ 118,516	$ 121,070
By Market					
North Georgia	$ 38,092	$ 39,438	$ 40,231	$ 38,953	$ 36,692
Atlanta MSA	14,258	17,954	19,040	20,213	21,075
North Carolina	10,022	11,089	12,179	13,792	13,757
Coastal Georgia	6,957	4,516	5,247	5,999	6,882
Gainesville MSA	698	713	540	427	462
East Tennessee	6,781	7,485	9,383	9,126	9,699
South Carolina	30,612	31,623	33,218	27,086	30,280
Specialized lending	131	167	172	1,386	710
Indirect auto	1,288	1,362	1,616	1,534	1,513
Total loans	$ 108,839	$ 114,347	$ 121,626	$ 118,516	$ 121,070

At March 31, 2017, performing classified loans totaled $109 million and decreased $5.51 million from the prior quarter-end, and decreased $12.2 million from a year ago. Performing classified loans reflect a general downward trend, offset by acquisition activity. The increase in performing classified loans in South Carolina in the third quarter of 2016 was attributable to the Tidelands acquisition.

Reviews of classified performing and non-performing loans, past due loans and larger credits are conducted on a regular basis and are designed to identify risk migration and potential charges to the allowance for loan losses. These reviews are presented by the responsible lending officers or respective credit officer and specific action plans are discussed along with the financial strength of borrowers, the value of the applicable collateral, past loan loss experience, anticipated loan losses, changes in risk profile, the effect of prevailing economic conditions on the borrower and other factors specific to the borrower and its industry. In addition to the reviews mentioned above, United also has an internal loan review team which directly reviews the portfolio in conjunction with external loan review to ensure the objectivity of the loan review process.

The following table presents a summary of the changes in the allowance for credit losses for the periods indicated.

Table 8 - Allowance for Credit Losses
(in thousands)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Allowance for loan losses at beginning of period	$ 61,422	$ 68,448
Charge-offs:		
Owner occupied commercial real estate	25	599
Income producing commercial real estate	897	277
Commercial & industrial	216	572
Commercial construction	202	287
Residential mortgage	542	96
Home equity lines of credit	471	723
Residential construction	-	59
Consumer installment	442	307
Indirect auto	420	233
Total loans charged-off	3,215	3,153
Recoveries:		
Owner occupied commercial real estate	237	121
Income producing commercial real estate	27	103
Commercial & industrial	368	289
Commercial construction	572	120
Residential mortgage	12	11
Home equity lines of credit	49	91
Residential construction	9	43
Consumer installment	207	206
Indirect auto	55	31
Total recoveries	1,536	1,015
Net charge-offs	1,679	2,138
Provision for loan losses	800	-
Allowance for loan losses at end of period	$ 60,543	$ 66,310
Allowance for unfunded commitments at beginning of period	$ 2,002	$ 2,542
Provision for losses on unfunded commitments	-	(200)
Allowance for unfunded commitments at end of period	2,002	2,342
Allowance for credit losses	$ 62,545	$ 68,652
Total loans:		
At period-end	$ 6,964,990	$ 6,106,189
Average	6,903,860	6,003,568
Allowance for loan losses as a percentage of period-end loans	.87 %	1.09 %
As a percentage of average loans (annualized):		
Net charge-offs	.10	.14
Provision for loan losses	.05	-

The provision for credit losses charged to earnings is based upon management's judgment of the amount necessary to maintain the allowance at a level appropriate to absorb probable incurred losses in the loan portfolio at the balance sheet date. The amount each quarter is dependent upon many factors, including growth and changes in the composition of the loan portfolio, net charge-offs, delinquencies, management's assessment of loan portfolio quality, the value of collateral, and other macro-economic factors and trends. The evaluation of these factors is performed quarterly by management through an analysis of the appropriateness of the allowance for loan losses.

The allowance for credit losses, which includes a portion related to unfunded commitments, totaled $62.5 million at March 31, 2017, compared with $63.4 million at December 31, 2016. At March 31, 2017, the allowance for loan losses was $60.5 million, or .87% of loans, compared with $61.4 million, or .89% of total loans, at December 31, 2016.

Management believes that the allowance for credit losses at March 31, 2017 reflects the probable incurred 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 management's assessment of loan quality or collateral values change substantially with respect to one or more loan relationships or portfolios. 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 Policies" section for additional information on the allowance for loan losses.

Nonperforming Assets

The table below summarizes nonperforming assets.

Table 9 - Nonperforming Assets
(in thousands)

	March 31, 2017	December 31, 2016
Nonperforming loans	$ 19,812	$ 21,539
Foreclosed properties (OREO)	5,060	7,949
Total nonperforming assets	$ 24,872	$ 29,488
Nonperforming loans as a percentage of total loans	.28 %	.31 %
Nonperforming assets as a percentage of total loans and OREO	.36	.43
Nonperforming assets as a percentage of total assets	.23	.28

At March 31, 2017, nonperforming loans were $19.8 million compared to $21.5 million at December 31, 2016. Nonperforming assets, which include nonperforming loans and foreclosed real estate, totaled $24.9 million at March 31, 2017 and $29.5 million at December 31, 2016.

United's policy is to place loans on nonaccrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in full or when the loan becomes 90 days past due. When a loan is classified on nonaccrual status, interest previously accrued but not collected is reversed against current interest revenue. Principal and interest payments received on a nonaccrual loan are applied to reduce the loan's recorded investment.

Purchased credit impaired ("PCI") loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. However, these loans are considered as performing, even though they may be contractually past due, as any non-payment of contractual principal or interest is considered in the periodic re-estimation of expected cash flows and is included in the resulting recognition of current period covered loan loss provision or future period yield adjustments. The accrual of interest is discontinued on PCI loans if management can no longer reliably estimate future cash flows on the loan. No PCI loans were classified as nonaccrual at March 31, 2017 or December 31, 2016 as the carrying value of the respective loan or pool of loans cash flows were considered estimable and probable of collection. Therefore, interest revenue, through accretion of the difference between the carrying value of the loans and the expected cash flows, is being recognized on all PCI loans.

The following table summarizes nonperforming assets by category and market as of the dates indicated.

Table 10 - Nonperforming Assets by Category and Market
(in thousands)

	March 31, 2017			December 31, 2016		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
BY CATEGORY						
Owner occupied commercial real estate	$ 6,135	$ 1,238	$ 7,373	$ 7,373	$ 3,145	$ 10,518
Income producing commercial real estate	1,540	21	1,561	1,324	36	1,360
Commercial & industrial	929	-	929	966	-	966
Commercial construction	1,069	2,825	3,894	1,538	2,977	4,515
Total commercial	9,673	4,084	13,757	11,201	6,158	17,359
Residential mortgage	6,455	660	7,115	6,368	1,260	7,628
Home equity lines of credit	1,848	261	2,109	1,831	531	2,362
Residential construction	417	55	472	776	-	776
Consumer installment	102	-	102	88	-	88
Indirect auto	1,317	-	1,317	1,275	-	1,275
Total NPAs	$ 19,812	$ 5,060	$ 24,872	$ 21,539	$ 7,949	$ 29,488
BY MARKET						
North Georgia	$ 5,344	$ 570	$ 5,914	$ 5,278	$ 856	$ 6,134
Atlanta MSA	715	645	1,360	1,259	716	1,975
North Carolina	4,897	355	5,252	4,750	632	5,382
Coastal Georgia	942	-	942	1,778	-	1,778
Gainesville MSA	728	-	728	279	-	279
East Tennessee	2,112	633	2,745	2,354	675	3,029
South Carolina	1,725	2,857	4,582	2,494	5,070	7,564
Specialized Lending	2,032	-	2,032	2,072	-	2,072
Indirect auto	1,317	-	1,317	1,275	-	1,275
Total NPAs	$ 19,812	$ 5,060	$ 24,872	$ 21,539	$ 7,949	$ 29,488

At March 31, 2017 and December 31, 2016, United had $68.9 million and $73.2 million, respectively, in loans with terms that have been modified in TDRs. Included therein were $4.05 million and $5.35 million, respectively, of TDRs that were classified as nonaccrual and were included in nonperforming loans. The remaining TDRs with an aggregate balance of $64.9 million and $67.8 million, respectively, were performing according to their modified terms and are therefore not considered to be nonperforming assets.

At March 31, 2017 and December 31, 2016, there were $81.4 million and $85.7 million, respectively, of loans classified as impaired under the definition outlined in the Accounting Standards Codification, including TDRs which are by definition considered impaired. Included in impaired loans at March 31, 2017 and December 31, 2016 was $25.1 million and $28.3 million, respectively, that did not require specific reserves or had previously been charged down to net realizable value. The balance of impaired loans at March 31, 2017 and December 31, 2016 of $56.3 million and $57.4 million, respectively, had specific reserves that totaled $3.69 million and $3.45 million, respectively. The average recorded investment in impaired loans for the first quarters of 2017 and 2016 was $81.9 million and $86.9 million, respectively. For the three months ended March 31, 2017, United recognized $957,000 in interest revenue on impaired loans compared to $1.06 million for the same period of the prior year.

The table below summarizes activity in nonperforming assets for the periods indicated.

Table 11 - Activity in Nonperforming Assets
(in thousands)

	First Quarter 2017			First Quarter 2016		
	Nonaccrual Loans	Foreclosed Properties	Total NPAs	Nonaccrual Loans	Foreclosed Properties	Total NPAs
Beginning Balance	$ 21,539	$ 7,949	$ 29,488	$ 22,653	$ 4,883	$ 27,536
Loans placed on non-accrual	3,172	-	3,172	4,771	-	4,771
Payments received	(3,046)	-	(3,046)	(1,812)	-	(1,812)
Loan charge-offs	(1,292)	-	(1,292)	(1,679)	-	(1,679)
Foreclosures	(561)	561	-	(1,514)	1,590	76
Property sales	-	(3,077)	(3,077)	-	(1,524)	(1,524)
Write downs	-	(480)	(480)	-	(7)	(7)
Net gains on sales	-	107	107	-	221	221
Ending Balance	$ 19,812	$ 5,060	$ 24,872	$ 22,419	$ 5,163	$ 27,582

Foreclosed property is initially recorded at fair value, less estimated costs to sell. If the fair value, less estimated costs to sell at the time of foreclosure is less than the loan balance, the deficiency is charged against the allowance for loan losses. If the lesser of fair value, less estimated costs to sell or the listed selling price, less the costs to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to foreclosed property expense. 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. Financed sales of foreclosed property are accounted for in accordance with ASC 360-20, *Real Estate Sales*. For the first quarter of 2017, United transferred $561,000 of loans into foreclosed property through foreclosures. During the same period, proceeds from sales of foreclosed property were $3.08 million.

Investment Securities

The composition of the investment securities portfolio reflects United's 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 and credit 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, including repurchase agreements.

At March 31, 2017 and December 31, 2016, United had securities held-to-maturity with a carrying amount of $330 million, and securities available-for-sale totaling $2.44 billion and $2.43 billion, respectively. At March 31, 2017 and December 31, 2016, the securities portfolio represented approximately 26% of total assets.

The investment securities portfolio primarily consists of Treasury securities, U.S. government agency securities, U.S. government sponsored agency mortgage-backed securities, non-agency mortgage-backed securities, corporate securities, municipal securities and asset-backed securities. Mortgage-backed 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 usually differ from contractual maturities because 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, United may not be able to reinvest the proceeds from these prepayments in assets that have comparable yields. In a rising rate environment, the opposite occurs - 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. United's asset-backed securities include collateralized loan obligations and securities backed by student loans.

Management evaluates its securities portfolio each quarter to determine if any security is considered to be other than temporarily impaired. In making this evaluation, management considers its ability and intent to hold securities to recover current market losses. Losses on United's fixed income securities at March 31, 2017 primarily reflect the effect of changes in interest rates. United did not recognize any other than temporary impairment losses on its investment securities during the first quarter of 2017 or 2016.

At March 31, 2017 and December 31, 2016, 22% of the securities portfolio was invested in floating-rate securities or fixed-rate securities that were swapped to floating rates in order to manage exposure to rising interest rates.

Goodwill and Core Deposit Intangibles

Goodwill represents the premium paid for acquired companies above the fair value of the assets acquired and liabilities assumed, including separately identifiable intangible assets.

Core deposit intangibles, representing the value of acquired deposit relationships, are amortizing intangible assets that are required to be tested for impairment only when events or circumstances indicate that impairment may exist. There were no events or circumstances that led management to believe that any impairment exists in goodwill or other intangible assets.

Deposits

Total customer deposits, excluding brokered deposits, as of March 31, 2017 were $8.39 billion, compared to $8.31 billion at December 31, 2016. Total core transaction deposits (demand, NOW, money market and savings deposits, excluding public funds deposits) of $6.10 billion at March 31, 2017 increased $189 million since December 31, 2016. United's high level of service, as evidenced by its strong customer satisfaction scores, has been instrumental in attracting and retaining core transaction deposit accounts.

Total time deposits, excluding brokered deposits, as of March 31, 2017 were $1.26 billion, down $25.9 million from December 31, 2016. United continues to offer low rates on certificates of deposit, allowing organic balances to decline and shift to lower cost transaction account deposits.

Brokered deposits totaled $364 million as of March 31, 2017, an increase of $36.6 million from December 31, 2016 due to an increase in the balance of lower-cost brokered money market deposits and brokered time deposits which are generally swapped to LIBOR.

Borrowing Activities

The Bank is a shareholder in the Federal Home Loan Bank of Atlanta ("FHLB"). Through this affiliation, FHLB secured advances totaled $569 million and $709 million, respectively, as of March 31, 2017 and December 31, 2016. United anticipates continued use of this short and long-term source of funds. Additional information regarding FHLB advances is provided in Note 13 to the consolidated financial statements included in United's Annual Report on Form 10-K for the year ended December 31, 2016.

Contractual Obligations

There have not been any material changes to United's contractual obligations since December 31, 2016.

Off-Balance Sheet Arrangements

United 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, letters of credit and financial guarantees.

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. United uses the same credit underwriting procedures for making commitments, letters of credit and financial guarantees, as it uses 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. United is 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 13 to the consolidated financial statements for additional information on off-balance sheet arrangements.

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 United's 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.

United's net interest revenue, and the fair value of its financial instruments, are influenced by changes in the level of interest rates. United limits its exposure to fluctuations in interest rates through policies developed by the Asset/Liability Management Committee ("ALCO") and approved by the Board of Directors. ALCO meets periodically and has responsibility for formulating and recommending asset/liability management policies to the Board of Directors, 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 a number of assumptions for each scenario, including loan and deposit re-pricing 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. Another commonly analyzed scenario is a most-likely scenario that projects the expected change in rates based on the slope of the forward yield curve. 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 twelve month time frame, longer time horizons are also modeled.

United's 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 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. United's policy limits the projected change in net interest revenue over the first 12 months to a 5% decrease for each 100 basis point change in the increasing and decreasing rate ramp and shock scenarios. Historically low rates on March 31, 2016 made use of the down scenarios irrelevant. The following table presents United's interest sensitivity position at the dates indicated.

Table 12 - Interest Sensitivity

	Increase (Decrease) in Net Interest Revenue from Base Scenario at March 31,			
	2017		2016	
Change in Rates	**Shock**	**Ramp**	**Shock**	**Ramp**
100 basis point increase	0.2 %	(0.3) %	0.4 %	(0.2) %
100 basis point decrease	(8.5)	(7.0)	n/a	n/a

Interest rate sensitivity is a function of the re-pricing characteristics of the portfolio of assets and liabilities. These re-pricing 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, re-pricing or maturity. Interest rate sensitivity management focuses on the maturity structure of assets and liabilities and their re-pricing 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.

United has some discretion in the extent and timing of deposit re-pricing depending upon the competitive pressures in the markets in which it operates. 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 re-pricing for both the asset and the liability remains the same, due to the two instruments re-pricing according to different indices. This is commonly referred to as basis risk.

In order to manage interest rate sensitivity, management uses derivative financial instruments. Derivative financial instruments can be a cost-effective and capital-effective means of modifying the re-pricing characteristics of on-balance sheet assets and liabilities. These contracts generally consist of interest rate swaps under which United pays a variable rate (or fixed rate, as the case may be) and receives a fixed rate (or variable rate, as the case may be). In addition to derivative instruments, management uses a variety of balance sheet instruments to manage interest rate risk such as investment securities, wholesale funding, and bank-issued deposits.

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. United has 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.

From time to time, United will terminate hedging positions when conditions change and the position is no longer necessary to manage overall sensitivity to changes in interest rates. In those situations where the terminated contract was in an effective hedging relationship at the time of termination and the hedging relationship is expected to remain effective throughout the original term of the contract, the resulting gain or loss is amortized over the remaining life of the original contract. For swap contracts, the gain or loss is amortized over the remaining original contract term using the straight line method of amortization. United expects that $625,000 will be reclassified as an increase to interest expense from other comprehensive income over the next twelve months related to these terminated cash flow hedges.

United's policy requires all non-customer facing derivative financial instruments be used only for asset/liability management through the hedging of specific transactions or positions, 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 United may require the counterparties to derivative contracts to pledge cash and/or securities as collateral to cover the net exposure.

Liquidity Management

The objective of liquidity management 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, it is the primary goal of United to maintain a sufficient level of liquidity in all expected economic environments. To assist in determining the adequacy of its liquidity, United performs a variety of liquidity stress tests including idiosyncratic, systemic and combined scenarios for both moderate and severe events. 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. United maintains an unencumbered liquid asset reserve to help ensure its ability to meet its 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 also maintains excess funds in short-term interest-bearing assets that provide additional liquidity.

The Bank's main source of liquidity is customer interest-bearing and noninterest-bearing deposit accounts. Liquidity is also available from wholesale funding sources consisting primarily of Federal funds purchased, FHLB advances, brokered deposits and securities sold under agreements to repurchase. 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.

In addition, because United's holding company is a separate entity and apart from the Bank, it must provide for its own liquidity. United's holding company is responsible for the payment of dividends declared for its common shareholders, and interest and principal on any outstanding debt or trust preferred securities. United's holding company currently has internal capital resources to meet these obligations. While United's holding company has access to the capital markets, the ultimate source of holding company liquidity is subsidiary service fees and dividends from the Bank, which are limited by applicable law and regulations.

At March 31, 2017, United had cash and cash equivalent balances of $231 million and had sufficient qualifying collateral to increase FHLB advances by $828 million and Federal Reserve discount window borrowing capacity of $1.22 billion. United also has the ability to raise substantial funds through brokered deposits. In addition to these wholesale sources, United has the ability to attract retail deposits by competing more aggressively on pricing.

As disclosed in the consolidated statement of cash flows, net cash provided by operating activities was $62.6 million for the three months ended March 31, 2017. Net income of $23.5 million for the three month period included deferred income tax expense of $19.1 million, and non-cash expenses for the following: depreciation, amortization and accretion of $6.39 million and stock-based compensation expense of $1.32 million. Other sources of cash from operating activities included a decrease in other assets and accrued interest receivable of $4.78 million and a decrease in mortgage loans held for sale of $13.4 million. These sources of cash from operating activities were offset by a decrease in accrued expenses and other liabilities of $5.12 million. Net cash used in investing activities of $12.4 million consisted primarily of a $15.9 million net increase in loans, purchases of investment securities available-for-sale totaling $148 million and purchases of investment securities held-to-maturity of $13.4 million. These uses of cash were partially offset by $13.4 million in proceeds from maturities and calls of investment securities held-to-maturity, $24.2 million in proceeds from the sale of investment securities available-for-sale and $137 million in proceeds from maturities and calls of investment securities available-for-sale. Net cash used in financing activities of $36.6 million consisted primarily of a net decrease in FHLB advances of $140 million and $5.76 million in dividends to common shareholders, partially offset by a net increase in deposits of $115 million. In the opinion of management, United's liquidity position at March 31, 2017, was sufficient to meet its expected cash flow requirements.

Capital Resources and Dividends

Shareholders' equity at March 31, 2017 was $1.10 billion, an increase of $25.8 million from December 31, 2016 due to year-to-date earnings less dividends declared, an increase in the value of available-for-sale securities and the release of the disproportionate tax effect related to terminated cash flow hedges. Accumulated other comprehensive loss, which includes unrealized gains and losses on securities available-for-sale, the unrealized gains and losses on derivatives qualifying as cash flow hedges and unamortized prior service cost and actuarial gains and losses on United's modified retirement plan, is excluded in the calculation of regulatory capital adequacy ratios.

The following table shows United's capital ratios, as calculated under applicable regulatory guidelines, at March 31, 2017 and December 31, 2016. As of March 31, 2017, capital levels remained characterized as "well-capitalized" under the Basel III Capital Rules in effect at the time.

Table 13 - Capital Ratios
(dollars in thousands)

	Basel III Guidelines		United Community Banks, Inc. (Consolidated)		United Community Bank	
	Minimum	Well Capitalized	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Risk-based ratios:						
Common equity tier 1 capital	4.5 %	6.5 %	11.44 %	11.23 %	12.30 %	12.66 %
Tier I capital	6.0	8.0	11.46	11.23	12.30	12.66
Total capital	8.0	10.0	12.25	12.04	13.10	13.48
Leverage ratio	4.0	5.0	8.63	8.54	9.26	9.63
Common equity tier 1 capital			$ 899,415	$ 874,452	$ 965,389	$ 984,529
Tier I capital			901,109	874,452	965,389	984,529
Total capital			963,654	937,876	1,027,934	1,047,953
Risk-weighted assets			7,864,093	7,789,089	7,848,467	7,775,352
Average total assets			10,437,698	10,236,868	10,422,612	10,221,318

United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI". Below is a quarterly schedule of high, low and closing stock prices and average daily volume for 2017 and 2016.

Table 14 - Stock Price Information

	2017				2016			
	High	Low	Close	Avg Daily Volume	High	Low	Close	Avg Daily Volume
First quarter	$ 30.47	$ 25.29	$ 27.69	459,018	$ 19.27	$ 15.74	$ 18.47	440,759
Second quarter					20.60	17.07	18.29	771,334
Third quarter					21.13	17.42	21.02	379,492
Fourth quarter					30.22	20.26	29.62	532,944

Effect of Inflation and Changing Prices

A bank's asset and liability structure is substantially different from that of an industrial firm in that 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 normal rates in order to maintain an appropriate equity to assets ratio.

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes in United's market risk as of March 31, 2017 from that presented in the Annual Report on Form 10-K for the year ended December 31, 2016. The interest rate sensitivity position at March 31, 2017 is included in management's discussion and analysis on page 55 of this report.

Item 4. Controls and Procedures

United's management, including the Chief Executive Officer and Chief Financial Officer, supervised and participated in an evaluation of United's disclosure controls and procedures as of March 31, 2017. Based on, and as of the date of that evaluation, United's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective in accumulating and communicating information to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures of that information under the SEC's rules and forms and that the disclosure controls and procedures are designed to ensure that the information required to be disclosed in reports that are filed or submitted by United under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no significant changes in the internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Part II. Other Information

Item 1. Legal Proceedings

In the ordinary course of operations, United and the Bank are defendants in various legal proceedings. Additionally, in the ordinary course of business, United and the Bank are subject to regulatory examinations and investigations. Based on our current knowledge and advice of counsel, in the opinion of management there is no such pending or threatened legal matter which would result in a material adverse change in the consolidated financial condition or results of operations of United.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in United's Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On March 22, 2016, United announced that its Board of Directors had authorized a program to repurchase up to $50 million of United's outstanding common stock through December 31, 2017. Under the program, the shares may be repurchased periodically in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws. The actual timing, number and value of shares repurchased under the program depends on a number of factors, including the market price of United's common stock, general market and economic conditions, and applicable legal requirements. As of March 31, 2017, the remaining authorization was $36.3 million.

The following table contains information for shares repurchased during the first quarter of 2017.

(Dollars in thousands, except for per share amounts)	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs**
January 1, 2017 - January 31, 2017	-	$ -	-	$ 36,342
February 1, 2017 - February 28, 2017	-	-	-	36,342
March 1, 2017 - March 31, 2017	-	-	-	36,342
Total	-	$ -	-	$ 36,342

Item 3. Defaults upon Senior Securities – None

Item 4. Mine Safety Disclosures – None

Item 5. Other Information – None

Item 6. Exhibits

Exhibit No.	Description
10.1	Form of Change in Control Severance Agreement for Senior Management.
31.1	Certification by Jimmy C. Tallent, Chairman and Chief Executive Officer of United Community Banks, Inc., pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Jefferson L. Harralson, Executive Vice President and Chief Financial Officer of United Community Banks, Inc., pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED COMMUNITY BANKS, INC.

/s/ Jimmy C. Tallent
Jimmy C. Tallent
Chairman 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 and
Chief Accounting Officer
(Principal Accounting Officer)

Date: May 5, 2017

Exhibit 31.1

I, Jimmy C. Tallent, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: ***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
Chairman and Chief Executive Officer
of the Registrant

Date: May 5, 2017

Exhibit 31.2

I, Jefferson L. Harralson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Community Banks, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: ***/s/ Jefferson L. Harralson***
Jefferson L. Harralson
Executive Vice President and Chief Financial Officer
of the Registrant

Date: May 5, 2017

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of United Community Banks, Inc. ("United") on Form 10-Q for the period ending March 31, 2017 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jimmy C. Tallent, Chairman and Chief Executive Officer of United, and I, Jefferson L. Harralson, Executive Vice President and Chief Financial Officer of United, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of United.

By: ***/s/ Jimmy C. Tallent***
Jimmy C. Tallent
Chairman and Chief Executive Officer

By: ***/s/ Jefferson L. Harralson***
Jefferson L. Harralson
Executive Vice President and
Chief Financial Officer

Date: May 5, 2017