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, 2000

OR

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

for the Transition Period From ___________ to ___________

Commission file number 0-21656

UNITED COMMUNITY BANKS, INC.
(Exact name of registrant as specified in its charter)

| Georgia | 58-180-7304 |
|---|---|
| (State of Incorporation) | (I.R.S. Employer Identification No.) |

| P.O. Box 398, 63 Highway 515<br>Blairsville, Georgia | 30512 |
|---|---|
| Address of Principal Executiveoffices | (Zip Code) |

(706) 745-2151
(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 [ ]

Common stock, par value $1 per share: 8,035,868 shares
outstanding as of April 30, 2000

INDEX

Item 5. Other Information
Item 6. Exhibits and Reports On Form 8-K

PART I ITEM I - STATEMENTS

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (in thousands) | | March 31, 2000 | December 31, 1999 |
|---|---|---|---|
| ASSETS | | | |
| Cash and due from banks | $ | 82,294 | 89,231 |
| Federal funds sold | | 170 | 23,380 |
| Cash and cash equivalents | | 82,464 | 112,611 |
| Securities available for sale | | 548,670 | 534,503 |
| Mortgage loans held for sale | | 4,588 | 6,326 |
| Loans, net of unearned income | | 1,459,469 | 1,400,360 |
| Less: Allowance for loan losses | | (18,922) | (17,722) |
| Loans, net | | 1,440,547 | 1,382,638 |
| Premises and equipment, net | | 47,644 | 47,365 |
| Accrued interest receivable | | 19,406 | 17,861 |
| Other assets | | 31,302 | 30,136 |
| Total assets | $ | 2,174,621 | 2,131,440 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Deposits: | | | |
| Demand | $ | 210,248 | 192,006 |
| Interest bearing demand | | 352,448 | 328,815 |
| Savings | | 78,147 | 73,953 |
| Time | | 1,027,642 | 1,054,618 |
| Total deposits | | 1,668,485 | 1,649,392 |
| Accrued expenses and other liabilities | | 20,149 | 24,378 |
| Federal funds purchased and repurchase agreements | | 33,760 | 31,812 |
| Federal Home Loan Bank advances | | 309,940 | 287,572 |
| Long-term debt and other borrowings | | 19,331 | 17,516 |
| Convertible subordinated debentures | | 3,500 | 3,500 |
| Trust Preferred Securities | | 21,000 | 21,000 |
| Total liabilities | | 2,076,165 | 2,035,170 |
| Stockholders' equity: | | | |
| Preferred Stock | | - | - |
| Common stock, $1 par value; 10,000,000 shares authorized; 8,034,268 shares issued and outstanding | | 8,034 | 8,034 |
| Capital surplus | | 30,310 | 30,310 |
| Retained earnings | | 69,807 | 66,606 |
| Accumulated other comprehensive income (loss) | | (9,695) | (8,680) |
| Total stockholders' equity | | 98,456 | 96,270 |
| Total liabilities and stockholders' equity | $ | 2,174,621 | 2,131,440 |

See notes to unaudted consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statements of Income (Unaudited)

| (IN THOUSANDS , EXCEPT PER SHARE DATA) | For the Three Months Ended March 31, 2000 | 1999 |
|---|---|---|
| Interest income: | | |
| Interest and fees on loans | $ 34,484 | 26,541 |
| Interest on federal funds sold | 202 | 170 |
| Interest on investment securities: | | |
| Taxable | 7,849 | 5,201 |
| Tax exempt | 896 | 917 |
| Total interest income | 43,431 | 32,829 |
| INTEREST EXPENSE: | | |
| Interest on deposits: | | |
| Demand | 3,350 | 2,667 |
| Savings | 545 | 626 |
| Time | 15,290 | 10,312 |
| Notes payable, subordinated debentures, federal funds purchased and FHLB advances | 4,950 | 3,360 |
| Trust Preferred Securities | 430 | 430 |
| Total interest expense | 24,565 | 17,395 |
| Net interest income | 18,866 | 15,434 |
| Provision for loan losses | 1,546 | 980 |
| Net interest income after provision for loan losses | 17,320 | 14,454 |
| NONINTEREST INCOME: | | |
| Service charges and fees | 1,473 | 1,164 |
| Securities gains, net | 5 | 5 |
| Mortgage loan and related fees | 220 | 448 |
| Other non-interest income | 992 | 862 |
| Total noninterest income | 2,690 | 2,479 |
| NONINTEREST EXPENSE: | | |
| Salaries and employee benefits | 8,044 | 6,745 |
| Occupancy | 2,566 | 2,086 |
| Other noninterest expense | 3,787 | 3,169 |
| Total noninterest expense | 14,397 | 12,000 |
| Income before income taxes | 5,613 | 4,933 |
| Income taxes | 1,789 | 1,640 |
| NET INCOME | $ 3,824 | 3,293 |
| Basic earnings per share | $ 0.48 | 0.41 |
| Diluted earnings per share | $ 0.47 | 0.40 |
| Average shares outstanding | 8,034 | 8,004 |
| Diluted average shares outstanding | 8,317 | 8,293 |

See notes to unaudited consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
IN THOUSANDS

| | FOR THE THREE MONTHS ENDED March 31 2000 | 1999 |
|---|---|---|
| | (In Thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 3,824 | 3,293 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation, amortization and accretion | 1,061 | 1,212 |
| Provision for loan losses | 1,546 | 980 |
| Loss (gain) on sale of investment securities | (5) | (5) |
| Change in assets and liabilities: | | |
| Interest receivable | (1,545) | (524) |
| Other assets | (1,166) | (4,205) |
| Accrued expenses and other liabilities | (4,229) | 3,465 |
| Change in mortgage loans held for sale | 1,738 | 2,649 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,224 | 6,865 |
| CASH FLOWS FROM INVESTING ACTIVITIES, NET OF PURCHASE ACQUISITIONS: | | |
| Proceeds from sales of securities available for sale | 250 | 38 |
| Proceeds from maturities and calls of securities available for sale | 10,848 | 26,404 |
| Purchases of securities available for sale | (24,411) | (105,289) |
| Purchase of life insurance contracts | (2,650) | -- |
| Net increase in loans | (59,109) | (65,751) |
| Net cash inflow (outflow) for branch and bank acquisitions | -- | (2,248) |
| Proceeds from sale of other real estate | 65 | 20 |
| Purchase of bank premises and equipment | (1,186) | (1,154) |
| NET CASH USED IN INVESTING ACTIVITIES | (76,193) | (147,980) |
| CASH FLOWS FROM FINANCING ACTIVITIES, NET OF PURCHASE ACQUISITIONS: | | |
| Net change in demand and savings deposits | 46,069 | 40,685 |
| Net change in time deposits | (26,976) | 7,944 |
| Net change in federal funds purchased and repurchase agreements | 1,948 | 52,239 |
| Net change in FHLB advances | 22,368 | 42,769 |
| Net change in long-term debt and other borrowings | 1,815 | 10,960 |
| Dividends paid | (402) | (276) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 44,822 | 154,321 |
| Net change in cash and cash equivalents | (30,147) | 13,206 |
| Cash and cash equivalents at beginning of period | 112,611 | 64,112 |
| Cash and cash equivalents at end of period | $ 82,464 | 77,318 |

| | | |
|---|---|---|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid during the period for: | | |
| Interest | $ 24,653 | 17,235 |
| Income Taxes | $ 2,330 | 448 |

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(in thousands)

| | FOR THE THREE MONTHS ENDED MARCH 31 | |
|---|---|---|
| | 2000 | 1999 |
| Net income | $ 3,824 | 3,293 |
| Other comprehensive income (loss), before tax: | | |
| Unrealized holding gains (losses) on investment securities available for sale | (1,533) | 373 |
| Less reclassification adjustment for gains on investment securities available for sale | 5 | 5 |
| Total other comprehensive income (loss), before tax | (1,528) | 378 |
| INCOME TAX EXPENSE (BENEFIT) RELATED TO OTHER COMPREHENSIVE INCOME | | |
| Unrealized holding gains (losses) on investment securities | (515) | 133 |
| Less reclassification adjustment for gains on investment securities available for sale | 2 | 2 |
| Total income tax expense (benefit) related to other comprehensive income (loss) | (513) | 135 |
| Total other comprehensive income (loss), net of tax | (1,015) | 243 |
| Total comprehensive income | $ 2,809 | 3,536 |

See notes to unaudited consolidated financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounting and financial reporting policies of United Community Banks, Inc. ("United") and its subsidiaries conform to generally accepted accounting principles and general banking industry practices. The following consolidated financial statements have not been audited and all material intercompany balances and transactions have been eliminated. A more detailed description of United's accounting policies is included in the 1999 annual report filed on Form 10-K.

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 considered normal and recurring accruals considered necessary for a fair and accurate presentation. The results for interim periods are not necessarily indicative of results for the full year or any other interim periods.

NOTE 2 - RECENT DEVELOPMENTS

On May 8, 2000, United commenced the process of conducting a public offering of between 350,000 and 450,000 shares of common stock at a price of $38.00 per share. United plans to use the net proceeds, which will range from approximately $13.2 to $17.0 million, to provide capital for its subsidiary banks and for general corporate purposes, including the reduction of parent company debt. Management expects the public offering will be completed during the second quarter of 2000.

On March 3, 2000, United entered into an agreement to acquire North Point Bancshares, Inc. ("North Point"), a single-bank holding company based in Dawsonville, Georgia, in exchange for 958,211 shares of United common stock. This merger is expected to be completed during the second quarter of 2000 and will be accounted for as a pooling of interests. At March 31, 2000, North Point had $115.0 million of total assets, $105.6 million of total liabilities and $9.4 million of total stockholders' equity.

On March 3, 2000, United entered into an agreement to acquire Independent Bancshares, Inc. ("Independent"), a single-bank holding company based in Powder Springs, Georgia, in exchange for 870,598 shares of United common stock. This merger is expected to be completed during the second quarter of 2000 and will be accounted for as a pooling of interests. At March 31, 2000, Independent had $161.1 million of total assets, $147.5 million of total liabilities and $13.5 million of total stockholders' equity.

NOTE 3 - EARNINGS PER SHARE

| (In thousands, except per share data) | | For the Three Months Ended March 31, 2000 | 1999 |
|---|---|---|---|
| **Basic earnings per share:** | | | |
| Weighted average shares outstanding | | 8,034 | 8,004 |
| Net income | $ | 3,824 | 3,293 |
| Basic earnings per share | $ | 0.48 | 0.41 |
| **Diluted earnings per share:** | | | |
| Weighted average shares outstanding | | 8,034 | 8,004 |
| Net effect of the assumed exercise of stock options based on the treasury stock method using average market price for the period | | 143 | 149 |
| Effect of conversion of subordinated debt | | 140 | 140 |
| Total weighted average shares and common stock equivalents outstanding | | 8,317 | 8,293 |
| Net income, as reported | $ | 3,824 | 3,293 |
| Income effect of conversion of subordinated debt, net of tax | $ | 47 | 43 |
| Net income, adjusted for effect of conversion of subordinated debt, net of tax | $ | 3,871 | 3,336 |
| Diluted earnings per share | | 0.47 | 0.40 |

PART I ITEM II

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

This discussion contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Although United believes that the assumptions underlying the forward-looking statements contained in the discussion are reasonable, any of the assumptions could be inaccurate, and therefore, no assurance can be made that any of the forward-looking statements included in this discussion will be accurate. Factors that could cause actual results to differ from results discussed in forward-looking statements include, but are not limited to: economic conditions (both generally and in the markets where United operates); competition from other providers of financial services offered by United; government regulation and legislation; changes in interest rates; material unforeseen changes in the financial stability and liquidity of United's credit customers; and other risks detailed in United's filings with the Securities and Exchange Commission, all of which are difficult to predict and which may be beyond the control of United. United undertakes no obligation to revise forward-looking statements to reflect events or changes after the date of this discussion or to reflect the occurrence of unanticipated events.

### Overview

United Community Banks, Inc. ("United") is a bank holding company registered under the Bank Holding Company Act of 1956. United has eight commercial bank subsidiaries that operate primarily in North Georgia and Western North Carolina (the "Banks"). As of March 31, 2000 United had 34 bank branches in operation. Total assets at March 31, were $2.2 billion, compared with $2.1 billion at December 31, 1999, an increase of 8% on an annualized basis.

### Recent Developments

On May 8, 2000, United commenced the process of conducting a public offering of between 350,000 and 450,000 shares of common stock at a price of $38.00 per share. United plans to use the net proceeds, which will range from approximately $13.2 to $17.0 million, to provide capital for its subsidiary banks and for general corporate purposes, including the reduction of parent company debt. Management expects the public offering will be completed during the second quarter of 2000.

On March 3, 2000, United entered into an agreement to acquire North Point Bancshares, Inc. ("North Point"), a single-bank holding company based in Dawsonville, Georgia, in exchange for 958,211 shares of United common stock. This merger is expected to be completed during the second quarter of 2000 and will be accounted for as a pooling of interests. At March 31, 2000, North Point had $115.0 million of total assets, $105.6 million of total liabilities and $9.4 million of total stockholders' equity.

On March 3, 2000, United entered into an agreement to acquire Independent Bancshares, Inc. ("Independent"), a single-bank holding company based in Powder Springs, Georgia, in exchange for 870,598 shares of United common stock. This merger is expected to be completed during the second quarter of 2000 and will be accounted for as a pooling of interests. At March 31, 2000, Independent had $161.1 million of total assets, $147.5 million of total liabilities and $13.5 million of total stockholders' equity.

### Income Summary

For the three months ended March 31, 2000 United reported net income of $3.8 million, or $.47 per diluted share, compared to $3.3 million, or $.40 per diluted share, for the same period in 1999. The first three months' results for 2000 provided an annualized return on average assets and average stockholders' equity of .71% and 15.9%, respectively, compared to .81% and 14.0%, respectively, for the same period in 1999. Net income for the three months ended March 31, 2000 increased 16.1% compared to the same period in 1999.

The following table summarizes the components of income and expense for the first three months of 2000 and 1999 and the changes in those components for the periods presented.

Table 1 - Condensed Consolidated Statements of Income
Unaudited
in Thousands)

| | For the Three Months Ended March 31, 2000 | 1999 | Change Amount | Percent |
|---|---|---|---|---|
| Interest income | $ 43,431 | 32,829 | 10,602 | 32.3% |
| Interest expense | 24,565 | 17,395 | 7,170 | 41.2% |
| Net interest income | 18,866 | 15,434 | 3,432 | 22.2% |
| Provision for loan losses | 1,546 | 980 | 566 | 57.8% |
| Net interest income after provision for loan losses | 17,320 | 14,454 | 2,866 | 19.8% |
| Non-interest income | 2,690 | 2,479 | 211 | 8.5% |
| Non-interest expense | 14,397 | 12,000 | 2,397 | 20.0% |
| Income before taxes | 5,613 | 4,933 | 680 | 13.8% |
| Income tax expense | 1,789 | 1,640 | 149 | 9.1% |
| Net income | $ 3,824 | 3,293 | 531 | 16.1% |

Net Interest Income

Net interest income is the largest source of United's operating income. Net interest income was $18.9 million for the three months ended March 31, 2000, an increase of 22% over the comparable period in 1999. The increase in net interest income for the first quarter of 2000 is primarily attributable to increases in outstanding average interest bearing assets (both loans and securities) over the comparable prior year period.

The increase in average outstanding securities is primarily the result of United's leverage program that was initiated during the fourth quarter of 1998. The leverage program was designed to make optimal utilization of United's capital by using borrowed funds to purchase additional securities. The leverage borrowings are principally advances from the Federal Home Loan Bank "FHLB" that are secured by mortgage loans and other investment securities. The securities purchased under the leverage program are primarily mortgage-backed pass-through and other mortgage backed securities, including collateralized mortgage obligations. At March 31, 2000 United had approximately $162 million of earning assets and corresponding borrowings in the leverage program.

For the three months ended March 31, 2000, the net interest margin (net interest income as a percentage of average interest earning assets) on a tax-equivalent basis was 3.85%, 31 basis points less than the comparable prior year period. The compression of the margin is primarily due to continued general competitive pressures on loan and deposit pricing and the leverage program described above. Although the average prime rate for the first quarter of 2000 was 95 basis points higher than the same period in 2000, the average loan yield decreased by 12 basis points.

In January 2000, United implemented a strategic initiative designed to improve key financial performance as measured by earnings per share growth, return on average assets and return on average stockholders' equity. A key component of this plan was to address the compression of the net interest margin, which declined by 62 basis points during 1999 as compared with the prior year. Excluding the impact of additional cash reserves held during the fourth quarter of 1999 as a contingency for Y2K, the tax-equivalent net interest margin for the first quarter of 2000 was flat compared to the prior quarter.

The following table shows the relative impact of changes in average balances of interest earning assets and interest bearing liabilities, and interest rates earned (on a fully-tax equivalent basis) and paid by United on those assets and liabilities for the three month periods ended March 31, 2000 and 1999.

Table 2 - Average Consolidated Balance Sheets and Net Interest Analysis
for the Three Months Ended March 31
Fully Tax-equivalent Basis
(In Thousands)

| | 2000 | | | 1999 | | |
|---|---|---|---|---|---|---|
| | AVERAGE BALANCE | INTEREST | AVG. RATE | AVERAGE BALANCE | INTEREST | AVG. RATE |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans, net of unearned income | $ 1,444,760 | 34,538 | 9.61% | 1,098,323 | 26,565 | 9.73% |
| Taxable investments | 484,182 | 7,849 | 6.52% | 352,126 | 5,201 | 5.94% |
| Tax-exempt investments | 77,245 | 1,344 | 7.00% | 77,256 | 1,376 | 7.16% |
| Federal funds sold and other interest income | 14,887 | 201 | 5.43% | 9,798 | 139 | 5.71% |
| TOTAL INTEREST-EARNING ASSETS / INTEREST INCOME | 2,021,074 | 43,932 | 8.74% | 1,537,503 | 33,281 | 8.71% |
| NON-INTEREST-EARNING ASSETS: | | | | | | |
| Allowance for loan losses | (17,849) | | | (13,090) | | |
| Cash and due from banks | 55,932 | | | 49,640 | | |
| Premises and equipment | 47,740 | | | 41,946 | | |
| Goodwill and deposit intangibles | 9,474 | | | 7,600 | | |
| Other assets | 38,800 | | | 29,492 | | |
| TOTAL ASSETS | $ 2,155,171 | | | 1,653,091 | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Transaction accounts | $ 342,490 | 3,350 | 3.93% | 305,187 | 2,667 | 3.51% |
| Savings deposits | 75,355 | 545 | 2.91% | 63,186 | 626 | 3.98% |
| Certificates of deposit | 1,063,407 | 15,290 | 5.78% | 742,878 | 10,312 | 5.58% |
| Total interest-bearing deposits | 1,481,252 | 19,185 | 5.21% | 1,111,251 | 13,605 | 4.92% |
| Federal Home Loan Bank advances | 289,777 | 4,094 | 5.68% | 209,866 | 2,665 | 5.11% |
| Federal funds purchased and repurchase agreements | 31,404 | 440 | 5.64% | 48,656 | 563 | 4.65% |
| Long-term debt and other borrowings | 40,451 | 846 | 8.41% | 27,283 | 562 | 8.28% |
| Total borrowed funds | 361,632 | 5,380 | 5.98% | 285,805 | 3,790 | 5.33% |
| TOTAL INTEREST-BEARING LIABILITIES / INTEREST EXPENSE | 1,842,884 | 24,565 | 5.36% | 1,397,056 | 17,395 | 5.01% |
| NON-INTEREST-BEARING LIABILITIES: | | | | | | |
| Non-interest-bearing deposits | 190,423 | | | 155,429 | | |
| Other liabilities | 25,166 | | | 5,231 | | |
| Total liabilities | 2,058,473 | | | 1,557,716 | | |
| Stockholders' equity | 96,698 | | | 95,375 | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 2,155,171 | | | 1,653,091 | | |
| Net interest-rate spread | | | 3.38% | | | 3.70% |
| Impact of non-interest bearing sources and other changes in balance sheet composition | | | 0.47% | | | 0.46% |
| NET INTEREST INCOME / MARGIN ON INTEREST-EARNING ASSETS | | 19,367 | 3.85% | | 15,886 | 4.16% |

Interest income on tax-exempt securities and loans has been increased by 50% to reflect comparable interest on taxable securities.

For computational purposes, includes non-accrual loans and mortgage loans held for sale.

Includes Trust Preferred Securities.

Tax equivalent net interest income as a percentage of average earning assets

The following table shows the relative impact on net interest income of changes in the average outstanding balances (volume) of earning assets and interest bearing liabilities and the rates earned and paid by United on such assets and liabilities. 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 Income and Expense On a Tax Equivalent Basis
Unaudited
(In Thousands)

| | Three Months Ended March 31 2000 Compared to 1999 Increase (Decrease) in Interest Income and Expense Due to Changes In: | | |
|---|---|---|---|
| | Volume | Rate | Total |
| Interest-earning assets: | | | |
| Loans | $ 8,285 | (312) | 7,973 |
| Taxable investments | 2,101 | 547 | 2,648 |
| Tax-exempt investments | - | (32) | (32) |
| Federal funds sold and other interest income | 69 | (7) | 62 |
| TOTAL INTEREST-EARNING ASSETS | 10,455 | 196 | 10,651 |
| INTEREST-BEARING LIABILITIES: | | | |
| Transaction accounts | 346 | 337 | 683 |
| Savings deposits | 107 | (188) | (81) |
| Certificates of deposit | 4,596 | 382 | 4,978 |
| Total interest-bearing deposits | 5,049 | 531 | 5,580 |
| FHLB advances | 1,103 | 326 | 1,429 |
| Federal funds purchased and repurchase agreements | (226) | 103 | (123) |
| Long-term debt and other borrowings | 275 | 9 | 284 |
| Total borrowed funds | 1,152 | 438 | 1,590 |
| TOTAL INTEREST-BEARING LIABILITIES | 6,201 | 969 | 7,170 |
| INCREASE (DECREASE) IN NET INTEREST INCOME | $ 4,254 | (773) | 3,481 |

Provision for Loan Loss
- ----------------------

The provision for loan losses was $1.5 million, or 0.43% of average loans on an annualized basis, for the three months ended March 31, 2000, compared with $980 thousand, or 0.36% of average loans, for the same period in 1999. Net loan charge-offs for the first three months of 2000 were $346 thousand, or 0.10% of average loans on an annualized basis, compared to $85 thousand, or 0.03% of average loans on an annualized basis, for the same period in 1999. The provision for loan losses and allowance for loan losses reflect management's consideration of the various risks in the loan portfolio. Additional discussion of loan quality and the allowance for loan losses in provided in the Asset Quality discussion section of this report.

Non-interest Income
- -------------------

Non-interest income for the three months ended March 31, 2000 was $2.7 million, an increase of $193 thousand, or 8%, over the comparable 1999 period. Service charges on deposit accounts, which represent the largest component of non-interest income, totaled $1.5 million for the first three months of 2000, an increase of $309 thousand, or 27%, compared to the same period in 1999. This increase is primarily attributed to an increase in the number and volume of transaction deposit accounts.

Mortgage banking revenue for the first three months of 2000 decreased by $228 thousand, or 51%, compared with the same period in 1999. This decrease is primarily attributable to increased mortgage loan interest rates and the corresponding decline in demand for mortgage refinance loans.

Other non-interest income totaled $974 thousand for the three months ended March 31, 2000, an increase of $112 thousand million, or 13%, compared to the same period in 1999. The following table summarizes the components of other non-interest income for the first three months of 2000 and 1999 and the changes in those components for the periods presented:

Table 4 -Other Non-interest Income
(In Thousands)

| | For the Three Months Ended March 31, 2000 | 1999 | Change Amount | Percent |
|---|---|---|---|---|
| Trust and brokerage fees | 209 | 169 | 40 | 24% |
| ATM fees | 134 | 105 | 29 | 28% |
| Bank-owned life insurance | 139 | 96 | 43 | 45% |
| Insurance commissions | 38 | - | 38 | n/m |
| Credit insurance | 179 | 223 | (44) | -20% |
| Safe deposit box fees | 78 | 57 | 21 | 37% |
| Gain on sale of loans | 9 | 40 | (31) | -78% |
| Other | 188 | 172 | 16 | 9% |
| Total other non-interest income | 974 | 862 | 112 | 13% |

n/m - not meaningful

The growth in trust and brokerage revenue is primarily attributable to an increase in the number of retail brokerage sale representatives and an increase in the amount of trust assets under management. The improvement in ATM fees is attributable to an increase in the number of ATM machines in service and an increase in the surcharge fee charged to non-customers implemented in February 1999. The increase in bank-owned life insurance revenue is a result of the growth of the underlying insurance policies' cash value since the first quarter of 1999 and corresponding increase in policy appreciation earnings. The increase in insurance commission revenue of $38 thousand reflects commissions earned by United on sales of insurance products through its wholly-owned subsidiary, United Agencies, Inc., which actively commenced operations during the second quarter of 1999.

The decrease in credit life insurance is primarily attributable to slower loan growth during the first quarter of 2000 at United's consumer finance company subsidiaries. During the first quarter of 2000 such outstanding loans declined by $996 thousand, compared with an increase of $1.8 million during the same period in 1999.

Gains on the sale of loans recorded during the first quarter of 2000 were 78% lower than the same period in 1999. The first quarter 1999 results for this income category reflect a one-time gain of approximately $40 thousand on the sale of SBA loans.

## Non-interest Expense

For the three months ended March 31, 2000, non-interest expense totaled $14.4 million, an increase of $2.4 million, or 20%, from the same period in 1999.

Salary and employee benefit expense, which represents the single largest component of non-interest expense, increased by $1.3 million, or 19%, compared with the same period in 1999. This increase is primarily attributable staff additions made to accommodate the growth of United's customer base, including staff obtained with the acquisition of Adairsville Bancshares, Inc. ("Adairsville") effective April 1, 1999; general merit increases awarded annually in April each year; and, an increase in the cost of group health insurance coverage.

Occupancy and equipment expense for the first three months of 2000 totaled $2.6 million, an increase of $480 thousand, or 23%, over the same period in 1999. This increase is primarily attributable to the opening of new bank offices in three markets and the acquisition of Adairsville.

Other non-interest expense for the three months ended March 31, 2000 was $3.7 million, an increase of 19% over the same period in 1999. This increase in primarily attributable to increases in stationery and supply expense and communications expense due to the increase in the number of bank offices and the growth of existing offices. Amortization expense for intangible assets, which is included in other non-interest expense, increase by $50 thousand during the first three months of 2000 compared with the same period in 1999 as a result of purchase acquisition of Adairsville.

The efficiency ratio, which is a measure of operating expenses excluding one-time expenses as a percentage of operating revenues excluding one-time gains, was 66.8% for the three months ended March 31, 2000, a three basis point improvement compared with the same period in 1999.

## Income Taxes

Income tax expense increased by $149 thousand, or 9%, during the first three months of 2000 as compared to the same period in 1999. The effective tax rate (as a percentage of pre-tax net income) for the three months ended March 31, 2000 was 31.9%, compared to 33.2% for comparable 1999 period.

## Investment Securities

Average securities for the first three months of 2000 were $561 million, an increase of $132 million, or 31%, over the comparable 1999 period. As of March 31, 2000, United had $162 million of securities and borrowings related to the leverage program, compared with $164 million at year-end 1999 and $148 million at March 31, 1999. Management does not expect to increase the level of securities and related borrowings in the leverage program during the remainder of 2000.

## Loans

United experienced annualized loan growth of 17% for the three-month period ended March 31, 2000. Total loans, net of unearned income, totaled $1.5 billion at March 31, 2000, compared to $1.4 billion at December 31, 1999. The loan growth experienced during the first three months of 2000 is attributed to continued robust economic conditions in United's market areas and corresponding strong demand for loans. Average loans for the three months ended March 31, 2000 were $1.4 billion compared to $1.1 billion for the comparable 1999 period, representing an increase of $346 million, or 32%. The average tax-equivalent yield on loans (including mortgage loans held for sale) for the three months ended March 31, 2000 was 9.61%, compared to 9.73% for the same period in 1999. This decrease is attributed to continued competitive pricing pressures for loans in the market areas where United operates.

## Asset Quality

Non-performing assets, which include non-accrual loans, loans past-due 90 days or more and still accruing interest and other real estate owned totaled $2.9 million at March 31, 2000, compared to $2.4 million at December 31, 1999. Total non-performing loans at March 31, 2000 increased by $373 thousand over the year-end 1999 level. Non-performing loans at March 31, 2000 consist primarily of loans secured by real estate that are generally well secured and in the process of collection. Other real estate owned at March 31, 2000 totaled $752 thousand, compared to $541 thousand at December 31, 1999, and comprised six properties.

Management classifies loans as non-accrual when principal or interest is 90 days or more past due and the loan is not sufficiently collateralized and in the process of collection. Once a loan is classified as non-accrual, it cannot be reclassified as an accruing loan until all principal and interest payments are brought current and the prospects for future payments in accordance with the loan agreement appear relatively certain. Foreclosed properties held as other real estate owned are recorded at the lower of United's recorded investment in the loan or market value of the property less expected selling costs.

The following table presents information about United's non-performing assets, including asset quality ratios.

TABLE 5- NON-PERFORMING ASSETS
(IN THOUSANDS)

| | | March 31, 2000 | December 31, 1999 | March 31, 1999 |
|---|---|---|---|---|
| Non-accrual loans | $ | 1,946 | 1,370 | 1,346 |
| Loans past due 90 days or more and still accruing | | 247 | 450 | 413 |
| Total non-performing loans | | 2,193 | 1,820 | 1,759 |
| Other real estate owned | | 752 | 541 | 809 |
| Total non-performing assets | $ | 2,945 | 2,361 | 2,568 |
| Total non-performing loans as a percentage of total loans | | 0.15% | 0.13% | 0.15% |
| Total non-performing assets as a percentage of total assets | | 0.14% | 0.11% | 0.14% |

At March 31, 2000 United had approximately $5.5 million of outstanding loans that were not included in the past-due or non-accrual categories, but for which management had knowledge that the borrowers were having financial difficulties. Although these difficulties are serious enough for management to be uncertain of the borrowers' ability to comply with the original repayment terms of the loans, no losses are anticipated at this time in connection with them based on current market conditions, cash flow generation and collateral values. These loans are subject to routine management review and are considered in determining the adequacy of the allowance for loan losses.

The allowance for loan losses ("ALL") at March 31, 2000 totaled $18.9 million, an increase of $1.2 million, or 7%, from December 31, 1999. The ratio of ALL to total loans at March 31, 2000 was 1.30%, compared with 1.35% at March 31, 1999 and 1.27% at December 31, 1999. At March 31, 2000 and December 31, 1999 the ratio of ALL to total non-performing loans was 863% and 974%, respectively.

The following table provides an analysis of the changes in the ALL for the three months ended March 31, 2000 and 1999.

Table 6 - Summary of Loan Loss Experience
(In Thousands)

| | | Three Months Ended March 31 2000 | 1999 |
|---|---|---|---|
| Balance beginning of period | $ | 17,722 | 12,680 |
| Provision for loan losses | | 1,546 | 980 |
| Balance acquired from subsidary at acquisition | | - | 1,822 |
| Loans charged-off | | (533) | (170) |
| Charge-off recoveries | | 187 | 85 |
| Net charge-offs | | (346) | (85) |
| Balance end of period | $ | 18,922 | 15,397 |

| Total loans: | | March 31, 2000 | December 31, 1999 |
|---|---|---|---|
| At period end | $ | 1,459,469 | 1,400,360 |
| Average (three months for 2000) | $ | 1,441,126 | 1,237,892 |
| As a percentage of average loans: | | | |
| Net charge-offs (annualized basis for 2000) | | 0.10% | 0.15% |
| Provision for loan losses (annualized basis for 2000) | | 0.43% | 0.41% |
| Allowance as a percentage of period end loans | | 1.30% | 1.27% |
| Allowance as a percentage of non-performing loans | | 863% | 974% |

Management believes that the ALL at March 31, 2000 is sufficient to absorb losses inherent in the loan portfolio. This assessment is based upon the best available information and does involve a degree of uncertainty and matters of judgement. Accordingly, the adequacy of the loan loss reserve cannot be determined with precision and could be susceptible to significant change in future periods.

Deposits and Borrowed Funds

Total average non-interest bearing deposits for the three months ended March 31, 2000 were $190 million, an increase of $35 million, or 23%, from the same period in 1999. For the three months ended March 31, 2000, total average interest bearing deposits were $1.7 billion, an increase of $405 million, or 32%, from the comparable 1999 period.

At March 31, 2000, United had $59 million of brokered certificates of deposit issued compared with $70 million at year-end 1999. Average certificates of deposit for the three months ended March 31, 2000 increased by $321million, or 43%, over the same period in 1999; brokered deposits represented $63 million, or 20%, of the total increase.

Total average borrowed funds for the three months ended March 31, 2000 were $362 million, an increase of $76 million, or 27%, from the comparable 1999 period. Most of this increase is attributed to increased net borrowings from the FHLB and was utilized to fund growth of the loan portfolio. At March 31, 2000, United had aggregate FHLB borrowings of approximately $310 million.

## Asset/Liability Management

United's financial performance is largely dependent upon its ability to manage market interest rate risk, which can be further defined as the exposure of United's net interest income to fluctuations in interest rates. Since net interest income is the largest component of United's earnings, management of interest rate risk is a top priority. United's risk management program includes a coordinated approach to managing interest rate risk and is governed by policies established by the Asset/Liability Management Committee ("ALCO"), which is comprised of members of United's senior management team. The ALCO meets regularly to evaluate the impact of market interest rates on the assets, liabilities, net interest margin, capital and liquidity of United and to determine the appropriate strategic plans to address the impact of these factors.

United's balance sheet structure is primarily short-term with most assets and liabilities either repricing or maturing in five years or less. Management monitors the sensitivity of net interest income to changes in market interest rates by utilizing a dynamic simulation model. This model measures net interest income sensitivity and volatility to interest rate changes based on assumptions which management believes are reasonable. Factors considered in the simulation model include actual maturities, estimated cash flows, repricing characteristics, deposit growth and the relative sensitivity of assets and liabilities to changes in market interest rates. The simulation model considers other factors that can impact net interest income, including the mix of earning assets and liabilities, yield curve relationships, customer preferences and general market conditions. Utilizing the simulation model, management can project the impact of changes in interest rates on net interest income.

At March 31, 2000, United's simulation model indicated that net interest income would increase by 3.24% if interest rates increased by 200 basis points and would decrease by 4.80% if interest rates fell by the same amount. Both of the simulation results are within the limits of United's policy, which permits an expected net interest income impact within a range of plus 10% and minus 10% for any 200 basis point increase or decrease in rates.

In order to assist in achieving a desired level of interest rate sensitivity, United has entered into off-balance sheet contracts that are considered derivative financial instruments. Derivative financial instruments can be a cost and capital effective means of modifying the repricing characteristics of on-balance sheet assets and liabilities. United requires that all contract counterparties have an investment grade or better credit rating. These contracts include interest rate swap contracts in which United pays a variable rate based on Prime Rate and receives a fixed rate on a notional amount and interest rate cap contracts for which United pays an up-front premium in exchange for a variable cash flow if interest rates exceed the cap rate. United did not enter into any new derivative financial instrument contracts during the first quarter of 2000.

The following table presents United's cap contracts at March 31, 2000. At that date, the cap contracts had an aggregate book value of $316 thousand.

Table 7 - Cap Contracts as of March 31, 2000
(In Thousands)

| Maturity | NOTIONAL Amount | CONTRACT Index | CONTRACT Rate | FAIR Value |
|---|---|---|---|---|
| August 31, 2001 | 5,000 | Prime | 10.00% | 10 |
| August 27, 2001 | 20,000 | Prime | 10.00% | 49 |
| September 18, 2003 | 10,000 | 3 Month LIBOR | 5.50% | 511 |
| January 4, 2004 | 10,000 | Prime | 7.75% | 543 |
| Total | 45,000 | | | 1,113 |

The following table presents United's swap contracts as of March 31, 2000.

TABLE 8 - SWAP CONTRACTS AS OF MARCH 31, 2000
(IN THOUSANDS)

| Maturity | NOTIONAL Amount | RATE Received | RATE Paid | FAIR Value |
|---|---|---|---|---|
| April 2, 2001 | 15,000 | 8.41% | 9.00% | (197) |
| April 5, 2001 | 10,000 | 9.50% | 9.00% | (28) |
| May 8, 2001 | 10,000 | 8.26% | 9.00% | (155) |
| June 7, 2001 | 10,000 | 8.69% | 9.00% | (132) |
| July 27, 2001 | 10,000 | 8.85% | 9.00% | (80) |
| October 12, 2001 | 10,000 | 9.11% | 9.00% | (120) |
| June 7, 2002 | 10,000 | 9.05% | 9.00% | (119) |
| June 14, 2002 | 10,000 | 9.12% | 9.00% | (107) |
| June 24, 2002 | 20,000 | 8.80% | 9.00% | (442) |
| July 29, 2002 | 25,000 | 9.04% | 9.00% | (316) |
| August 10, 2002 | 10,000 | 9.60% | 9.00% | (104) |
| December 23, 2002 | 10,000 | 9.19% | 9.00% | (231) |
| Total/weighted average | 150,000 | 8.95% | 9.00% | (2,031) |

Effective January 1, 1999, United adopted Statement of Financial Accounting Standards No. 133 ("Accounting for Derivative Instruments and Hedging Activities"), that requires that all derivative financial instruments be included and recorded at fair value on the balance sheet. Currently, all of United's derivative financial instruments are classified as highly effective fair value hedges. Fair value hedges recognize currently in earnings both the impact of the change in the fair value of the derivative financial instrument and the offsetting impact of the change in fair value of the hedged asset or liability. At March 31, 2000, United's derivative financial instruments had an aggregate negative fair market value of $918 thousand.
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United requires all derivative financial instruments be used only for asset/liability management or hedging 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 sensitivity is minimal and should not have any material unintended impact on United's financial condition or results of operations.

## Capital Resources and Liquidity

The following table shows United's capital ratios, as calculated under regulatory guidelines, compared to the regulatory minimum capital ratio and the regulatory minimum capital ratio needed to qualify as a "well-capitalized" institution at March 31, 2000 and December 31, 1999:

Table 9 - Capital Ratios

| | March 31, 2000 | December 31, 1999 |
|---|---|---|
| Leverage ratio | 5.61% | 5.52% |
| Regulatory minimum | 3.00% | 3.00% |
| Well-capitalized minimum | 5.00% | 5.00% |
| Tier I risk-based capital | 8.54% | 8.44% |
| Regulatory minimum | 3.00% | 3.00% |
| Well-capitalized minimum | 6.00% | 6.00% |
| Total risk-based capital | 10.04% | 9.95% |
| Regulatory minimum | 8.00% | 8.00% |
| Well-capitalized minimum | 10.00% | 10.00% |

Management believes that it is in the best interests of United's shareholders to make optimal use of United's capital by maintaining capital levels that meet the regulatory requirements for "well-capitalized" status but do not result in a significant level of excess capital that is not utilized. In consideration of the asset growth experienced during the past year and expected continued growth during the year 2000, management recommended to United's Board of Directors in January 2000 that additional capital be raised through the sale of common stock. The Board subsequently approved a public offering of between 350,000 and 450,000 shares at a price of $38.00 per share, which will provide between $13.2 million and $17.0 million of additional capital, net of estimated offering expenses. Management expects to use the net proceeds of the offering, which is expected to be completed during the second quarter of 2000, to inject additional capital into United's subsidiary banks and for other corporate purposes.

United is currently paying dividends on a quarterly basis and expects to continue making such distributions in the future if results from operations and capital levels are sufficient. The following table presents the cash dividends declared in the first quarter of 2000 and 1999 and the respective payout ratios as a percentage of net income.

Table 10 - Dividend Payout Information

| | 2000 | | 1999 | |
|---|---|---|---|---|
| | Dividend | Payout % | Dividend | Payout % |
| First quarter | $ 0.075 | 15.6% | $ 0.05 | 12.2% |

Liquidity measures the ability to meet current and future cash flow needs as they become due. Maintaining an adequate level of liquid funds, at the most economical cost, is an important component of United's asset and liability management program. United has several sources of available funding to provide the required level of liquidity. United, like most banking organizations, relies primarily upon cash inflows from financing activities (deposit gathering, short-term borrowing and issuance of long-term debt) in order to fund its investing activities (loan origination and securities purchases). The financing activity cash inflows such as loan payments and securities sales and prepayments are also a significant component of liquidity.

PART I ITEM III

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in United's quantitative and qualitative disclosures about market risk as of March 31, 2000 from that presented in United's Annual Report on Form 10-K for the year ended December 31, 1999.

PART II.  OTHER INFORMATION

Item 1.  Legal Proceedings - None

Item 2.  Changes in Securities - None

Item 3.  Defaults upon Senior Securities - None

Item 4.  Submission of Matters to a Vote of Securities Holders - None

Item 5.  Other Information - None

Item 6.  Exhibits and Reports on Form 8-K

Exhibit 27 - Financial Data Schedule (for Commission Use Only)

There were no reports filed on Form 8-K during this reporting period.

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.

By /s/ Jimmy C. Tallent

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Jimmy C. Tallent, President
(Principal Executive Officer)

Date: May 12, 2000

By /s/ Christopher J. Bledsoe

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Christopher J. Bledsoe
Chief Financial Officer
(Principal Financial Officer)

Date: May 12, 2000

By /s/ Patrick J. Rusnak

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Patrick J. Rusnak
Controller
(Principal Accounting Officer)

Date: May 12, 2000

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JAN-01-2000
MAR-31-2000
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