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 September 30, 1997

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, 59 Highway 515 Blairsville, Georgia	30512
(Address of principal executive Offices)	(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 XX NO

Common stock, par value $1 per share: 7,385,105 shares outstanding as of November 14, 1997

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

INDEX

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

	September 30, 1997	December 31, 1996
	(In Thousands)	
ASSETS		
Cash and due from banks	$ 42,417	28,081
Federal funds sold	6,435	24,585
Cash and cash equivalents	48,852	52,666
Securities held to maturity (estimated fair value of $70,012 and $76,624)	69,062	77,326
Securities available for sale	142,786	81,268
Mortgage loans held for sale	4,332	6,727
Loans	782,510	634,574
Less: Allowance for loan losses	(9,987)	(8,126)
Loans, net	772,523	626,448
Premises and equipment	24,642	20,108
Accrued interest receivable	10,581	8,534
Other assets	11,731	13,026
	$ 1,084,509	886,103
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$ 100,445	82,137
Interest-bearing demand	179,501	167,372
Savings	43,718	41,963
Time	621,637	481,829
Total deposits	945,301	773,301
Accrued expenses and other liabilities	6,198	6,094
Borrowed Funds	51,385	38,574
Long-term debt	9,605	10,453
Total liabilities	1,012,489	828,422
Stockholders' equity:		
Common stock, $1 par value; 10,000,000 shares authorized; 7,385,105 and 7,085,105 shares issued and outstanding	7,385	7,085
Capital surplus	24,698	18,522
Net unrealized loss on investment securities available for sale, net of tax	558	(87)
Retained earnings	39,379	32,161
Total stockholders' equity	72,020	57,681
	$ 1,084,509	886,103

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
Consolidated Statements of Earnings
(Unaudited)

	For the Three Months Ended September 30, 1997	For the Three Months Ended September 30, 1996	For the Nine Months Ended September 30, 1997	For the Nine Months Ended September 30, 1996
	(In Thousands Except Per Share Data)			
INTEREST INCOME:				
Interest and fees on loans	$ 19,841	$ 14,925	$ 55,435	$ 41,721
Interest on deposits with other banks	17	13	187	47
Interest on federal funds sold	610	259	1,394	737
Interest on investment securities:				
U.S. Treasury and U.S. Government agencies	3,033	1,644	7,258	5,058
State, county and municipal	(50)	503	1,033	1,479
Total interest income	23,451	17,343	65,307	49,042
INTEREST EXPENSE:				
Interest on deposits:				
Demand	1,742	1,701	4,941	3,853
Savings	305	290	883	853
Time	9,432	6,127	25,517	18,660
	11,479	8,118	31,341	23,366
Borrowed Funds	935	493	2,673	1,218
Total interest expense	12,414	8,611	34,014	24,584
Net interest income	11,037	8,732	31,293	24,458
Provision for loan losses	768	384	2,066	1,001
Net interest income after provision for loan losses	10,269	8,348	29,227	23,457
NONINTEREST INCOME:				
Service charges and fees	1,092	713	3,190	2,085
Securities gains, net	259	2	242	18
Mortgage loan and related fees	263	361	814	1,218
Other noninterest income	126	218	761	609
Total noninterest income	1,740	1,294	5,007	3,930
NONINTEREST EXPENSE:				
Salaries and employee benefits	4,485	3,443	12,789	9,872
Occupancy	1,313	844	3,561	2,606
Deposit insurance premiums	28	4	72	22
Other noninterest expense	2,005	1,875	6,463	5,411
Total noninterest expense	7,831	6,166	22,885	17,911
Earnings before income taxes	4,178	3,476	11,349	9,476
Income taxes	1,322	1,127	3,611	3,212
NET EARNINGS	$ 2,856	2,349	7,738	6,264
Net earnings per common share	$ 0.39	0.34	1.06	0.90
Weighted average shares outstanding	7,383,065	6,906,028	7,270,911	6,923,988

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30, 1997	1996
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 7,738	6,265
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization and accretion	1,663	1,734
Provision for loan losses	2,066	1,001
Gain on sale of investment securities	(242)	(18)
Change in assets and liabilities:		
Interest receivable	(2,047)	(1,327)
Interest payable	1,041	(199)
Other assets	545	(164)
Accrued expenses and other liabilities	(938)	1,455
Change in mortgage loans held for sale	2,395	5,688
Net cash provided by operating activities	12,221	14,435
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and calls of securities held to maturity	13,258	13,049
Purchases of securities held to maturity	(9,614)	(8,755)
Proceeds from sales of securities available for sale	21,194	13,678
Proceeds from maturities and calls of securities available for sale	15,226	21,591
Purchases of securities available for sale	(92,310)	(41,026)
Net increase in loans	(148,076)	(103,440)
Proceeds from sale of other real estate	-	54
Purchase of bank premises and equipment	(5,650)	(1,593)
Net cash used in investing activities	(205,972)	(106,442)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand and savings deposits	32,190	57,722
Net increase in time deposits	139,809	10,686
Repayments of long-term debt	(848)	(573)
Proceeds from other borrowings	21,937	29,060
Repayments of other borrowings	(9,126)	(238)
Net Proceeds from sale of common stock	6,476	-
Purchase of treasury stock	-	(411)
Cash paid for dividends	(501)	(250)
Net cash provided by financing activities	189,937	95,996
Net increase (decrease) in cash and cash equivalents	(3,814)	6,674
Cash and cash equivalents at beginning of period	52,666	34,254
Cash and cash equivalents at end of period	$ 48,852	40,928
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 34,628	24,783
Income taxes	$ 3,985	3,080
Schedule of noncash investing and financing activities:		
Change in dividends payable	$ (501)	-
Transfer of loans to other real estate owned	$ 1,210	388
Change in unrealized gain / (loss) on securities available for sale	$ 1,034	(1,237)

The accompanying consolidated financial statements have not been audited. The results of operations are not necessarily indicative of the results of operations for the full year or any other interim periods.

The accounting principles followed by United Community Banks, Inc. ("United") and its bank subsidiaries and the methods of applying these principles conform with generally accepted accounting principles and with general practices within the banking industry. Certain principles, which significantly affect the determination of financial position, results of operation and cash flows are summarized below and in United's annual report on Form 10-K for the year ended December 31, 1996.

(1) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of United and its wholly-owned subsidiaries, United Community Bank (UCB), Carolina Community Bank (Carolina), Peoples Bank (Peoples), Towns County Bank (Towns), White County Bank (White), and First Clayton Bank and Trust (Clayton) (collectively, the "Bank Subsidiaries" and United Family Finance Company, Inc. (Finance), a finance company subsidiary). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain items in prior period's financial statements have been reclassified to conform to the current financial statement presentation.

The consolidated financial information furnished herein reflects all adjustments that are, in the opinion of management, necessary to present a fair statement of the results of operations and financial position for the periods covered herein and are normal and recurring in nature. For further information, refer to the consolidated financial statements and footnotes included in United's annual report on Form 10-K for the year ended December 31, 1996.

(2) BUSINESS COMBINATIONS

On September 12, 1997, United completed the acquisition of First Clayton Bank and Trust (Clayton) of Rabun County, Georgia, with the issuance of 646,555 shares of United's common stock. At the date of closing, Clayton had assets of $73 million and equity of $6 million. The transaction was accounted for under the pooling-of-interest method of accounting and accordingly all prior period information has been restated.

On August 21, 1997, United executed a Purchase and Assumption Agreement to acquire certain assets and deposit liabilities of the Ellijay office of The Bank of North Georgia. This branch office had total loans of $3 million, and total deposits of $23 million.

(3) COMMON STOCK OFFERING

During the second quarter, United issued an additional 300,000 shares of common stock at $22 a share. After the offering, 7,385,105 shares will be deemed outstanding.

(4) EARNINGS PER SHARE

Net earnings per common share are based on the weighted average number of common shares outstanding during each period. The assumed conversion of the convertible subordinated debentures and exercise of stock options does not result in material dilution.

(5) RECENTLY ISSUED ACCOUNTING STANDARDS

During February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, "Earnings per Share." SFAS 128 simplifies current standards by eliminating the presentation of primary earnings per share (EPS) and requiring the presentation of basic EPS, which includes no potential common shares and thus no dilution. The Statement also requires entities with complex capital structures to present basic and diluted EPS on the face of the income statement and also eliminates the modified treasury stock method of computing potential common shares. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. Early application is not permitted. Upon adoption, restatement of all prior period EPS data presented is required.

Item II

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

Financial Condition

OVERVIEW

Total assets at September 30, 1997 were $1.1 billion representing a $198 million or a 22 percent increase from December 31, 1996 and a $250 million or a 30 percent increase from September 30, 1996.

On September 12, 1997, United completed the acquisition of First Clayton Bank and Trust (Clayton) of Rabun County, Georgia, with the issuance of 646,555 shares of United's common stock.

ASSETS AND FUNDING

At September 30, 1997, earning assets totaled $1 billion, an increase of $181 million from December 31, 1996. The mix of earning assets remained relatively the same during the first nine months of 1997. Loans comprised 78 percent of total earning assets, compared to 77 percent at December 31, 1996. In addition, the percentage of earning assets represented by total investment securities was 21 percent at September 30, 1997, compared to 19 percent at December 31, 1996.

Interest bearing deposits at September 30, 1997 increased $154 million from December 31, 1996, while non-interest bearing deposits increased $18 million since December 31, 1996. At September 30, 1997, deposits accounted for 94 percent of United's funding, unchanged from year end.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled $12.3 million for the nine months ended September 30, 1997. For the first nine months of 1997, net cash used by investing activities of $206 million consisted of proceeds from maturities of investment securities of $28 million, proceeds from the sale of investment securities of $21 million, offset by cash outflows of $102 million in investment securities purchases, a $148 million increase in loans outstanding and purchases of bank premises and equipment of $6 million. Net cash provided by financing activities consisted largely of the $172 million increase in deposits accounts, a net increase of $13 million in other borrowings, as well as cash proceeds of $6.5 million from the sale of common stock.

Total stockholders' equity at September 30, 1997, was 6.64 percent of total assets compared to 6.51 percent at December 31, 1996. The slight increase is attributed to the $6.6 million dollar stock offering in the second quarter of 1997 and an increase in the unrealized gain / (loss) on securities available for sale of $645 thousand, offset by the growth in assets of $198 million for the first nine months of 1997.

At September 30, 1997, the company and its bank subsidiaries were in compliance with various regulatory capital requirements administrated by the Federal banking agencies.

RESULTS OF OPERATIONS

OVERVIEW

Net earnings for the nine months ended September 30, 1997 increased to $7.7 million or 24 percent over net earnings for the first nine months of 1996. Net earnings per common share for the third quarter also increased 15 percent from the same period in 1996 to $0.39. Net interest income increased 28 percent for the three quarters ended September 30, 1997 over the same period of 1996 to $31.2 million. For the first nine months of 1997, the provision for loan losses increased over 100 percent to $2.1 million for the nine month period. Noninterest income and expense rose 27 percent and 28 percent respectively for the first nine months of 1997.

NET INTEREST INCOME

Net interest income for the nine months ended September 30, 1997 increased $6.8 million over the first nine months of 1996. This increase was the result of a $16.3 million, or 33 percent, increase in interest income and a $9.4 million, or 38 percent, increase in interest expense. The increase in interest income was primarily due to an increase in average earning assets of $237 million, or 34 percent, which more than offset a 10 basis point decline in the average yield on earning assets from 9.08 percent to 8.98 percent. The largest portion of the increase in average earning assets occurred in the average balance of loans, which increased 37 percent, or $191 million, and in total investment securities which increased $37 million. These increases were funded primarily by increases in time deposits.

Interest expense for the nine months ended September 30, 1997, increased by $9.4 million, or 38 percent. The increase in interest expense was due primarily to a 36 percent increase in total interest bearing liabilities coupled with an increase of 17 basis points in the rate paid on liabilities. The majority of the increase in interest bearing liabilities was due to a $158 million, or 39 percent, increase in time deposits via promotions in new markets. Similarly the increase in the rate paid on interest bearing liabilities is the result of a time deposits supplying a greater percentage in the overall funding mix.

NET INTEREST MARGIN

The difference between the overall interest income on earning assets and the interest expense paid on all funding sources, including noninterest bearing deposits, expressed as a percentage of earning assets, is referred to as the net interest margin. For the first nine months of 1997, the net interest margin was 4.61 percent compared to 4.85 percent for the same period in 1996. This 24 basis point decrease was primarily the result of a decrease in the overall earning asset yield of 10 basis points coupled with an increase in the average rate paid for interest bearing liabilities of 17 basis points. The decrease in the average earning asset yield is the result of a decrease in the average loan yield of 18 basis points offset slightly by an increase in the yield earned on the investment securities. The increase in the rate paid on interest bearing liabilities is attributed to time deposits representing a higher percentage of the interest bearing liability funding mix for the first nine months of 1997 over the same period in 1996.

NONINTEREST INCOME AND EXPENSE

Noninterest income for the first nine months of 1997 increased $1.1 million, or 27 percent over the same period in 1996. Service charges on deposits increased over $1.1 million, or 51 percent. The increase in service charges resulted from an increase in number of accounts and balances outstanding in transaction deposit accounts and branch openings in the western North Carolina markets. Other income increased $153 thousand; this increase is primarily attributed to an increase in gains on the sale of SBA loans. These increases in noninterest income are offset slightly by a decrease in mortgage loan and related fees, which decreased $370 thousand, as a result of increased rates for the first nine months of 1997.

Noninterest expenses increased $5 million, or 28 percent, during the first nine months of 1997 over the same period in 1996. Salaries and employee benefits increased $2.9 million, or 30 percent, for the three quarters. The increase in salaries and benefits was the result of the addition of personnel in connection with the First Bank of Habersham acquisition as well as branch openings in Bryson City, Sylva, Cashiers, and Brevard in the western North Carolina market and the opening of United Community Banks of Lumpkin County. Net occupancy expense increased 37 percent due primarily to the increase in the new facilities. Other noninterest expense, including stationary and supplies and advertising , increased $1.1 million during the first nine months of 1997. The increase in other noninterest expense is attributed to the new branches and normal business growth as discussed previously.

INCOME TAXES

Income tax expense increased during the first nine months of 1997 compared to the same period in 1996 by $400 thousand, or 12 percent. The effective tax rates for the nine months ended September 30, 1997 and 1996 were 32 percent and 34 percent, respectively. The decrease is primarily due to a higher mix of both federal and state tax-exempt interest income relative to pre-tax earnings.

PROVISION AND ALLOWANCE FOR POSSIBLE LOAN LOSSES

The provision for loan losses for the nine months ended September 30, 1997 increased to $2.1 million from the $1 million reported for the same period in 1996. Management considers the size and character of the loan portfolio, changes in nonperforming and past due loans, historical loan loss experience, the existing risk of individual loans, concentrations of loans to specific borrowers and existing, and prospective economic conditions when determining the adequacy of the allowance for loan losses. The allowance for loan losses at September 30, 1997 was $10 million compared to $8.1 million at December 31, 1996. The ratio of the allowance for loan losses to loans outstanding at September 30, 1997 was 1.28 percent compared to 1.30 percent at December 31, 1996. It is management's belief that the allowance for loan losses is adequate to absorb probable loss in the portfolio.

NONPERFORMING ASSETS AND PAST DUE LOANS

Nonperforming assets, comprised of nonaccrual loans, other real estate owned and loans for which payments are more than 90 days past due, totaled $ 1.6 million at September 30, 1997 compared to $1.0 million at September 30, 1996. Nonperforming assets as a percentage of total loans and other real estate owned was .20 percent at September 30, 1997 and .17 percent at September 30, 1996.

United regularly monitors selected accruing loans for which general economic conditions or changes within a particular industry could cause the borrowers financial difficulties. This continuous monitoring of the loan portfolio and the related identification of loans with a high degree of credit risk are essential parts of United's credit management. Management continues to emphasize maintaining a low level of nonperforming assets and returning current nonperforming assets to an earning status.

At September 30, 1997, management was unaware of any known trends, events or uncertainties that will have or that are reasonably likely to have a material effect on United's liquidity, capital resources or operations.

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 Security Holders - None

Item 5. Other Information -

On August 21, 1997, United executed a Purchase and Assumption Agreement to acquire certain assets and deposit liabilities of the Ellijay office of The Bank of North Georgia. This branch office had total loans of $3 million, and total deposits of $23 million.

Item 6. Exhibits and Reports on Form 8-K

Exhibit 27 - Financial Data Schedule (for SEC use only)

There were no Reports on Form 8-K.

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
Jimmy C. Tallent, President
(Principal Executive Officer)

Date: November 14, 1997

By: /s/ Christopher J. Bledsoe
Christopher J. Bledsoe
Chief Financial Officer
(Principal Financial Officer)

Date: November 14, 1997

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